

VARNER CREEK UTILITY DISTRICT

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED
DECEMBER 31, 2019



**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, 2018*

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FINANCIAL SECTION

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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, 2019, 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.

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El Campo
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Bay City, TX 77414
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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, 2019, 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 Changes 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
March 11, 2020

VARNER CREEK UTILITY DISTRICT, TEXAS

*Management's Discussion and Analysis
For the Year Ended December 31, 2019*

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, 2019. We encourage readers to consider this information presented here in conjunction with the District's financial statements, which follow this section.

Financial Highlights

- The liabilities and deferred inflows of resources of the District exceeded its assets and deferred outflows of resources at the close of the most recent fiscal year by \$ 533,456. Of this amount, \$ 327,125 (unrestricted net position) may be used to meet the government's ongoing obligations.
- The District's total net position increased by \$ 510,276.
- As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$ 3,534,216. 8.68% of this total amount, \$ 306,803 (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 \$ 310,576. Of this amount, \$ 3,773 is non-spendable leaving an unassigned balance of \$ 306,803. The unassigned fund balance represents 40.96% 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, 2019*

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, 2019

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, liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$ 533,456 of December 31, 2019.

A large portion of the District's deficit net position reflects its deficit balance in the net investment in capital assets (e.g., land, 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>2019</u>	<u>2018</u>
Current and other assets	\$ 4,903,217	\$ 5,433,228
Capital assets	<u>5,725,591</u>	<u>5,021,163</u>
Total assets	<u>10,628,808</u>	<u>10,454,391</u>
Deferred outflows of resources	<u>339,356</u>	<u>374,625</u>
Current liabilities	387,680	296,702
Long-term liabilities	<u>10,020,036</u>	<u>10,583,299</u>
Total liabilities	<u>10,407,716</u>	<u>10,880,001</u>
Deferred inflows of resources	<u>1,093,904</u>	<u>992,747</u>
Net Position:		
Net investment in capital assets	(1,635,464)	(1,986,500)
Restricted	774,883	733,193
Unrestricted	<u>327,125</u>	<u>209,575</u>
Total net position	\$(<u>533,456</u>)	\$(<u>1,043,732</u>)

An additional portion of the District's net position of \$ 774,883 represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position is \$ 327,125 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, 2019

Analysis of the District's Operations. Overall the District had an increase in net position of \$ 510,276.

Total revenues for governmental activities were \$ 1,816,702 comprised of program and general revenues. Components of revenues were charges for services of \$ 718,557 (39.55%), property taxes of \$ 996,299 (54.84%), investment income of \$ 97,745 (5.38%), and miscellaneous income of \$ 4,101 (0.23%).

The following table provides a summary of the District's operations for the years ended December 31, 2019 and 2018.

DISTRICT'S CHANGES IN NET POSITION

	<u>2019</u>	<u>2018</u>
Revenues:		
Program Revenues:		
Charges for services	\$ 718,557	\$ 736,301
General Revenues:		
Property taxes	996,299	898,320
Investment income	97,745	25,716
Miscellaneous	<u>4,101</u>	<u>8,360</u>
Total revenues	<u>1,816,702</u>	<u>1,668,697</u>
Expenses:		
Service operations	999,886	1,124,266
Interest and fiscal charges	306,540	363,271
Bond issuance costs and fees	<u> </u>	<u>274,353</u>
Total expenses	<u>1,306,426</u>	<u>1,761,890</u>
Change in net position	510,276	(93,193)
Net position - beginning	<u>(1,043,732)</u>	<u>(950,539)</u>
Net position - ending	<u>\$ (533,456)</u>	<u>\$ (1,043,732)</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, 2019*

As of the end of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$ 3,534,216. 8.68% of this total amount \$ 306,803 constitutes *unassigned fund balance*. The remainder of the fund balance is *non-spendable 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 \$ 904,015, and 3) capital projects \$ 2,319,625.

The General Fund fund balance increased by \$ 115,741, the Debt Service Fund fund balance increased by \$ 36,727, and the Capital Projects Fund fund balance decreased by \$ 881,386.

Capital Assets

The District's investment in capital assets for its governmental type activities as of December 31, 2019, amounts to \$ 5,725,591 (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 \$ 955,052 of capital additions during the current fiscal year.

Capital Assets Net of Accumulated Depreciation

	2019	2018
Land	\$ 823,704	\$ 794,206
Water production and distribution facilities	805,623	430,388
Waste water collection and treatment facilities	3,206,677	3,344,351
Drainage facilities	401,600	452,218
Construction in progress	<u>487,987</u>	<u> </u>
Net capital assets	<u>\$ 5,725,591</u>	<u>\$ 5,021,163</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 \$ 9,595,000. 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, 2019*

Bonds Payable and Components of Debt

	<u>2019</u>	<u>2018</u>
General obligation bonds	\$ 9,595,000	\$ 10,115,000
Premium on bonds	<u>425,036</u>	<u>468,299</u>
Total	<u>\$ 10,020,036</u>	<u>\$ 10,583,299</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 2020 budgeted revenues and expenses are expected to be consistent overall with the previous year at \$ 875,000.
- The District does not expect growth of operations in 2020 and will continue to focus on the completion of major capital improvement projects for the wastewater system.
- Debt service expenditures are expected to be \$ 655,000 for principal and \$ 351,525 for interest in 2020.

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, 2019

	Total Governmental Activities
ASSETS:	
Cash and cash equivalents	\$ 4,439,721
Receivables (net of allowance for uncollectibles):	
Taxes	393,218
Service accounts	20,630
Due from other governments	44,559
Other	1,316
Prepaid expenses	3,773
Capital Assets:	
Land	823,704
Water production and distribution facilities (net)	805,623
Waste water collection and treatment facilities (net)	3,206,677
Drainage facilities (net)	401,600
Construction in progress	487,987
Total assets	10,628,808
DEFERRED OUTFLOWS OF RESOURCES:	
Deferred outflows of resources	339,356
Total deferred outflows of resources	339,356
Total assets and deferred outflows of resources	10,968,164
LIABILITIES:	
Accounts and accrued liabilities payable	254,775
Accrued interest payable	132,905
Noncurrent Liabilities:	
Due within one year	698,263
Due in more than one year	9,321,773
Total liabilities	10,407,716
DEFERRED INFLOWS OF RESOURCES:	
Deferred inflows of resources – property taxes	1,093,904
Total deferred inflows of resources	1,093,904
NET POSITION:	
Net investment in capital assets	(1,635,464)
Restricted For:	
Debt service	771,110
Other purposes	3,773
Unrestricted	327,125
Total net position	(533,456)
Total liabilities, deferred inflows of resources and net positions	\$ 10,968,164

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, 2019

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	\$ 999,886	\$ 718,557	\$(281,329)
Interest on long-term debt	<u>306,540</u>	<u> </u>	<u>(306,540)</u>
Total governmental activities	<u>\$ 1,306,426</u>	<u>\$ 718,557</u>	<u>(587,869)</u>
General Revenues:			
Property taxes			996,299
Investment income			97,745
Miscellaneous			<u>4,101</u>
Total general revenues and special items			<u>1,098,145</u>
Change in net position			510,276
Net position – beginning			<u>(1,043,732)</u>
Net position – ending			<u>\$(533,456)</u>

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

VARNER CREEK UTILITY DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS

December 31, 2019

	General Fund	Debt Service Fund	Capital Projects Fund	Total Governmental Funds
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES				
Assets:				
Cash and cash equivalents	\$ 529,506	\$ 1,498,308	\$ 2,411,907	\$ 4,439,721
Receivables (net of allowance for uncollectibles):				
Taxes	52,154	341,064		393,218
Service accounts	10,393			10,393
Standby fees	10,237			10,237
Due from other governments	5,939	38,620		44,559
Other	1,316			1,316
Due from other funds	8,024		7,029	15,053
Prepaid expenditures	3,773			3,773
	<u>621,342</u>	<u>1,877,992</u>	<u>2,418,936</u>	<u>4,918,270</u>
Deferred Outflows of Resources:				
Deferred outflows of resources				-0-
	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Total assets and deferred outflows of resources	<u>\$ 621,342</u>	<u>\$ 1,877,992</u>	<u>\$ 2,418,936</u>	<u>\$ 4,918,270</u>

(continued)

VARNER CREEK UTILITY DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS - Continued

December 31, 2019

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Liabilities:				
Accounts and accrued liabilities payable	\$ 80,216	\$	\$ 99,311	\$ 179,527
Due to other funds	7,029	8,024		15,053
Customer deposits	<u>75,248</u>			<u>75,248</u>
 Total liabilities	 <u>162,493</u>	 <u>8,024</u>	 <u>99,311</u>	 <u>269,828</u>
 Deferred Inflows of Resources:				
Deferred inflows of resources-property taxes	<u>148,273</u>	<u>965,953</u>		<u>1,114,226</u>
 Total deferred inflows of resources	 <u>148,273</u>	 <u>965,953</u>	 <u>-0-</u>	 <u>1,114,226</u>
 Fund Balances:				
Non-spendable:				
Prepaid expenditures	3,773			3,773
Restricted:				
Debt service		904,015		904,015
Capital projects			2,319,625	2,319,625
Unassigned	<u>306,803</u>			<u>306,803</u>
 Total fund balances	 <u>310,576</u>	 <u>904,015</u>	 <u>2,319,625</u>	 <u>3,534,216</u>
 Total liabilities, deferred inflows of resources and fund balances	 <u>\$ 621,342</u>	 <u>\$ 1,877,992</u>	 <u>\$ 2,418,936</u>	 <u>\$ 4,918,270</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, 2019

Total fund balances – governmental funds balance sheet	\$ 3,534,216
Amounts reported for <i>governmental activities</i> 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 \$ 12,515,627 in assets less \$ 6,790,036 in accumulated depreciation.	5,725,591
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 \$ 2,419 and \$ 17,903, respectively.	20,322
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 \$ 339,356 (bond refunding costs of \$ 440,718 less accumulated amortization of \$ 101,362)	339,356
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 \$ 425,036. (Premium on bonds issued of \$ 542,094 less accumulated amortization of \$ 117,058).	(425,036)
Payables for bond principal and other long-term debt are not reported in the funds	(9,595,000)
Payables for bond interest are not reported in the funds.	(132,905)
Net position of governmental activities – statement of net position.	\$(<u>533,456</u>)

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

VARNER CREEK UTILITY DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS

For the Year Ended December 31, 2019

	General Fund	Debt Service Fund	Capital Projects Fund	Total Governmental Funds
Revenues:				
Property taxes	\$ 139,831	\$ 853,628	\$	\$ 993,459
Water service	300,612			300,612
Sewer service	280,557			280,557
Standby fees	37,260			37,260
Tap connection and inspection fees	85,450			85,450
Penalty and interest	14,678	30,121		44,799
Investment income	2,321		65,303	67,624
Other	4,101			4,101
	<u>864,810</u>	<u>883,749</u>	<u>65,303</u>	<u>1,813,862</u>
Total revenues				
Expenditures:				
Service operations	749,069	8,556	21,135	778,760
Capital outlay			925,554	925,554
Debt Service:				
Principal		520,000		520,000
Interest and fiscal charges		318,466		318,466
Bond issuance costs and fees				
	<u>749,069</u>	<u>847,022</u>	<u>946,689</u>	<u>2,542,780</u>
Total expenditures				
Net change in fund balance	115,741	36,727	(881,386)	(728,918)
Fund balances – beginning	<u>194,835</u>	<u>867,288</u>	<u>3,201,011</u>	<u>4,263,134</u>
Fund balances – ending	<u>\$ 310,576</u>	<u>\$ 904,015</u>	<u>\$ 2,319,625</u>	<u>\$ 3,534,216</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 CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE GOVERNMENTAL ACTIVITIES STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2019

Net change in fund balances – total governmental funds	\$(728,918)
 Amounts reported for <i>governmental activities</i> 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 outlays \$ 925,554 exceeded depreciation \$ 221,127 in the current period.		704,427
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 \$ 313 and the debt service fund increased by \$ 2,527.		2,840
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 \$ 520,000.		520,000
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 \$ 43,263 (Premiums on bonds issued of \$ -0- less current amortization of \$ 43,263).		43,263
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>3,933</u>
Change in net position of governmental activities	\$	<u><u>510,276</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, 2019

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VARNER CREEK UTILITY DISTRICT

NOTES TO THE FINANCIAL STATEMENTS December 31, 2019

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, 2019

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, 2019

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. 83 "Certain Asset Retirement Obligations" was issued in November 2016. 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 periods beginning after June 15, 2018.

GASB No. 84 "Fiduciary Activities" was issued in January 2017. 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 periods beginning after December 15, 2018.

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 December 15, 2019.

GASB No. 88 "Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements" was issued in April 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, 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, 2019.

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, 2018.

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, 2020.

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, 2020.

VARNER CREEK UTILITY DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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. 2019 budgeted tax revenue is based upon the October, 2018 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.

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.

VARNER CREEK UTILITY DISTRICT

NOTES TO THE FINANCIAL STATEMENTS December 31, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Property Taxes - Continued

In the government funds, property taxes are measurable when levied even though not available. As a result, at December 31, 2019, 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, 2019, upon which the levy for the 2020 year was based, was \$ 179,358,519. 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, 2019, to finance general fund operations were \$ 0.08 per \$ 100 valuation and \$ 0.52 for the debt service fund.

As of December 31, 2019, the District had collected \$ 721,177 of the 2019 levy (levied October 1, 2019), which is unearned and has been set aside for 2020 operations. Additionally, property taxes receivable of \$ 372,727 and \$ 24,565 from the 2019 levy and prior year levies, respectively, are recorded as deferred inflows of resources, net of an allowance for uncollectible taxes of \$ 4,074. 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.

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

VARNER CREEK UTILITY DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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.

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

December 31, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Fund Equity - Continued

The District has implemented GASB 54, "Fund Balance, Reporting and Governmental Fund Type Definitions", for its governmental funds. Under GASB 54, fund balances are required to be reported according to the following classifications:

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, 2019, non-spendable fund balances include \$ 3,773 for prepaid expenditures in the general fund. Restricted fund balances include \$ 904,015 for debt service and \$ 2,319,625 for capital projects. Unassigned fund balance includes \$ 306,803 in the general fund.

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.

VARNER CREEK UTILITY DISTRICT

NOTES TO THE FINANCIAL STATEMENTS December 31, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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, INVESTMENTS AND DERIVATIVES

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, 2019 are as follows:

	<u>Total</u>
Cash and Cash Equivalents:	
Financial institution deposits:	
Demand deposits	\$ 380,982
Local Government Investment Pool:	
Texpool	<u>4,058,739</u>
Total cash and cash equivalents	<u>\$ 4,439,721</u>

Deposits

All deposits with financial institutions must be collateralized in an amount equal to 100 percent of uninsured balances. At December 31, 2019, the carrying amount of the District's deposits totaled \$ 380,982, while the financial institution balances totaled \$ 411,888. Of the financial institution balances, \$ 411,888 of the checking accounts and certificates of deposits 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.

VARNER CREEK UTILITY DISTRICT

NOTES TO THE FINANCIAL STATEMENTS December 31, 2019

NOTE 2 - DEPOSITS, INVESTMENTS AND DERIVATIVES - Continued

Investments - Continued

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, 2019 TexPool had a weighted average maturity of 35 days. Although TexPool portfolios had a weighted average maturity of 35 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, 2019

NOTE 2 - DEPOSITS, INVESTMENTS AND DERIVATIVES - Continued

Investments - Continued

As of December 31, 2019, 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>4,058,739</u>	35
Total	\$ <u>4,058,739</u>	35

Credit Risk - As of December 31, 2019, 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, 2019, the District had no assets or liabilities within the fair value hierarchy established by GASB No. 72.

Derivatives

Interest in derivative products has increased in recent years. Derivatives are investment products, which may be a security or contract, which derives its value from another security, currency, commodity, or index, regardless of the source of funds used. The District made no direct investments in derivatives during the year ended December 31, 2019, and holds no direct investments in derivatives at December 31, 2019.

VARNER CREEK UTILITY DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2019

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

Receivables and Allowances

Receivables as of December 31, 2019, for the District, including the applicable allowances for uncollectible accounts, are as follows:

	General Fund	Debt Service Fund	Total
Receivables:			
Property taxes	\$ 52,688	\$ 344,604	\$ 397,292
Due from other governments	5,939	38,620	44,559
Service accounts	10,393		10,393
Standby fees	22,470		22,470
Other	1,316		1,316
Gross receivables	92,806	383,224	476,030
Less Allowance for Uncollectibles			
Property taxes	534	3,540	4,074
Standby fees	12,233		12,233
Net total receivable	\$ 80,039	\$ 379,684	\$ 459,723

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, 2019, 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, 2019 Levy)	\$ 96,157	\$ 625,020	\$ 721,177
Current property taxes receivable (October 1, 2019 Levy)	49,697	323,030	372,727
Delinquent property taxes receivable (October 1, 2018 and prior)	2,419	17,903	20,322
Total deferred inflows of resources from governmental funds	\$ 148,273	\$ 965,953	\$ 1,114,226

As of December 31, 2019, there were no unearned revenues reported in the governmental funds.

VARNER CREEK UTILITY DISTRICT

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2019

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, 2019, 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, 2019 Levy)	\$ 721,177
Current property taxes receivable (October 1, 2019 Levy)	<u>372,727</u>
	<u>\$ 1,093,904</u>

As of December 31, 2019, there were no unearned revenues reported in the governmental activities.

NOTE 4 - INTERFUND RECEIVABLES/PAYABLES AND TRANSFERS

Interfund receivables and payables at December 31, 2019 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, 2019.

VARNER CREEK UTILITY DISTRICT

NOTES TO THE FINANCIAL STATEMENTS December 31, 2019

NOTE 5 - CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2019 was as follows:

	Balance 01-01-19	Additions	Retirements	Balance 12-31-19
Governmental Activities:				
Capital Assets, Not Being Depreciated:				
Land	\$ 794,206	\$ 29,498	\$	\$ 823,704
Construction in progress	<u> </u>	<u>925,554</u>	<u>437,567</u>	<u>487,987</u>
Total capital assets, not being depreciated	<u>794,206</u>	<u>955,052</u>	<u>437,567</u>	<u>1,311,691</u>
Capital Assets, Being Depreciated:				
Water production and distribution facilities	2,362,225	408,070		2,770,295
Wastewater collection and treatment facilities	6,567,397			6,567,397
Drainage facilities	<u>1,866,244</u>	<u> </u>	<u> </u>	<u>1,866,244</u>
Total capital assets, being depreciated	<u>10,795,866</u>	<u>408,070</u>	<u>-0-</u>	<u>11,203,936</u>
Less Accumulated Depreciation For:				
Waste production and distribution facilities	1,931,837	32,835		1,964,672
Wastewater collection and treatment facilities	3,223,046	137,674		3,360,720
Drainage facilities	<u>1,414,026</u>	<u>50,618</u>	<u> </u>	<u>1,464,644</u>
Total accumulated depreciation	<u>6,568,909</u>	<u>221,127</u>	<u>-0-</u>	<u>6,790,036</u>
Governmental activities capital assets, net	<u>\$ 5,021,163</u>	<u>\$ 1,141,995</u>	<u>\$ 437,567</u>	<u>\$ 5,725,591</u>

Depreciation expense of \$ 221,127 was charged to governmental activities in 2019.

The District had no existing contract commitments for construction as of December 31, 2019.

VARNER CREEK UTILITY DISTRICT

NOTES TO THE FINANCIAL STATEMENTS December 31, 2019

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, 2019:

	<u>Interest Rates %</u>	<u>Series Dates</u>			<u>Bonds Outstanding 12/31/19</u>
		<u>Issued</u>	<u>Maturity</u>	<u>Callable</u>	
General Obligation Bonds	2.00 -				
Series 2017 Refunding	4.00	2018	2029		\$ 6,095,000
General obligation Bonds	3.00 -				
Series 2018	4.00	2018	2039		<u>3,500,000</u>
					<u>\$ 9,595,000</u>

General obligation bond transactions for the year ended December 31, 2019 are as follows:

Bonds outstanding, December 31, 2018	\$ 10,115,000
Maturities	<u>(520,000)</u>
Bonds outstanding, December 31, 2019	<u>\$ 9,595,000</u>

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

<u>Year Ended December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 655,000	\$ 351,525	\$ 1,006,525
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
2025-2029	3,970,000	865,925	4,835,925
2030-2034	935,000	341,800	1,276,800
2035-2039	<u>1,135,000</u>	<u>139,600</u>	<u>1,274,600</u>
Total	<u>\$ 9,595,000</u>	<u>\$ 2,899,900</u>	<u>\$ 12,494,900</u>

VARNER CREEK UTILITY DISTRICT

NOTES TO THE FINANCIAL STATEMENTS December 31, 2019

NOTE 6 - LONG-TERM DEBT - Continued

Changes in Outstanding Debt

Transactions for the year ended December 31, 2019 are summarized as follows:

	Balance 1-01-19	Additions	Reductions	Balance 12-31-19	Due Within One Year
Governmental Activities:					
General obligation bonds	\$ 10,115,000	\$	\$ 520,000	\$ 9,595,000	\$ 655,000
Premium on bonds	468,299		43,263	425,036	43,263
Total governmental activities	\$ 10,583,299	\$ -0-	\$ 563,263	\$ 10,020,036	\$ 698,263

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, 2019, 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 \$ 135,906 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 March 11, 2020, the date which the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

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VARNER CREEK UTILITY DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL GENERAL FUND

For the Year Ended December 31, 2019

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Property taxes	\$ 155,000	\$ 155,000	\$ 139,831	\$(15,169)
Water service	310,000	310,000	300,612	(9,388)
Sewer service	270,000	270,000	280,557	10,557
Standby fees	37,000	37,000	37,260	260
Tap connection and inspection fees	130,000	70,000	85,450	15,450
Penalty and interest	20,000	20,000	14,678	(5,322)
Investment income	60,000		2,321	2,321
Other			4,101	4,101
	982,000	862,000	864,810	2,810
Total revenues				
Expenditures:				
Service operations	982,000	862,000	749,069	112,931
Capital outlay				
	982,000	862,000	749,069	112,931
Total expenditures				
Net change in fund balance	-0-	-0-	115,741	115,741
Fund balance – beginning	194,835	194,835	194,835	-0-
Fund balance – ending	\$ 194,835	\$ 194,835	\$ 310,576	\$ 115,741

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

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VARNER CREEK UTILITY DISTRICT

TSI-1 SERVICES AND RATES

Year Ended December 31, 2019

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):

	Minimum Charge	Minimum Usage	Flat Rate Y/N	Rate per 1,000 Gallons Over Minimum	Usage Levels
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:

	Total Connections	Active Connections	ESFC Factor	Active EFSC
Less than or equal to 3/4"	939	907	X 1.0	907
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	977	945		945
Total Wastewater	827	815	X 1.0	815

VARNER CREEK UTILITY DISTRICT

TSI-1
SERVICES AND RATES

Year Ended December 31, 2019

3. Total water consumption (in thousands) during the fiscal year:
Gallons pumped into the system: 66,316
Gallons billed to customers: 57,647
Water accountability ratio (gallons billed/gallons pumped): 86.93%

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, 2019

Personnel expenditures:		
Total personnel expenditures	\$	-0-
Professional fees:		
Auditing		12,500
Legal	(6,302)
Engineering		320
Purchased services		208,095
Contracted services:		
Bookkeeping		41,599
Service account billing and collection		57,806
Security		6,099
Utilities		25,937
Repairs and maintenance		373,306
Administrative expenditures:		
Water meter cell service		1,702
Merchant fees		1,670
Bank service charge		273
Payroll taxes		589
Director's fees		7,600
Office expenses		9,803
Insurance		4,081
Other expenditures		<u>3,991</u>
Total expenditures	\$	<u>749,069</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, 2019

	<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	2.53%	Demand	\$ <u>151,394</u>	<u> </u>
Total				<u>151,394</u>	<u>-0-</u>
Debt Service Fund Texpool	00201200001	2.53%	Demand	<u>1,495,515</u>	<u> </u>
Total				<u>1,495,515</u>	<u>-0-</u>
Capital Projects Fund Texpool	00201200002	2.53%	Demand	7,108	
Texpool	00201200009	2.53%	Demand	<u>2,404,722</u>	<u> </u>
Total				<u>2,411,830</u>	<u>-0-</u>
Total – All Funds				<u>\$ 4,058,739</u>	<u>\$ -0-</u>

VARNER CREEK UTILITY DISTRICT

TSI-4 TAXES LEVIED AND RECEIVABLE

December 31, 2019

	Maintenance Taxes	Debt Service Taxes		
Taxes Receivable, Beginning of Year	\$ 41,521	\$ 256,705		
2019 Original Tax Levy, net of current year adjustments	145,817	948,087		
Adjustments (prior years)	(522)	(3,337)		
Total to be accounted for	186,816	1,201,455		
Tax Collections:				
Current year	96,157	625,020		
Prior years	37,971	231,831		
Total collections	134,128	856,851		
Taxes Receivable, End of Year	\$ 52,688	\$ 344,604		
Taxes Receivable, By Years				
2019	\$ 49,697	\$ 323,030		
Prior years	2,991	21,574		
Less allowance for uncollectibles	(534)	(3,540)		
Taxes Receivable (Net), End of Year	\$ 52,154	\$ 341,064		
	2019	2018	2017	2016
Property Valuations:				
Land	\$ 16,999,250	\$ 17,017,536	\$ 16,123,240	\$ 16,156,750
Improvements	167,417,091	141,804,624	124,110,886	115,132,529
Personal property & minerals	3,445,610	3,447,280	3,290,370	2,935,140
Exemptions & adjustments	(8,503,432)	(7,142,700)	(6,791,544)	(8,581,961)
Total Property Valuations	\$ 179,358,519	\$ 155,126,740	\$ 136,732,952	\$ 125,642,458
Tax Rates Per \$100 Valuation:				
Debt service tax rates	0.520000	0.550000	0.550000	0.610000
Maintenance tax rates	0.080000	0.090000	0.100000	0.100000
Other district tax rates	None	None	None	None
Total Tax Rates Per \$100 Valuation	\$ 0.600000	\$ 0.640000	\$ 0.650000	\$ 0.710000
Original Tax Levy:	\$ 1,093,904	\$ 992,811	\$ 889,089	\$ 892,155
Percent of Taxes Collected to Taxes Levied*	65.93%	99.06%	99.44%	99.77%

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

VARNER CREEK UTILITY DISTRICT

TSI-5 LONG-TERM DEBT SERVICE REQUIREMENTS BY YEARS

December 31, 2019

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
2020	\$ 535,000	\$ 221,000	\$ 756,000	\$ 120,000	\$ 130,525	\$ 250,525
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>\$ 6,095,000</u>	<u>\$ 1,298,650</u>	<u>\$ 7,393,650</u>	<u>\$ 3,500,000</u>	<u>\$ 1,601,250</u>	<u>\$ 5,101,250</u>

Annual Requirements for All Series

Principal Due August 15	Interest Due February 15, August 15	Total
\$ 655,000	\$ 351,525	\$ 1,006,525
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>\$ 9,595,000</u>	<u>\$ 2,899,900</u>	<u>\$ 12,494,900</u>

VARNER CREEK UTILITY DISTRICT

TSI-6
**CHANGES IN LONG-TERM
 BONDED DEBT**

December 31, 2019

	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	\$ 6,615,000	\$ 3,500,000	\$ 10,115,000
Bonds sold during year (includes accretion)			-0-
Retirements, principal	<u>520,000</u>		<u>520,000</u>
Bonds outstanding end of current year	<u>\$ 6,095,000</u>	<u>\$ 3,500,000</u>	<u>\$ 9,595,000</u>
Interest paid during current year	<u>\$ 231,400</u>	<u>\$ 85,566</u>	<u>\$ 316,966</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 – FIVE YEARS

Five Years Ended December 31, 2019

	AMOUNTS				
	2019	2018	2017	2016	2015
General Fund:					
Revenues:					
Property taxes	\$ 139,831	\$ 137,603	\$ 126,887	\$ 88,676	\$ 87,366
Water service	300,612	275,382	232,825	225,075	226,057
Sewer service	280,557	251,720	206,830	216,057	216,016
Standby fees	37,260	43,463	48,915	53,225	54,680
Tap connection and inspection fees	85,450	143,550	107,900	42,050	11,300
Penalty and interest	14,678	22,186	16,192	17,171	17,292
Investment income	2,321	716	743	1,174	137
Miscellaneous	4,101	8,360	15,188	2,152	733
Total revenues	864,810	882,980	755,480	645,580	613,581
Expenditures:					
Purchased services	208,095	148,934	159,031	164,706	186,517
Professional fees	6,518	59,622	66,921	56,714	19,825
Contracted services	105,504	91,210	82,196	74,721	71,229
Utilities	25,937	24,798	23,851	23,697	24,486
Repairs and maintenance	373,306	479,975	410,664	328,878	275,324
Administrative expenditures	25,718	28,539	19,437	16,343	12,518
Other expenditures	3,991	2,506	4,978	3,302	24,842
Total expenditures	749,069	835,584	767,078	668,361	614,741
Excess (deficiency) of revenues over expenditures	\$ 115,741	\$ 47,396	\$(11,598)	\$(22,781)	\$(1,160)

PERCENTAGES

2019	2018	2017	2016	2015
16.2%	15.6%	16.8%	13.7%	14.2%
34.7%	31.2%	30.8%	34.9%	36.9%
32.4%	28.5%	27.4%	33.5%	35.2%
4.3%	4.9%	6.5%	8.2%	8.9%
9.9%	16.3%	14.3%	6.5%	1.9%
1.7%	2.5%	2.2%	2.7%	2.8%
0.3%	0.1%	0.0%	0.2%	0.0%
0.5%	0.9%	2.0%	0.3%	0.1%
100.0%	100.0%	100.0%	100.0%	100.0%
24.1%	16.9%	21.0%	25.5%	30.4%
0.8%	6.7%	8.9%	8.8%	3.3%
12.2%	10.3%	10.9%	11.6%	11.6%
3.0%	2.8%	3.1%	3.7%	4.0%
43.0%	54.4%	54.3%	50.9%	44.9%
3.0%	3.2%	2.6%	2.5%	2.0%
0.5%	0.3%	0.7%	0.5%	4.0%
86.6%	94.6%	101.5%	103.5%	100.2%
13.4%	5.4%	(1.5%)	(3.5%)	(0.2%)

VARNER CREEK UTILITY DISTRICT

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

Five Years Ended December 31, 2019

	AMOUNTS				
	2019	2018	2017	2014	2013
Debt Service Fund:					
Revenues:					
Property taxes	\$ 853,628	\$ 762,590	\$ 785,395	\$ 902,682	\$ 981,736
Penalty and interest	30,121	22,154			
Investment income			9,063	5,131	2,417
Total revenues	883,749	784,744	794,458	907,813	984,153
Expenditures:					
Contracted services	5,056	6,361	6,601	6,732	6,995
Other expenditures	3,500	3,500	3,500	5,000	3,510
Principal payments	520,000	505,000	475,000	400,000	420,000
Interest and fiscal charges	318,466	243,895	283,077	382,994	403,594
Bond issuance costs and fees			251,661		
Total expenditures	847,022	758,756	1,019,839	794,726	834,099
Excess (deficiency) of revenues over expenditures	\$ 36,727	\$ 25,988	\$(225,381)	\$ 113,087	\$ 150,054

PERCENTAGES

2019	2018	2017	2016	2015
96.6%	97.2%	98.9%	99.4%	99.8%
3.4%	2.8%			
		1.1%	0.6%	0.2%
100.0%	100.0%	100.0%	100.0%	100.0%
0.6%	0.8%	0.8%	0.7%	0.7%
0.4%	0.5%	0.5%	0.5%	0.4%
58.8%	64.3%	59.8%	44.1%	42.7%
36.0%	31.1%	35.6%	42.2%	41.0%
		31.7%		
95.8%	96.7%	128.4%	87.5%	84.8%
4.2%	3.3%	(28.4%)	12.5%	15.2%

VARNER CREEK UTILITY DISTRICT

TSI-8 BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS

December 31, 2019

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): 05-16-18

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 12-31-19</u>	<u>Expense Reimbursements 12-31-19</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-present	1,600	-0-	Assistant Secretary/ Treasurer	Yes
Allan Sassin 14 Evergreen Lane West Columbia, TX 77486	1/13-present	1,700	-0-	President	Yes
Becky Carroll 235 South Amherst Drive West Columbia, TX 77486	10/13-present	1,500	-0-	Secretary/ Treasurer	Yes
Ray Sauer 2133 Riverside West Columbia, TX 77486	10/16-present	1,700	-0-	Director	Yes

VARNER CREEK UTILITY DISTRICT

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

December 31, 2019

<u>Name & Addresses</u>	<u>Term of Office (Elected or Appointed) or Date Hired</u>	<u>Fees 12-31-19</u>	<u>Expense Reimbursements 12-31-19</u>	<u>Title at Year End</u>	<u>Resident of District?</u>
<i>Consultants:</i>					
KM&L, LLC	02/09	\$ 12,500	\$	Auditor	No
Baker & Lawson, Inc.	8/02	149,523		Engineers	No
Debra Lanehart	2/07	73,815	2,450	Administrator	Yes
Brazoria County Appraisal District		6,325		Tax Appraisers	No
Bracewell Law, LLP	02/12	6,020		Attorney	No
Ryder & Co.	12/03	556,405		Operator	No

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OTHER SCHEDULES

VARNER CREEK UTILITY DISTRICT

DETAILED COMBINED SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUND TYPES

Year Ended December 31, 2019

	General Fund	Debt Service Fund	Capital Projects Fund	Total Governmental Funds
Revenue:				
Property taxes	\$ 139,831	\$ 853,628	\$	\$ 993,459
Water service	300,612			300,612
Sewer service	280,557			280,557
Standby fees	37,260			37,260
Tap connection and inspection fees	85,450			85,450
Penalty and interest	14,678	30,121		44,799
Investment income	2,321		65,303	67,624
Other	4,101			4,101
	<u>864,810</u>	<u>883,749</u>	<u>65,303</u>	<u>1,813,862</u>
Total revenues				
Expenditures:				
Service operations:				
Purchased services	208,095			208,095
Professional fees	6,518			6,518
Contracted services	105,504	5,056		110,560
Utilities	25,937			25,937
Repairs and maintenance	373,306		10,613	383,919
Administrative expenditures	25,718			25,718
Other expenditures	3,991	3,500	10,522	18,013
	<u>749,069</u>	<u>8,556</u>	<u>21,135</u>	<u>778,760</u>
Total service operations				
Capital Outlay:				
Capital expenditures	-0-	-0-	925,554	925,554
Debt Service:				
Principal		520,000		520,000
Interest and fiscal charges		318,466		318,466
	<u>-0-</u>	<u>838,466</u>	<u>-0-</u>	<u>838,466</u>
Total debt service				
Total expenditures				
	<u>749,069</u>	<u>847,022</u>	<u>946,689</u>	<u>2,542,780</u>
Net change in fund balance				
	115,741	36,727	(881,386)	(728,918)
Fund balances – beginning	<u>194,835</u>	<u>867,288</u>	<u>3,201,011</u>	<u>4,263,134</u>
Fund balances – ending	<u>\$ 310,576</u>	<u>\$ 904,015</u>	<u>\$ 2,319,625</u>	<u>\$ 3,534,216</u>

VARNER CREEK UTILITY DISTRICT

DETAILED SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL – GENERAL FUND

For the Year Ended December 31, 2019

	Budgeted Amounts		Actual	Variance
	Original	Final		Favorable (Unfavorable)
Revenues:				
Property taxes	\$ 155,000	\$ 155,000	\$ 139,831	\$(15,169)
Water service	310,000	310,000	300,612	(9,388)
Sewer service	270,000	270,000	280,557	10,557
Standby fees	37,000	37,000	37,260	260
Tap connection and inspection fees	130,000	70,000	85,450	15,450
Penalty and interest	20,000	20,000	14,678	(5,322)
Investment income	60,000		2,321	2,321
Other			4,101	4,101
Total revenues	982,000	862,000	864,810	2,810
Expenditures:				
Service Operations:				
Purchased services	183,200	199,500	208,095	(8,595)
Professional fees	51,000	42,500	6,518	35,982
Contracted services	121,000	121,000	105,504	15,496
Utilities	25,000	25,000	25,937	(937)
Repairs and maintenance	573,800	442,500	373,306	69,194
Administrative expenditures	24,000	31,500	25,718	5,782
Other expenditures	4,000		3,991	(3,991)
Total service operations	982,000	862,000	749,069	112,931
Net changes in fund balances	-0-	-0-	115,741	115,741
Fund Balance, beginning	194,835	194,835	194,835	-0-
Fund Balance, ending	\$ 194,835	\$ 194,835	\$ 310,576	\$ 115,741

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