

VARNER CREEK UTILITY DISTRICT

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED
DECEMBER 31, 2020



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

THIS PAGE LEFT BLANK INTENTIONALLY.

VARNER CREEK UTILITY DISTRICT

*Annual Financial Report
For the Year Ended December 31, 2020*

	<u>Page</u>
FINANCIAL SECTION	
Independent Auditor's Report	7-8
Management's Discussion and Analysis	9-14
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Position	16
Statement of Activities	17
Fund Financial Statements:	
Balance Sheet - Governmental Funds.....	18-19
Reconciliation of the Governmental Funds Balance Sheet to the Governmental Activities Statement of Net Position	20
Statement of Revenues, Expenditures, and Change in Fund Balance - Governmental Funds.....	21
Reconciliation of the Statement of Revenues, Expenditures, and Change in Fund Balance of Governmental Funds to the Governmental Activities Statement of Activities.....	22
Notes to the Financial Statements.....	23-38
Required Supplementary Information:	
Statement of Revenues, Expenditures, and Change in Fund Balance - Budget and Actual - General Fund	41
Supplemental Information Required by Texas Commission on Environmental Quality:	
TSI-1 Services and Rates.....	45-46
TSI-2 General Fund Expenditures	47
TSI-3 Schedule of Investments	48
TSI-4 Taxes Levied and Receivable.....	49
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
Other Schedules:	
Detailed Combined Schedule of Revenues, Expenditures and Change in Fund Balance - Governmental Fund Types	62
Detailed Schedule of Revenues, Expenditures and Change in Fund Balance - Budget and Actual - General Fund.....	63

THIS PAGE LEFT BLANK INTENTIONALLY.

FINANCIAL SECTION

THIS PAGE LEFT BLANK INTENTIONALLY.



Independent Auditor's Report

Board of Directors
Varner Creek Utility District
West Columbia, TX 77486

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Varner Creek Utility District (the "District"), as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Lake Jackson
8 W Way Ct.
Lake Jackson, TX 77566
979-297-4075

El Campo
201 W. Webb St.
El Campo, TX 77437
979-543-6836

Angleton
2801 N. Velasco, Suite C
Angleton, TX 77515
979-849-8297

Bay City
2245 Avenue G
Bay City, TX 77414
979-245-9236



Opinions

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, 2020, 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America required that the management's discussion and analysis and Statement of Revenue, Expenditures, and Change in Fund Balance - Budget and Analysis - General Fund on pages 9 through 14 and 41, respectively, be presented to supplement the basic financial statements. Such information, 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 the 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.

Other 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 and other schedules, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplemental information required by the Texas Commission on Environmental Quality and other schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such 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 and other schedules are fairly stated in all material respects in related to the basic financial statements as a whole.

KM&L, LLC

Lake Jackson, Texas
April 8, 2021

VARNER CREEK UTILITY DISTRICT, TEXAS

Management's Discussion and Analysis

For the Year Ended December 31, 2020

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, 2020. 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 \$ 103,927. Of this amount, \$ 521,350 (unrestricted net position) may be used to meet the government's ongoing obligations.
- The District's total net position increased by \$ 637,383.
- As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$ 2,975,585. 16.71% of this total amount, \$ 497,328 (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 \$ 501,101. Of this amount, \$ 3,773 is nonspendable leaving an unassigned balance of \$ 497,328. The unassigned fund balance represents 64.00% 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, TEXAS

Management's Discussion and Analysis

For the Year Ended December 31, 2020

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 16 and 17 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 18 through 22 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 24 through 38 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 41 of this report.

VARNER CREEK UTILITY DISTRICT, TEXAS

Management's Discussion and Analysis
For the Year Ended December 31, 2020

In addition this report also presents supplementary information required by the Texas Commission on Environmental Quality, which can be found on pages 45 through 59 of this report.

This report also contains other schedules, which are provided for additional analysis. These schedules can be found on pages 62 through 63 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 \$ 103,927 at December 31, 2020.

A large portion of the District's deficit net position reflects its deficit balance in the net investment in capital assets (e.g., land, construction in progress, water production and distribution facilities, wastewater collection and treatment facilities and drainage facilities), 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>2020</u>	<u>2019</u>
Current and other assets	\$ 4,381,367	\$ 4,903,217
Capital assets	<u>6,247,483</u>	<u>5,725,591</u>
Total assets	<u>10,628,850</u>	<u>10,628,808</u>
Deferred outflows of resources	<u>304,087</u>	<u>339,356</u>
Current liabilities	314,818	387,680
Long-term liabilities	<u>9,321,774</u>	<u>10,020,036</u>
Total liabilities	<u>9,636,592</u>	<u>10,407,716</u>
Deferred inflows of resources	<u>1,192,418</u>	<u>1,093,904</u>
Net Position:		
Net investment in capital assets	(1,137,683)	(1,635,464)
Restricted	720,260	774,883
Unrestricted	<u>521,350</u>	<u>327,125</u>
Total net position	<u>\$ 103,927</u>	<u>\$ (533,456)</u>

An additional portion of the District's net position of \$ 720,260 represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position is \$ 521,350 and may be used to meet the government's ongoing obligations to citizens and creditors.

VARNER CREEK UTILITY DISTRICT, TEXAS

Management's Discussion and Analysis

For the Year Ended December 31, 2020

Analysis of the District's Operations. Overall the District had an increase in net position of \$ 637,383.

Total revenues for governmental activities were \$ 1,940,727 comprised of program and general revenues. Components of revenues were charges for services of \$ 819,217 (42.21%), property taxes of \$ 1,101,153 (56.74%), investment income of \$ 19,819 (1.02%), and miscellaneous income of \$ 538 (0.03%).

The following table provides a summary of the District's operations for the years ended December 31, 2020 and 2019.

DISTRICT'S ACTIVITIES

	<u>2020</u>	<u>2019</u>
Revenues:		
Program Revenues:		
Charges for services	\$ 819,217	\$ 718,557
General Revenues:		
Property taxes	1,101,153	996,299
Investment income	19,819	97,745
Miscellaneous	<u>538</u>	<u>4,101</u>
Total revenues	<u>1,940,727</u>	<u>1,816,702</u>
Expenses:		
Service operations	965,741	999,886
Interest and fiscal charges	<u>337,603</u>	<u>306,540</u>
Total expenses	<u>1,303,344</u>	<u>1,306,426</u>
Change in net position	637,383	510,276
Net position - beginning	(<u>533,456</u>)	(<u>1,043,732</u>)
Net position - ending	<u>\$ 103,927</u>	<u>\$ (533,456)</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, TEXAS

Management's Discussion and Analysis

For the Year Ended December 31, 2020

As of the end of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$ 2,975,585. 16.71% of this total amount \$ 497,328 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 \$ 3,773, 2) debt service \$ 841,963, and 3) capital projects \$ 1,632,521.

The General Fund fund balance increased by \$ 190,525, the Debt Service Fund fund balance decreased by \$ 62,052, and the Capital Projects Fund fund balance decreased by \$ 687,104.

Capital Assets

The District's investment in capital assets for its governmental type activities as of December 31, 2020, amounts to \$ 6,247,483 (net of accumulated depreciation). This investment in capital assets includes land, water production and distribution facilities, waste water collection and treatment facilities, drainage facilities and construction in progress.

There were \$ 684,398 of capital additions during the current fiscal year.

Capital Assets Net of Accumulated Depreciation

	<u>2020</u>	<u>2019</u>
Land	\$ 1,204,168	\$ 823,704
Water production and distribution facilities	1,089,928	805,623
Waste water collection and treatment facilities	3,096,625	3,206,677
Drainage facilities	643,356	401,600
Construction in progress	<u>213,406</u>	<u>487,987</u>
Net capital assets	<u>\$ 6,247,483</u>	<u>\$ 5,725,591</u>

Additional information on the District's capital assets can be found in Note 5 on page 36 of this report.

Debt Administration

At the end of the current fiscal year, the District had a total bonded debt of \$ 8,940,000. These bonds will be retired with revenues from property taxes.

VARNER CREEK UTILITY DISTRICT, TEXAS

Management's Discussion and Analysis

For the Year Ended December 31, 2020

Bonds Payable and Components of Debt

	<u>2020</u>	<u>2019</u>
General obligation bonds	\$ 8,940,000	\$ 9,595,000
Premium on bonds	<u>381,774</u>	<u>425,036</u>
Total	<u>\$ 9,321,774</u>	<u>\$ 10,020,036</u>

Additional information of the District's long-term debt can be found in Note 6 on pages 37 through 38.

Economic Factors and Next Year's Budgets and Rates

- The District's total 2021 budgeted revenues and expenses are expected to be consistent overall with the previous year at \$ 939,000.
- The District expects some growth of operations in 2021 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 \$ 685,000 for principal and \$ 331,875 for interest in 2021.

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, 2020

	<u>Total Governmental Activities</u>
ASSETS:	
Cash and cash equivalents	\$ 3,949,411
Receivables (net of allowance for uncollectibles):	
Taxes	382,417
Service accounts	20,678
Due from other governments	24,680
Other	408
Prepaid expenses	3,773
Capital Assets:	
Land	1,204,168
Water production and distribution facilities (net)	1,089,928
Waste water collection and treatment facilities (net)	3,096,625
Drainage facilities (net)	643,356
Construction in progress	<u>213,406</u>
Total assets	<u>10,628,850</u>
DEFERRED OUTFLOWS OF RESOURCES:	
Deferred outflows of resources	<u>304,087</u>
Total deferred outflows of resources	<u>304,087</u>
LIABILITIES:	
Accounts and accrued liabilities payable	186,239
Accrued interest payable	125,476
Unearned revenue	3,103
Noncurrent Liabilities:	
Due within one year	1,028,263
Due in more than one year	<u>8,293,511</u>
Total liabilities	<u>9,636,592</u>
DEFERRED INFLOWS OF RESOURCES:	
Deferred inflows of resources - property taxes	<u>1,192,418</u>
Total deferred inflows of resources	<u>1,192,418</u>
NET POSITION:	
Net investment in capital assets	(1,137,683)
Restricted For:	
Debt service	716,487
Other purposes	3,773
Unrestricted	<u>521,350</u>
Total net position	<u>\$ 103,927</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, 2020

Functions/Programs	Expenses	Program Revenues	Net (Expense) Revenue and Changes In Net Position
		Charges For Services	Total Governmental Activities
Primary Government:			
Governmental Activities:			
Service operations	\$ 965,741	\$ 819,217	\$(146,524)
Interest and fiscal charges	<u>337,603</u>	<u> </u>	<u>(337,603)</u>
Total governmental activities	<u>\$ 1,303,344</u>	<u>\$ 819,217</u>	<u>(484,127)</u>
General Revenues:			
Property taxes			1,101,153
Investment earnings			19,819
Miscellaneous			<u>538</u>
Total general revenues			<u>1,121,510</u>
Change in net position			637,383
Net position - beginning			<u>(533,456)</u>
Net position - ending			<u>\$ 103,927</u>

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

VARNER CREEK UTILITY DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS

December 31, 2020

	General Fund	Debt Service Fund	Capital Projects Fund	Total Governmental Funds
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES				
Assets:				
Cash and cash equivalents	\$ 776,599	\$ 1,545,735	\$ 1,627,077	\$ 3,949,411
Receivables (net of allowance for uncollectibles):				
Taxes	53,158	329,259		382,417
Service accounts	9,818			9,818
Standby fees	10,860			10,860
Due from other governments	3,461	21,219		24,680
Other	408			408
Due from other funds	8,024		7,029	15,053
Prepaid expenditures	3,773			3,773
	<u>866,101</u>	<u>1,896,213</u>	<u>1,634,106</u>	<u>4,396,420</u>
Total assets				
Deferred Outflows of Resources:				
Deferred outflows of resources				-0-
	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Total deferred outflows of resources				
Total assets and deferred outflows of resources	<u>\$ 866,101</u>	<u>\$ 1,896,213</u>	<u>\$ 1,634,106</u>	<u>\$ 4,396,420</u>

(continued)

VARNER CREEK UTILITY DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS - Continued

December 31, 2020

	General Fund	Debt Service Fund	Capital Projects Fund	Total Governmental Funds
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE				
Liabilities:				
Accounts and accrued liabilities payable	\$ 109,098	\$	\$ 1,585	\$ 110,683
Due to other funds	7,029	8,024		15,053
Customer deposits	75,556			75,556
Unearned revenue	3,103			3,103
	<u>194,786</u>	<u>8,024</u>	<u>1,585</u>	<u>204,395</u>
Total liabilities				
Deferred Inflows of Resources:				
Deferred inflows of resources-property taxes	170,214	1,046,226		1,216,440
	<u>170,214</u>	<u>1,046,226</u>	<u>-0-</u>	<u>1,216,440</u>
Total deferred inflows of resources				
Fund Balance:				
Nonspendable:				
Prepaid expenditures	3,773			3,773
Restricted:				
Debt service		841,963		841,963
Capital projects			1,632,521	1,632,521
Unassigned	497,328			497,328
	<u>501,101</u>	<u>841,963</u>	<u>1,632,521</u>	<u>2,975,585</u>
Total fund balance				
Total liabilities, deferred inflows of resources and fund balance	\$ <u>866,101</u>	\$ <u>1,896,213</u>	\$ <u>1,634,106</u>	\$ <u>4,396,420</u>

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, 2020

Total fund balance - governmental funds balance sheet	\$ 2,975,585
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. Capital assets include \$ 13,200,025 in assets less \$ 6,952,542 in accumulated depreciation.	6,247,483
Property taxes receivable unavailable to pay for the current period expenditures are deferred in the funds. Deferred property tax revenues for the general fund and the debt service fund amounted to \$ 2,857 and \$ 21,165, respectively.	24,022
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 \$ 304,087 (bond refunding costs of \$ 440,718 less accumulated amortization of \$ 136,631)	304,087
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 \$ 381,774. (Premium on bonds issued of \$ 542,094 less accumulated amortization of \$ 160,320).	(381,774)
Payables for bond principal and other long-term debt are not reported in the funds	(8,940,000)
Payables for bond interest are not reported in the funds.	(<u>125,476</u>)
Net position of governmental activities - statement of net position.	\$ <u><u>103,927</u></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, 2020

	General Fund	Debt Service Fund	Capital Projects Fund	Total Governmental Funds
Revenues:				
Property taxes	\$ 146,404	\$ 951,049	\$	\$ 1,097,453
Water service	324,122			324,122
Sewer service	302,704			302,704
Standby fees	33,165			33,165
Tap connection and inspection fees	144,285			144,285
Penalty and interest	14,941	7,616		22,557
Investment income	1,418		10,785	12,203
Other	538			538
	<u>967,577</u>	<u>958,665</u>	<u>10,785</u>	<u>1,937,027</u>
Total revenues				
Expenditures:				
Service operations	777,052	12,692	13,491	803,235
Capital outlay			684,398	684,398
Debt Service:				
Principal		655,000		655,000
Interest and fiscal charges		353,025		353,025
	<u>777,052</u>	<u>1,020,717</u>	<u>697,889</u>	<u>2,495,658</u>
Total expenditures				
Change in fund balance	190,525	(62,052)	(687,104)	(558,631)
Fund balance - beginning	<u>310,576</u>	<u>904,015</u>	<u>2,319,625</u>	<u>3,534,216</u>
Fund balance - ending	<u>501,101</u>	<u>841,963</u>	<u>1,632,521</u>	<u>2,975,585</u>

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 CHANGE IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE GOVERNMENTAL ACTIVITIES STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2020

Change in fund balances - total governmental funds	\$(558,631)
--	--------------

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 capital outlay \$ 684,398 exceeded depreciation \$ 162,506 in the current period.	521,892
--	---------

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. Deferred property tax revenues for the general fund increased by \$ 438 and the debt service fund increased by \$ 3,262.	3,700
---	-------

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 \$ 655,000.	655,000
---	---------

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 \$ 43,262 (Premiums on bonds issued of \$ -0- less current amortization of \$ 43,262).	43,262
---	--------

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 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.	<u>7,429</u>
---	--------------

Change in net position of governmental activities	<u><u>\$ 637,383</u></u>
---	--------------------------

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

VARNER CREEK UTILITY DISTRICT

NOTES TO THE FINANCIAL STATEMENTS December 31, 2020

Note	Page
1. Summary of Significant Accounting Policies	24
2. Deposits and Investments	31
3. Receivables, Uncollectible Accounts, Deferred Inflows of Resources and Unearned Revenues	33
4. Interfund Receivables/Payables and Transfers	35
5. Capital Assets.....	36
6. Long-Term Debt	37
7. Groundwater Conservation District.....	38
8. Operation of Regional Facilities.....	38
9. Risk Pool Participation.....	38
10. Evaluation of Subsequent Events.....	38

VARNER CREEK UTILITY DISTRICT

NOTES TO THE FINANCIAL STATEMENTS December 31, 2020

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 December 31, 2020

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 December 31, 2020

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 No. 87 “Leases” was issued in June 2017. 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 periods beginning after June 15, 2021.

GASB No. 88 “Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements” was issued in April 2018. The statement was implemented and did not have a material effect on the District’s financial statements. The requirements of this statement are effective for reporting periods beginning after June 15, 2019.

GASB No. 89 “Accounting for Interest Cost Incurred before the End of a Construction Period” was issued in June 2018. 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, 2020.

GASB No. 90 “Majority Equity Interests - an amendment of GASB Statements No. 14 and No. 61” was issued in August 2018. 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 December 15, 2019.

GASB No. 91 “Conduit Debt Obligations” was issued in May 2019. 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, 2021.

GASB No. 92 “Omnibus 2020” was issued in January 2020. 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, 2021.

GASB No. 93 “Replacement of Interbank Offered Rates” was issued in March 2020. The management of the District does not expect the implementation of this standard to have a material effect on the financial statement of the District. The requirements of this statement are effective for reporting periods beginning after June 15, 2021.

GASB No. 94 “Public-Private and Public-Public Partnerships and Availability Payment Arrangements” was issued in March 2020. 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, 2022.

VARNER CREEK UTILITY DISTRICT

NOTES TO THE FINANCIAL STATEMENTS December 31, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

New Pronouncements - Continued

GASB No. 95 "Postponement of the Effective Dates of Certain Authoritative Guidance" was issued in May 2020. The statement was implemented and did not have a material effect on the District's financial statements. The requirements of this statement are effective immediately.

GASB No. 96 "Subscription-Based Information Technology Arrangements" was issued in May 2020. 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, 2022.

GASB No. 97 "Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans" was issued in June 2020. 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, 2021.

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. 2020 budgeted tax revenue is based upon the October, 2019 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.

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.

VARNER CREEK UTILITY DISTRICT

NOTES TO THE FINANCIAL STATEMENTS December 31, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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, 2020, 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, 2020, upon which the levy for the 2021 year was based, was \$ 208,801,059. 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, 2020, to finance general fund operations were \$ 0.08 per \$ 100 valuation and \$ 0.49 for the debt service fund.

As of December 31, 2020, the District had collected \$ 834,481 of the 2020 levy (levied October 1, 2020), which is unearned and has been set aside for 2021 operations. Additionally, property taxes receivable of \$ 357,937 and \$ 28,360 from the 2020 levy and prior year levies, respectively, are recorded as deferred inflows of resources, net of an allowance for uncollectible taxes of \$ 3,880. 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.

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.

VARNER CREEK UTILITY DISTRICT

NOTES TO THE FINANCIAL STATEMENTS December 31, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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, 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

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 position by the government that is applicable to a future reporting period, and an acquisition of net position 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).

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.

VARNER CREEK UTILITY DISTRICT

NOTES TO THE FINANCIAL STATEMENTS December 31, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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.

Non-spendable Fund Balance - Includes amounts that cannot be spent because they are either not in 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 an official 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, 2020, non-spendable fund balances include \$ 3,773 for prepaid expenditures in the general fund. Restricted fund balances include \$ 841,963 for debt service and \$ 1,632,521 for capital projects. Unassigned fund balance includes \$ 497,328 in the general fund.

VARNER CREEK UTILITY DISTRICT

NOTES TO THE FINANCIAL STATEMENTS December 31, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Net Position

Net position represent 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.

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, 2020 are as follows:

	<u>Total</u>
Cash and Cash Equivalents:	
Financial institution deposits:	
Demand deposits	\$ 304,260
Local Government Investment Pool:	
Texpool	<u>3,645,151</u>
Total cash and cash equivalents	<u>\$ 3,949,411</u>

Deposits

All deposits with financial institutions must be collateralized in an amount equal to 100 percent of uninsured balances. At December 31, 2020, the carrying amount of the District's deposits totaled \$ 304,260, while the financial institution balances totaled \$ 309,062. Of the financial institution balances, \$ 250,000 of the checking accounts was FDIC insured, and \$ 59,062 was covered by collateral pledged in the District's name.

VARNER CREEK UTILITY DISTRICT

NOTES TO THE FINANCIAL STATEMENTS December 31, 2020

NOTE 2 - DEPOSITS AND INVESTMENTS - Continued

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.

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, 2020 TexPool had a weighted average maturity of 37 days. Although TexPool portfolios had a weighted average maturity of 37 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.

VARNER CREEK UTILITY DISTRICT

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2020

NOTE 2 - DEPOSITS AND INVESTMENTS - Continued

Investments - Continued

As of December 31, 2020, the District had the following investments:

Investment Type	Fair Value	Weighted Average Maturity (Days)
Local Government Investment Pool:		
Texpool	\$ <u>3,645,151</u>	37
Total	\$ <u>3,645,151</u>	37

Credit Risk - As of December 31, 2020, 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, 2020, the District had no assets or liabilities within the fair value hierarchy established by GASB No. 72.

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

Receivables and Allowances

Receivables as of December 31, 2020, for the District, including the applicable allowances for uncollectible accounts, are as follows:

	General Fund	Debt Service Fund	Total
Receivables:			
Property taxes	\$ 53,696	\$ 332,601	\$ 386,297
Due from other governments	3,461	21,219	24,680
Service accounts	9,818		9,818
Standby fees	24,510		24,510
Other	<u>408</u>		<u>408</u>
Gross receivables	91,893	353,820	445,713

(continued)

VARNER CREEK UTILITY DISTRICT

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2020

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

Receivables and Allowances - Continued

	General Fund	Debt Service Fund	Total
Less Allowance for Uncollectibles			
Property taxes	\$ 538	\$ 3,342	\$ 3,880
Standby fees	13,650		13,650
Net total receivable	\$ 77,705	\$ 350,478	\$ 428,183

Deferred Inflows of Resources and Unearned Revenues

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, 2020, the various components of deferred inflows of resources reported in the governmental funds were as follows:

	General Fund	Debt Service Fund	Deferred Inflows of Resources
Current property taxes collected (October 1, 2020 Levy)	\$ 117,120	\$ 717,361	\$ 834,481
Current property taxes receivable (October 1, 2020 Levy)	50,237	307,700	357,937
Delinquent property taxes receivable (October 1, 2019 and prior)	2,857	21,165	24,022
Total deferred inflows of resources from governmental funds	\$ 170,214	\$ 1,046,226	\$ 1,216,440

As of December 31, 2020, there were \$ 3,103 unearned revenues reported in the governmental funds.

VARNER CREEK UTILITY DISTRICT

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2020

NOTE 3 - RECEIVABLES, UNCOLLECTIBLE ACCOUNTS, DEFERRED INFLOWS 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, 2020, the various components of deferred inflows of resources reported in the governmental activities were as follows:

<u>Governmental Activities</u>	<u>Deferred Inflows of Resources</u>
Current property taxes collected (October 1, 2020 Levy)	\$ 834,481
Current property taxes receivable (October 1, 2020 Levy)	<u>357,937</u>
	<u>\$ 1,192,418</u>

As of December 31, 2020, there were no unearned revenues reported in the governmental activities.

NOTE 4 - INTERFUND RECEIVABLES/PAYABLES AND TRANSFERS

Interfund receivables and payables at December 31, 2020 were as follows:

<u>Fund</u>	<u>Receivable</u>	<u>Payable</u>
General:		
Debt service	\$ 8,024	\$
Capital projects	<u> </u>	<u>7,029</u>
	<u>8,024</u>	<u>7,029</u>
Debt Service Fund:		
General	<u>-0-</u>	<u>8,024</u>
Capital Projects Fund:		
General	<u>7,029</u>	<u> </u>
Total	<u>\$ 15,053</u>	<u>\$ 15,053</u>

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

There were no interfund transfers for the year ended December 31, 2020.

VARNER CREEK UTILITY DISTRICT

NOTES TO THE FINANCIAL STATEMENTS December 31, 2020

NOTE 5 - CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2020 was as follows:

	Balance 01-01-20	Additions	Retirements	Balance 12-31-20
Governmental Activities:				
Capital Assets, Not Being Depreciated:				
Land and land improvements	\$ 823,704	\$ 380,464	\$	\$ 1,204,168
Construction in progress	<u>487,987</u>	<u>213,406</u>	<u>487,987</u>	<u>213,406</u>
 Total capital assets, not being depreciated	 <u>1,311,691</u>	 <u>593,870</u>	 <u>487,987</u>	 <u>1,417,574</u>
Capital Assets, Being Depreciated:				
Water production and distribution facilities	2,770,295	311,316		3,081,611
Wastewater collection and treatment facilities	6,567,397			6,567,397
Drainage facilities	<u>1,866,244</u>	<u>267,199</u>	<u> </u>	<u>2,133,443</u>
 Total capital assets, being depreciated	 <u>11,203,936</u>	 <u>578,515</u>	 <u>-0-</u>	 <u>11,782,451</u>
Less Accumulated Depreciation For:				
Waste production and distribution facilities	1,964,672	27,011		1,991,683
Wastewater collection and treatment facilities	3,360,720	110,052		3,470,772
Drainage facilities	<u>1,464,644</u>	<u>25,443</u>	<u> </u>	<u>1,490,087</u>
 Total accumulated depreciation	 <u>6,790,036</u>	 <u>162,506</u>	 <u>-0-</u>	 <u>6,952,542</u>
 Governmental activities capital assets, net	 <u>\$ 5,725,591</u>	 <u>\$ 1,009,879</u>	 <u>\$ 487,987</u>	 <u>\$ 6,247,483</u>

Depreciation expense of \$ 162,506 was charged to governmental activities in 2020.

The District had no existing contract commitments for construction as of December 31, 2020.

VARNER CREEK UTILITY DISTRICT

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2020

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, 2020:

	Interest Rates %	Series Dates			Bonds Outstanding 12/31/20
		Issued	Maturity	Callable	
General Obligation Bonds Series 2017 Refunding	2.00 - 4.00	2018	2029		\$ 5,560,000
General obligation Bonds Series 2018	3.00 - 4.00	2018	2039		<u>3,380,000</u>
					<u>\$ 8,940,000</u>

General obligation bond transactions for the year ended December 31, 2020 are as follows:

Bonds outstanding, December 31, 2019	\$ 9,595,000
Maturities	<u>(655,000)</u>
Bonds outstanding, December 31, 2020	<u>\$ 8,940,000</u>

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

Year Ended December 31,	Principal	Interest	Total
2021	\$ 685,000	\$ 331,875	\$ 1,016,875
2022	710,000	311,325	1,021,325
2023	740,000	290,025	1,030,025
2024	765,000	267,825	1,032,825
2025	805,000	238,625	1,043,625
2026-2030	3,340,000	710,100	4,050,100
2031-2035	970,000	304,400	1,274,400
2036-2039	<u>925,000</u>	<u>94,200</u>	<u>1,019,200</u>
Total	<u>\$ 8,940,000</u>	<u>\$ 2,548,375</u>	<u>\$ 11,488,375</u>

VARNER CREEK UTILITY DISTRICT

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2020

NOTE 6 - LONG-TERM DEBT - Continued

Changes in Outstanding Debt

Transactions for the year ended December 31, 2020 are summarized as follows:

	<u>Balance</u> <u>1-01-20</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>12-31-20</u>	<u>Due Within</u> <u>One Year</u>
Governmental Activities:					
General obligation bonds	\$ 9,595,000	\$	\$ 655,000	\$ 8,940,000	\$ 685,000
Premium on bonds	<u>425,036</u>	<u> </u>	<u>43,262</u>	<u>381,774</u>	<u>43,263</u>
Total governmental activities	<u>\$ 10,020,036</u>	<u>\$ -0-</u>	<u>\$ 698,262</u>	<u>\$ 9,321,774</u>	<u>\$ 728,263</u>

NOTE 7 - 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, 2020, 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.

NOTE 8 - 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 \$ 149,858 under the terms of this contract.

NOTE 9 - 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 10 - EVALUATION OF SUBSEQUENT EVENTS

This District has evaluated subsequent events through April 8, 2021, the date which the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

THIS PAGE LEFT BLANK INTENTIONALLY.

VARNER CREEK UTILITY DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE - BUDGET AND ACTUAL GENERAL FUND

For the Year Ended December 31, 2020

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Property taxes	\$ 150,000	\$ 150,000	\$ 146,404	\$(3,596)
Water service	310,000	310,000	324,122	14,122
Sewer service	285,000	285,000	302,704	17,704
Standby fees	35,000	35,000	33,165	(1,835)
Tap connection and inspection fees	75,000	75,000	144,285	69,285
Penalty and interest	18,000	18,000	14,941	(3,059)
Investment income	2,000	2,000	1,418	(582)
Other			538	538
	<u>875,000</u>	<u>875,000</u>	<u>967,577</u>	<u>92,577</u>
Total revenues				
Expenditures:				
Service operations	<u>875,000</u>	<u>875,000</u>	<u>777,052</u>	<u>97,948</u>
Total expenditures	<u>875,000</u>	<u>875,000</u>	<u>777,052</u>	<u>97,948</u>
Net change in fund balance	-0-	-0-	190,525	190,525
Fund balance – beginning	<u>310,576</u>	<u>310,576</u>	<u>310,576</u>	<u>-0-</u>
Fund balance – ending	<u>\$ 310,576</u>	<u>\$ 310,576</u>	<u>\$ 501,101</u>	<u>\$ 190,525</u>

THIS PAGE LEFT BLANK INTENTIONALLY.

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

VARNER CREEK UTILITY DISTRICT

TSI-1 SERVICES AND RATES

Year Ended December 31, 2020

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 \$ 39.90 Wastewater \$ 39.90

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"	1,029	946	X 1.0	946
1"	25	25	X 2.5	63
1.5"	7	7	X 5.0	35
2"	5	5	X 8.0	40
3"	1	1	X 15.0	15
Total Water	1,067	984		984
Total Wastewater	917	854	X 1.0	854

VARNER CREEK UTILITY DISTRICT

TSI-1
SERVICES AND RATES

Year Ended December 31, 2020

3. Total water consumption (in thousands) during the fiscal year:
Gallons pumped into the system: 74,368
Gallons billed to customers: 67,318
Water accountability ratio (gallons billed/gallons pumped): 90.52%

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 X No _____

If yes, date of the most recent Commission Order: December 15, 2017

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

Year Ended December 31, 2020

Personnel expenditures:		
Total personnel expenditures	\$	-0-
Professional fees:		
Auditing		13,000
Legal		6,806
Purchased services		200,697
Contracted services:		
Service account billing and collection		62,029
Bookkeeping		29,323
Utilities		23,828
Repairs and maintenance		409,973
Administrative expenditures:		
Water meter cell service		9,988
Bank service charge		217
Payroll taxes		578
Director's fees		7,000
Office expenses		4,037
Insurance		5,194
Other expenditures		<u>4,382</u>
Total expenditures	\$	<u><u>777,052</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, 2020

	<u>Identification or Certification Number</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Balance at Year End</u>	<u>Accrued Interest Receivable at End of Year</u>
General Fund Texpool	02012000010	0.08%	Demand	\$ <u>474,299</u>	<u> </u>
Total				<u>474,299</u>	<u>-0-</u>
Debt Service Fund Texpool	00201200001	0.08%	Demand	<u>1,543,814</u>	<u> </u>
Total				<u>1,543,814</u>	<u>-0-</u>
Capital Projects Fund Texpool	00201200002	0.08%	Demand	7,144	
Texpool	00201200009	0.08%	Demand	<u>1,619,894</u>	<u> </u>
Total				<u>1,627,038</u>	<u>-0-</u>
Total - All Funds				\$ <u><u>3,645,151</u></u>	\$ <u><u>-0-</u></u>

VARNER CREEK UTILITY DISTRICT

TSI-4 TAXES LEVIED AND RECEIVABLE

December 31, 2020

	Maintenance Taxes	Debt Service Taxes		
Taxes Receivable, Beginning of Year	\$ 52,688	\$ 344,604		
2020 Original Tax Levy, net of current year adjustments	167,415	1,025,003		
Adjustments (prior years)	(586)	(3,270)		
Total to be accounted for	219,517	1,366,337		
Tax Collections:				
Current year	117,120	717,361		
Prior years	48,701	316,375		
Total collections	165,821	1,033,736		
Taxes Receivable, End of Year	\$ 53,696	\$ 332,601		
Taxes Receivable, By Years				
2020	\$ 50,237	\$ 307,700		
Prior years	3,459	24,901		
Less allowance for uncollectibles	(538)	(3,342)		
Taxes Receivable (Net), End of Year	\$ 53,158	\$ 329,259		
	2020	2019	2018	2017
Property Valuations:				
Land	\$ 32,121,411	\$ 16,999,250	\$ 17,017,536	\$ 16,123,240
Improvements	182,698,173	167,417,091	141,804,624	124,110,886
Personal property & minerals	3,868,210	3,445,610	3,447,280	3,290,370
Exemptions & adjustments	(9,886,735)	(8,503,432)	(7,142,700)	(6,791,544)
Total Property Valuations	\$ 208,801,059	\$ 179,358,519	\$ 155,126,740	\$ 136,732,952
Tax Rates Per \$100 Valuation:				
Debt service tax rates	0.490000	0.520000	0.550000	0.550000
Maintenance tax rates	0.080000	0.080000	0.090000	0.100000
Other district tax rates	None	None	None	None
Total Tax Rates Per \$100 Valuation	\$ 0.570000	\$ 0.600000	\$ 0.640000	\$ 0.650000
Original Tax Levy:	\$ 1,192,418	\$ 1,093,904	\$ 992,811	\$ 889,089
Percent of Taxes Collected to Taxes Levied*	69.98%	99.08%	99.57%	99.51%

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

THIS PAGE LEFT BLANK INTENTIONALLY.

VARNER CREEK UTILITY DISTRICT

TSI-5 LONG-TERM DEBT SERVICE REQUIREMENTS BY YEARS

December 31, 2020

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
2021	\$ 560,000	\$ 204,950	\$ 764,950	\$ 125,000	\$ 126,925	\$ 251,925
2022	580,000	188,150	768,150	130,000	123,175	253,175
2023	605,000	170,750	775,750	135,000	119,275	254,275
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
Total	<u>\$ 5,560,000</u>	<u>\$ 1,077,650</u>	<u>\$ 6,637,650</u>	<u>\$ 3,380,000</u>	<u>\$ 1,470,725</u>	<u>\$ 4,850,725</u>

Annual Requirements for All Series

<u>Principal Due August 15</u>	<u>Interest Due February 15, August 15</u>	<u>Total</u>
\$ 685,000	\$ 331,875	\$ 1,016,875
710,000	311,325	1,021,325
740,000	290,025	1,030,025
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>\$ 8,940,000</u>	<u>\$ 2,548,375</u>	<u>\$ 11,488,375</u>

VARNER CREEK UTILITY DISTRICT

TSI-6
CHANGES IN LONG-TERM
BONDED DEBT

December 31, 2020

	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	\$ 6,095,000	\$ 3,500,000	\$ 9,595,000
Bonds sold during year (includes accretion)			-0-
Retirements, principal	<u>535,000</u>	<u>120,000</u>	<u>655,000</u>
Bonds outstanding end of current year	<u>\$ 5,560,000</u>	<u>\$ 3,380,000</u>	<u>\$ 8,940,000</u>
Interest paid during current year	<u>\$ 221,000</u>	<u>\$ 130,525</u>	<u>\$ 351,525</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

THIS PAGE LEFT BLANK INTENTIONALLY.

VARNER CREEK UTILITY DISTRICT

TSI-7a COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES - GENERAL FUND - FIVE YEARS

Five Years Ended December 31, 2020

	AMOUNTS				
	2020	2019	2018	2017	2016
General Fund:					
Revenues:					
Property taxes	\$ 146,404	\$ 139,831	\$ 137,603	\$ 126,887	\$ 88,676
Water service	324,122	300,612	275,382	232,825	225,075
Sewer service	302,704	280,557	251,720	206,830	216,057
Standby fees	33,165	37,260	43,463	48,915	53,225
Tap connection and inspection fees	144,285	85,450	143,550	107,900	42,050
Penalty and interest	14,941	14,678	22,186	16,192	17,171
Investment income	1,418	2,321	716	743	1,174
Miscellaneous	538	4,101	8,360	15,188	2,152
Total revenues	957,577	864,810	882,980	755,480	645,580
Expenditures:					
Purchased services	200,697	208,095	148,934	159,031	164,706
Professional fees	19,806	6,518	59,622	66,921	56,714
Contracted services	91,352	105,504	91,210	82,196	74,721
Utilities	23,828	25,937	24,798	23,851	23,697
Repairs and maintenance	409,973	373,306	479,975	410,664	328,878
Administrative expenditures	27,014	25,718	28,539	19,437	16,343
Other expenditures	4,382	3,991	2,506	4,978	3,302
Total expenditures	777,052	749,069	835,584	767,078	668,361
Excess (deficiency) of revenues over expenditures	\$ 190,525	\$ 115,741	\$ 47,396	\$(11,598)	\$(22,781)

PERCENTAGES

2020	2019	2018	2017	2016
15.1%	16.2%	15.6%	16.8%	13.7%
33.5%	34.7%	31.2%	30.8%	34.9%
31.3%	32.4%	28.5%	27.4%	33.5%
3.4%	4.3%	4.9%	6.5%	8.2%
14.9%	9.9%	16.3%	14.3%	6.5%
1.5%	1.7%	2.5%	2.2%	2.7%
0.2%	0.3%	0.1%	0.0%	0.2%
0.1%	0.5%	0.9%	2.0%	0.3%
<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>
20.7%	24.1%	16.9%	21.0%	25.5%
2.0%	0.8%	6.7%	8.9%	8.8%
9.4%	12.2%	10.3%	10.9%	11.6%
2.5%	3.0%	2.8%	3.1%	3.7%
42.4%	43.0%	54.4%	54.3%	50.9%
2.8%	3.0%	3.2%	2.6%	2.5%
0.5%	0.5%	0.3%	0.7%	0.5%
<u>80.3%</u>	<u>86.6%</u>	<u>94.6%</u>	<u>101.5%</u>	<u>103.5%</u>
<u>19.7%</u>	<u>13.4%</u>	<u>5.4%</u>	<u>(1.5%)</u>	<u>(3.5%)</u>

VARNER CREEK UTILITY DISTRICT

TSI-7b COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES - DEBT SERVICE FUND - FIVE YEARS

Five Years Ended December 31, 2020

	AMOUNTS				
	2020	2019	2018	2017	2016
Debt Service Fund:					
Revenues:					
Property taxes	\$ 951,049	\$ 853,628	\$ 762,590	\$ 785,395	\$ 902,682
Penalty and interest	7,616	30,121	22,154		
Investment income				9,063	5,131
Total revenues	958,665	883,749	784,744	794,458	907,813
Expenditures:					
Contracted services	7,424	5,056	6,361	6,601	6,732
Other expenditures	5,268	3,500	3,500	3,500	5,000
Principal payments	655,000	520,000	505,000	475,000	400,000
Interest and fiscal charges	353,025	318,466	243,895	283,077	382,994
Bond issuance costs and fees				251,661	
Total expenditures	1,020,717	847,022	758,756	1,019,839	794,726
Excess (deficiency) of revenues over expenditures	\$(62,052)	\$ 36,727	\$ 25,988	\$(225,381)	\$ 113,087

PERCENTAGES

2020	2019	2018	2017	2016
99.2%	96.6%	97.2%	98.9%	99.4%
0.8%	3.4%	2.8%		
			1.1%	0.6%
100.0%	100.0%	100.0%	100.0%	100.0%
0.8%	0.6%	0.8%	0.8%	0.7%
0.5%	0.4%	0.5%	0.5%	0.5%
68.3%	58.8%	64.3%	59.8%	44.1%
36.8%	36.0%	31.1%	35.6%	42.2%
			31.7%	
106.5%	95.8%	96.7%	128.4%	87.5%
(6.5%)	4.2%	3.3%	(28.4%)	12.5%

VARNER CREEK UTILITY DISTRICT

TSI-8 BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS

December 31, 2020

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): 09-17-20

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

<u>Name & Addresses</u>	<u>Term of Office (Elected or Appointed) or Date Hired</u>	<u>Fees 12-31-20</u>	<u>Expense Reimbursements 12-31-20</u>	<u>Title at Year End</u>	<u>Resident of District?</u>
<i>Board Members:</i>					
Gene Pell 11 Evergreen Lane West Columbia, TX 77486	10/07-present	1,200	-0-	Vice-President/ Financial Officer	Yes
Wayne Pollard 352 N. Amherst West Columbia, TX 77486	5/06-8/20	1,100	-0-	Assistant Secretary/ Treasurer	Yes
Allan Sassin 14 Evergreen Lane West Columbia, TX 77486	1/13-present	1,500	-0-	President	Yes
Becky Carroll 235 South Amherst Drive West Columbia, TX 77486	10/13-present	1,400	-0-	Secretary/ Treasurer	Yes
Ray Sauer 2133 Riverside West Columbia, TX 77486	10/16-present	1,500	-0-	Director	Yes
Randall Weeks 261 Crestview Dr. West Columbia, TX 77486	9/20-present	300	-0-	Director	Yes

VARNER CREEK UTILITY DISTRICT

TSI-8
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS - Continued

December 31, 2020

<u>Name & Addresses</u>	<u>Term of Office (Elected or Appointed) or Date Hired</u>	<u>Fees 12-31-20</u>	<u>Expense Reimbursements 12-31-20</u>	<u>Title at Year End</u>	<u>Resident of District?</u>
<i>Consultants:</i>					
KM&L, LLC	02/09	\$ 13,000	\$	Auditor	No
Baker & Lawson, Inc.	08/02	87,469		Engineers	No
Debra Lanehart	02/07	79,061		Administrator	Yes
Brazoria County Appraisal District		6,926		Tax Appraisers	No
Bracewell Law, LLP	02/12	17,741		Attorney	No
Ryder & Co.	12/03	437,245		Operator	No

THIS PAGE LEFT BLANK INTENTIONALLY.

OTHER SCHEDULES

VARNER CREEK UTILITY DISTRICT

DETAILED COMBINED SCHEDULE OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE - GOVERNMENTAL FUND TYPES

Year Ended December 31, 2020

	General Fund	Debt Service Fund	Capital Projects Fund	Total Governmental Funds
Revenue:				
Property taxes	\$ 146,404	\$ 951,049	\$	\$ 732,376
Water service	324,122			324,122
Sewer service	302,704			302,704
Standby fees	33,165			33,165
Tap connection and inspection fees	144,285			144,285
Penalty and interest	14,941	7,616		22,557
Investment income	1,418		10,785	12,203
Other	538			538
	<u>967,577</u>	<u>958,665</u>	<u>10,785</u>	<u>1,571,950</u>
Total revenues				
Expenditures:				
Service operations:				
Purchased services	200,697			200,697
Professional fees	19,806			19,806
Contracted services	91,352	7,424		98,776
Utilities	23,828			23,828
Repairs and maintenance	409,973		11,656	421,629
Administrative expenditures	27,014			27,014
Other expenditures	4,382	5,268		9,650
	<u>777,052</u>	<u>12,692</u>	<u>11,656</u>	<u>801,400</u>
Total service operations				
Capital Outlay:				
Capital expenditures	-0-	-0-	686,233	686,233
Debt Service:				
Principal		655,000		655,000
Interest and fiscal charges		353,025		353,025
		<u>1,008,025</u>		<u>1,008,025</u>
Total debt service	-0-		-0-	1,008,025
Total expenditures	<u>777,052</u>	<u>1,020,717</u>	<u>697,889</u>	<u>2,495,658</u>
Change in fund balance	190,525	(62,052)	(687,104)	(923,708)
Fund balance - beginning	<u>310,576</u>	<u>904,015</u>	<u>2,319,625</u>	<u>3,534,216</u>
Fund balance - ending	<u>\$ 501,101</u>	<u>\$ 841,963</u>	<u>\$ 1,632,521</u>	<u>\$ 2,610,508</u>

VARNER CREEK UTILITY DISTRICT

DETAILED SCHEDULE OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND

For the Year Ended December 31, 2020

	Budgeted Amounts		Actual	Variance
	Original	Final		Favorable (Unfavorable)
Revenues:				
Property taxes	\$ 150,000	\$ 150,000	\$ 146,404	\$(3,596)
Water service	310,000	310,000	324,122	14,122
Sewer service	285,000	285,000	302,704	17,704
Standby fees	35,000	35,000	33,165	(1,835)
Tap connection and inspection fees	75,000	75,000	144,285	69,285
Penalty and interest	18,000	18,000	14,941	(3,059)
Investment income	2,000	2,000	1,418	(582)
Other	<u>538</u>	<u>538</u>	<u>538</u>	<u>538</u>
Total revenues	<u>875,000</u>	<u>875,000</u>	<u>967,577</u>	<u>92,577</u>
Expenditures:				
Service Operations:				
Purchased services	174,500	174,500	200,697	(26,197)
Professional fees	37,500	37,500	19,806	17,694
Contracted services	95,000	95,000	91,352	3,648
Utilities	25,000	25,000	23,828	1,172
Repairs and maintenance	490,700	490,700	409,973	80,727
Administrative expenditures	44,300	44,300	27,014	17,286
Other expenditures	<u>8,000</u>	<u>8,000</u>	<u>4,382</u>	<u>3,618</u>
Total service operations	875,000	875,000	777,052	97,948
Change in fund balance	-0-	-0-	190,525	190,525
Fund balance - beginning	<u>310,576</u>	<u>310,576</u>	<u>310,576</u>	<u>-0-</u>
Fund balance - ending	<u>\$ 310,576</u>	<u>\$ 310,576</u>	<u>\$ 501,101</u>	<u>\$ 190,525</u>

THIS PAGE LEFT BLANK INTENTIONALLY.