

**LONGHORN TOWN UTILITY DISTRICT
OF HARRIS COUNTY, TEXAS
ANNUAL FINANCIAL REPORT
JUNE 30, 2023**

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Longhorn Town Utility District
Harris County, Texas

Opinions

We have audited the accompanying financial statements of the governmental activities and major fund of Longhorn Town Utility District (the "District") as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and major fund of the District as of June 30, 2023, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - General Fund be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Board of Directors
Longhorn Town Utility District

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The supplementary information required by the Texas Commission on Environmental Quality as published in the *Water District Financial Management Guide* is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The supplementary information, excluding that portion marked "Unaudited" on which we express no opinion or provide an assurance, has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.



McCall Gibson Swedlund Barfoot PLLC
Certified Public Accountants
Houston, Texas

October 5, 2023

LONGHORN TOWN UTILITY DISTRICT
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2023

Management’s discussion and analysis of the financial performance of Longhorn Town Utility District (the “District”) provides an overview of the District’s financial activities for the fiscal year ended June 30, 2023. Please read it in conjunction with the District’s financial statements.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The basic financial statements include: (1) combined fund financial statements and government-wide financial statements and (2) notes to the financial statements. The combined fund financial statements and government-wide financial statements combine both: (1) the Statement of Net Position and Governmental Fund Balance Sheet and (2) the Statement of Activities and Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balance. This report also includes required and other supplementary information in addition to the basic financial statements.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The District’s annual report includes two financial statements combining the government-wide financial statements and the fund financial statements. The government-wide portion of these statements provides both long-term and short-term information about the District’s overall status. Financial reporting at this level uses a perspective similar to that found in the private sector with its basis in full accrual accounting and elimination or reclassification of internal activities.

The Statement of Net Position includes all of the District’s assets and liabilities with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District as a whole is improving or deteriorating. Evaluation of the overall health of the District would extend to other non-financial factors.

The government-wide portion of the Statement of Activities reports how the District’s net position changed during the current fiscal year. All current year revenues and expenses are included regardless of when cash is received or paid.

FUND FINANCIAL STATEMENTS

The combined statements also include fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District has one governmental fund type. The General Fund accounts for resources not accounted for in another fund, customer service revenues, operating costs and general expenditures.

**LONGHORN TOWN UTILITY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2023**

FUND FINANCIAL STATEMENTS (Continued)

Governmental funds are reported in each of the financial statements. The focus in the fund statements provides a distinctive view of the District's governmental funds. These statements report short-term fiscal accountability focusing on the use of spendable resources and balances of spendable resources available at the end of the year. They are useful in evaluating annual financing requirements of the District and the commitment of spendable resources for the near-term.

Since the government-wide focus includes the long-term view, comparisons between these two perspectives may provide insight into the long-term impact of short-term financing decisions. The adjustments columns, the Reconciliation of the Governmental Fund Balance Sheet to the Statement of Net Position and the Reconciliation of the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balance to the Statement of Activities explains the differences between the two presentations and assists in understanding the differences between these two perspectives.

NOTES TO THE FINANCIAL STATEMENTS

The accompanying notes to the financial statements provide information essential to a full understanding of the government-wide and fund financial statements.

OTHER INFORMATION

In addition to the financial statements and accompanying notes, this report also presents certain required supplementary information ("RSI") and other supplementary information. A budgetary comparison schedule is included as RSI for the General Fund.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of the District's financial position. In the case of the District, assets exceeded liabilities by \$8,059,373 as of June 30, 2023. A portion of the District's net position reflects its investment in capital assets which includes land and land improvements, water, wastewater and drainage facilities.

LONGHORN TOWN UTILITY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2023

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

A comparative analysis of government-wide changes in net position is presented below.

	Summary of Changes in the Statement of Net Position		
	2023	2022	Change Positive (Negative)
Current and Other Assets	\$ 3,902,012	\$ 3,524,486	\$ 377,526
Capital Assets (Net of Accumulated Depreciation)	4,420,528	4,645,312	(224,784)
Total Assets	\$ 8,322,540	\$ 8,169,798	\$ 152,742
Total Liabilities	\$ 263,167	\$ 169,413	\$ (93,754)
Net Position:			
Investment in Capital Assets	\$ 4,420,528	\$ 4,645,312	\$ (224,784)
Unrestricted	3,638,845	3,355,073	283,772
Total Net Position	\$ 8,059,373	\$ 8,000,385	\$ 58,988

The following table provides a summary of the District's operations for the years ending June 30, 2023, and June 30, 2022.

	Summary of Changes in the Statement of Activities		
	2023	2022	Change Positive (Negative)
Revenues:			
Property Taxes	\$ 729,260	\$ 780,253	\$ (50,993)
Charges for Services	466,846	415,712	51,134
Other Revenues	127,152	46,949	80,203
Total Revenues	\$ 1,323,258	\$ 1,242,914	\$ 80,344
Expenses for Services	1,264,270	905,258	(359,012)
Change in Net Position	\$ 58,988	\$ 337,656	\$ (278,668)
Net Position, Beginning of Year	8,000,385	7,662,729	337,656
Net Position, End of Year	\$ 8,059,373	\$ 8,000,385	\$ 58,988

**LONGHORN TOWN UTILITY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2023**

FINANCIAL ANALYSIS OF THE DISTRICT'S GOVERNMENTAL FUND

The District's General Fund fund balance as of June 30, 2023, was \$3,617,483, an increase of \$279,010 from the prior year primarily due to service revenues and property tax revenues exceeding operating and administrative expenditures.

GENERAL FUND BUDGETARY HIGHLIGHTS

The Board of Directors annually adopts an unappropriated budget for the General Fund. The budget was amended to decrease projected property tax revenues and contracted service costs. Actual revenues were \$192,249 more than budgeted revenues and actual expenditures were \$257,036 more than budgeted expenditures which resulted in a negative budget variance of \$64,787. See the budget to actual comparison for more information.

CAPITAL ASSETS

Capital assets as of June 30, 2023, total \$4,420,528 (net of accumulated depreciation) and include land and land improvements, as well as the water, wastewater and drainage systems. Additional information on the District's capital assets can be found in Note 6 of this report.

Capital Assets At Year-End			
	2023	2022	Change Positive (Negative)
Capital Assets Not Being Depreciated:			
Land and Land Improvements	\$ 727,337	\$ 727,337	\$
Capital Assets Subject to Depreciation:			
Water System	3,179,121	3,179,121	
Wastewater System	3,151,891	3,151,891	
Drainage System	3,151,791	3,151,791	
Less Accumulated Depreciation	(5,789,612)	(5,564,828)	(224,784)
Total Net Capital Assets	\$ 4,420,528	\$ 4,645,312	\$ (224,784)

**LONGHORN TOWN UTILITY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2023**

LONG-TERM DEBT ACTIVITY

The District does not currently have any outstanding long-term debt.

CURRENTLY KNOWN FACTS, DECISIONS, OR CONDITIONS

The adopted budget for fiscal year 2024 projects a General Fund fund balance increase of \$129,591. Revenues are budgeted to be \$1,310,900 while expenditures are budgeted to be \$1,181,309.

CONTACTING THE DISTRICT'S MANAGEMENT

This financial report is designed to provide a general overview of the District's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Longhorn Town Utility District, c/o Schwartz, Page & Harding, L.L.P., 1300 Post Oak Blvd., Suite 2400, Houston, TX 77056.

LONGHORN TOWN UTILITY DISTRICT
STATEMENT OF NET POSITION AND
GOVERNMENTAL FUND BALANCE SHEET
JUNE 30, 2023

	General Fund	Adjustments	Statement of Net Position
ASSETS			
Cash	\$ 294,702	\$	\$ 294,702
Investments	3,483,477		3,483,477
Receivables:			
Property Taxes	17,834		17,834
Penalty and Interest on Delinquent Taxes		3,528	3,528
Service Accounts	31,885		31,885
Accrued Interest	13,926		13,926
City of Houston	7,121		7,121
Shared Facilities Operating Advance	49,539		49,539
Land and Land Improvements		727,337	727,337
Capital Assets		3,693,191	3,693,191
TOTAL ASSETS	\$ 3,898,484	\$ 4,424,056	\$ 8,322,540
LIABILITIES			
Accounts Payable	\$ 207,717	\$	\$ 207,717
Security Deposits	55,450		55,450
TOTAL LIABILITIES	\$ 263,167	\$ -0-	\$ 263,167
DEFERRED INFLOWS OF RESOURCES			
Property Taxes	\$ 17,834	\$ (17,834)	\$ -0-
FUND BALANCE			
Nonspendable - Operating Advance	\$ 49,539	\$ (49,539)	\$
Unassigned	3,567,944	(3,567,944)	
TOTAL FUND BALANCE	\$ 3,617,483	\$ (3,617,483)	\$ - 0 -
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	\$ 3,898,484		
NET POSITION			
Investment in Capital Assets		\$ 4,420,528	\$ 4,420,528
Unrestricted		3,638,845	3,638,845
TOTAL NET POSITION		\$ 8,059,373	\$ 8,059,373

The accompanying notes to the financial statements are an integral part of this report.

LONGHORN TOWN UTILITY DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2023

Total Fund Balance - Governmental Fund \$ 3,617,483

Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in the governmental funds. 4,420,528

Deferred tax revenues and deferred penalty and interest receivable on delinquent taxes for the 2022 and prior tax levies became part of recognized revenue in the governmental activities of the District. 21,362

Total Net Position - Governmental Activities \$ 8,059,373

The accompanying notes to the financial statements are an integral part of this report.

LONGHORN TOWN UTILITY DISTRICT
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUND STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2023

	General Fund	Adjustments	Statement of Activities
REVENUES			
Property Taxes	\$ 725,424	\$ 3,836	\$ 729,260
Water Service	191,694		191,694
Wastewater Service	88,561		88,561
Sales Tax Revenues	32,890		32,890
Groundwater Reduction Plan Fees	178,841		178,841
Penalty and Interest	6,824	926	7,750
Investment and Miscellaneous Revenues	94,262		94,262
TOTAL REVENUES	\$ 1,318,496	\$ 4,762	\$ 1,323,258
EXPENDITURES/EXPENSES			
Service Operations:			
Professional Fees	\$ 93,264		\$ 93,264
Contracted Services	92,333		92,333
Purchased Wastewater Service	212,217		212,217
Utilities	58,589		58,589
Groundwater Reduction Plan Costs	267,151		267,151
Repairs and Maintenance	238,011		238,011
Depreciation		224,784	224,784
Other	77,921		77,921
TOTAL EXPENDITURES/EXPENSES	\$ 1,039,486	\$ 224,784	\$ 1,264,270
NET CHANGE IN FUND BALANCE	\$ 279,010	\$ (279,010)	\$
CHANGE IN NET POSITION		58,988	58,988
FUND BALANCE/NET POSITION - JULY 1, 2022	3,338,473	4,661,912	8,000,385
FUND BALANCE/NET POSITION - JUNE 30, 2023	\$ 3,617,483	\$ 4,441,890	\$ 8,059,373

The accompanying notes to the financial statements are an integral part of this report.

LONGHORN TOWN UTILITY DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUND STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2023

Net Change in Fund Balance - Governmental Fund	\$	279,010
<p>Amounts reported for governmental activities in the Statement of Activities are different because:</p>		
<p>Governmental funds report tax revenues when collected. However, in the Statement of Activities, revenue is recorded in the accounting period for which the taxes are levied.</p>		3,836
<p>Governmental funds report penalty and interest revenue on property taxes when collected. However, in the Statement of Activities, revenue is recorded when penalties and interest are assessed.</p>		926
<p>Governmental funds do not account for depreciation. However, in the Statement of Net Position, capital assets are depreciated and depreciation expense is recorded in the Statement of Activities.</p>		<u>(224,784)</u>
Change in Net Position - Governmental Activities	\$	<u>58,988</u>

The accompanying notes to the financial statements are an integral part of this report.

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LONGHORN TOWN UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 1. CREATION OF DISTRICT

Longhorn Town Utility District (the “District”), located in Harris County, Texas, was created by Acts of the 62nd Legislature of the State of Texas effective June 4, 1971. Pursuant to the provisions of Chapters 49 and 54 of the Texas Water Code, the District is empowered to purchase, operate and maintain all facilities, plants and improvements necessary to provide water, sanitary sewer service, storm sewer drainage, irrigation, solid waste collection and disposal, including recycling, parks and recreational facilities for the residents of the District. The Board of Directors held its first meeting on August 25, 1977, and the first bonds were sold on May 22, 1985.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America as promulgated by the Governmental Accounting Standards Board (“GASB”). In addition, the accounting records of the District are maintained generally in accordance with the *Water District Financial Management Guide* published by the Texas Commission on Environmental Quality (the “Commission”).

The District is a political subdivision of the State of Texas governed by an elected board. GASB has established the criteria for determining whether or not an entity is a primary government or a component unit of a primary government. The primary criteria are that it has a separately elected governing body, it is legally separate, and it is fiscally independent of other state and local governments. Under these criteria, the District is considered a primary government and is not a component unit of any other government. Additionally, no other entities meet the criteria for inclusion in the District’s financial statement as component units.

The District is a participant with other districts in a joint wastewater treatment plant. See Note 10 for further disclosure.

Financial Statement Presentation

These financial statements have been prepared in accordance with GASB Codification of Governmental Accounting and Financial Reporting Standards Part II, Financial Reporting (“GASB Codification”).

GASB Codification sets forth standards for external financial reporting for all state and local government entities, which include a requirement for a Statement of Net Position and a Statement of Activities. It requires the classification of net position into three components: Net Investment in Capital Assets; Restricted; and Unrestricted.

LONGHORN TOWN UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Statement Presentation (Continued)

These classifications are defined as follows:

- Net Investment in Capital Assets – This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.
- Restricted Net Position – This component of net position consists of external constraints placed on the use of assets imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulation of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- Unrestricted Net Position – This component of net position consists of assets that do not meet the definition of Restricted or Net Investment in Capital Assets.

When restricted and unrestricted resources are available for use, generally it is the District's policy to use restricted resources first.

Government-Wide Financial Statements

The Statement of Net Position and the Statement of Activities display information about the District as a whole. The District's Statement of Net Position and Statement of Activities are combined with the governmental fund financial statements. The District is viewed as a special-purpose government and has the option of combining these financial statements.

The Statement of Net Position is reported by adjusting the governmental fund types to report on the full accrual basis, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. Any amounts recorded due to and due from other funds are eliminated in the Statement of Net Position.

The Statement of Activities is reported by adjusting the governmental fund types to report only items related to current year revenues and expenditures. Items such as capital outlay are allocated over their estimated useful lives as depreciation expense. Internal activities between governmental funds, if any, are eliminated by adjustment to obtain net total revenue and expense of the government-wide Statement of Activities.

LONGHORN TOWN UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Financial Statements

The District's fund financial statements are combined with the government-wide financial statements. The fund financial statements include a Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balances.

Governmental Fund

The District has one governmental fund and considers it to be a major fund. The General Fund accounts for resources not required to be accounted for in another fund, customer service revenues, operating costs and general expenditures.

Basis of Accounting

The District uses the modified accrual basis of accounting for governmental fund types. The modified accrual basis of accounting recognizes revenues when both "measurable and available." Measurable means the amount can be determined. Available means collectable within the current period or soon enough thereafter to pay current liabilities. The District considers revenue reported in governmental funds to be available if they are collectable within 60 days after year end. Also, under the modified accrual basis of accounting, expenditures are recorded when the related fund liability is incurred.

Property taxes considered available by the District and included in revenue include taxes collected during the year and taxes collected after year-end, which were considered available to defray the expenditures of the current year. Deferred inflows of resources related to property tax revenues are those taxes which the District does not reasonably expect to be collected soon enough in the subsequent period to finance current expenditures.

Amounts transferred from one fund to another fund are reported as other financing sources or uses. Loans by one fund to another fund and amounts paid by one fund for another fund are reported as interfund receivables and payables in the Governmental Fund Balance Sheet if there is intent to repay the amount and if the debtor fund has the ability to repay the advance on a timely basis.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the government-wide Statement of Net Position. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Repairs and maintenance are recorded as expenditures in the governmental fund incurred and as an expense in the government-wide Statement of Activities.

LONGHORN TOWN UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets (Continued)

Capital asset additions, improvements and preservation costs, that extend the life of an asset, are capitalized and depreciated over the estimated useful life of the asset. Engineering fees and certain other costs are capitalized as part of the asset.

Assets are capitalized, including infrastructure assets, if they have an original cost greater than \$5,000 and a useful life over two years. Depreciation is calculated on each class of depreciable property using the straight-line method of depreciation. Estimated useful lives are as follows:

	Years
Water System	10-45
Wastewater System	10-45
Drainage System	10-40

Service Accounts Receivable

The District provides for uncollectible accounts receivable through the allowance method of accounting. Under this method a provision for uncollectible accounts is charged to bad debt expense, and the allowance account is increased based on past collection history and management’s evaluation of accounts receivable. All amounts considered uncollectible are charged against the allowance account, and recoveries of previously charged off accounts are added to the account. At June 30, 2023, the District had no allowance for doubtful accounts.

Measurement Focus

Measurement focus is a term used to describe which transactions are recognized within the various financial statements. In the government-wide Statement of Net Position and Statement of Activities, the governmental activities are presented using the economic resources measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position, financial position, and cash flows. All assets and liabilities associated with the activities are reported. Fund equity is classified as net position.

Governmental fund types are accounted for on a spending or financial flow measurement focus. Accordingly, only current assets and current liabilities are included on the Balance Sheet, and the reported fund balances provide an indication of available spendable or appropriable resources. Operating statements of governmental fund types report increases and decreases in available spendable resources.

LONGHORN TOWN UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus (Continued)

Fund balances in governmental funds are classified using the following hierarchy:

Nonspendable: amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted: amounts that can be spent only for specific purposes because of constitutional provisions, or enabling legislation, or because of constraints that are imposed externally. The District does not have any restricted fund balances.

Committed: amounts that can be spent only for purposes determined by a formal action of the Board of Directors. The Board is the highest level of decision-making authority for the District. This action must be made no later than the end of the fiscal year. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the Board. The District does not have any committed fund balances.

Assigned: amounts that do not meet the criteria to be classified as restricted or committed, but that are intended to be used for specific purposes. The District has not adopted a formal policy regarding the assignment of fund balances and does not have any assigned fund balances.

Unassigned: all other spendable amounts in the General Fund.

When expenditures are incurred for which restricted, committed, assigned or unassigned fund balances are available, the District considers amounts to have been spent first out of restricted funds, then committed funds, then assigned funds, and finally unassigned funds.

Budgeting

An annual unappropriated budget is adopted for the General Fund by the District's Board of Directors. The budget is prepared using the same method of accounting as for financial reporting. The original General Fund budget for the current year was amended. The Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund presents the adopted and amended, if any, budgeted amounts compared to the actual amounts of revenues and expenditures for the current year.

Pensions

The District has not established a pension plan as the District does not have employees. The Internal Revenue Service has determined that fees of office received by Directors are considered to be wages subject to federal income tax withholding for payroll purposes only.

LONGHORN TOWN UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounting Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

NOTE 3. LONG-TERM DEBT

As of June 30, 2023, the District has authorized but unissued bonds in the amount of \$13,295,000 for the purpose of acquiring or constructing water, sewer and drainage facilities and \$24,292,584 for refunding purposes.

NOTE 4. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets, errors and omissions and natural disasters for which the District carries commercial insurance. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years.

NOTE 5. DEPOSITS AND INVESTMENTS

Deposits

Custodial credit risk is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The District's deposit policy for custodial credit risk requires compliance with the provisions of Texas statutes.

Texas statutes require that any cash balance in any fund shall, to the extent not insured by the Federal Deposit Insurance Corporation or its successor, be continuously secured by a valid pledge to the District of securities eligible under the laws of Texas to secure the funds of the District, having an aggregate market value, including accrued interest, at all times equal to the uninsured cash balance in the fund to which such securities are pledged. At fiscal year end, the carrying amount of the District's deposits was \$1,479,522 and the bank balance was \$1,490,627. The District was not exposed to custodial credit risk at year-end.

LONGHORN TOWN UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 5. DEPOSITS AND INVESTMENTS (Continued)

Deposits (Continued)

The carrying values of the deposits are included in the Governmental Fund Balance Sheet and the Statement of Net Position at June 30, 2023, as listed below:

	Cash	Certificates of Deposit	Total
GENERAL FUND	\$ 294,702	\$ 1,184,820	\$ 1,479,522

Investments

Under Texas law, the District is required to invest its funds under written investment policies that primarily emphasize safety of principal and liquidity and that address investment diversification, yield, maturity, and the quality and capability of investment management, and all District funds must be invested in accordance with the following investment objectives: understanding the suitability of the investment to the District’s financial requirements, first; preservation and safety of principal, second; liquidity, third; marketability of the investments if the need arises to liquidate the investment before maturity, fourth; diversification of the investment portfolio, fifth; and yield, sixth. The District’s investments must be made “with judgment and care, under prevailing circumstances, that a person of prudence, discretion, and intelligence would exercise in the management of the person’s own affairs, not for speculation, but for investment, considering the probable safety of capital and the probable income to be derived.” No person may invest District funds without express written authority from the Board of Directors.

Texas statutes include specifications for and limitations applicable to the District and its authority to purchase investments as defined in the Public Funds Investment Act. The District has adopted a written investment policy to establish the guidelines by which it may invest. This policy is reviewed annually. The District’s investment policy may be more restrictive than the Public Funds Investment Act.

The District invests in Texas Cooperative Liquid Assets Securities System Trust (“TexasCLASS”), an external public funds investment pool that is not SEC-registered. Public Trust Advisors, LLC serves as the pool’s administrator and investment advisor. The pool is subject to the general supervision of the Board of Trustees and its Advisory Board. UMB Bank, N.A. serves as custodian for the pool. Investments held by TexasCLASS are priced to market on a weekly basis. The investments are considered to be Level I investments because their fair value is measured by quoted prices in active markets. The fair value of the District’s position in the pool is the same as the value of the pool shares. There are no limitations or restrictions on withdrawals from TexasCLASS.

LONGHORN TOWN UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 5. DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

The District records its investments in certificates of deposit at acquisition cost.

The District also utilizes the Certificate of Deposit Account Registry Service, known as CDARS. It is a service administered by Promontory Interfinancial Network which allows the District to receive FDIC deposit insurance on certificate of deposit balances in excess of the current FDIC limit.

As of June 30, 2023, the District had the following investments and maturities:

Fund and Investment Type	Fair Value	Maturities of Less Than 1 Year
<u>GENERAL FUND</u>		
TexasCLASS	\$ 2,298,657	\$ 2,298,657
Certificates of Deposit	<u>1,184,820</u>	<u>1,184,820</u>
TOTAL INVESTMENTS	<u>\$ 3,483,477</u>	<u>\$ 3,483,477</u>

Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. At June 30, 2023, the District's investment in TexasCLASS were rated AAAM by Standard and Poor's. The District also manages credit risk by investing in certificates of deposit covered by FDIC insurance and pledged collateral as well as CDARS.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District considers the investment in TexasCLASS to have a maturity of less than one year due to the fact the share position can usually be redeemed each day at the discretion of the District, unless there has been a significant change in value. The District also manages interest rate risk by investing in certificates of deposit with maturities of less than one year.

LONGHORN TOWN UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 6. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2023, is summarized in the following table:

	July 1, 2022	Increases	Decreases	June 30, 2023
Capital Assets Not Being Depreciated				
Land and Land Improvements	\$ 727,337	\$ - 0 -	\$ - 0 -	\$ 727,337
Capital Assets Subject to Depreciation				
Water System	\$ 3,179,121	\$	\$	\$ 3,179,121
Wastewater System	3,151,891			3,151,891
Drainage System	3,151,791			3,151,791
Total Capital Assets Subject to Depreciation	\$ 9,482,803	\$ - 0 -	\$ - 0 -	\$ 9,482,803
Accumulated Depreciation				
Water System	\$ 1,836,031	\$ 83,124	\$	\$ 1,919,155
Wastewater System	1,659,596	71,620		1,731,216
Drainage System	2,069,201	70,040		2,139,241
Total Accumulated Depreciation	\$ 5,564,828	\$ 224,784	\$ - 0 -	\$ 5,789,612
Total Depreciable Capital Assets, Net of Accumulated Depreciation	\$ 3,917,975	\$ (224,784)	\$ - 0 -	\$ 3,693,191
Total Capital Assets, Net of Accumulated Depreciation	\$ 4,645,312	\$ (224,784)	\$ - 0 -	\$ 4,420,528

NOTE 7. MAINTENANCE TAX

On August 11, 1984, the voters of the District approved the levy and collection of a maintenance tax not to exceed \$0.50 per \$100 of assessed valuation of taxable property within the District. During the fiscal year ended June 30, 2023, the District levied an ad valorem maintenance tax rate of \$0.26 per \$100 of assessed valuation, which resulted in a tax levy of \$730,598 on the adjusted taxable valuation of \$281,000,212 for the 2022 tax year. This maintenance tax is to be used to pay expenditures of operating the District's water, wastewater and drainage systems.

All property values and exempt status, if any, are determined by the appraisal district. Assessed values are determined as of January 1 of each year, at which time a tax lien attaches to the related property. Taxes are levied around October/November, are due upon receipt and are delinquent the following February 1. Penalty and interest attach thereafter.

LONGHORN TOWN UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 8. EMERGENCY WATER SUPPLY AGREEMENTS

On March 13, 1985, the District entered into a contract with Harris County Municipal Utility District No. 216 (“District No. 216”) providing for the supply of emergency water between the District and District No. 216. The agreement was amended pursuant to First Amendment dated May 22, 1985, and Second Amendment dated November 15, 2010. Under the terms of the agreement, District No. 216 provided for the acquisition, construction, operation and maintenance of the interconnect facilities. Each District equally shared in the cost of construction and maintenance. Each District supplies water to the other on an emergency basis.

The Second Amendment set the rate charged at \$1.00 per 1,000 gallons of average daily usage, as defined in the agreement, plus any applicable import or export fees. The term of the agreement is 40 years.

On September 10, 1996, the District executed an Emergency Water Supply Contract with Harris County Municipal Utility District No. 345 (“District No. 345”). Each district was responsible for having waterlines constructed to a point of interconnection. The District constructed the cut-off valve to connect the two systems. The agreement provides for the supply of water during an emergency, as defined by the agreement. On October 7, 2010, the District executed the Restated Emergency Water Supply Contract which set the rate for water under the terms of this agreement at \$0.75 per 1,000 gallons of average daily usage, as defined in the agreement, plus any applicable import or export fees. On August 5, 2021, the District executed the First Amendment to the Restated Emergency Water Supply Contract which set the rate for water under the terms of this agreement at \$1.00 per 1,000 gallons of average daily usage, as defined in the agreement, plus any applicable import or export fees. The term of the contract is 50 years.

On October 7, 2010, the District executed an Emergency Water Supply Contract with District No. 345, Harris County Municipal Utility District No. 346 (“District No. 346”) and West Park Municipal Utility District (“West Park”). District No. 345, District No. 346 and the District were responsible for a pro-rata portion of costs related to construction of a waterline to the point of interconnect and an interconnect with West Park’s water supply system. The rate for water under the terms of this agreement is \$0.75 per 1,000 gallons of water usage, plus any applicable import or export fees.

On April 17, 2023, the parties executed the First Amendment to Emergency Water Supply Contract which set the rate for water under the terms of this agreement at \$1.00 per 1,000 gallons of water usage as reflected by the metering equipment at the Point of Interconnect, as defined in the agreement, plus any additional groundwater reduction plan fees or export fees.

LONGHORN TOWN UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023

**NOTE 9. JOINT FINANCING, CONSTRUCTION, AND MAINTENANCE OF
SANITARY SEWER FACILITIES**

On December 22, 1994, the District executed an agreement with Second Baptist Church and District No. 345 for the financing, construction and maintenance of sanitary sewer lines, a force main and a lift station to serve properties within and outside the boundaries of District No. 345 and the District. The joint use facilities constructed pursuant to the agreement serve the requirements of the participants with respect to sanitary sewer collection and transportation from the properties to a permanent wastewater treatment plant constructed within the District. In addition, the District sold capacity in its existing sanitary sewer line to District No. 345. District No. 345 directed the construction of the joint use facilities. The District holds legal title to and maintains the existing line and the joint use facilities within the boundaries of the District. District No. 345 holds legal title to and maintains the joint use facilities within its boundaries and outside the boundaries of both District No. 345 and the District.

Each participant has an interest in, and the use and benefit of, capacity in each segment of the joint use facilities in the proration determined by dividing each participant's right to use components or existing lines (expressed in gallons-per-day) by the total flow discharge to such component or existing lines or any segment (also expressed in gallons-per-day) and multiplying such quotient by the total cost or amount in question. This agreement is in force and effect for a term of 40 years from and after the date first written.

The District and District No. 345 also entered into an agreement dated December 1, 1997, for the joint financing, construction and maintenance of sanitary sewer facilities. On November 16, 2015, the First Amendment to the agreement added a 36-inch sanitary sewer line and a 30-inch sanitary sewer line as Segment G. Beneficial ownership in Segment G is 56% by the District and 44% by District No. 345.

NOTE 10. WASTE DISPOSAL AGREEMENT

On December 22, 1994, the District executed a Waste Disposal Agreement with District No. 345 and Baker Road Municipal Utility District ("Baker Road"). First, Second, Third, Fourth, Fifth and Sixth Amendments to the Waste Disposal Agreement were executed July 22, 1996, October 28, 1996, January 12, 1998, February 1, 1999, May 11, 2005, and November 16, 2015, respectively. In accordance with the First Amendment, the term of the Waste Disposal Agreement, including all amendments, is 50 years from the effective date of the agreement. The agreement provides for the construction and operation of a 710,000 gpd permanent wastewater treatment plant which was completed in a prior fiscal year.

Pursuant to the Fifth Amendment to the Waste Disposal Agreement, the ownership of capacity is summarized in the table on the following page.

LONGHORN TOWN UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 10. WASTE DISPOSAL AGREEMENT (Continued)

	<u>Capacity in Gallons-Per-Day</u>	<u>Percentage of Total Capacity</u>
Longhorn Town Utility District	306,775	43.20%
Harris County Municipal Utility District No. 345	237,882	33.51
Baker Road Municipal Utility District	<u>165,343</u>	<u>23.29</u>
	<u>710,000</u>	<u>100.00%</u>

Each district funds its share of plant operations based on its relative share of total capacity. Each district has also funded its share of a three-month operating reserve with the District's share totaling \$49,539. During the current fiscal year, the District incurred operating costs of \$212,217.

The following summary financial data of the plant is presented for the fiscal year ended January 31, 2023, which is the most recent audited financial data on the plant. Separate financial statements can be obtained by contacting Schwartz, Page & Harding, LLP.

Total Assets	\$ 145,790
Total Liabilities	<u>110,153</u>
Total Fund Balance	<u>\$ 35,637</u>
Total Revenues and Transfers	\$ 349,892
Total Expenditures	<u>384,878</u>
Net Change in Fund Balance	\$ (34,986)
Beginning Fund Balance	<u>70,623</u>
Ending Fund Balance	<u>\$ 35,637</u>

NOTE 11. WATER SUPPLY AND GRP AGREEMENT

On July 11, 2003, the District entered into a City of Houston Water Supply and Groundwater Reduction Plan Agreement ("GRP Agreement") for Regulatory Area 3 of the Harris-Galveston Subsidence District (the "Subsidence District") with the City of Houston, Texas (the "City"). Under the terms of the agreement, the City is responsible for the design, construction and operation of a project to achieve regulatory compliance with the Subsidence District's requirements to reduce the total amount of groundwater withdrawn by non-exempt Area 3 pumpers of groundwater from wells. The Subsidence District's deadlines are as follows: January 2005 for commencement of construction of the initial phase; January 2010 deadline for reduction of groundwater withdrawals such that the City and participants, including the District, have a total withdrawal of groundwater of no more than 70% of overall demand; and subsequent deadlines in 2025 and 2035 for further reduction of groundwater withdrawals.

LONGHORN TOWN UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 11. WATER SUPPLY AND GRP AGREEMENT (Continued)

The District must begin taking surface water under the GRP Agreement, if ever, at a date to be decided by the City, but not earlier than, January 1, 2010. The City will determine the minimum amount of water to be taken and establish maximum peak rates of flow. The City can specify where the District will connect to the City's system. The City is responsible for the development of a Groundwater Reduction Plan ("GRP") for itself, the District and all other entities who execute a similar agreement with the City. The GRP will include a plan to supply treated water to GRP participants from alternative sources and a plan for co-permitting all groundwater wells owned or controlled by the other participants in accordance with requirements of the Subsidence District. The City and District agree to cooperate to allow co-permitting of their wells under the Subsidence District's rules as provided in the GRP. Payments commenced during 2004. The amount to be paid by the District under the GRP Agreement is governed by formulas which are specified in the GRP Agreement based on whether the District has connected to the project or not, as well as quantity of groundwater pumped by the District, and the base contract treated water rate per thousand gallons as set by City ordinance. The current formula requires the District to pay 58.5% of the City's contract treated water rate, which, at June 30, 2023, was \$4.29 per each 1,000 gallons of groundwater pumped by the District. During the current fiscal year, the District expensed \$267,151 under the terms of this agreement. The term of the agreement extends until noon on December 31, 2040, unless terminated sooner pursuant to the terms of the agreement.

NOTE 12. STRATEGIC PARTNERSHIP AGREEMENT

Effective August 1, 2006, the District entered into a Strategic Partnership Agreement ("SPA") with the City. The SPA provides that in accordance with Subchapter F of Chapter 43 of the Local Government Code and Act, the City shall annex the land within the District which is developed for retail and commercial purposes (the "Tract") for the limited purposes of applying the City's planning, zoning, health, and safety ordinances within the Tract. Areas of residential development within the District are not subject to the limited purpose annexation. The District will continue to develop, own, and operate and maintain a water, wastewater, and drainage system in the District. The term of this agreement is 30 years from the effective date during which period the City will not annex the District for full purposes. Upon the limited purpose annexation of the Tract, the City imposed a sales and use tax within the boundaries of the Tract. The sales and use tax is imposed on the receipts from the sale and use at retail of taxable items at the rate of one percent or the rate specified under the future amendments to Chapter 321 of the Tax Code. The City has agreed to pay to the District an amount equal to one-half of all sales and use tax revenues generated within the boundaries of the Tract. The City has agreed to deliver to the District its share of the sales tax receipts within 30 days of the City receiving the funds from the State Comptroller's office. The District recognized \$32,890 from the City in accordance with the SPA during the current fiscal year.

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LONGHORN TOWN UTILITY DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

JUNE 30, 2023

LONGHORN TOWN UTILITY DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2023

	<u>Original Budget</u>	<u>Amended and Final Budget</u>	<u>Actual</u>	Variance Positive (Negative)
REVENUES				
Property Taxes	\$ 669,043	\$ 643,947	\$ 725,424	\$ 81,477
Water Service	179,100	179,100	191,694	12,594
Wastewater Service	85,600	85,600	88,561	2,961
Sales Tax Revenues	33,700	33,700	32,890	(810)
Groundwater Reduction Plan Fees	152,300	152,300	178,841	26,541
Penalty and Interest	2,200	2,200	6,824	4,624
Investment and Miscellaneous Revenues	<u>29,400</u>	<u>29,400</u>	<u>94,262</u>	<u>64,862</u>
TOTAL REVENUES	<u>\$ 1,151,343</u>	<u>\$ 1,126,247</u>	<u>\$ 1,318,496</u>	<u>\$ 192,249</u>
EXPENDITURES				
Service Operations:				
Professional Fees	\$ 89,000	\$ 89,000	\$ 93,264	\$ (4,264)
Contracted Services	72,400	53,400	92,333	(38,933)
Purchased Wastewater Service	135,500	135,500	212,217	(76,717)
Utilities	43,000	43,000	58,589	(15,589)
Groundwater Reduction Plan Costs	152,300	152,300	267,151	(114,851)
Repairs and Maintenance	119,500	119,500	238,011	(118,511)
Other	89,750	89,750	77,921	11,829
Capital Outlay	<u>100,000</u>	<u>100,000</u>	<u> </u>	<u>100,000</u>
TOTAL EXPENDITURES	<u>\$ 801,450</u>	<u>\$ 782,450</u>	<u>\$ 1,039,486</u>	<u>\$ (257,036)</u>
NET CHANGE IN FUND BALANCE	\$ 349,893	\$ 343,797	\$ 279,010	\$ (64,787)
FUND BALANCE - JULY 1, 2022	<u>3,338,473</u>	<u>3,338,473</u>	<u>3,338,473</u>	<u> </u>
FUND BALANCE - JUNE 30, 2023	<u>\$ 3,688,366</u>	<u>\$ 3,682,270</u>	<u>\$ 3,617,483</u>	<u>\$ (64,787)</u>

See accompanying independent auditor's report.

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LONGHORN TOWN UTILITY DISTRICT
SUPPLEMENTARY INFORMATION – REQUIRED BY THE
WATER DISTRICT FINANCIAL MANAGEMENT GUIDE
JUNE 30, 2023

LONGHORN TOWN UTILITY DISTRICT
SERVICES AND RATES
FOR THE YEAR ENDED JUNE 30, 2023

1. SERVICES PROVIDED BY THE DISTRICT:

<u> X </u>	Retail Water	_____	Wholesale Water	<u> X </u>	Drainage
<u> X </u>	Retail Sewer	_____	Wholesale Wastewater	_____	Irrigation
_____	Parks/Recreation	_____	Fire Protection	_____	Security
_____	Solid Waste/Garbage	_____	Flood Control	_____	Roads
<u> X </u>	Participates in joint venture, regional system and/or wastewater service (other than emergency interconnect)				
_____	Other (specify): _____				

2. RETAIL SERVICE PROVIDERS

a. RETAIL RATES FOR A 5/8" METER (OR EQUIVALENT):

The following rates are based on the rate order dated April 6, 2023.

	Minimum Charge	Minimum Usage	Flat Rate	Rate per 1,000 Gallons over Minimum	Usage Levels
WATER:	\$ 15.00	10,000	N	\$ 1.75 \$ 2.00 \$ 2.25	10,001 to 20,000 20,001 to 30,000 30,001 and up
WASTEWATER	\$ 10.00	50,000	N	\$ 0.50	50,001 and up
SURCHARGE:					
Groundwater Reduction					
Plan Fees	\$ 1.90	per 1,000 gallons of water			
Commission					
Regulatory Assessment		Included in rates above			

District employs winter averaging for wastewater usage? _____ X
Yes No

Total monthly charges per 10,000 gallons usage: Water: \$15.00 Wastewater: \$10.00 Surcharge: \$19.00 Total: \$44.00

See accompanying independent auditor's report.

**LONGHORN TOWN UTILITY DISTRICT
SERVICES AND RATES
FOR THE YEAR ENDED JUNE 30, 2023**

2. RETAIL SERVICE PROVIDERS (Continued)

b. WATER AND WASTEWATER RETAIL CONNECTIONS: (Unaudited)

<u>Meter Size</u>	<u>Total Connections</u>	<u>Active Connections</u>	<u>ESFC Factor</u>	<u>Active ESFCs</u>
Unmetered	<u> </u>	<u> </u>	x 1.0	<u> </u>
≤¾"	<u> 465</u>	<u> 460</u>	x 1.0	<u> 460</u>
1"	<u> 3</u>	<u> 2</u>	x 2.5	<u> 5</u>
1½"	<u> 3</u>	<u> 3</u>	x 5.0	<u> 15</u>
2"	<u> 23</u>	<u> 22</u>	x 8.0	<u> 176</u>
3"	<u> 3</u>	<u> 3</u>	x 15.0	<u> 45</u>
4"	<u> 2</u>	<u> 2</u>	x 25.0	<u> 50</u>
6"	<u> 7</u>	<u> 7</u>	x 50.0	<u> 350</u>
8"	<u> </u>	<u> </u>	x 80.0	<u> </u>
10"	<u> </u>	<u> </u>	x 115.0	<u> </u>
Total Water Connections	<u> 506</u>	<u> 499</u>		<u> 1,101</u>
Total Wastewater Connections	<u> 479</u>	<u> 472</u>	x 1.0	<u> 472</u>

3. TOTAL WATER CONSUMPTION DURING THE FISCAL YEAR ROUNDED TO THE NEAREST THOUSAND: (Unaudited)

Gallons pumped into system:	193,596,000	Water Accountability Ratio: 89.5% (Gallons billed and sold/Gallons pumped and purchased)
Gallons billed to customers:	117,815,000	
Gallons purchased:	2,950,000	From: Harris County MUD No. 216
Gallons sold:	58,110,000	To: Harris County MUD No. 216

See accompanying independent auditor's report.

LONGHORN TOWN UTILITY DISTRICT
SERVICES AND RATES
FOR THE YEAR ENDED JUNE 30, 2023

4. STANDBY FEES (authorized only under TWC Section 49.231):

Does the District have Debt Service standby fees? Yes No

Does the District have Operation and Maintenance standby fees? Yes No

5. LOCATION OF DISTRICT:

Is the District located entirely within one county?

Yes No

County in which District is located:

Harris County, Texas

Is the District located within a city?

Entirely Partly Not at all

Is the District located within a city's extraterritorial jurisdiction (ETJ)?

Entirely Partly Not at all

ETJ in which District is located.

City of Houston, Texas

Are Board Members appointed by an office outside the District?

Yes No

See accompanying independent auditor's report.

LONGHORN TOWN UTILITY DISTRICT
GENERAL FUND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2023

PROFESSIONAL FEES:	
Legal	\$ 66,483
Engineering	8,931
Auditing	<u>17,850</u>
TOTAL PROFESSIONAL FEES	<u>\$ 93,264</u>
PURCHASED WASTEWATER SERVICE	<u>\$ 212,217</u>
CONTRACTED SERVICES:	
Appraisal District	\$ 5,332
Bookkeeping	28,640
Operations and Billing	33,954
Sales Tax Tracking	1,200
Tax Collection Costs	<u>23,207</u>
TOTAL CONTRACTED SERVICES	<u>\$ 92,333</u>
UTILITIES:	
Electricity	\$ 56,695
Telephone	<u>1,894</u>
TOTAL UTILITIES	<u>\$ 58,589</u>
REPAIRS AND MAINTENANCE	<u>\$ 238,011</u>
ADMINISTRATIVE EXPENDITURES:	
Director Fees, Including Payroll Taxes	\$ 10,074
Insurance	18,595
Office Supplies and Postage	14,716
Travel and Meetings	3,549
Other	<u>6,202</u>
TOTAL ADMINISTRATIVE EXPENDITURES	<u>\$ 53,136</u>
OTHER EXPENDITURES:	
Chemicals	\$ 10,630
Laboratory Fees	4,018
Permit Fees	5,319
Groundwater Reduction Plan Costs	267,151
Inspection, Disconnect and Reconnect Fees	3,461
Regulatory Assessment	<u>1,357</u>
TOTAL OTHER EXPENDITURES	<u>\$ 291,936</u>
TOTAL EXPENDITURES	<u>\$ 1,039,486</u>

See accompanying independent auditor's report.

LONGHORN TOWN UTILITY DISTRICT
INVESTMENTS
JUNE 30, 2023

Fund	Identification or Certificate Number	Interest Rate	Maturity Date	Balance at End of Year	Accrued Interest Receivable at End of Year
<u>GENERAL FUND</u>					
TexasCLASS	XXXX0001	Varies	Daily	\$ 2,298,657	\$
CDARS	Multiple	4.72%	06/22/24	240,000	248
CDARS	Multiple	4.41%	09/21/23	240,000	2,610
CDARS	Multiple	4.44%	03/21/24	240,000	2,627
Certificate of Deposit	XXXX2605	4.00%	02/03/24	239,550	3,833
Certificate of Deposit	XXXX0653	3.95%	12/22/23	225,270	4,608
TOTAL GENERAL FUND				<u>\$ 3,483,477</u>	<u>\$ 13,926</u>

See accompanying independent auditor's report.

LONGHORN TOWN UTILITY DISTRICT
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED JUNE 30, 2023

	Maintenance Taxes	
TAXES RECEIVABLE -		
JULY 1, 2022	\$ 13,998	
Adjustments to Beginning		
Balance	(1,338)	\$ 12,660
Original 2022 Tax Levy	\$ 648,473	
Adjustment to 2022 Tax Levy	82,125	730,598
TOTAL TO BE		
ACCOUNTED FOR		\$ 743,258
 TAX COLLECTIONS:		
Prior Years	\$ 2,113	
Current Year	723,311	725,424
 TAXES RECEIVABLE -		
JUNE 30, 2023		\$ 17,834
 TAXES RECEIVABLE BY		
YEAR:		
2022		\$ 7,287
2021		2,255
2020		1,734
2019		1,394
2018 and prior		5,164
TOTAL		\$ 17,834

See accompanying independent auditor's report.

LONGHORN TOWN UTILITY DISTRICT
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED JUNE 30, 2023

	2022	2021	2020	2019
PROPERTY VALUATIONS:				
Land	\$ 84,089,181	\$ 78,795,680	\$ 78,001,593	\$ 75,341,659
Improvements	198,324,528	173,103,776	178,577,425	181,893,550
Personal Property	7,631,343	6,248,267	6,704,737	4,914,452
Exemptions	<u>(9,044,840)</u>	<u>(7,963,903)</u>	<u>(7,925,739)</u>	<u>(7,658,324)</u>
TOTAL PROPERTY VALUATIONS	<u>\$ 281,000,212</u>	<u>\$ 250,183,820</u>	<u>\$ 255,358,016</u>	<u>\$ 254,491,337</u>
TAX RATES PER \$100 VALUATION:				
Debt Service	\$ 0.00	\$ 0.06	\$ 0.10	\$ 0.11
Maintenance	<u>0.26</u>	<u>0.26</u>	<u>0.25</u>	<u>0.27</u>
TOTAL TAX RATES PER \$100 VALUATION	<u>\$ 0.26</u>	<u>\$ 0.32</u>	<u>\$ 0.35</u>	<u>\$ 0.38</u>
ADJUSTED TAX LEVY*	<u>\$ 730,598</u>	<u>\$ 800,586</u>	<u>\$ 893,750</u>	<u>\$ 967,064</u>
PERCENTAGE OF TAXES COLLECTED TO TAXES LEVIED	<u>99.00 %</u>	<u>99.72 %</u>	<u>99.81 %</u>	<u>99.86 %</u>

* Based upon adjusted tax levy at the time of the audit for the fiscal year in which the tax was levied.

Maintenance Tax – maximum tax rate of \$0.50 per \$100 of assessed valuation approved by voters on August 11, 1984.

See accompanying independent auditor's report.

LONGHORN TOWN UTILITY DISTRICT
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
GENERAL FUND - FIVE YEARS

	Amounts		
	2023	2022	2021
REVENUES			
Property Taxes	\$ 725,424	\$ 642,962	\$ 619,532
Water Service	191,694	180,601	185,605
Wastewater Service	88,561	84,658	88,868
Groundwater Reduction Plan Fees	178,841	144,293	135,427
Sales Tax Revenues	32,890	32,296	27,338
Penalty and Interest	6,824	2,506	2,602
Investment and Miscellaneous Revenues	94,262	14,054	24,512
TOTAL REVENUES	\$ 1,318,496	\$ 1,101,370	\$ 1,083,884
EXPENDITURES			
Professional Fees	\$ 93,264	\$ 93,276	\$ 78,698
Contracted Services	92,333	63,673	57,112
Purchased Water Service			11,954
Purchased Wastewater Service	212,217	140,471	159,500
Utilities	58,589	44,140	42,859
Groundwater Reduction Plan Costs	267,151	123,337	111,974
Repairs and Maintenance	238,011	130,862	127,492
Other	77,921	72,413	57,679
Capital Outlay		222,460	19,249
TOTAL EXPENDITURES	\$ 1,039,486	\$ 890,632	\$ 666,517
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ 279,010	\$ 210,738	\$ 417,367
OTHER FINANCING SOURCES (USES)			
Transfers In(Out)	\$ - 0 -	\$ (68,096)	\$ - 0 -
NET CHANGE IN FUND BALANCE	\$ 279,010	\$ 142,642	\$ 417,367
BEGINNING FUND BALANCE	3,338,473	3,195,831	2,778,464
ENDING FUND BALANCE	\$ 3,617,483	\$ 3,338,473	\$ 3,195,831

See accompanying independent auditor's report.

		Percentage of Total Revenues						
2020	2019	2023	2022	2021	2020	2019		
\$ 673,215	\$ 449,208	55.1 %	58.4 %	57.2 %	57.7 %	48.9 %		
195,694	190,466	14.5	16.4	17.1	16.7	20.7		
90,210	89,828	6.7	7.7	8.2	7.7	9.8		
123,428	103,217	13.6	13.1	12.5	10.6	11.2		
23,380	29,959	2.5	2.9	2.5	2.0	3.3		
2,470	2,042	0.5	0.2	0.2	0.2	0.2		
<u>60,159</u>	<u>53,791</u>	<u>7.1</u>	<u>1.3</u>	<u>2.3</u>	<u>5.1</u>	<u>5.9</u>		
<u>\$ 1,168,556</u>	<u>\$ 918,511</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>		
\$ 92,636	\$ 75,290	7.1 %	8.5 %	7.3 %	7.9 %	8.2 %		
55,752	57,109	7.0	5.8	5.3	4.8	6.2		
49,118				1.1	4.2			
160,305	197,116	16.1	12.8	14.7	13.7	21.4		
36,407	41,286	4.3	3.9	3.9	3.1	4.5		
95,138	99,965	20.3	11.2	10.3	8.1	10.9		
194,627	152,621	18.1	11.9	11.8	16.7	16.6		
65,279	58,242	5.9	6.6	5.3	5.6	6.3		
<u>246,217</u>			<u>20.2</u>	<u>1.8</u>	<u>21.1</u>			
<u>\$ 995,479</u>	<u>\$ 681,629</u>	<u>78.8 %</u>	<u>80.9 %</u>	<u>61.5 %</u>	<u>85.2 %</u>	<u>74.1 %</u>		
\$ 173,077	\$ 236,882	21.2 %	19.1 %	38.5 %	14.8 %	25.9 %		
<u>\$ - 0 -</u>	<u>\$ - 0 -</u>							
\$ 173,077	\$ 236,882							
<u>2,605,387</u>	<u>2,368,505</u>							
<u>\$ 2,778,464</u>	<u>\$ 2,605,387</u>							

See accompanying independent auditor's report.

LONGHORN TOWN UTILITY DISTRICT
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
DEBT SERVICE FUND - FIVE YEARS

	Amounts		
	2023	2022	2021
REVENUES			
Property Taxes	\$	\$ 142,011	\$ 247,688
Penalty and Interest		4,349	3,477
Investment and Miscellaneous Revenues		<u>599</u>	<u>1,245</u>
TOTAL REVENUES	<u>\$ - 0 -</u>	<u>\$ 146,959</u>	<u>\$ 252,410</u>
EXPENDITURES			
Tax Collection Expenditures	\$	\$ 33,747	\$ 33,629
Debt Service Principal		260,000	250,000
Debt Service Interest and Fees		<u>7,800</u>	<u>15,800</u>
TOTAL EXPENDITURES	<u>\$ - 0 -</u>	<u>\$ 301,547</u>	<u>\$ 299,429</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ - 0 -</u>	<u>\$ (154,588)</u>	<u>\$ (47,019)</u>
OTHER FINANCING SOURCES (USES)			
Transfers In	<u>\$ - 0 -</u>	<u>\$ 68,096</u>	<u>\$ - 0 -</u>
NET CHANGE IN FUND BALANCE	<u>\$ - 0 -</u>	<u>\$ (86,492)</u>	<u>\$ (47,019)</u>
BEGINNING FUND BALANCE		<u>86,492</u>	<u>133,511</u>
ENDING FUND BALANCE	<u><u>\$ - 0 -</u></u>	<u><u>\$ - 0 -</u></u>	<u><u>\$ 86,492</u></u>
TOTAL ACTIVE RETAIL WATER CONNECTIONS	<u>499</u>	<u>501</u>	<u>501</u>
TOTAL ACTIVE RETAIL WASTEWATER CONNECTIONS	<u><u>472</u></u>	<u><u>474</u></u>	<u><u>467</u></u>

See accompanying independent auditor's report.

		Percentage of Total Revenues				
2020	2019	2023	2022	2021	2020	2019
\$ 268,226	\$ 566,243		% 96.6	% 98.1	% 96.6	% 98.3
4,179	3,307		3.0	1.4	1.5	0.6
<u>5,213</u>	<u>6,290</u>		<u>0.4</u>	<u>0.5</u>	<u>1.9</u>	<u>1.1</u>
\$ <u>277,618</u>	\$ <u>575,840</u>	<u>N/A</u>	% <u>100.0</u>	% <u>100.0</u>	% <u>100.0</u>	% <u>100.0</u>
\$ 34,513	\$ 32,925		% 23.0	% 13.3	% 12.4	% 5.7
245,000	710,000		176.9	99.0	88.2	123.3
<u>20,700</u>	<u>34,900</u>		<u>5.3</u>	<u>6.3</u>	<u>7.5</u>	<u>6.1</u>
\$ <u>300,213</u>	\$ <u>777,825</u>	<u>N/A</u>	% <u>205.2</u>	% <u>118.6</u>	% <u>108.1</u>	% <u>135.1</u>
\$ <u>(22,595)</u>	\$ <u>(201,985)</u>	<u>N/A</u>	% <u>(105.2)</u>	% <u>(18.6)</u>	% <u>(8.1)</u>	% <u>(35.1)</u>
\$ <u>- 0 -</u>	\$ <u>- 0 -</u>					
\$ (22,595)	\$ (201,985)					
<u>156,106</u>	<u>358,091</u>					
\$ <u>133,511</u>	\$ <u>156,106</u>					
<u>501</u>	<u>501</u>					
<u>467</u>	<u>467</u>					

See accompanying independent auditor's report.

LONGHORN TOWN UTILITY DISTRICT
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
JUNE 30, 2023

District Mailing Address - Longhorn Town Utility District
c/o Schwartz, Page & Harding L.L.P.
1300 Post Oak Boulevard, Suite 2400
Houston, Texas 77056

District Telephone Number - (713) 623-4531

Board Members:	Term of Office (Elected or <u>Appointed</u>)	Fees of Office for the year ended <u>June 30, 2023</u>	Expense Reimbursements for the year ended <u>June 30, 2023</u>	<u>Title</u>
Steven Crain	05/22 05/26 (Elected)	\$ 1,650	\$ -0-	President
H. Don Henry	05/20 05/24 (Elected)	\$ 2,400	\$ 941	Vice President
Julie Swearingen	05/22 05/26 (Elected)	\$ 1,050	\$ -0-	Secretary
Barry Hunsworth	05/20 05/24 (Elected)	\$ 2,100	\$ -0-	Assistant Secretary
Chris White	05/22 05/26 (Elected)	\$ 1,500	\$ -0-	Assistant Secretary

Note: No Director has any business or family relationships (as defined by the Texas Water Code) with major landowners in the District, with the District's developer or with any of the District's consultants.

Submission Date of most recent District Registration Form: June 8, 2022

The limit on Fees of Office that a Director may receive during a fiscal year is \$7,200 as set by Board Resolution. Fees of Office are the amounts paid to a Director during the District's current fiscal year.

See accompanying independent auditor's report.

LONGHORN TOWN UTILITY DISTRICT
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
JUNE 30, 2023

Consultants:	<u>Date Hired</u>	<u>Fees for the year ended June 30, 2023</u>	<u>Title</u>
Schwartz, Page & Harding L.L.P	02/03/83	\$ 71,534	General Counsel
McCall Gibson Swedlund Barfoot PLLC	05/22/87	\$ 17,250 \$ 600	Auditor SB 625
Municipal Accounts & Consulting, L.P.	03/08/83	\$ 12,436	Former Bookkeeper
Artesian Financial Services	09/01/22	\$ 19,571	Bookkeeper
Perdue, Brandon, Fielder, Collins & Mott, L.L.P.	06/03/96	\$ 655	Delinquent Tax Attorney
R. G. Miller Engineers, Inc.	05/10/83	\$ 34,865	Engineer
Masterson Advisors LLC	05/03/18	\$ -0-	Financial Advisor
Lisa Rickert	09/01/22	\$ -0-	Investment Officer
H2O Innovation	07/26/83	\$ 237,643	Operator
Wheeler & Associates, Inc.	01/10/90	\$ 16,985	Tax Assessor/ Collector

See accompanying independent auditor's report.

