

**VARNER CREEK UTILITY DISTRICT**

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED  
DECEMBER 31, 2023



**8 WEST WAY COURT  
LAKE JACKSON, TEXAS 77566**

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# VARNER CREEK UTILITY DISTRICT

*Annual Financial Report  
For the Year Ended December 31, 2023*

	<u>Page</u>
<b><u>Financial Section</u></b>	
Independent Auditor's Report .....	7-9
Management's Discussion and Analysis .....	11-16
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Position .....	18
Statement of Activities .....	19
Governmental Fund Financial Statements:	
Balance Sheet - Governmental Funds.....	20
Reconciliation of the Governmental Funds Balance Sheet to the Governmental Activities Statement of Net Position.....	21
Statement of Revenues, Expenditures, and Change in Fund Balance - Governmental Funds.....	22
Reconciliation of the Statement of Revenues, Expenditures, and Change in Fund Balance of Governmental Funds to the Governmental Activities Statement of Activities.....	23
Notes to the Financial Statements.....	26-40

## **Required Supplementary Information**

Schedule of Revenues, Expenditures, and Change in Fund Balance - Budget and Actual - General Fund .....	42
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## **Supplemental Information Required by Texas Commission on Environmental Quality**

TSI-1 Services and Rates.....	44-45
TSI-2 General Fund Expenditures .....	46
TSI-3 Schedule of Investments .....	47
TSI-4 Taxes Levied and Receivable.....	48
TSI-5 Long-Term Debt Service Requirements by Years.....	50-51
TSI-6 Changes in Long-Term Bonded Debt .....	52
TSI-7a Comparative Schedule of Revenues and Expenditures - General Fund - Five Years.....	54-55
TSI-7b Comparative Schedule of Revenues and Expenditures - Debt Service Fund - Five Years.....	56-57
TSI-8 Board Members, Key Personnel and Consultants.....	58-59

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## **FINANCIAL SECTION**

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## Independent Auditor's Report

To the Board of Directors  
Varner Creek Utility District  
West Columbia, Texas

### **Opinions**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Varner Creek Utility District (the "District"), as of and for the year ended December 31, 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, each major fund, and the aggregate remaining fund information of the District, as of December 31, 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.

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### **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 budgetary comparison information 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.

### **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 supplemental information required by the Texas Commission on Environmental Quality is presented for purposes of additional analysis and are 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 information 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 supplemental information required by the Texas Commission on Environmental Quality is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

***KM&L, LLC***

Lake Jackson, Texas  
April 17, 2024

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## **VARNER CREEK UTILITY DISTRICT**

### *Management's Discussion and Analysis For the Year Ended December 31, 2023*

As management of the Varner Creek Utility District (the "District"), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended December 31, 2023. We encourage readers to consider this information presented here in conjunction with the District's financial statements, which follow this section.

#### **Financial Highlights**

- The assets and deferred outflows of resources of the District exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$ 1,864,293. Of this amount, \$ 617,836 (unrestricted net position) may be used to meet the government's ongoing obligations.
- The District's total net position increased by \$ 690,650.
- As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$ 1,975,306. 30.62% of this total amount, \$ 604,771 (unassigned fund balance) is available for use within the District's fund designation.
- At the end of the current fiscal year, fund balance for the general fund was \$ 613,932. Of this amount, \$ 9,161 is nonspendable leaving an unassigned fund balance of \$ 604,771. The unassigned fund balance represents 50.43% of current general fund expenditures.

#### **Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-wide financial statements.** The *government-wide financial statements* are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources with the difference between the four 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 is improving or deteriorating.

The *statement of activities* presents information showing how the District's net position changed during the fiscal year. All changes in net position are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in the future fiscal periods (e.g., uncollected taxes).

## **VARNER CREEK UTILITY DISTRICT**

*Management's Discussion and Analysis  
For the Year Ended December 31, 2023*

Both of the government-wide financial statements distinguish functions of the District that are principally supported by taxes and water/sewer service revenues. The *governmental activities* of the District include service operations.

The government-wide financial statements can be found on pages 18 through 19 of this report.

**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, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

- **Governmental Funds.** *Governmental funds* are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on current sources and uses of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds balance sheet and the governmental fund statements of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The District maintains three (3) individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Debt Service Fund, and Capital Projects Fund; all of which are considered to be major funds.

The fund financial statements can be found on pages 20 through 23 of this report.

**Notes to the Financial Statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 26 through 40 of this report.

**Other Information.** In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the District's budget and actual schedule for the General Fund. Required supplementary information can be found on page 42 of this report.

## **VARNER CREEK UTILITY DISTRICT**

*Management's Discussion and Analysis  
For the Year Ended December 31, 2023*

In addition this report also presents supplementary information required by the Texas Commission on Environmental Quality, which can be found on pages 44 through 59 of this report.

### **Government-wide Financial Analysis**

As noted earlier, net position may serve over time as a useful indicator of government's financial position. In the case of the District, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$ 1,864,293 at December 31, 2023.

Net position of \$ 379,761 reflects its balance in the net investment in capital assets (e.g., land, construction in progress, water production and distribution facilities, wastewater collection and treatment facilities, drainage facilities and right to use leased assets), less any debt used to acquire those assets that is still outstanding. The District uses capital assets to provide service to citizens; consequently these assets are not available for future spending.

#### **DISTRICT'S NET POSITION**

	<u>2023</u>	<u>2022</u>
<b>Assets:</b>		
Current and other assets	\$ 3,518,413	\$ 3,346,323
Capital assets	<u>6,903,998</u>	<u>7,052,178</u>
<b>Total assets</b>	<u>10,422,411</u>	<u>10,398,501</u>
<b>Total deferred outflows of resources</b>	<u>198,280</u>	<u>233,549</u>
<b>Liabilities:</b>		
Current liabilities	307,380	296,919
Long-term liabilities	<u>7,135,763</u>	<u>7,840,250</u>
<b>Total liabilities</b>	<u>7,443,143</u>	<u>8,137,169</u>
<b>Total deferred inflows of resources</b>	<u>1,313,255</u>	<u>1,321,238</u>
<b>Net Position:</b>		
Net investment in capital assets	379,761	( 151,829)
Restricted	866,696	787,249
Unrestricted	<u>617,836</u>	<u>538,223</u>
<b>Total net position</b>	<u>\$ 1,864,293</u>	<u>\$ 1,173,643</u>

An additional portion of the District's net position of \$ 866,696 represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position is \$ 617,836 and may be used to meet the government's ongoing obligations to citizens and creditors.

## VARNER CREEK UTILITY DISTRICT

Management's Discussion and Analysis  
For the Year Ended December 31, 2023

**Analysis of the District's Operations.** Overall the District had an increase in net position of \$ 690,650.

Total revenues for governmental activities were \$ 2,327,632 comprised of program and general revenues. Components of revenues were charges for services of \$ 859,155 (36.91%), property taxes of \$ 1,412,412 (60.68%), and investment income of \$ 56,065 (2.41%).

The following table provides a summary of the District's operations for the years ended December 31, 2023 and 2022.

### DISTRICT'S CHANGES IN NET POSITION

	<u>2023</u>	<u>2022</u>
Revenues:		
Program Revenues:		
Charges for services	\$ 859,155	\$ 928,517
General Revenues:		
Property taxes	1,412,412	1,222,274
Investment income	<u>56,065</u>	<u>33,957</u>
Total revenues	<u>2,327,632</u>	<u>2,184,748</u>
Expenses:		
Service operations	1,359,093	1,341,852
Interest and fiscal charges	<u>277,889</u>	<u>296,778</u>
Total expenses	<u>1,636,982</u>	<u>1,638,630</u>
Change in net position	690,650	546,118
Net position - beginning	<u>1,173,643</u>	<u>627,525</u>
Net position - ending	<u>\$ 1,864,293</u>	<u>\$ 1,173,643</u>

### Financial Analysis of the District's Funds

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental funds.** The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

## **VARNER CREEK UTILITY DISTRICT**

*Management's Discussion and Analysis  
For the Year Ended December 31, 2023*

As of the end of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$ 1,975,306. 30.62% of this total amount \$ 604,771 constitutes *unassigned fund balance*. The remainder of the fund balance is *nonspendable or restricted* to indicate that it is not available for spending because it has already been classified for 1) prepaid expenditures \$ 9,161, 2) debt service \$ 948,128, and 3) capital projects \$ 413,246.

The General Fund fund balance increased by \$ 72,031 during the current fiscal year due to an increase in water and sewer service revenues, tap connection and inspection fees, and investment income.

The Debt Service Fund fund balance increased by \$ 70,311 due to an increase in property tax revenues.

The Capital Projects Fund fund balance increased by \$ 10,552 during the current fiscal year due to investment income and a reduced need for capital expenditures.

### **General Fund Budgetary Highlights**

The original budget was amended throughout the year. Because actual revenues were more than budgetary revenues by \$ 47,147 and actual expenditures were more than budgetary estimates by \$ 59,142, the District's excess of expenditures over revenues was more than the budgeted amount by \$ 11,995.

### **Capital Assets**

The District's investment in capital assets for its governmental type activities as of December 31, 2023, amounts to \$ 6,903,998 (net of accumulated depreciation/amortization). This investment in capital assets includes land, water production and distribution facilities, waste water collection and treatment facilities, drainage facilities, right to use leased assets and construction in progress.

There were \$ 128,926 of capital additions during the current fiscal year.

### **Capital Assets Net of Accumulated Depreciation/Amortization**

	<u>2023</u>	<u>2022</u>
Land	\$ 1,204,554	\$ 1,204,554
Water production and distribution facilities	1,598,825	1,688,184
Waste water collection and treatment facilities	2,793,612	2,911,519
Drainage facilities	1,173,543	1,219,921
Right to use leased assets	97,464	-
Construction in progress	<u>36,000</u>	<u>28,000</u>
Net capital assets	<u>\$ 6,903,998</u>	<u>\$ 7,052,178</u>

Additional information on the District's capital assets can be found in Note 5 on page 37 of this report.

# VARNER CREEK UTILITY DISTRICT

Management's Discussion and Analysis  
For the Year Ended December 31, 2023

## Debt Administration

At the end of the current fiscal year, the District had a total bonded debt of \$ 6,805,000. These bonds will be retired with revenues from property taxes.

### Bonds Payable and Components of Debt

	<u>2023</u>	<u>2022</u>
General obligation bonds	\$ 6,805,000	\$ 7,545,000
Lease liability	78,774	-
Premium on bonds	<u>251,989</u>	<u>292,250</u>
Total	<u>\$ 7,135,763</u>	<u>\$ 7,840,250</u>

All of the outstanding Bonds of the District payable from its limited taxes are insured and are, therefore, rated "Baa1" by Moody's Ratings ("Moody's"), and "AA" by Standard & Poor's ("S&P").

Additional information of the District's long-term debt can be found in Note 6 on pages 38 through 40.

### Economic Factors and Next Year's Budgets and Rates

- The District's total 2024 budgeted revenues and expenses are expected to be consistent overall with the previous year at \$ 1,250,000.
- The District expects some growth of operations in 2024 as houses continue being built within the District and the major capital improvement projects for the wastewater system are completed.
- Debt service expenditures are expected to be \$ 765,000 for principal and \$ 267,825 for interest in 2024.

### Request for Information

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 financial information should be addressed to the Varner Creek Utility District, P.O. Box 265, West Columbia, TX 77486, or call (979) 345-6008.



## **BASIC FINANCIAL STATEMENTS**

**VARNER CREEK UTILITY DISTRICT***Statement of Net Position**December 31, 2023*

	<u>Total Governmental Activities</u>
<b>ASSETS:</b>	
Cash and cash equivalents	\$ 3,058,217
Receivables (net of allowance for uncollectibles):	
Taxes	378,510
Service accounts	635
Due from other governments	54,550
Other	17,340
Prepaid expenses	9,161
Capital Assets:	
Land	1,204,554
Water production and distribution facilities (net)	1,598,825
Waste water collection and treatment facilities (net)	2,793,612
Drainage facilities (net)	1,173,543
Right to use leased assets (net)	97,464
Construction in progress	<u>36,000</u>
Total assets	<u>10,422,411</u>
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>	
Deferred outflows of resources	<u>198,280</u>
Total deferred outflows of resources	<u>198,280</u>
<b>LIABILITIES:</b>	
Accounts and accrued liabilities payable	201,688
Accrued interest payable	101,260
Unearned revenue	4,432
Noncurrent Liabilities:	
Due within one year	824,307
Due in more than one year	<u>6,311,456</u>
Total liabilities	<u>7,443,143</u>
<b>DEFERRED INFLOWS OF RESOURCES:</b>	
Deferred inflows of resources	<u>1,313,255</u>
Total deferred inflows of resources	<u>1,313,255</u>
<b>NET POSITION:</b>	
Net investment in capital assets	379,761
Restricted For:	
Debt service	866,696
Unrestricted	<u>617,836</u>
Total net position	<u>\$ 1,864,293</u>

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

**VARNER CREEK UTILITY DISTRICT***Statement of Activities**For the Year December 31, 2023*

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues Charges For Services</u>	<u>Net (Expense) Revenue and Changes In Net Position Governmental Activities</u>
Governmental Activities:			
Service operations	\$ 1,359,093	\$ 859,155	\$( 499,938)
Interest and fiscal charges	<u>277,889</u>	<u>-</u>	<u>( 277,889)</u>
Total governmental activities	<u>\$ 1,636,982</u>	<u>\$ 859,155</u>	<u>( 777,827)</u>
General Revenues:			
Property taxes			1,412,412
Investment income			<u>56,065</u>
Total general revenues			<u>1,468,477</u>
Change in net position			690,650
Net position - beginning			<u>1,173,643</u>
Net position - ending			<u>\$ 1,864,293</u>

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

**VARNER CREEK UTILITY DISTRICT**  
*Balance Sheet - Governmental Funds*  
 December 31, 2023

	General Fund	Debt Service Fund	Capital Projects Fund	Total Governmental Funds
<b>ASSETS</b>				
Cash and cash equivalents	\$ 1,577,209	\$ 1,139,532	\$ 341,476	\$ 3,058,217
Receivables (net of allowance for uncollectibles):				
Taxes	83,165	295,345	-	378,510
Service accounts	635	-	-	635
Standby fees	7,163	-	-	7,163
Due from other governments	12,215	42,335	-	54,550
Other	10,177	-	-	10,177
Due from other funds	-	509,958	71,770	581,728
Prepaid expenditures	9,161	-	-	9,161
<b>Total assets</b>	<b>\$ 1,699,725</b>	<b>\$ 1,987,170</b>	<b>\$ 413,246</b>	<b>\$ 4,100,141</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE</b>				
<b>Liabilities:</b>				
Accounts and accrued liabilities payable	\$ 106,909	\$ -	\$ -	\$ 106,909
Due to other funds	581,728	-	-	581,728
Customer deposits	94,779	-	-	94,779
Unearned revenue	4,432	-	-	4,432
<b>Total liabilities</b>	<b>787,848</b>	<b>-</b>	<b>-</b>	<b>787,848</b>
<b>Deferred Inflows of Resources:</b>				
Deferred inflows of resources-property taxes	297,945	1,039,042	-	1,336,987
<b>Total deferred inflows of resources</b>	<b>297,945</b>	<b>1,039,042</b>	<b>-</b>	<b>1,336,987</b>
<b>Fund Balance:</b>				
<b>Nonspendable:</b>				
Prepaid expenditures	9,161	-	-	9,161
<b>Restricted:</b>				
Debt service	-	948,128	-	948,128
Capital projects	-	-	413,246	413,246
Unassigned	604,771	-	-	604,771
<b>Total fund balance</b>	<b>613,932</b>	<b>948,128</b>	<b>413,246</b>	<b>1,975,306</b>
<b>Total liabilities, deferred inflows of resources and fund balance</b>	<b>\$ 1,699,725</b>	<b>\$ 1,987,170</b>	<b>\$ 413,246</b>	<b>\$ 4,100,141</b>

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

## VARNER CREEK UTILITY DISTRICT

### *Reconciliation of the Governmental Funds Balance Sheet to the Governmental Activities Statement of Net Position December 31, 2023*

Total fund balance - governmental funds balance sheet	\$ 1,975,306
<b>Amounts reported for governmental activities in the statement of net position are different because:</b>	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. Capital assets include \$ 14,611,754 in assets less \$ 7,707,756 in accumulated depreciation.	6,903,998
Property taxes receivable unavailable to pay for the current period expenditures are unearned in the funds. Unearned property tax revenues for the general fund and the debt service fund amounted to \$ 3,904 and \$ 19,828, respectively.	23,732
Other long-term assets are not available to pay for current year expenditures and, therefore, are not reported in the funds. This is the bond refunding costs, which is amortized over the life of the refunding bonds, or the refunded bonds, whichever is shorter. Net bond refunding costs were \$ 198,280 (bond refunding costs of \$ 440,718 less accumulated amortization of \$ 242,438)	198,280
Premium on the issuance of bonds provide current financial resources to governmental funds but the proceeds decrease long-term liabilities in the statement of net position. This amount is amortized over the life of the bonds. Net premium on the issuance of bonds was \$ 251,989. (Premium on bonds issued of \$ 542,094 less accumulated amortization of \$ 290,105).	( 251,989)
Payables for bond principal are not reported in the funds	( 6,805,000)
Payables for leases are not reported in the funds.	( 78,774)
Payables for bond interest are not reported in the funds.	<u>( 101,260)</u>
Net position of governmental activities - statement of net position.	<u>\$ 1,864,293</u>

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

## VARNER CREEK UTILITY DISTRICT

### Statement of Revenues, Expenditures and Change in Fund Balance - Governmental Funds For the Year Ended December 31, 2023

	General Fund	Debt Service Fund	Capital Projects Fund	Total Governmental Funds
Revenue:				
Property taxes	\$ 290,479	\$ 1,113,607	\$ -	\$ 1,404,086
Water service	408,712	-	-	408,712
Sewer service	364,898	-	-	364,898
Standby fees	695	-	-	695
Tap connection and inspection fees	84,850	-	-	84,850
Investment income	37,513	-	18,552	56,065
<b>Total revenues</b>	<b>1,187,147</b>	<b>1,113,607</b>	<b>18,552</b>	<b>2,319,306</b>
Expenditures:				
Current:				
Purchased services	263,961	-	-	263,961
Professional fees	32,421	-	-	32,421
Contracted services	92,314	8,271	-	100,585
Utilities	30,037	-	-	30,037
Repairs and maintenance	575,831	-	-	575,831
Administrative	77,652	1,500	-	79,152
Capital Outlay	120,926	-	8,000	128,926
Debt Service:				
Principal	5,252	740,000	-	745,252
Interest and fiscal charges	748	293,525	-	294,273
<b>Total expenditures</b>	<b>1,199,142</b>	<b>1,043,296</b>	<b>10,552</b>	<b>2,250,438</b>
Excess (deficiency) of revenues over expenditures	(11,995)	70,311	8,000	68,868
Other Financing Sources:				
Issuance of right to use leased assets	84,026	-	-	84,026
<b>Total other financing sources</b>	<b>84,026</b>	<b>-</b>	<b>-</b>	<b>84,026</b>
<b>Net change in fund balance</b>	<b>72,031</b>	<b>70,311</b>	<b>10,552</b>	<b>152,894</b>
Fund balance - beginning	541,901	877,817	402,694	1,822,412
Fund balance - ending	\$ 613,932	\$ 948,128	\$ 413,246	\$ 1,975,306

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

## VARNER CREEK UTILITY DISTRICT

*Reconciliation of the Statement of Revenues, Expenditures and Changes in  
Fund Balances of Governmental Funds to the Governmental Activities Statement of Activities  
For the Year Ended December 31, 2023*

Change in fund balances - total governmental funds \$ 152,894

**Amounts reported for governmental activities in the statement of activities are different because:**

Governmental funds report capital outlays as expenditures. However, in the governmental activities statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. The amount by which depreciation/amortization of \$ 277,106 exceeded capital outlay by \$ 128,926 in the current period. ( 148,180)

Property tax revenues in the governmental activities statement of activities do not provide current financial resources and are not reported as revenues in the funds. Unearned property tax revenues for the general fund increased by \$ 1,964 and the debt service fund increased by \$ 6,362. 8,326

Long-term debt issuances provided other financial resources to government funds, but issuing debt increases long-term liabilities in the governmental activities statement of net position. Long-term debt issuances from leases were \$ 84,026. ( 84,026)

Repayment of long-term debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the governmental activities statement of net position. These amounts were for general obligation bonded debt of \$ 740,000 and lease liability of \$ 5,252. 745,252

Premium on the issuance of bonds provides current financial resources to the governmental funds but the proceeds decrease long-term assets in the statement of net position. This amount is amortized over the life of the bonds. Net premium on the issuance of bonds was \$ 43,261 (Premiums on bonds issued of \$ -0- less current amortization of \$ 43,261). 43,261

Deferred refunding costs is another use in the governmental funds, but the costs increase long-term assets in the statement of net position. This amount is amortized over the life of the refunding bonds or the refunded bonds, whichever is shorter. Current amortization was \$ 35,269. ( 35,269)

Some expenses reported in the governmental activities statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. This is the change in accrued interest on long-term debt. 8,392

Change in net position of governmental activities \$ 690,650

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

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**VARNER CREEK UTILITY DISTRICT**

*Notes to the Financial Statements*

*For the Year Ended December 31, 2023*

Note	Page
1. Summary of Significant Accounting Policies .....	26
2. Deposits and Investments .....	33
3. Receivables, Uncollectible Accounts, Deferred Inflows/Outflows of Resources and Unearned Revenues .....	35
4. Interfund Receivables/Payables and Transfers.....	36
5. Capital Assets.....	37
6. Long-Term Debt .....	38
7. Leases .....	39
8. Groundwater Conservation District.....	39
9. Operation of Regional Facilities.....	40
10. Risk Pool Participation.....	40
11. Excess of Expenditures Over Appropriations.....	40
12. Evaluation of Subsequent Events.....	40

## **VARNER CREEK UTILITY DISTRICT**

*Notes to the Financial Statements*

*For the Year Ended December 31, 2023*

### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Varner Creek Utility District (the "District") was created by enactment of the Legislature of the State of Texas in 1971. This District operates under Chapter 49 and 54 of the Texas Water Code and is subject to the continuing supervision of the Texas Commission on Environmental Quality (the "TCEQ"). The principal functions of the District are to finance, construct, own and operate waterworks, wastewater and drainage facilities and to provide such facilities and service to the customers of the District. In 2006, the District was granted the power to repair or maintain streets on a one time basis.

The accounting and reporting policies of the District relating to the funds included in the accompanying basic financial statements conform to accounting principles generally accepted in the United States of America applicable to state and local governments. Generally accepted accounting principles for local governments include those principles prescribed by the Governmental Accounting Standards Board (GASB), the American Institute of Certified Public Accountants in the publication entitled Audits of State And Local Governmental Units and by the Financial Accounting Standards Board (when applicable).

#### Reporting Entity

The Board of the District is elected by the public; has the authority to make decisions, appoint administrators and managers; significantly influence operations; and has the primary accountability for fiscal matters. Therefore, the District is not included in any other governmental "reporting entity" as defined by GASB in its Statement No. 61, "*The Financial Reporting Entity*." There are no component units included within the reporting entity.

#### Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of changes in net position) report financial information on all of the nonfiduciary activities of the primary government and its component unit. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities generally are financed through taxes, charges for services and intergovernmental revenues.

The statement of activities demonstrates the degree to which the direct expenses of a given program are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given program and 2) operating or capital grants and contributions that are restricted to meeting operational or capital requirements of a particular program. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds. The District does not have any fiduciary funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

## VARNER CREEK UTILITY DISTRICT

Notes to the Financial Statements

For the Year Ended December 31, 2023

### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

#### Measurement Focus, Basis Of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using *the current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

Revenues from property taxes and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

Revenue from investments, including governmental external investment pools, is based upon fair value. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. Most investments are reported at amortized cost when the investments have remaining maturities of one year or less at time of purchase. External investment pools are permitted to report short-term debt investments at amortized cost, provided that the fair value of those investments is not significantly affected by the impairment of the credit standing of the issuer, or other factors. For that purpose, a pool's short-term investments are those with remaining maturities of up to ninety days. When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first and the unrestricted resources as needed.

The District has presented the following major governmental funds:

The *General Fund* is the District's primary operating fund. It accounts for all financial resources of the District, except those required to be accounted for in another fund. All general tax revenues and other receipts that are not restricted by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures, fixed charges and capital improvement costs that are not paid through other funds are paid from the General Fund.

The *Debt Service Fund* accounts for the accumulation of financial resources for, and the payment of, general long-term debt principal, interest and other costs. The primary source of revenue is property taxes.

The *Capital Projects Fund* accounts for the financial resources to construct or acquire capital facilities and improvements. Such resources are derived principally from proceeds of the sale of bonds.

## **VARNER CREEK UTILITY DISTRICT**

*Notes to the Financial Statements*

*For the Year Ended December 31, 2023*

### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

#### New Pronouncements

GASB issues statements on a routine basis with the intent to provide authoritative guidance on the preparation of financial statements and to improve governmental accounting and financial reporting of governmental entities. Management reviews these statements to ensure that preparation of its financial statements are in conformity with generally accepted accounting principles and to anticipate changes in those requirements. The following recent GASB Statements reflect the action and consideration of management regarding these requirements:

GASB Statement No. 94 "Public-Private and Public-Public Partnerships and Availability Payment Arrangements" was issued in March 2020. The statement was implemented and did not have a material effect on the financial statements of the District. The requirements of this statement are effective for reporting periods beginning after June 15, 2022.

GASB Statement No. 96 "Subscription-Based Information Technology Arrangements" was issued in May 2020. The statement was implemented and did not have a material effect on the financial statements of the District. The requirements of this statement are effective for reporting periods beginning after June 15, 2022.

GASB Statement No. 99 "Omnibus 2022" was issued in April 2022. The statement was implemented and did not have a material effect on the financial statements of the District. The requirements of this statement are effective for reporting periods beginning after June 15, 2022.

GASB Statement No. 100 "Accounting Changes and Error Corrections - an amendment to GASB Statement No. 62" was issued in June 2022. The management of the District does not expect the implementation of this standard to have a material effect on the financial statements of the District. The requirements of this statement are effective for reporting periods beginning after June 15, 2023.

GASB Statement No. 101 "Compensated Absences" was issued in June 2022. The management of the District does not expect the implementation of this standard to have a material effect on the financial statements of the District. The requirements of this statement are effective for reporting periods beginning after December 15, 2023.

#### Budgetary Data

The original annual appropriated budgets are adopted by the Board of Directors in December of the preceding year. Expenses are budgeted substantially on the modified accrual basis of accounting. Tax collections are budgeted based upon 100% of the tax levied in October of the year preceding the budget year (i.e. 2023 budgeted tax revenue is based upon the October, 2022 tax levy). Accordingly there are no material differences between the financial reporting and budget basis of accounting.

Once the budget is adopted, expenditures may not legally exceed total appropriations at the fund level without approval of a majority of the Board. Line item and department budgets may exceed appropriated amounts at the discretion of management as long as total expenditures for the fund do not exceed appropriated amounts. Appropriations not exercised in the current year lapse at the end of the year.

The District adopts annual budgets for the general fund only.

#### Encumbrance Accounting

The District does not employ a complete purchase order system for all expenditures and therefore does not utilize encumbrance accounting. Appropriations generally lapse at the end of the fiscal year.

## **VARNER CREEK UTILITY DISTRICT**

*Notes to the Financial Statements*

*For the Year Ended December 31, 2023*

### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

#### Cash and Cash Equivalents

Cash and cash equivalents include amounts in demand deposits and short-term investments with a maturity date within three months of the date acquired by the District. In accordance with GASB Statement 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools", investments are stated at fair value.

#### Property Taxes

Property taxes are levied by October 1 on the taxable value listed as of January 1 for all real and business property located in the District in conformity with Subtitle E, Texas Property Tax Code. Taxes are due upon receipt of the tax bill and are past due and subject to interest if not paid by February 1 of the year following the October 1 levy date. On January 31 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed.

The appraisal and recording of all property within the District is the responsibility of the Brazoria County Appraisal District (BCAD), an independent governmental unit with a board of directors appointed by the taxing jurisdictions within the county and funded from assessments against those taxing jurisdictions. BCAD is required by law to assess property at 100% of its appraised value. Real property must be reappraised at least every two years. Under certain circumstances taxpayers and taxing units, including the District, may challenge orders of the BCAD Review Board through various appeals and, if necessary, legal action.

In the government funds, property taxes are measurable when levied even though not available. As a result, at December 31, 2023, property taxes receivable and taxes collected in advance have been recorded in the governmental funds. In the government-wide statement of net position, property taxes are considered earned in the budget year for which they are levied. In addition to property taxes levied, any delinquent taxes are recorded net of amounts considered uncollectible.

The taxable value of the property tax roll on October 1, 2023, upon which the levy for the 2024 year was based, was \$ 337,334,681. Taxes are delinquent if not paid by June 30. Delinquent taxes are subject to penalty and interest charges plus 20% delinquent collection fees for attorney costs.

The tax rates assessed for the year ended December 31, 2023, to finance general fund operations were \$ 0.087322 per \$ 100 valuation and \$ 0.302678 for the debt service fund.

As of December 31, 2023, the District had collected \$ 960,555 of the 2023 levy (levied October 1, 2023), which is unearned and has been set aside for 2024 operations. Additionally, property taxes receivable of \$ 352,700 and \$ 29,633 from the 2023 levy and prior year levies, respectively, are recorded as deferred inflows of resources, net of an allowance for uncollectible taxes of \$ 3,823. Allowances for uncollectible taxes are based on historical experience in collecting taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the District is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature.

# VARNER CREEK UTILITY DISTRICT

Notes to the Financial Statements

For the Year Ended December 31, 2023

## NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

### Standby Fees

In the governmental funds, standby fees are recorded when billed with the uncollected balance recorded as a receivable. Revenues are recorded as levied. In the government-wide statement of net position, standby fees are considered earned in the period they are levied.

### Capital Assets

Capital assets, which include property, plant, equipment, are reported in the governmental activities columns in the government-wide financial statement. All capital assets are valued at historical cost or estimated historical cost if actual historical is not available. Donated assets are valued at their acquisition value on the date donated. Repairs and maintenance are recorded as expenses. Renewals and betterments are capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Assets capitalized have an original cost of \$ 5,000 or more and over one year of useful life. Depreciation/amortization, which is an allocation of cost over an asset's estimated service life, has been determined using the straight-line method over the following years:

Water production and distribution facilities	10-45
Waste water collection and treatment facilities	10-45
Drainage facilities	10-45
Right to use leased assets	5

### Deferred Outflows and Inflows of Resources

Guidance for deferred outflows of resources and deferred inflows of resources is provided by GASB No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position". Concepts Statement No. 4, Elements of Financial Statements, introduced and defined those elements as a consumption of net assets by the government that is applicable to a future reporting period, and an acquisition of net assets by the government that is applicable to a future period, respectively. Previous financial reporting standards do not include guidance for reporting those financial statement elements, which are distinct from assets and liabilities. Further, GASB No. 65, "Items Previously Reported as Assets and Liabilities", had an objective to either (a) properly classify certain items that were previously reported as assets and liabilities as deferred outflows of resources or deferred inflows of resources or (b) recognize certain items that were previously reported as assets and liabilities as outflows of resources (expenses or expenditures) or inflows of resources (revenues).

### Leases

The District is a lessee for a noncancellable lease of a building. The District recognizes a lease liability and a right to use leased asset (lease asset) in the government-wide financial statements. The District recognizes lease liabilities with an initial, individual value of \$ 5,000 or more.

At the commencement of a lease, the District initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

## **VARNER CREEK UTILITY DISTRICT**

*Notes to the Financial Statements*

*For the Year Ended December 31, 2023*

### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

#### Leases - Continued

Key estimates and judgments related to leases include how the District determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The District uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the District generally uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the District is reasonably certain to exercise.

The District monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

Lease assets are reported with other capital assets and lease liabilities are reported with long-term debt on the statement of net position.

#### Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position. Bond premiums and discounts are unearned and amortized over the life of the bonds using the straight line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as expenses in the current period.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of the debt is reported as other financing resources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

#### Fund Equity

The Board of Directors meets on a regular basis to manage and review cash financial activities and to ensure compliance with established policies. The District's Unassigned General Fund Balance is maintained to provide the District with sufficient working capital and a margin of safety to address local and regional emergencies without borrowing. The unassigned General Fund Balance may only be appropriated by resolution of the Board of Directors. Fund Balance of the District may be committed for a specific source by formal action of the Board of Directors. Amendments or modifications of the committed fund balance must also be approved by formal action by the Board of Directors. When it is appropriate for fund balance to be assigned, the Board of Directors has delegated authority to the Contract Administrator. In circumstances where an expenditure is to be made for a purpose for which amounts are available in multiple fund balance classifications, the order in which resources will be expended is as follows: restricted fund balance, followed by committed fund balance, followed by assigned fund balance, and lastly, unassigned fund balance.

## **VARNER CREEK UTILITY DISTRICT**

*Notes to the Financial Statements*

*For the Year Ended December 31, 2023*

### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

*Nonspendable Fund Balance* - Includes amounts that cannot be spent because they are either not spendable form, or, for legal or contractual reasons, must be kept intact. This classification includes inventories, prepaid amounts, assets held for sale, and long-term receivables.

*Restricted Fund Balance* - Constraints placed on the use of these resources are either externally imposed by creditors (such as through covenants), grantors, contributors or other governments; or are imposed by law (through constitutional provisions enabling legislation).

*Committed Fund Balance* - Amounts that can only be used for specific purposes because of a board resolution by the government's highest level of decision-making authority.

*Assigned Fund Balance* - Amounts that are constrained by the District's intent to be used for specific purposes, but that do not meet the criteria to be classified as restricted or committed. Intent can be stipulated by the Board of Directors or by the contract administrator to whom that authority has been given. With the exception of the General Fund, this is the residual fund balance classification for all government funds with positive balances.

*Unassigned Fund Balance* - This is the residual classification of the General Fund. Only the General Fund reports a positive unassigned fund balance. Other governmental funds might report a negative balance in this classification, as the result of overspending for specific purposes for which amounts had been restricted, committed, or assigned.

As of December 31, 2023, nonspendable fund balances include \$ 9,161 for prepaid expenditures in the general fund. Restricted fund balances include \$ 948,128 for debt service and \$ 413,246 for capital projects. Unassigned fund balance includes \$ 604,771 in the general fund.

#### Net Position

Net position represents the differences between assets and deferred outflows of resources, and liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent proceeds. Restricted net position, as presented in the government-wide Statement of Net Position, are reported when constraints placed on the use of net position are either 1) externally imposed by creditors (such as through debt covenants, grantors, contributors, or laws or regulations of other governments), or 2) imposed by law through constitutional provisions or enabling legislation.

#### Use of 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 amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.



# VARNER CREEK UTILITY DISTRICT

Notes to the Financial Statements

For the Year Ended December 31, 2023

## NOTE 2 - DEPOSITS AND INVESTMENTS

The District classifies deposits and investments for financial statement purposes as cash and cash equivalents, and investments based upon both liquidity (demand deposits) and maturity date (deposits and investments) of the asset at the date of purchase. For this purpose a cash equivalent is one that, when purchased had a maturity date of three months or less. Cash and cash equivalents as reported on the government-wide Statement of Net Position at December 31, 2023 are as follows:

	<u>Total</u>
Cash and Cash Equivalents:	
Financial institution deposits:	
Demand deposits	\$ 138,184
Local Government Investment Pool:	
Texpool	<u>2,920,033</u>
Total cash and cash equivalents	<u>\$ 3,058,217</u>

### Deposits

All deposits with financial institutions must be collateralized in an amount equal to 100 percent of uninsured balances. At December 31, 2023, the carrying amount of the District's deposits totaled \$ 138,184, while the financial institution balances totaled \$ 162,657. Of the financial institution balances, \$ 162,657 of the checking accounts was FDIC insured.

### Investments

Chapter 2256 of the Texas Government Code (the Public Funds Investment Act) authorizes the District to invest its funds under written investment policy (the "investment policy") that primarily emphasizes safety of principal and liquidity, addresses investment diversification, yield, and maturity and addresses the quality and capability of investment personnel. This investment policy defines what constitutes the legal list of investments allowed under the policies, which excludes certain instruments allowed under chapter 2256 of the Texas Government Code.

The District's deposits and investments are invested pursuant to the investment policy, which is approved by the Board of Directors. The investment policy includes lists of authorized investment instruments and allowable stated maturity of individual investments. In addition it includes an "Investment Strategy Statement" that specifically addresses each investment option and describes the priorities of suitability of investment type, preservation and safety of principal, liquidity, marketability, diversification and yield.

Additionally, the soundness of financial institutions (including broker/dealers) in which the District will deposit funds is addressed. The District's investment policy and types of investments are governed by the Public Funds Investment Act (PFIA) and the Texas Commission on Environmental Quality (TCEQ). The District's management believes it complied with the requirements of the PFIA and the District's investment policy.

The District's Administrator submits an investment report each quarter to the Board of Directors. The report details the investment positions of the District and the compliance of the investment portfolio's as they relate to both the adopted investment strategy statements and Texas State law.

# VARNER CREEK UTILITY DISTRICT

Notes to the Financial Statements

For the Year Ended December 31, 2023

## NOTE 2 - DEPOSITS AND INVESTMENTS - Continued

### Investments - Continued

The District is authorized to invest in the following investment instruments provided that they meet the guidelines of the investment policy:

1. Obligations, including letters of credit, of the U.S. or its agencies and instrumentalities.
2. Certificates of deposit issued by a depository institution that has its main or a branch office in the State and that are guaranteed by the Federal Deposit Insurance Corporation or the National Credit Union Share insurance Fund or its successor that are secured by the obligations in which the Association may invest under the Investment Act.
3. TexPool, an investment pool, provided that it complies with the Investment Act.
4. TexStar, an investment pool, provided that it complies with the Investment Act.

The District invests in TexPool to provide its liquidity needs. TexPool was established in conformity with the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code and the Public Funds Investment Act, Chapter 2256 of the Code. TexPool is a 2(a)7 like fund, meaning that it is structured similar to a money market mutual fund. Such funds allow shareholders the ability to deposit or withdraw funds on a daily basis. Interest rates are also adjusted on a daily basis. Such funds seek to maintain a constant net asset value of \$ 1.00, although this cannot be fully guaranteed. TexPool is rated AAA and must maintain a dollar weighted average maturity not to exceed 60 days, which is the limit. At December 31, 2023 TexPool had a weighted average maturity of 39 days. Although TexPool portfolios had a weighted average maturity of 39 days, the District considers holdings in these funds to have a one day weighted average maturity. This is due to the fact that the share position can usually be redeemed each day at the discretion of the shareholder, unless there has been a significant change in value.

As of December 31, 2023, the District had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Days)</u>
Local Government Investment Pool:		
Texpool	\$ <u>2,920,033</u>	39
Total	\$ <u>2,920,033</u>	39

Credit Risk - As of December 31, 2023, TexPool (which represents 100.00% of the investment portfolio) is rated AAAM by Standard and Poor's; therefore, the District is exposed to minimal credit risk.

Interest Rate Risk - As a means of minimizing risk of loss due to interest rate fluctuations, the Investment Policy requires that investment maturities of the general fund, debt service fund and capital projects fund not exceed one year.

Fair Value - The District categorizes its fair value measurements within the fair value hierarchy established by GASB No 72. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurement) and the lowest priority to unobservable inputs (level 3 measurements). As of December 31, 2023, the District had no assets or liabilities within the fair value hierarchy established by GASB No. 72.

**VARNER CREEK UTILITY DISTRICT***Notes to the Financial Statements**For the Year Ended December 31, 2023***NOTE 3 - RECEIVABLES, UNCOLLECTIBLE ACCOUNTS, DEFERRED INFLOWS/OUTFLOWS OF RESOURCES AND UNEARNED REVENUES****Receivables and Allowances**

Receivables as of December 31, 2023, for the District, including the applicable allowances for uncollectible accounts, are as follows:

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Total</u>
Receivables:			
Property taxes	\$ 84,005	\$ 298,328	\$ 382,333
Service accounts	635	-	635
Standby fees	20,813	-	20,813
Due from other governments	12,215	42,335	54,550
Other	<u>10,177</u>	<u>-</u>	<u>10,177</u>
Gross receivables	127,845	340,663	468,508
Less Allowance for Uncollectibles			
Property taxes	840	2,983	3,823
Standby fees	<u>13,650</u>	<u>-</u>	<u>13,650</u>
Net total receivable	<u>\$ 113,355</u>	<u>\$ 337,680</u>	<u>\$ 451,035</u>

**Deferred Inflows of Resources and Unearned Revenues****Governmental Funds**

Governmental funds defer the recognition of revenue in connection with receivables that are considered to be unavailable to liquidate liabilities of the current period and report these amounts as deferred inflows of resources. Governmental funds also defer the revenue recognition in connection with resources that have been received, but not yet earned and report these amounts as a liability (unearned revenue).

As of December 31, 2023, the various components of deferred inflows of resources reported in the governmental funds were as follows:

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Deferred Inflows of Resources</u>
Current property taxes collected (October 1, 2023 Levy)	\$ 215,071	\$ 745,484	\$ 960,555
Current property taxes receivable (October 1, 2023 Levy)	78,970	273,730	352,700
Delinquent property taxes receivable (October 1, 2022 and prior)	<u>3,904</u>	<u>19,828</u>	<u>23,732</u>
Total deferred inflows of resources	<u>\$ 297,945</u>	<u>\$ 1,039,042</u>	<u>\$ 1,336,987</u>

As of December 31, 2023, there were \$ 4,432 unearned revenues reported in the governmental funds.

**VARNER CREEK UTILITY DISTRICT**

*Notes to the Financial Statements*

*For the Year Ended December 31, 2023*

NOTE 3 - RECEIVABLES, UNCOLLECTIBLE ACCOUNTS, DEFERRED INFLOWS/OUTFLOWS OF RESOURCES AND UNEARNED REVENUES - Continued

Governmental Activities

Governmental activities defer revenue recognition in connection with resources that have been received, but not yet earned and report these amounts as a deferred inflow of resources. Further, for governmental activities, like governmental funds, defer revenue recognition in connection with resources that have been received, but not yet earned and report these amounts as a liability (unearned revenue).

As of December 31, 2023, the various components of deferred inflows of resources reported in the governmental activities were as follows:

<u>Governmental Activities</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Bond refunding costs (net of accumulated amortization)	\$ 198,280	\$ -
Current property taxes collected (October 1, 2023 Levy)	-	960,555
Current property taxes receivable (October 1, 2023 Levy)	<u>-</u>	<u>352,700</u>
	<u>\$ 198,280</u>	<u>\$ 1,313,255</u>

As of December 31, 2023, there were \$ 4,432 unearned revenues reported in the governmental activities.

NOTE 4 - INTERFUND RECEIVABLES/PAYABLES AND TRANSFERS

Interfund receivables and payables at December 31, 2023 were as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>12-31-23</u>
Debt Service Fund	General Fund	\$ 509,958
Capital Projects Fund	General Fund	<u>71,770</u>
Total		<u>\$ 581,728</u>

Interfund receivables and payables represent short term borrowing primarily for cash flow purposes.

**VARNER CREEK UTILITY DISTRICT***Notes to the Financial Statements**For the Year Ended December 31, 2023***NOTE 5 - CAPITAL ASSETS**

Capital asset activity for the year ended December 31, 2023 was as follows:

	<u>Balance 01-01-23</u>	<u>Additions</u>	<u>Transfers/ Retirements</u>	<u>Balance 12-31-23</u>
Governmental Activities:				
Capital Assets, Not Being Depreciated/ Amortized:				
Land	\$ 1,204,554	\$ -	\$ -	\$ 1,204,554
Construction in progress	<u>28,000</u>	<u>8,000</u>	<u>-</u>	<u>36,000</u>
Total capital assets, not being Depreciated/amortized	<u>1,232,554</u>	<u>8,000</u>	<u>-</u>	<u>1,240,554</u>
Capital Assets, Being Depreciated/Amortized:				
Water production and distribution facilities	3,832,625	-	-	3,832,625
Wastewater collection and treatment facilities	6,615,692	-	-	6,615,692
Drainage facilities	2,801,957	16,500	-	2,818,457
Right to use leased assets	<u>-</u>	<u>104,426</u>	<u>-</u>	<u>104,426</u>
Total capital assets, being Depreciated/amortized	<u>13,250,274</u>	<u>120,926</u>	<u>-</u>	<u>13,371,200</u>
Less Accumulated Depreciation/ Amortization For:				
Waste production and distribution facilities	2,144,441	89,359	-	2,233,800
Wastewater collection and treatment facilities	3,704,173	117,907	-	3,822,080
Drainage facilities	1,582,036	62,878	-	1,644,914
Right to use leased assets	<u>-</u>	<u>6,962</u>	<u>-</u>	<u>6,962</u>
Total accumulated depreciation/ amortization	<u>7,430,650</u>	<u>277,106</u>	<u>-</u>	<u>7,707,756</u>
Governmental activities capital assets, net	<u>\$ 7,052,178</u>	<u>\$ (148,180)</u>	<u>\$ -</u>	<u>\$ 6,903,998</u>

Depreciation expense of \$ 277,106 was charged to governmental activities in 2023.

The District had no existing contract commitments for construction as of December 31, 2023.

**VARNER CREEK UTILITY DISTRICT**

*Notes to the Financial Statements*

*For the Year Ended December 31, 2023*

NOTE 6 - LONG-TERM DEBT

General Long-Term Debt

General long-term debt consists of general obligation bonds maturing serially.

The following is a summary of the District's general obligation bond debt at December 31, 2023:

	Interest Rates %	Series Dates			Bonds Outstanding 12/31/23
		Issued	Maturity	Callable	
General Obligation Bonds Series 2017 Refunding	2.00 - 4.00	2018	2029	N/A	\$ 3,815,000
General Obligation Bonds Series 2018	3.00 - 4.00	2018	2039	N/A	<u>2,990,000</u>
					<u>\$ 6,805,000</u>

General obligation bond transactions for the year ended December 31, 2023 are as follows:

Bonds outstanding, December 31, 2022	\$ 7,545,000
Maturities	<u>( 740,000 )</u>
Bonds outstanding, December 31, 2023	<u>\$ 6,805,000</u>

Presented below is a summary of general obligation bond requirements to maturity:

Year Ended December 31,	Principal	Interest	Total
2024	\$ 765,000	\$ 267,825	\$ 1,032,825
2025	805,000	238,625	1,043,625
2026	840,000	207,875	1,047,875
2027	880,000	175,025	1,055,025
2028	920,000	140,600	1,060,600
2029-2033	1,260,000	392,200	1,652,200
2034-2038	1,090,000	183,200	1,273,200
2039	<u>245,000</u>	<u>9,800</u>	<u>254,800</u>
Total	<u>\$ 6,805,000</u>	<u>\$ 1,615,150</u>	<u>\$ 8,420,150</u>

## VARNER CREEK UTILITY DISTRICT

Notes to the Financial Statements

For the Year Ended December 31, 2023

### NOTE 6 - LONG-TERM DEBT - Continued

#### Changes in Outstanding Debt

Transactions for the year ended December 31, 2023 are summarized as follows:

	<u>Balance</u> <u>1-01-23</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>12-31-23</u>	<u>Due Within</u> <u>One Year</u>
Governmental Activities:					
General obligation bonds	\$ 7,545,000	\$ -	\$ 740,000	\$ 6,805,000	\$ 765,000
Lease liability	-	84,026	5,252	78,774	16,045
Premium on bonds	<u>295,250</u>	-	<u>43,261</u>	<u>251,989</u>	<u>43,262</u>
Total governmental activities	<u>\$ 7,840,250</u>	<u>\$ 84,026</u>	<u>\$ 788,513</u>	<u>\$ 7,135,763</u>	<u>\$ 824,307</u>

### NOTE 7 - LEASES

In 2023, the District entered a five year lease agreement for the lease of a building. Based on this agreement, the District is required to make monthly payments of \$ 1,500. There are no renewal options included in this lease agreement and the District will not purchase the building at the end of the lease term. An initial lease liability related to copiers was recorded in the amount of \$ 84,026 using a 2.736% discount rate. As of December 31, 2023, the lease liability was \$ 78,774 and the value of the right to use leased asset was \$ 104,426 with accumulated amortization of \$ 6,962.

The future principal and interest lease payments for governmental activities as of December 31, 2023 are as follows:

<u>Year Ending</u> <u>December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u> <u>Requirements</u>
2024	\$ 16,045	\$ 1,955	\$ 18,000
2025	16,489	1,511	18,000
2026	16,946	1,054	18,000
2027	17,416	584	18,000
2028	<u>11,878</u>	<u>122</u>	<u>12,000</u>
Totals	<u>\$ 78,774</u>	<u>\$ 5,226</u>	<u>\$ 84,000</u>

### NOTE 8 - GROUNDWATER CONSERVATION DISTRICT

The District is within the boundaries of the Brazoria County Groundwater Conservation District (the Conservation District). The Conservation District regulates groundwater withdrawal. As of December 31, 2023, the Conservation District was billing the District \$ 0.03 per 1,000 gallons of water pumped from its wells. This amount is subject to future increases.

## **VARNER CREEK UTILITY DISTRICT**

*Notes to the Financial Statements*

*For the Year Ended December 31, 2023*

### **NOTE 9 - OPERATION OF REGIONAL FACILITIES**

On December 10, 1975, the District entered into an agreement with the City of West Columbia (the "City") to share the costs of constructing and operating a wastewater treatment plant within the City. The City has oversight responsibilities and holds title for the benefit of the participants. Construction costs were shared based on pro rata share of capacity acquired. The District acquired 50 percent or 500,000 gallons per day of a total 1,000,000 gallons-per-day capacity.

On November 18, 1987, the District and the City agreed to expand the plant's capacity from 1,000,000 gallons per day to 1,600,000 gallons per day, and to extend the agreement for a 30-year period. The District's expanded capacity is 650,000 gallons per day or 40.625 percent ownership of total capacity.

The operating costs are shared based on the percentage of the plant's capacity used. During the current year, the District incurred operating costs of \$ 217,111 under the terms of this contract.

### **NOTE 10 - RISK POOL PARTICIPATION**

The District is a participant in the Texas Municipal League Intergovernmental Risk Pool for coverage of group liability, property and worker's compensation claims. The District pays annual premiums to the pool for the coverages stated. The agreement with the Texas Municipal League Intergovernmental Risk Pool requires the pool to be self-sustaining. Therefore, the District's exposure for claims is designated to be limited to their deductible.

### **NOTE 11 - EXCESS OF EXPENDITURES OVER APPROPRIATIONS**

During the year ended December 31, 2023, the District incurred expenditures in excess of appropriations in the general fund of \$ 59,142.

### **NOTE 12 - EVALUATION OF SUBSEQUENT EVENTS**

This District has evaluated subsequent events through April 17, 2024, the date which the financial statements were available to be issued.



**REQUIRED SUPPLEMENTARY INFORMATION**

**VARNER CREEK UTILITY DISTRICT**

*Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual -General Fund  
For the Year Ended December 31, 2023*

	Budgeted Amounts		Actual	Variance
	Original	Final		Favorable (Unfavorable)
<b>Revenues:</b>				
Property taxes	\$ 285,000	\$ 285,000	\$ 290,479	\$ 5,479
Water service	388,800	388,800	408,712	19,912
Sewer service	360,000	360,000	364,898	4,898
Standby fees	2,000	2,000	695	( 1,305)
Tap connection and inspection fees	31,200	66,200	84,850	18,650
Investment income	8,000	38,000	37,513	( 487)
<b>Total revenues</b>	<b>1,075,000</b>	<b>1,140,000</b>	<b>1,187,147</b>	<b>47,147</b>
<b>Expenditures:</b>				
<b>Current:</b>				
Purchased services	269,820	269,820	263,961	5,859
Professional fees	53,000	53,500	32,421	21,079
Contracted services	89,000	90,000	92,314	( 2,314)
Utilities	27,000	27,000	30,037	( 3,037)
Repairs and maintenance	592,130	594,630	575,831	18,799
Administrative	44,050	105,050	77,652	27,398
Capital outlay	-	-	120,926	( 120,926)
<b>Dent Service:</b>				
Principal	-	-	5,252	( 5,252)
Interest and fiscal charges	-	-	748	( 748)
<b>Total expenditures</b>	<b>1,075,000</b>	<b>1,140,000</b>	<b>1,199,142</b>	<b>( 59,142)</b>
Deficiency of revenues over expenditures	-	-	( 11,995)	( 11,995)
<b>Other Financing Sources:</b>				
Issuance of right to use leased assets	-	-	84,026	84,026
<b>Total other financing sources</b>	<b>-</b>	<b>-</b>	<b>84,026</b>	<b>84,026</b>
<b>Net change in fund balance</b>	<b>-</b>	<b>-</b>	<b>72,031</b>	<b>72,031</b>
Fund balance - beginning	541,901	541,901	541,901	-
Fund balance - ending	\$ 541,901	\$ 541,901	\$ 613,932	\$ 72,031

**SUPPLEMENTAL INFORMATION  
REQUIRED BY TEXAS COMMISSION ON  
ENVIRONMENTAL QUALITY**

# VARNER CREEK UTILITY DISTRICT

TSI-1 - Services and Rates

For the Year Ended December 31, 2023

## 1. Services Provided by the District:

- |  |   |  |
|--|---|--|
| <input checked="" type="checkbox"/> Retail Water   | <input type="checkbox"/> Wholesale Water      | <input checked="" type="checkbox"/> Drainage |
| <input checked="" type="checkbox"/> Retail Wastewater  | <input type="checkbox"/> Wholesale Wastewater | <input type="checkbox"/> Irrigation          |
| <input type="checkbox"/> Parks/Recreation  | <input type="checkbox"/> Fire Protection      | <input type="checkbox"/> Security            |
| <input type="checkbox"/> Solid Waste/Garbage   | <input type="checkbox"/> Flood Control        | <input checked="" type="checkbox"/> Roads    |
| <input checked="" type="checkbox"/> Participates in joint venture, regional system and/or wastewater service (other than Emergency interconnect) |   |  |
| <input type="checkbox"/> Other (specify): _____  |   |  |

## 2. Retail Service Providers

### a. Retail rates for a 5/8" meter (or equivalent):

	<u>Minimum Charge</u>	<u>Minimum Usage</u>	<u>Flat Rate Y/N</u>	<u>Rate per 1,000 Gallons Over Minimum</u>	<u>Usage Levels</u>
Water	\$ 13.50	2,000	Y	\$ 3.63	2,000 to No Limit
Wastewater	\$ 13.50	2,000	Y	3.63 0.31	2,000-10,000 10,001 to No Limit
Regional Water Fee	\$ -0-				

Does the District employ winter averaging for wastewater usage? No

Total charges per 10,000 gallons usage (including fees): Water \$ 42.54 Wastewater \$ 42.54

### b. Water and wastewater retail connections:

	<u>Total Connections</u>	<u>Active Connections</u>	<u>ESFC Factor</u>	<u>Active EFSC</u>
Less than or equal to 3/4"	1,222	1,206	X 1.0	1,206
1"	25	25	X 2.5	63
1.5"	7	7	X 5.0	35
2"	5	5	X 8.0	40
3"	1	0	X 15.0	0
Total Water	1,265	1,248		1,248
Total Wastewater	1,222	1,182	X 1.0	1,182

**VARNER CREEK UTILITY DISTRICT**

*TSI-1 - Services and Rates - Continued  
For the Year Ended December 31, 2023*

3. Total water consumption (in thousands) during the fiscal year:  
Gallons pumped into the system: 97,623  
Gallons billed to customers: 87,320  
Water accountability ratio (gallons billed/gallons pumped): 89.45%

4. Standby Fees (authorized only under TWC Section 49.231):

Does the District have Debt Service standby fees: Yes \_\_\_\_\_ No  X

If yes, date of the most recent Commission Order: \_\_\_\_\_

Does the District have Operation and Maintenance standby fees: Yes \_\_\_\_\_ No  X

If yes, date of the most recent Commission Order: \_\_\_\_\_

5. Location of District:

County(ies) in which District is located.  Brazoria  \_\_\_\_\_

Is the District located entirely within one county? Yes  X  No \_\_\_\_\_

Is the District located within a city? Entirely \_\_\_\_\_ Partly \_\_\_\_\_ Not at all  X

City(ies) in which District is located. \_\_\_\_\_

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

Entirely \_\_\_\_\_ Partly  X  Not at all \_\_\_\_\_

ETJ's in which District is located.  West Columbia

Are Board members appointed by an office outside the District?

Yes \_\_\_\_\_ No  X

If Yes, by whom? \_\_\_\_\_

**VARNER CREEK UTILITY DISTRICT**

*TSI-2 - General Fund Expenditures*

*For the Year Ended December 31, 2023*

Purchased services for resale	\$	263,961
Professional fees:		
Auditing		13,500
Legal		8,703
Engineering		10,218
Contracted services:		
Service account billing and collection		51,312
Bookkeeping		41,002
Utilities		30,037
Repairs and maintenance		575,831
Administrative:		
Water meter cell service		13,994
Merchant fees		283
Payroll taxes		3,131
Director's fees		45,539
Office expenses		3,904
Insurance		8,192
Miscellaneous		2,609
Capital outlay		120,926
Debt Service:		
Principal		5,252
Interest and fiscal charges		<u>748</u>
Total expenditures	\$	<u><u>1,199,142</u></u>

Number of persons employed by the District: -0- Full-Time, -0- Part-Time

**VARNER CREEK UTILITY DISTRICT**

*TSI-3 - Schedule of Investments*

*December 31, 2023*

	Identification or Certification Number	Interest Rate	Maturity Date	Balance at Year End	Accrued Interest Receivable at End of Year
<u>General Fund</u>					
Texpool	20120001	5.384%	Demand	\$ 1,137,161	-
Total				<u>1,137,161</u>	<u>-</u>
<u>Debt Service Fund</u>					
Texpool	2012000010	5.384%	Demand	1,445,934	-
Total				<u>1,445,934</u>	<u>-</u>
<u>Capital Projects Fund</u>					
Texpool	201200002	5.384%	Demand	7,632	-
Texpool	201200009	5.384%	Demand	<u>329,306</u>	<u>-</u>
Total				<u>336,938</u>	<u>-</u>
Total - All Funds				<u>\$ 2,920,033</u>	<u>\$ -</u>

**VARNER CREEK UTILITY DISTRICT**

*TSI-4 - Taxes Levied and Receivable*

*December 31, 2023*

	<u>Maintenance Taxes</u>	<u>Debt Service Taxes</u>		
Taxes Receivable, Beginning of Year	\$ 76,829	\$ 299,452		
2023 Original Tax Levy, net of current year adjustments	294,041	1,019,214		
Adjustments (prior years)	<u>( 678)</u>	<u>( 2,589)</u>		
Total to be accounted for	<u>370,192</u>	<u>1,316,077</u>		
Tax Collections:				
Current year	215,071	745,484		
Prior years	<u>71,116</u>	<u>272,265</u>		
Total collections	<u>286,187</u>	<u>1,017,749</u>		
Taxes Receivable, End of Year	\$ <u>84,005</u>	\$ <u>298,328</u>		
Taxes Receivable, By Years				
2023	\$ 78,970	\$ 273,730		
Prior years	5,035	24,598		
Less allowance for uncollectibles	<u>( 840)</u>	<u>( 2,983)</u>		
Taxes Receivable (Net), End of Year	\$ <u>83,165</u>	\$ <u>295,345</u>		
	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
Property Valuations:				
Land	\$ 77,082,932	\$ 68,621,547	\$ 29,648,020	\$ 32,121,411
Improvements	300,504,661	220,050,583	185,940,980	182,698,173
Personal property & minerals	5,794,890	4,397,170	4,004,160	3,868,210
Exemptions & adjustments	<u>( 46,047,802)</u>	<u>( 17,816,219)</u>	<u>( 9,637,810)</u>	<u>( 9,886,735)</u>
Total Property Valuations	\$ <u>337,334,681</u>	\$ <u>275,253,081</u>	\$ <u>209,955,350</u>	\$ <u>208,801,059</u>
Tax Rates Per \$100 Valuation:				
Debt service tax rates	0.087322	0.380000	0.450000	0.490000
Maintenance tax rates	0.302678	0.100000	0.080000	0.080000
Other district tax rates	<u>None</u>	<u>None</u>	<u>None</u>	<u>None</u>
Total Tax Rates Per \$100 Valuation	\$ <u>0.390000</u>	\$ <u>0.480000</u>	\$ <u>0.530000</u>	\$ <u>0.570000</u>
Original Tax Levy:	\$ <u>1,313,255</u>	\$ <u>1,321,238</u>	\$ <u>1,212,745</u>	\$ <u>1,192,418</u>
Percent of Taxes Collected to Taxes Levied*	73.14%	99.00%	99.50%	99.82%

\* Calculated as taxes collected in current and previous years divided by tax levy.



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**VARNER CREEK UTILITY DISTRICT**

*TSI-5 - Schedule of Long-Term Debt Service Requirements by Years  
December 31, 2023*

Due During Fiscal Years Ending December 31,	Series 2017 Refunding			Series 2018		
	Principal Due August 15	Interest Due February 15, August 15	Total	Principal Due August 15	Interest Due February 15, August 15	Total
2024	\$ 625,000	\$ 152,600	\$ 777,600	\$ 140,000	\$ 115,225	\$ 255,225
2025	660,000	127,600	787,600	145,000	111,025	256,025
2026	690,000	101,200	791,200	150,000	106,675	256,675
2027	725,000	73,600	798,600	155,000	101,425	256,425
2028	760,000	44,600	804,600	160,000	96,000	256,000
2029	355,000	14,200	369,200	170,000	89,600	259,600
2030	-	-	-	175,000	82,800	257,800
2031	-	-	-	180,000	75,800	255,800
2032	-	-	-	185,000	68,600	253,600
2033	-	-	-	195,000	61,200	256,200
2034	-	-	-	200,000	53,400	253,400
2035	-	-	-	210,000	45,400	255,400
2036	-	-	-	220,000	37,000	257,000
2037	-	-	-	225,000	28,200	253,200
2038	-	-	-	235,000	19,200	254,200
2039	-	-	-	245,000	9,800	254,800
Totals	<u>\$ 3,815,000</u>	<u>\$ 513,800</u>	<u>\$ 4,328,800</u>	<u>\$ 2,990,000</u>	<u>\$ 1,101,350</u>	<u>\$ 4,091,350</u>

Annual Requirements for All Series

<u>Principal Due August 15</u>	<u>Interest Due February 15, August 15</u>	<u>Total</u>
\$ 765,000	\$ 267,825	\$ 1,032,825
805,000	238,625	1,043,625
840,000	207,875	1,047,875
880,000	175,025	1,055,025
920,000	140,600	1,060,600
525,000	103,800	628,800
175,000	82,800	257,800
180,000	75,800	255,800
185,000	68,600	253,600
195,000	61,200	256,200
200,000	53,400	253,400
210,000	45,400	255,400
220,000	37,000	257,000
225,000	28,200	253,200
235,000	19,200	254,200
<u>245,000</u>	<u>9,800</u>	<u>254,800</u>
<u>\$ 6,805,000</u>	<u>\$ 1,615,150</u>	<u>\$ 8,420,150</u>

**VARNER CREEK UTILITY DISTRICT**  
*TSI-6 - Changes in Long-Term Bonded Debt*  
*For the Year Ended December 31, 2023*

	BOND ISSUED		
	Series 2017 Refunding	Series 2018	Totals
Interest rates	2.00% - 4.00%	3.00% - 4.00%	
Dates interest payable	February 15/ August 15	February 15/ August 15	
Maturity Dates	August 15, 2019/2029	August 15, 2020/2029	
Bonds outstanding beginning of year	\$ 4,420,000	\$ 3,125,000	\$ 7,545,000
Bonds sold during year	-	-	-
Retirements, principal	<u>605,000</u>	<u>135,000</u>	<u>740,000</u>
Bonds outstanding end of current year	\$ <u>3,815,000</u>	\$ <u>2,990,000</u>	\$ <u>6,805,000</u>
Interest paid during current year	\$ <u>170,750</u>	\$ <u>119,275</u>	\$ <u>290,025</u>

Paying agents name and address:

Series 2017 Refunding - The Bank of New York Trust Company, N.A., Dallas, Texas  
 Series 2018 - The Bank of New York Trust Company, N.A., Dallas, Texas

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**VARNER CREEK UTILITY DISTRICT**

*TSI-7a - Comparative Schedule of Revenues and Expenditures - General Fund  
For the Five Years Ended December 31,*

	AMOUNTS				
	2023	2022	2021	2020	2019
<b>Revenues:</b>					
Property taxes	\$ 290,479	\$ 204,588	\$ 185,079	\$ 161,345	\$ 154,509
Water service	408,712	374,127	312,150	324,122	300,612
Sewer service	364,898	339,770	298,595	302,704	280,557
Standby fees	695	5,043	3,991	33,165	37,260
Tap connection and inspection fees	84,850	190,900	127,360	144,285	85,450
Investment income	37,513	9,142	286	1,418	2,321
Miscellaneous	-	-	675	538	4,101
<b>Total revenues</b>	<u>1,187,147</u>	<u>1,123,570</u>	<u>928,136</u>	<u>967,577</u>	<u>864,810</u>
<b>Expenditures:</b>					
<b>Current:</b>					
Purchased services	263,961	203,648	188,456	200,697	208,095
Professional fees	32,421	28,638	24,206	19,806	6,518
Contracted services	92,314	97,191	86,076	91,352	105,504
Utilities	30,037	29,151	25,967	23,828	25,937
Repairs and maintenance	575,831	657,221	522,381	409,973	373,306
Administrative	77,652	37,865	32,155	31,396	29,709
Capital outlay	120,926	-	77,951	-	-
<b>Debt Service:</b>					
Principal	5,252	-	-	-	-
Interest and fiscal charges	748	-	-	-	-
<b>Total expenditures</b>	<u>1,199,142</u>	<u>1,053,714</u>	<u>957,192</u>	<u>777,052</u>	<u>749,069</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>\$ (11,995)</u>	<u>\$ 69,856</u>	<u>\$ (29,056)</u>	<u>\$ 190,525</u>	<u>\$ 115,741</u>

PERCENTAGES

2023	2022	2021	2020	2019
24.5%	18.2%	20.0%	16.7%	17.9%
34.4%	33.3%	33.6%	33.5%	34.8%
30.7%	30.2%	32.2%	31.3%	32.4%
0.1%	0.5%	0.4%	3.4%	4.3%
7.1%	17.0%	13.7%	14.9%	9.9%
3.2%	0.8%	0.0%	0.1%	0.2%
0.0%	0.0%	0.1%	0.1%	0.5%
100.0%	100.0%	100.0%	100.0%	100.0%
22.2%	18.1%	20.3%	20.7%	24.1%
2.7%	2.5%	2.6%	2.0%	0.8%
7.8%	8.7%	9.3%	9.4%	12.2%
2.5%	2.6%	2.8%	2.5%	3.0%
48.5%	58.5%	56.3%	42.4%	43.0%
6.5%	3.4%	3.5%	3.2%	3.4%
10.2%	0.0%	8.4%	0.0%	0.0%
0.4%	0.0%	0.0%	0.0%	0.0%
0.1%	0.0%	0.0%	0.0%	0.0%
100.9%	93.8%	103.2%	80.2%	86.5%
( 0.9% )	6.2%	( 3.2% )	19.8%	13.5%

**VARNER CREEK UTILITY DISTRICT**

*TSI-7b - Comparative Schedule of Revenues and Expenditures - Debt Service Fund  
For the Five Years Ended December 31,*

	AMOUNTS				
	2023	2022	2021	2020	2019
Revenues:					
Property taxes	\$ 1,113,607	\$ 1,051,271	\$ 1,048,631	\$ 958,665	\$ 883,749
Total revenues	<u>1,113,607</u>	<u>1,051,271</u>	<u>1,048,631</u>	<u>958,665</u>	<u>883,749</u>
Expenditures:					
Current:					
Contracted services	8,271	7,935	7,743	7,424	5,056
Administrative	1,500	3,500	3,670	5,268	3,500
Debt Service:					
Principal	740,000	710,000	685,000	655,000	520,000
Interest and fiscal charges	<u>293,525</u>	<u>312,825</u>	<u>333,375</u>	<u>353,025</u>	<u>318,466</u>
Total expenditures	<u>1,043,296</u>	<u>1,034,260</u>	<u>1,029,788</u>	<u>1,020,717</u>	<u>847,022</u>
Excess (deficiency) of revenues over expenditures	<u>\$ 70,311</u>	<u>\$ 17,011</u>	<u>\$ 18,843</u>	<u>\$ (62,052)</u>	<u>\$ 36,727</u>



PERCENTAGES

2023	2022	2021	2020	2019
\$ 100.0%	\$ 100.0%	\$ 100.0%	\$ 100.0%	\$ 100.0%
100.0%	100.0%	100.0%	100.0%	100.0%
0.7%	0.8%	0.7%	0.8%	0.6%
0.1%	0.3%	0.4%	0.6%	0.4%
66.5%	67.5%	65.3%	68.3%	58.8%
26.4%	29.8%	31.8%	36.8%	36.0%
93.7%	98.4%	98.2%	106.5%	95.8%
<u>6.3%</u>	<u>1.6%</u>	<u>1.8%</u>	<u>( 6.5% )</u>	<u>4.2%</u>

**VARNER CREEK UTILITY DISTRICT**

*TSI-8 - Board Members, Key Personnel and Consultants  
December 31, 2023*

Complete District Mailing Address: PO Box 265  
West Columbia, Texas 77486

District Business Telephone Number: (979) 345-6008

Submission Date of the most recent District Registration Form  
(TWC Sections 36.054 and 49.054): 03-07-2024

Limit on Fees of Office that a Director may receive during a fiscal year: \$ 7,200

<u>Name &amp; Addresses</u>	<u>Term of Office (Elected or Appointed) or Date Hired</u>	<u>Fees 12-31-23</u>	<u>Expense Reimbursements 12-31-23</u>	<u>Title at Year End</u>	<u>Resident of District?</u>
<i>Board Members:</i>					
Jim Stubbs 242 Canterbury Drive West Columbia, TX 77486	10/23-present	\$ 442	-	Director	Yes
Keith Baker 9 Canterbury Lane West Columbia, TX 77486	02/22-present	1,726	-	Vice President	Yes
Allan Sassin 14 Evergreen Lane West Columbia, TX 77486	01/13-present	9,099	-	President	Yes
Becky Carroll 235 South Amherst Drive West Columbia, TX 77486	10/13-present	1,794	-	Secretary/ Treasurer	Yes
Ray Sauer 2133 Riverside West Columbia, TX 77486	10/16-09/23	11,173	-	-	Yes
Randall Weeks 261 Crestview Dr. West Columbia, TX 77486	09/20-present	1,915	-	Director	Yes

**VARNER CREEK UTILITY DISTRICT**

*TSI-8 - Board Members, Key Personnel and Consultants - Continued  
December 31, 2023*

<u>Name</u>	<u>Term of Office (Elected or Appointed) or Date Hired</u>	<u>Fees 12-31-23</u>	<u>Expense Reimbursements 12-31-23</u>	<u>Title at Year End</u>	<u>Resident of District?</u>
<i>Consultants:</i>					
KM&L, LLC	02/09	\$ 13,500	\$ -	Auditor	No
Baker & Lawson, Inc.	08/02	10,218	-	Engineers	No
Debra Lanehart	02/07	92,086	-	Administrator	Yes
Brazoria County Appraisal District		8,271	-	Tax Appraisers	No
Bracewell Law, LLP	02/12	14,729	-	Attorney	No
Ryder & Co.	12/03	552,571	-	Operator	No

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