

VERANDAH MUNICIPAL UTILITY DISTRICT
OF HUNT COUNTY
HUNT COUNTY, TEXAS
ANNUAL FINANCIAL REPORT
SEPTEMBER 30, 2022

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Verandah Municipal Utility
District of Hunt County
Hunt County, Texas

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of Verandah Municipal Utility District of Hunt County (the "District") as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District as of September 30, 2022, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

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

Board of Directors
Verandah Municipal Utility
District of Hunt County

Supplementary Information

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

A handwritten signature in black ink that reads "McCall Gibson Swedlund Barfoot PLLC". The signature is written in a cursive, flowing style.

McCall Gibson Swedlund Barfoot PLLC
Certified Public Accountants
Houston, Texas

January 11, 2023

**VERANDAH MUNICIPAL UTILITY DISTRICT OF HUNT COUNTY
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2022**

Management’s discussion and analysis of Verandah Municipal Utility District of Hunt County’s (the “District”) financial performance provides an overview of the District’s financial activities for the fiscal year ended September 30, 2022. Please read it in conjunction with the District’s financial statements.

USING THIS ANNUAL REPORT

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

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

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

FUND FINANCIAL STATEMENTS

The combined statements also include fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District has three governmental fund types. The General Fund accounts for resources not accounted for in another fund, maintenance tax revenues, costs and general expenditures. The Debt Service Fund accounts for ad valorem taxes and financial resources restricted, committed or assigned for servicing bond debt and the cost of assessing and collecting taxes. The Capital Projects Fund accounts for financial resources restricted, committed or assigned for acquisition or construction of facilities and related costs.

**VERANDAH MUNICIPAL UTILITY DISTRICT OF HUNT COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2022**

FUND FINANCIAL STATEMENTS (Continued)

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

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

NOTES TO THE FINANCIAL STATEMENTS

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

OTHER INFORMATION

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of the District's financial position. In the case of the District, liabilities exceeded assets and deferred outflows of resources by \$10,074,107 as of September 30, 2022.

A portion of the District's net position reflects its net investment in capital assets (e.g. water, wastewater, and drainage facilities, streets and bridges, less any debt used to acquire those assets that is still outstanding).

The following is a comparative analysis of government-wide changes in net position:

**VERANDAH MUNICIPAL UTILITY DISTRICT OF HUNT COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2022**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

	Summary of Changes in the Statement of Net Position		
	2022	2021	Change Positive (Negative)
Current and Other Assets	\$ 2,040,483	\$ 1,605,129	\$ 435,354
Capital Assets (Net of Accumulated Depreciation)	43,907,136	25,648,663	18,258,473
Total Assets	<u>\$ 45,947,619</u>	<u>\$ 27,253,792</u>	<u>\$ 18,693,827</u>
Deferred Outflows of Resources	\$ 179,497	\$ 194,544	\$ (15,047)
Long-Term Liabilities	\$ 34,913,724	\$ 22,700,841	\$ (12,212,883)
Due to Developers	16,141,082	11,828,639	(4,312,443)
Other Liabilities	5,146,417	456,540	(4,689,877)
Total Liabilities	<u>\$ 56,201,223</u>	<u>\$ 34,986,020</u>	<u>\$ (21,215,203)</u>
Net Position:			
Net Investment in Capital Assets	\$ (11,416,489)	\$ (8,558,711)	\$ (2,857,778)
Restricted	653,235	651,583	1,652
Unrestricted	689,147	369,444	319,703
Total Net Position	<u>\$ (10,074,107)</u>	<u>\$ (7,537,684)</u>	<u>\$ (2,536,423)</u>

The following table provides a comparative analysis of the District's operations for the years ended September 30, 2022, and September 30, 2021.

	Summary of Changes in the Statement of Activities		
	2022	2021	Change Positive (Negative)
Revenues:			
Property Taxes	\$ 1,611,140	\$ 1,200,747	\$ 410,393
Permit Fees	106,400	162,900	(56,500)
Other Revenues	22,000	9,815	12,185
Total Revenues	<u>\$ 1,739,540</u>	<u>\$ 1,373,462</u>	<u>\$ 366,078</u>
Expenses for Services	4,275,963	2,968,371	(1,307,592)
Change in Net Position	\$ (2,536,423)	\$ (1,594,909)	\$ (941,514)
Net Position, Beginning of Year	(7,537,684)	(5,942,775)	(1,594,909)
Net Position, End of Year	<u>\$ (10,074,107)</u>	<u>\$ (7,537,684)</u>	<u>\$ (2,536,423)</u>

**VERANDAH MUNICIPAL UTILITY DISTRICT OF HUNT COUNTY
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2022**

FINANCIAL ANALYSIS OF THE DISTRICT’S GOVERNMENTAL FUND

The District’s combined fund balances as of the fiscal year ended September 30, 2022, were \$2,263,681, a decrease of \$3,826,749 from the prior year.

The General Fund fund balance increased by \$318,938, primarily due to property tax revenues and permit fees exceeding operating expenditures.

The Debt Service Fund fund balance increased by \$15,191, primarily due to the structure of the debt service requirements.

The Capital Projects Fund fund balance decreased by \$4,160,878, primarily due to developer reimbursements exceeding bond proceeds during the current fiscal year.

GENERAL FUND BUDGETARY HIGHLIGHTS

The Board of Directors did not amend the budget during the current fiscal year. Actual revenues exceeded budgeted revenues by \$40,680 and actual expenditures were less than budgeted expenditures by \$10,608, which resulted in a positive variance of \$51,288.

CAPITAL ASSETS

The District operates as an alter-ego of the City of Royse City, Texas (the “City”). In this arrangement, the facilities constructed or acquired by the District are conveyed to the City. The City maintains and operates the facilities for the benefit of the residents of the District.

Capital Assets At Year-End, Net of Accumulated Depreciation			
	2022	2021	Change Positive (Negative)
Capital Assets Not Being Depreciated:			
Land and Land Improvements	\$ 2,739,130	\$ 857,973	\$ 1,881,157
Construction in Progress		249,076	(249,076)
Capital Assets, Net of Accumulated Depreciation:			
Streets and Bridges	19,460,832	12,096,147	7,364,685
Water System	5,428,105	3,007,066	2,421,039
Wastewater System	7,806,641	4,254,491	3,552,150
Drainage System	8,472,428	5,183,910	3,288,518
Total Net Capital Assets	\$ 43,907,136	\$ 25,648,663	\$ 18,258,473

Additional information on the District’s capital assets can be found in Note 6 of this report.

**VERANDAH MUNICIPAL UTILITY DISTRICT OF HUNT COUNTY
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2022**

LONG-TERM DEBT ACTIVITY

At the end of the current fiscal year, the District had total long-term debt payable of \$35,615,000.

The changes in the debt position of the District during the fiscal year ended September 30, 2022, are summarized as follows:

Bond Debt Payable, October 1, 2021	\$ 22,980,000
Add: Bond Sales Series 2022	13,000,000
Less: Bond Principal Paid	<u>365,000</u>
Bond Debt Payable, September 30, 2022	<u>\$ 35,615,000</u>

The District’s bonds have an underlying rating of “Baa3” by Moody’s Investor Services. The Series 2018 Utility Bonds and 2022 Tax Road Bonds carry an insured rating of “AA” by S&P based on a policy issued by Build America Mutual Assurance Company. The Series 2019 Road Bonds, Series 2020 Utility Bonds and Series 2021 Utility Road Bonds carry an insured rating of “AA” by S&P based on a policy issued by Assured Guaranty Municipal Corp.

CONTACTING THE DISTRICT’S MANAGEMENT

This financial report is designed to provide a general overview of the District’s finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Verandah Municipal Utility District of Hunt County, c/o Winstead PC, 2728 N. Harwood Street, Suite 500, Dallas, Texas 75201.

VERANDAH MUNICIPAL UTILITY DISTRICT OF HUNT COUNTY
STATEMENT OF NET POSITION AND
GOVERNMENTAL FUNDS BALANCE SHEET
SEPTEMBER 30, 2022

	General Fund	Debt Service Fund
ASSETS		
Cash	\$ 132,946	\$ 283,204
Investments	742,054	464,503
Receivables:		
Property Taxes	1,454	3,129
Due from Other Funds	62,078	
Land		
Capital Assets (Net of Accumulated Depreciation)		
TOTAL ASSETS	\$ 938,532	\$ 750,836
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Charges on Refunding Bonds	\$ - 0 -	\$ - 0 -
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 938,532	\$ 750,836
LIABILITIES		
Accounts Payable	\$ 60,679	\$
Accrued Interest Payable		
Due to Developers		
Due to Other Funds		5,099
Accrued Bond Interest Received at Time of Sale		25,666
Bond Anticipation Note Payable, Note 11		
Long-Term Liabilities:		
Due Within One Year		
Due After One Year		
TOTAL LIABILITIES	\$ 60,679	\$ 30,765
DEFERRED INFLOWS OF RESOURCES		
Property Taxes	\$ 1,454	\$ 3,129
FUND BALANCES		
Restricted for Authorized Construction	\$	\$
Restricted for Debt Service		716,942
Unassigned	876,399	
TOTAL FUND BALANCES	\$ 876,399	\$ 716,942
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 938,532	\$ 750,836
NET POSITION		
Net Investment in Capital Assets		
Restricted for Debt Service		
Unrestricted		
TOTAL NET POSITION		

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

Capital Projects Fund	Total	Adjustments	Statement of Net Position
\$ 108,880	\$ 525,030	\$	\$ 525,030
304,313	1,510,870		1,510,870
	4,583		4,583
	62,078	(62,078)	
		2,739,130	2,739,130
		41,168,006	41,168,006
<u>\$ 413,193</u>	<u>\$ 2,102,561</u>	<u>\$ 43,845,058</u>	<u>\$ 45,947,619</u>
<u>\$ - 0 -</u>	<u>\$ - 0 -</u>	<u>\$ 179,497</u>	<u>\$ 179,497</u>
<u>\$ 413,193</u>	<u>\$ 2,102,561</u>	<u>\$ 44,024,555</u>	<u>\$ 46,127,116</u>
\$ 2,129	\$ 62,808	\$	\$ 62,808
1,107	1,107	92,502	93,609
		16,141,082	16,141,082
56,979	62,078	(62,078)	
	25,666	(25,666)	
4,210,000	4,210,000		4,210,000
		780,000	780,000
		34,913,724	34,913,724
<u>\$ 4,270,215</u>	<u>\$ 4,361,659</u>	<u>\$ 51,839,564</u>	<u>\$ 56,201,223</u>
<u>\$ - 0 -</u>	<u>\$ 4,583</u>	<u>\$ (4,583)</u>	<u>\$ - 0 -</u>
\$ (3,857,022)	\$ (3,857,022)	\$ 3,857,022	\$
	716,942	(716,942)	
	876,399	(876,399)	
<u>\$ (3,857,022)</u>	<u>\$ (2,263,681)</u>	<u>\$ 2,263,681</u>	<u>\$ - 0 -</u>
<u>\$ 413,193</u>	<u>\$ 2,102,561</u>		
		\$ (11,416,489)	\$ (11,416,489)
		653,235	653,235
		689,147	689,147
		<u>\$ (10,074,107)</u>	<u>\$ (10,074,107)</u>

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

**VERANDAH MUNICIPAL UTILITY DISTRICT OF HUNT COUNTY
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2022**

Total Fund Balances - Governmental Funds \$ (2,263,681)

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

The difference between the net carrying amount of the refunded bonds and the reacquisition price is recorded as a deferred outflow in the governmental activities and systematically charged to interest expense over the remaining life of the old debt or the life of the new debt, whichever is shorter. 179,497

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in the governmental funds. 43,907,136

Deferred inflows of resources related to property tax revenues and penalty and interest receivables on delinquent taxes for the 2021 and prior tax levies became part of recognized revenues in the governmental activities of the District. 4,583

Certain liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. These liabilities at year-end consist of:

Due to Developers	\$ (16,141,082)	
Accrued Interest Payable	(66,836)	
Bonds Payable Within One Year	<u>(35,693,724)</u>	<u>(51,901,642)</u>
Total Net Position - Governmental Activities		<u>\$ (10,074,107)</u>

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

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**VERANDAH MUNICIPAL UTILITY DISTRICT OF HUNT COUNTY
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUND STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED SEPTEMBER 30, 2022**

	General Fund	Debt Service Fund
REVENUES		
Property Taxes	\$ 520,486	\$ 1,088,290
Penalty and Interest	6,304	
Permit Fees	106,400	
Miscellaneous and Investment Revenues	6,195	7,276
TOTAL REVENUES	\$ 639,385	\$ 1,095,566
EXPENDITURES/EXPENSES		
Service Operations:		
Professional Fees	\$ 113,884	\$
Contracted Services	27,849	34,025
Utilities	27,546	
Depreciation		
Other	123,428	1,400
Capital Outlay	27,740	
Developer Interest		
Debt Service:		
Bond Issuance Costs		
Bond Principal		365,000
Bond Interest		679,950
TOTAL EXPENDITURES/EXPENSES	\$ 320,447	\$ 1,080,375
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ 318,938	\$ 15,191
OTHER FINANCING SOURCES (USES)		
Proceeds from Issuance of Bonds	\$	\$
Bond Premium		
TOTAL OTHER FINANCING SOURCES (USES)	\$ - 0 -	\$ - 0 -
NET CHANGE IN FUND BALANCES	\$ 318,938	\$ 15,191
CHANGE IN NET POSITION		
FUND BALANCES/NET POSITION - OCTOBER 1, 2021	557,461	701,751
FUND BALANCES/NET POSITION - SEPTEMBER 30, 2022	\$ 876,399	\$ 716,942

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

Capital Projects Fund	Total	Adjustments	Statement of Activities
\$	\$ 1,608,776	\$ 2,364	\$ 1,611,140
	6,304	(107)	6,197
	106,400		106,400
2,332	15,803		15,803
<u>\$ 2,332</u>	<u>\$ 1,737,283</u>	<u>\$ 2,257</u>	<u>\$ 1,739,540</u>
\$	\$ 113,884	\$	\$ 113,884
	61,874		61,874
	27,546		27,546
		984,933	984,933
	124,828		124,828
14,903,813	14,931,553	(14,930,963)	590
1,066,876	1,066,876		1,066,876
1,201,092	1,201,092		1,201,092
	365,000	(365,000)	
	679,950	14,390	694,340
<u>\$ 17,171,781</u>	<u>\$ 18,572,603</u>	<u>\$ (14,296,640)</u>	<u>\$ 4,275,963</u>
<u>\$ (17,169,449)</u>	<u>\$ (16,835,320)</u>	<u>\$ 16,835,320</u>	<u>\$ - 0 -</u>
\$ 13,000,000	\$ 13,000,000	\$ (13,000,000)	\$
8,571	8,571	(8,571)	
<u>\$ 13,008,571</u>	<u>\$ 13,008,571</u>	<u>\$ (13,008,571)</u>	<u>\$ - 0 -</u>
\$ (4,160,878)	\$ (3,826,749)	\$ 3,826,749	\$
		(2,536,423)	(2,536,423)
303,856	1,563,068	(9,100,752)	(7,537,684)
<u>\$ (3,857,022)</u>	<u>\$ (2,263,681)</u>	<u>\$ (7,810,426)</u>	<u>\$ (10,074,107)</u>

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

**VERANDAH MUNICIPAL UTILITY DISTRICT OF HUNT COUNTY
RECONCILIATION OF THE GOVERNMENTAL FUND STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2022**

Net Change in Fund Balances - Governmental Funds	\$ (3,826,749)
<p>Amounts reported for governmental activities in the Statement of Activities are different because:</p>	
<p>Governmental funds report tax revenues when collected. However, in the government-wide financial statements, revenues are recorded in the accounting period for which the taxes are levied.</p>	2,364
<p>Governmental funds report penalty and interest revenues on delinquent property taxes when collected. However, in the government-wide financial statements, revenues are recorded when the penalty and interest are assessed.</p>	(107)
<p>Governmental funds do not account for depreciation. However, in the government-wide financial statements, capital assets are depreciated and depreciation expense is recorded in the Statement of Activities.</p>	(984,933)
<p>Governmental funds report capital expenditures as expenditures in the period purchased. However, in the government-wide financial statements, capital assets are increased by new purchases that meet the District's threshold for capitalization, and are owned and maintained by the District. All other capital asset purchases are expensed in the Statement of Activities.</p>	14,930,963
<p>Governmental funds report principal payments on long-term debt as expenditures. However, in the government-wide financial statements, principal payments decrease long-term liabilities and the Statement of Activities is not affected.</p>	365,000
<p>Governmental funds report interest payments on long-term debt as expenditures in the year paid. However, in the government-wide financial statements, interest is accrued on the debt through fiscal year-end.</p>	(22,961)
<p>Governmental funds report bond proceeds as other financing sources. Issued bonds increase long-term liabilities in the government-wide financial statements.</p>	<u>(13,000,000)</u>
Change in Net Position - Governmental Activities	<u><u>\$ (2,536,423)</u></u>

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

VERANDAH MUNICIPAL UTILITY DISTRICT OF HUNT COUNTY
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

NOTE 1. CREATION OF DISTRICT

Verandah Municipal Utility District of Hunt County, Texas (the “District”) was created by Hunt County Commissioners Court Order, effective April 28, 2003, as a fresh water supply district in accordance with the Texas Water Code, Chapter 53. Pursuant to H. B. No. 1141 passed by the 79th Texas Legislative and effective June 17, 2005, the District was converted to a municipal utility district with road powers. The District operates in accordance with Chapters 49 and 54 of the Texas Water Code and is subject to the continuing supervision of the Texas Commission on Environmental Quality (the “Commission”). The principal functions of the District are to finance, construct, own, and operate waterworks, wastewater, road and drainage facilities and to provide such facilities and services to the customers of the District. The District is governed by a Board of Directors consisting of five individuals who are residents or owners of property within the District and are elected by voters within the District.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

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

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

Financial Statement Presentation

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

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

VERANDAH MUNICIPAL UTILITY DISTRICT OF HUNT COUNTY
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Statement Presentation (Continued)

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

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

Government-Wide Financial Statements

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

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

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

Fund Financial Statements

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

VERANDAH MUNICIPAL UTILITY DISTRICT OF HUNT COUNTY
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Statement Presentation (Continued)

Fund Financial Statements (Continued)

Governmental Funds

The District has three governmental funds and considers these funds to be major funds.

General Fund - To account for resources not required to be accounted for in another fund, maintenance tax revenues, costs and general expenditures.

Debt Service Fund - To account for ad valorem taxes and financial resources restricted, committed or assigned for servicing bond debt and the cost of assessing and collecting taxes.

Capital Projects Fund - To account for financial resources restricted, committed or assigned for acquisition or construction of facilities and related costs.

Basis of Accounting

The District uses the modified accrual basis of accounting for governmental fund types. The modified accrual basis of accounting recognizes revenues when both “measurable and available.” Measurable means the amount can be determined. Available means collectable within the current period or soon enough thereafter to pay current liabilities. The District considers revenues reported in governmental funds to be available if they are collectable within 60 days after year-end. Also, under the modified accrual basis of accounting, expenditures are recorded when the related fund liability is incurred, except for principal and interest on long-term debt, which are recognized as expenditures when payment is due.

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

Amounts transferred from one fund to another fund are reported as other financing sources or uses. Loans by one fund to another fund and amounts paid by one fund for another fund are reported as interfund receivables and payables in the Governmental Funds Balance Sheet if there is intent to repay the amount and if the debtor fund has the ability to repay the advance on a timely basis. As of September 30, 2022, the Debt Service Fund owed the General Fund \$5,099 for maintenance tax collections and the Capital Projects Fund owed the General Fund \$56,979 for Series 2021 bond expenses.

VERANDAH MUNICIPAL UTILITY DISTRICT OF HUNT COUNTY
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets

The District operates as an alter-ego of the City of Royse City, Texas (the ‘City’). In this arrangement, the facilities constructed or acquired by the District are conveyed to the City. The City maintains and operates the facilities for the benefit of the residents of the District. The District records the capital assets and depreciates them using no salvage value and estimated useful lives of 40-45 years until they are conveyed to the City.

Budgeting

An annual unappropriated budget is adopted for the General Fund by the District’s Board of Directors. The budget is prepared using the same method of accounting as for financial reporting. The original General Fund budget for the current year was not amended. The Schedule of Revenues, Expenditures and Changes in Fund Balance– Budget and Actual – General Fund presents the original budget amounts, compared to the actual amounts of revenues and expenditures for the current year.

Pensions

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

Measurement Focus

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

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

VERANDAH MUNICIPAL UTILITY DISTRICT OF HUNT COUNTY
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus (Continued)

Nonspendable: amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact. The District does not have any nonspendable fund balances.

Restricted: amounts that can be spent only for specific purposes because of constitutional provisions, or enabling legislation, or because of constraints that are imposed externally.

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

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

Unassigned: all other spendable amounts in the General Fund.

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

Accounting Estimates

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

VERANDAH MUNICIPAL UTILITY DISTRICT OF HUNT COUNTY
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

NOTE 3. LONG-TERM DEBT

	Series 2013	Series 2015
Amount Outstanding – September 30, 2022	\$ 2,590,000	\$ 1,245,000
Interest Rates	4.00% - 5.05%	3.00% - 4.00%
Maturity Dates - Serially Beginning/Ending	September 1, 2023/2038	September 1, 2023/2040
Interest Payment Dates	March 1, September 1	March 1, September 1
Callable Dates	September 1, 2023*	September 1, 2025*
	Refunding Series 2017	Series 2018
Amount Outstanding – September 30, 2022	\$ 2,375,000	\$ 3,025,000
Interest Rates	2.45% - 3.625%	3.125% - 4.50%
Maturity Dates - Serially Beginning/Ending	September 1, 2023/2034	September 1, 2023/2040
Interest Payment Dates	March 1, September 1	March 1, September 1
Callable Dates	September 1, 2027*	September 1, 2028*

* Or on any date thereafter, callable at par plus unpaid accrued interest in whole or in part at the option of the District. Series 2013 term bonds due September 1, 2023, September 1, 2025, September 1, 2027, September 1, 2029, September 1, 2032 and September 1, 2038 are subjected to mandatory redemption beginning September 1, 2022, September 1, 2024, September 1, 2026, September 1, 2028, September 1, 2030 and September 1, 2033, respectively. Series 2015 term bonds due September 1, 2030, September 1, 2033, September 1, 2037 and September 1, 2040 are subjected to mandatory redemption beginning September 1, 2029, September 1, 2031, September 1, 2034 and September 1, 2038, respectively. Series 2017 Refunding term bonds due September 1, 2032 and September 1, 2034 are subjected to mandatory redemption beginning September 1, 2031 and September 1, 2033, respectively. Series 2018 term bonds due September 1, 2030, September 1, 2032, September 1, 2034, September 1, 2036, September 1, 2038 and September 1, 2040 are subjected to mandatory redemption beginning September 1, 2029, September 1, 2031, September 1, 2033, September 1, 2035, September 1, 2037, and September 1, 2039, respectively.

VERANDAH MUNICIPAL UTILITY DISTRICT OF HUNT COUNTY
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

NOTE 3. LONG-TERM DEBT (Continued)

	<u>Series 2019</u>	<u>Series 2020</u>
Amount Outstanding – September 30, 2022	\$ 3,000,000	\$ 4,600,000
Interest Rates	2.00% - 3.50%	2.00% - 4.00%
Maturity Dates - Serially Beginning/Ending	September 1, 2023/2044	September 1, 2023/2045
Interest Payment Dates	March 1, September 1	March 1, September 1
Callable Dates	September 1, 2029*	September 1, 2026*
	<u>Series 2021</u>	<u>Series 2022</u>
Amount Outstanding – September 30, 2022	\$ 5,780,000	\$ 13,000,000
Interest Rates	2.00% - 2.25%	4.00% - 7.00%
Maturity Dates - Serially Beginning/Ending	September 1, 2023/2046	September 1, 2023/2047
Interest Payment Dates	March 1, September 1	March 1, September 1
Callable Dates	September 1, 2027*	September 1, 2027*

* Or on any date thereafter, callable at par plus unpaid accrued interest in whole or in part at the option of the District. Series 2019 term bonds due September 1, 2040, September 1, 2042, and September 1, 2044 are subjected to mandatory redemption beginning September 1, 2039, September 1, 2041, and September 1, 2043, respectively. Series 2020 term bonds due September 1, 2032, September 1, 2034, September 1, 2036, September 1, 2038, September 1, 2041 and September 1, 2045 are subjected to mandatory redemption beginning September 1, 2033, September 1, 2035, September 1, 2037, September 1, 2039, September 1, 2042 and September 1, 2046, respectively. Series 2021 term bonds due September 1, 2046 are subjected to mandatory redemption beginning September 1, 2042, respectively. Series 2022 term bonds due September 1, 2037, September 1, 2039, September 1, 2041, September 1, 2044 and September 1, 2046 are subjected to mandatory redemption beginning September 1, 2036, September 1, 2038, September 1, 2040, September 1, 2042, and September 1, 2045, respectively.

VERANDAH MUNICIPAL UTILITY DISTRICT OF HUNT COUNTY
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

NOTE 3. LONG-TERM DEBT (Continue)

The following is a summary of transactions regarding bonds payable for the year ended September 30, 2022:

	October 1, 2021	Additions	Retirements	September 30, 2022
Bonds Payable	\$ 22,980,000	\$ 13,000,000	\$ 365,000	\$ 35,615,000
Unamortized Discounts	(23,840)		(1,343)	(22,497)
Unamortized Premiums	109,681		8,460	101,221
Bonds Payable, Net	<u>\$ 23,065,841</u>	<u>\$ 13,000,000</u>	<u>\$ 372,117</u>	<u>\$ 35,693,724</u>
			Amount Due Within One Year	\$ 780,000
			Amount Due After One Year	<u>34,913,724</u>
			Bonds Payable, Net	<u>\$ 35,693,724</u>

As of September 30, 2022, the District had authorized but unissued bonds in the amount of \$56,585,000 for utility facilities, \$96,840,000 for refunding utility bonds, \$41,895,000 for road facilities and \$107,240,000 for road facilities refunding bonds.

As of September 30, 2022, the debt service requirements on the bonds outstanding were as follows:

Fiscal Year	Principal	Interest	Total
2023	\$ 780,000	\$ 1,224,959	\$ 2,004,959
2024	830,000	1,180,463	2,010,463
2025	1,025,000	1,153,442	2,178,442
2026	1,055,000	1,115,013	2,170,013
2027	1,095,000	1,076,381	2,171,381
2028-2032	6,030,000	4,835,542	10,865,542
2033-2037	7,110,000	3,818,201	10,928,201
2038-2042	8,490,000	2,517,580	11,007,580
2043-2047	9,200,000	1,003,175	10,203,175
	<u>\$ 35,615,000</u>	<u>\$ 17,924,756</u>	<u>\$ 53,539,756</u>

The bonds are payable from the proceeds of an ad valorem tax levied upon all property subject to taxation within the District, without limitation as to rate or amount.

VERANDAH MUNICIPAL UTILITY DISTRICT OF HUNT COUNTY
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

NOTE 3. LONG-TERM DEBT (Continued)

During the year ended September 30, 2022, The District levied an ad valorem debt service tax rate of \$0.5750 per \$100 of assessed valuation, which resulted in a tax levy of \$1,089,888 on the adjusted taxable valuation of \$190,630,919 for the 2021 tax year. The bond orders require the District to levy and collect an ad valorem debt service tax sufficient to pay interest and principal on bonds when due and the cost of assessing and collecting taxes. See Note 7 for maintenance tax levy.

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

NOTE 4. SIGNIFICANT BOND ORDER AND LEGAL REQUIREMENTS

The bond order states that the District is required by the Securities and Exchange Commission to provide continuing disclosure of certain general financial information and operating data with respect to the District to the Municipal Securities Rulemaking Board through its Electric Municipal Market Access (“EMMA”) system. This information, along with the audited annual financial statements, is to be provided within six months after the end of each fiscal year and shall continue to be provided through the life of the bonds.

The District has covenanted that it will take all necessary steps to comply with the requirement that rebatable arbitrage earnings on the investment of the gross proceeds of the bonds, within the meaning of Section 148(f) of the Internal Revenue Code, be rebated to the federal government. The minimum requirement for determination of the rebatable amount is on the each 5th year anniversary of each issue.

NOTE 5. DEPOSITS AND INVESTMENTS

Deposits

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

Texas statutes require that any cash balance in any fund shall, to the extent not insured by the Federal Deposit Insurance Corporation or its successor, be continuously secured by a valid

VERANDAH MUNICIPAL UTILITY DISTRICT OF HUNT COUNTY
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

NOTE 5. DEPOSITS AND INVESTMENTS (Continued)

Deposits (Continued)

pledge to the District of securities eligible under the laws of Texas to secure the funds of the District, having an aggregate market value, including accrued interest, at all times equal to the uninsured cash balance in the fund to which such securities are pledged. At fiscal year-end, the carrying amount of the District’s deposits was \$525,030 and the bank balance was \$471,997. The District was not exposed to custodial credit risk at year-end.

The carrying values of the deposits are included in the Governmental Funds Balance Sheet and the Statement of Net Position at September 30, 2022, as listed below:

	Cash
GENERAL FUND	\$ 132,946
DEBT SERVICE FUND	283,204
CAPITAL PROJECTS FUND	108,880
TOTAL DEPOSITS	\$ 525,030

Investments

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

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

VERANDAH MUNICIPAL UTILITY DISTRICT OF HUNT COUNTY
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

NOTE 5. DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

The District invests in LOGIC (Local Government Investment Cooperative), an external public fund investment pool that is not SEC-registered. LOGIC is organized and existing as a business trust under the laws of the State of Texas with all participant funds and all investment assets held and managed in trust by a Board of Trustees for the benefit of the participants. Hilltop Securities, Inc. and J.P. Morgan Investment Management, Inc. serve as co-administrators of the pool. LOGIC measures its portfolio assets at amortized cost for financial reporting purposes. The District measures its investments in LOGIC at amortized cost. There are no limitations or restrictions on withdrawals from LOGIC.

As of September 30, 2022, the District had the following investments and maturities:

Fund and Investment Type	Fair Value	Maturities in Years			
		Less Than 1	1-5	6-10	More Than 10
<u>GENERAL FUND</u>					
LOGIC	\$ 742,054	\$ 742,054	\$	\$	\$
<u>DEBT SERVICE FUND</u>					
LOGIC	464,503	464,503			
<u>CAPITAL PROJECTS FUND</u>					
LOGIC	304,313	304,313			
TOTAL INVESTMENTS	<u>\$ 1,510,870</u>	<u>\$ 1,510,870</u>	<u>\$ - 0 -</u>	<u>\$ - 0 -</u>	<u>\$ - 0 -</u>

Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. As of September 30, 2022, the District's investment in LOGIC was rated AAAM by Standard and Poor's. The District also manages credit risk by investing in certificates of deposit with balances secured in accordance with Texas statutes.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District considers the investment in LOGIC to have a maturity of less than one year due to the fact that the share position can usually be redeemed each day at the discretion of the District unless there has been a significant change in value. The District also manages interest rate risk by investing in certificates of deposit with maturities of approximately 1-year or less.

VERANDAH MUNICIPAL UTILITY DISTRICT OF HUNT COUNTY
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

NOTE 5. DEPOSITS AND INVESTMENTS (Continued)

Restrictions

All cash and investments of the Debt Service Fund are restricted for the payment of debt service and the cost of assessing and collecting taxes. All cash and investments of the Capital Projects Fund are restricted for the purchase of capital assets.

NOTE 6. CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2022:

	October 1, 2021	Increases	Decreases	September 30, 2022
Capital Assets Not Being Depreciated				
Land and Land Improvements	\$ 857,973	\$ 1,881,157	\$	\$ 2,739,130
Construction in Progress	249,076	19,243,406	19,492,482	
Total Capital Assets Not Being Depreciated	<u>\$ 1,107,049</u>	<u>\$ 21,124,563</u>	<u>\$ 19,492,482</u>	<u>\$ 2,739,130</u>
Capital Assets Subject to Depreciation				
Streets and Bridges	\$ 13,894,195	\$ 7,768,836	\$	\$ 21,663,031
Water System	3,333,010	2,562,598		5,895,608
Wastewater System	5,154,517	3,795,674		8,950,191
Drainage System	5,885,093	3,484,217		9,369,310
Total Capital Assets Subject to Depreciation	<u>\$ 28,266,815</u>	<u>\$ 17,611,325</u>	<u>\$ - 0 -</u>	<u>\$ 45,878,140</u>
Less Accumulated Depreciation				
Streets and Bridges	\$ 1,798,048	\$ 404,151	\$	\$ 2,202,199
Water System	325,944	141,559		467,503
Wastewater System	900,026	243,524		1,143,550
Drainage System	701,183	195,699		896,882
Total Accumulated Depreciation	<u>\$ 3,725,201</u>	<u>\$ 984,933</u>	<u>\$ - 0 -</u>	<u>\$ 4,710,134</u>
Total Depreciable Capital Assets, Net of Accumulated Depreciation	<u>\$ 24,541,614</u>	<u>\$ 16,626,392</u>	<u>\$ - 0 -</u>	<u>\$ 41,168,006</u>
Total Capital Assets, Net of Accumulated Depreciation	<u>\$ 25,648,663</u>	<u>\$ 37,750,955</u>	<u>\$ 19,492,482</u>	<u>\$ 43,907,136</u>

The District has financed the above facilities which will be conveyed to the City of Royse City, Texas.

VERANDAH MUNICIPAL UTILITY DISTRICT OF HUNT COUNTY
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

NOTE 7. MAINTENANCE TAX

On September 13, 2003, voters of the District approved the levy and collection of a maintenance tax at an unlimited rate on all taxable property within the District. The maintenance tax will be used for maintenance and other authorized purposes including, but not limited to, planning, constructing, acquiring, maintaining, repairing and operating all necessary land, works, improvements, facilities, plants, equipment and appliances, and for the payment of proper services, engineering fees, legal fees, and organization and administrative costs in accordance with Section 49.107 of the Texas Water Code.

During the year ended September 30, 2022, the District levied an ad valorem maintenance tax at the rate of \$0.2750 per \$100 of assessed valuation which resulted in tax levy of \$521,251 on the taxable valuation of \$190,630,919 for the 2021 tax year.

NOTE 8. RISK MANAGEMENT

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

NOTE 9. DUE TO DEVELOPERS

The District has executed development financing agreements with developers within the District. The agreements call for the developers to fund costs associated with water, wastewater and drainage facilities, bridges, street paving and grading until such time as the District can sell bonds. As of September 30, 2022, the District recorded an estimated liability of \$15,952,376 in relation to these agreements for facilities that have been completed. The developers have also been required to advance monies to the District's General Fund for the District to meet its ongoing financial obligations. Through September 30, 2022, the developers advanced directly to the District a total of \$415,118 to help cover the operating deficits of the District, of which \$226,412 has been reimbursed. The total amount recorded as Due to Developers in the Statement of Net Position at September 30, 2022, was \$16,141,082.

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reimbursements</u>	<u>Ending Balance</u>
Due to Developer	\$ 11,828,639	\$ 5,016,485	\$ 704,042	\$ 16,141,082

VERANDAH MUNICIPAL UTILITY DISTRICT OF HUNT COUNTY
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

NOTE 10. STRATEGIC PARTNERSHIP AGREEMENT

Effective March 14, 2007, the District entered into a Strategic Partnership Agreement with the City of Royse City, Texas (the “City”). The agreement provides that in accordance with Subchapter F of Chapter 43 of the Local Government Code and Act, the City shall annex a tract of land defined as the “Limited Purpose Annexation Property” for the limited purposes of charging and collecting sales and use taxes on sales generated from businesses operating within such commercial use areas.

All taxable property within the District shall not be liable for any present or future debts of the City, and current and future taxes levied by the City shall not be levied on taxable property within the District. The District retains all rights to assess and collect an ad valorem tax in all the areas within the District Boundaries, including the Limited Purpose Annexation Property, as long as the District continues to exist. The District’s assets, liabilities, indebtedness, and obligations will remain the responsibility of the District during the period preceding full-purpose annexation.

The District and the City agree that the Limited Purpose Annexation Property under this agreement may be converted to full purpose annexation. Notwithstanding the foregoing, the City agrees that it will not annex the Limited Purpose Annexation Property for full purposes except as provided for annexation of the entire District in Article III and V of that certain Development and Facilities Agreement (“Development Agreement”) entered into among the City, the District and One Verandah, LP on March 14, 2007.

The District agrees it shall not issue debt or incur contractual indebtedness for purpose of reimbursing One Verandah, LP for any cost or expenses paid by One Verandah, LP after the thirteenth (13th) anniversary of the effective date of the Development Agreement. The District may issue bonds between the thirteenth (13th) and fifteenth (15th) anniversaries of the effective date of the Development Agreement in the amount not to exceed \$5,000,000 for cost and expenses incurred by One Verandah, LP prior to the 13th anniversary date. As of September 30, 2022, the District has not received or recorded any revenues in accordance with this agreement.

NOTE 11. BOND SALE

On August 18, 2022, the District issued its Unlimited Tax Road Bonds, Series 2022 in the amount of \$13,000,000. Proceeds were used to reimburse developers for land costs, excavation and paving serving the following: Verandah Phases 4 and 6 and Valor Farms, Phases 1 and 2. Proceeds were also used to pay certain bond issuance costs.

NOTE 12. SALE OF BOND ANTICIPATION NOTE

On August 31, 2022, the District closed on the sale of its \$4,200,000 Series 2022 Bond Anticipation Note (the “BAN”) with an interest rate of 3.32%. Proceeds from the BAN sale were used to reimburse the Developer for a portion of construction and engineering costs for water, wastewater and drainage for Verandah Phase 4 and 5. Additional proceeds were used to pay for issuance costs of the BAN. The BAN will be redeemed with future bond proceeds.

VERANDAH MUNICIPAL UTILITY DISTRICT OF HUNT COUNTY

REQUIRED SUPPLEMENTARY INFORMATION

SEPTEMBER 30, 2022

VERANDAH MUNICIPAL UTILITY DISTRICT OF HUNT COUNTY
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2022

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Positive (Negative)</u>
REVENUES			
Property Taxes	\$ 507,308	\$ 520,486	\$ 13,178
Penalty and Interest		6,304	6,304
Permit Fees	90,000	106,400	16,400
Miscellaneous and Investment Revenues	<u>1,397</u>	<u>6,195</u>	<u>4,798</u>
TOTAL REVENUES	<u>\$ 598,705</u>	<u>\$ 639,385</u>	<u>\$ 40,680</u>
EXPENDITURES			
Services Operations:			
Professional Fees	\$ 156,000	\$ 113,884	\$ 42,116
Contracted Services	24,000	27,849	(3,849)
Utilities	24,312	27,546	(3,234)
Other	126,743	123,428	3,315
Capital Outlay	<u></u>	<u>27,740</u>	<u>(27,740)</u>
TOTAL EXPENDITURES	<u>\$ 331,055</u>	<u>\$ 320,447</u>	<u>\$ 10,608</u>
NET CHANGE IN FUND BALANCE	\$ 267,650	\$ 318,938	\$ 51,288
FUND BALANCE - OCTOBER 1, 2021	<u>557,461</u>	<u>557,461</u>	
FUND BALANCE - SEPTEMBER 30, 2022	<u>\$ 825,111</u>	<u>\$ 876,399</u>	<u>\$ 51,288</u>

See accompanying independent auditor's report.

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VERANDAH MUNICIPAL UTILITY DISTRICT OF HUNT COUNTY
SUPPLEMENTARY INFORMATION REQUIRED BY THE
WATER DISTRICT FINANCIAL MANAGEMENT GUIDE
SEPTEMBER 30, 2022

**VERANDAH MUNICIPAL UTILITY DISTRICT OF HUNT COUNTY
SERVICES AND RATES
FOR THE YEAR ENDED SEPTEMBER 30, 2022**

1. SERVICES PROVIDED BY THE DISTRICT DURING THE FISCAL YEAR:

<input type="checkbox"/> Retail Water	<input type="checkbox"/> Wholesale Water	<input type="checkbox"/> Drainage
<input 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 type="checkbox"/> Roads

Participates in joint venture, regional system and/or wastewater service (other than emergency interconnect)

Other (specify): The District operates as an “alter ego” of the City of Royse City, Texas (the “City”). The District will provide for the construction of water, wastewater and drainage facilities and roadways but then deed the facilities to the City. The City will be the retail service provider within the District.

2. RETAIL SERVICE PROVIDERS (NOT APPLICABLE)

3. TOTAL WATER CONSUMPTION DURING THE FISCAL YEAR ROUNDED TO THE NEAREST THOUSAND: (NOT APPLICABLE)

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

Does the District have Debt Service standby fees? Yes No

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

5. LOCATION OF DISTRICT:

Is the District located entirely within one county?

Yes No

County or Counties in which District is located:

Hunt County, Texas and Rockwall County, Texas

Is the District located within a city?

Entirely Partly Not at all

See accompanying independent auditor’s report.

**VERANDAH MUNICIPAL UTILITY DISTRICT OF HUNT COUNTY
SERVICES AND RATES
FOR THE YEAR ENDED SEPTEMBER 30, 2022**

5. LOCATION OF DISTRICT: (Continued)

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:

Royse City, Texas

Are Board Members appointed by an office outside the District?

Yes _____ No X

See accompanying independent auditor's report.

**VERANDAH MUNICIPAL UTILITY DISTRICT OF HUNT COUNTY
GENERAL FUND EXPENDITURES
FOR THE YEAR ENDED SEPTEMBER 30, 2022**

PROFESSIONAL FEES:	
Auditing	\$ 13,500
Engineering	29,761
Legal	69,166
Delinquent Tax Attorney	<u>1,457</u>
TOTAL PROFESSIONAL FEES	<u>\$ 113,884</u>
CONTRACTED SERVICES:	
Bookkeeping	<u>\$ 27,849</u>
UTILITIES	<u>\$ 27,546</u>
ADMINISTRATIVE EXPENDITURES:	
Director Fees	\$ 8,700
Insurance	6,683
Office Supplies and Postage	131
Payroll Taxes	673
Contract Payment to Royse City	100,000
Other	<u>7,241</u>
TOTAL ADMINISTRATIVE EXPENDITURES	<u>\$ 123,428</u>
CAPITAL OUTLAY	<u>\$ 27,740</u>
TOTAL EXPENDITURES	<u><u>\$ 320,447</u></u>

See accompanying independent auditor's report.

VERANDAH MUNICIPAL UTILITY DISTRICT OF HUNT COUNTY
INVESTMENTS
SEPTEMBER 30, 2022

<u>Funds</u>	<u>Identification or Certificate Number</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Balance at End of Year</u>	<u>Accrued Interest Receivable at End of Year</u>
<u>GENERAL FUND</u>					
LOGIC	XXXX7001	Varies	Daily	\$ 742,054	\$ -0-
<u>DEBT SERVICE FUND</u>					
LOGIC	XXXX7002	Varies	Daily	\$ 464,503	\$ -0-
<u>CAPITAL PROJECTS FUND</u>					
LOGIC	XXXX7003	Varies	Daily	\$ 304,313	\$ -0-
TOTAL - ALL FUNDS				<u>\$ 1,510,870</u>	<u>\$ -0-</u>

See accompanying independent auditor's report.

**VERANDAH MUNICIPAL UTILITY DISTRICT OF HUNT COUNTY
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED SEPTEMBER 30, 2022**

	Maintenance Taxes		Debt Service Taxes	
TAXES RECEIVABLE -				
OCTOBER 1, 2021	\$	689	\$	1,530
Adjustments to Beginning				
Balance	<u> </u>	\$ 689	<u> 1</u>	\$ 1,531
Original 2021 Tax Levy	\$	522,826	\$	1,093,182
Adjustment to 2021 Tax Levy	<u> (1,575)</u>	<u> 521,251</u>	<u> (3,294)</u>	<u> 1,089,888</u>
TOTAL TO BE				
ACCOUNTED FOR		\$ 521,940		\$ 1,091,419
 TAX COLLECTIONS:				
Prior Years	\$	242	\$	508
Current Year	<u> 520,244</u>	<u> 520,486</u>	<u> 1,087,782</u>	<u> 1,088,290</u>
 TAXES RECEIVABLE -				
SEPTEMBER 30, 2022		<u> \$ 1,454</u>		<u> \$ 3,129</u>
 TAXES RECEIVABLE BY				
YEAR:				
2021	\$	1,007	\$	2,106
2020		349		730
2019		53		117
2018		39		89
2010		19		87
2009		<u> (13)</u>		<u> </u>
TOTAL		<u> \$ 1,454</u>		<u> \$ 3,129</u>

See accompanying independent auditor's report.

**VERANDAH MUNICIPAL UTILITY DISTRICT OF HUNT COUNTY
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED SEPTEMBER 30, 2022**

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
PROPERTY VALUATIONS:				
Land	\$ 57,660,094	\$ 40,719,830	\$ 36,936,483	\$ 29,574,110
Improvements	135,553,163	104,596,716	94,215,925	87,570,798
Personal Property	2,720,790	948,120	564,870	304,450
Exemptions	<u>(5,303,128)</u>	<u>(4,990,365)</u>	<u>(4,335,862)</u>	<u>(3,985,641)</u>
TOTAL PROPERTY VALUATIONS	<u>\$ 190,630,919</u>	<u>\$ 141,274,301</u>	<u>\$ 127,381,416</u>	<u>\$ 113,463,717</u>
TAX RATES PER \$100 VALUATION:				
Debt Service	\$ 0.5750	\$ 0.5750	\$ 0.5830	\$ 0.5919
Maintenance**	<u>0.2750</u>	<u>0.2750</u>	<u>0.2670</u>	<u>0.2581</u>
TOTAL TAX RATES PER \$100 VALUATION	<u>\$ 0.8500</u>	<u>\$ 0.8500</u>	<u>\$ 0.8500</u>	<u>\$ 0.8500</u>
ADJUSTED TAX LEVY*	<u>\$ 1,611,139</u>	<u>\$ 1,200,832</u>	<u>\$ 1,082,742</u>	<u>\$ 964,442</u>
PERCENTAGE OF TAXES COLLECTED TO TAXES LEVIED	<u>99.81 %</u>	<u>99.91 %</u>	<u>99.98 %</u>	<u>99.98 %</u>

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

** Maintenance Tax – Unlimited tax rate per \$100 of assessed valuation approved by voters on September 13, 2003.

See accompanying independent auditor's report.

VERANDAH MUNICIPAL UTILITY DISTRICT OF HUNT COUNTY
LONG-TERM DEBT SERVICE REQUIREMENTS
SEPTEMBER 30, 2022

S E R I E S - 2 0 1 3				
Due During Fiscal Years Ending September 30	Principal Due September 1	Interest Due March 1/ September 1	Total	
2023	\$ 60,000	\$ 127,573	\$	187,573
2024	60,000	125,172		185,172
2025	65,000	122,652		187,652
2026	70,000	119,922		189,922
2027	75,000	116,807		191,807
2028	75,000	113,470		188,470
2029	75,000	109,945		184,945
2030	85,000	106,420		191,420
2031	90,000	102,170		192,170
2032	95,000	97,670		192,670
2033	95,000	92,920		187,920
2034	100,000	88,122		188,122
2035	380,000	83,072		463,072
2036	400,000	63,882		463,882
2037	420,000	43,682		463,682
2038	445,000	22,472		467,472
2039				
2040				
2041				
2042				
2043				
2044				
2045				
2046				
2047				
	\$ 2,590,000	\$ 1,535,951	\$	4,125,951

See accompanying independent auditor's report.

VERANDAH MUNICIPAL UTILITY DISTRICT OF HUNT COUNTY
LONG-TERM DEBT SERVICE REQUIREMENTS
SEPTEMBER 30, 2022

S E R I E S - 2 0 1 5				
Due During Fiscal Years Ending September 30	Principal Due September 1	Interest Due March 1/ September 1	Total	
2023	\$ 50,000	\$ 47,440	\$	97,440
2024	50,000	45,940		95,940
2025	50,000	44,390		94,390
2026	55,000	42,790		97,790
2027	55,000	40,920		95,920
2028	55,000	38,995		93,995
2029	60,000	36,960		96,960
2030	60,000	34,680		94,680
2031	65,000	32,400		97,400
2032	70,000	29,800		99,800
2033	70,000	27,000		97,000
2034	75,000	24,200		99,200
2035	80,000	21,200		101,200
2036	80,000	18,000		98,000
2037	85,000	14,800		99,800
2038	90,000	11,400		101,400
2039	95,000	7,800		102,800
2040	100,000	4,000		104,000
2041				
2042				
2043				
2044				
2045				
2046				
2047				
	\$ 1,245,000	\$ 522,715	\$	1,767,715

See accompanying independent auditor's report.

VERANDAH MUNICIPAL UTILITY DISTRICT OF HUNT COUNTY
LONG-TERM DEBT SERVICE REQUIREMENTS
SEPTEMBER 30, 2022

S E R I E S - 2 0 1 7 R E F U N D I N G

Due During Fiscal Years Ending September 30	Principal Due September 1	Interest Due March 1/ September 1	Total
2023	\$ 165,000	\$ 75,774	\$ 240,774
2024	175,000	71,732	246,732
2025	180,000	67,182	247,182
2026	180,000	62,232	242,232
2027	185,000	57,011	242,011
2028	190,000	51,462	241,462
2029	200,000	45,476	245,476
2030	205,000	38,876	243,876
2031	210,000	31,906	241,906
2032	220,000	24,556	244,556
2033	230,000	16,856	246,856
2034	235,000	8,518	243,518
2035			
2036			
2037			
2038			
2039			
2040			
2041			
2042			
2043			
2044			
2045			
2046			
2047			
	<u>\$ 2,375,000</u>	<u>\$ 551,581</u>	<u>\$ 2,926,581</u>

See accompanying independent auditor's report.

VERANDAH MUNICIPAL UTILITY DISTRICT OF HUNT COUNTY
LONG-TERM DEBT SERVICE REQUIREMENTS
SEPTEMBER 30, 2022

S E R I E S - 2 0 1 8				
Due During Fiscal Years Ending September 30	Principal Due September 1	Interest Due March 1/ September 1	Total	
2023	\$ 100,000	\$ 111,450	\$	211,450
2024	100,000	106,950		206,950
2025	100,000	102,450		202,450
2026	105,000	97,950		202,950
2027	105,000	93,225		198,225
2028	115,000	88,500		203,500
2029	115,000	84,906		199,906
2030	120,000	81,169		201,169
2031	120,000	77,269		197,269
2032	120,000	73,219		193,219
2033	130,000	69,169		199,169
2034	135,000	64,619		199,619
2035	110,000	59,893		169,893
2036	115,000	56,043		171,043
2037	120,000	52,019		172,019
2038	115,000	47,669		162,669
2039	590,000	43,500		633,500
2040	610,000	22,112		632,112
2041				
2042				
2043				
2044				
2045				
2046				
2047				
	\$ 3,025,000	\$ 1,332,112	\$	4,357,112

See accompanying independent auditor's report.

VERANDAH MUNICIPAL UTILITY DISTRICT OF HUNT COUNTY
LONG-TERM DEBT SERVICE REQUIREMENTS
SEPTEMBER 30, 2022

S E R I E S - 2 0 1 9				
Due During Fiscal Years Ending September 30	Principal Due September 1	Interest Due March 1/ September 1	Total	
2023	\$ 95,000	\$ 77,344	\$	172,344
2024	100,000	74,019		174,019
2025	100,000	71,018		171,018
2026	105,000	68,019		173,019
2027	110,000	64,868		174,868
2028	115,000	61,569		176,569
2029	120,000	58,118		178,118
2030	120,000	55,719		175,719
2031	125,000	53,318		178,318
2032	125,000	50,819		175,819
2033	130,000	48,319		178,319
2034	135,000	45,556		180,556
2035	140,000	42,519		182,519
2036	145,000	39,193		184,193
2037	145,000	35,569		180,569
2038	155,000	31,943		186,943
2039	155,000	28,071		183,071
2040	160,000	24,000		184,000
2041	170,000	19,800		189,800
2042	175,000	15,125		190,125
2043	185,000	10,313		195,313
2044	190,000	5,225		195,225
2045				
2046				
2047				
	\$ 3,000,000	\$ 980,444	\$	3,980,444

See accompanying independent auditor's report.

VERANDAH MUNICIPAL UTILITY DISTRICT OF HUNT COUNTY
LONG-TERM DEBT SERVICE REQUIREMENTS
SEPTEMBER 30, 2022

S E R I E S - 2 0 2 0				
Due During Fiscal Years Ending September 30	Principal Due September 1	Interest Due March 1/ September 1	Total	
2023	\$ 145,000	\$ 100,725	\$	245,725
2024	150,000	94,925		244,925
2025	155,000	88,925		243,925
2026	160,000	84,275		244,275
2027	165,000	81,075		246,075
2028	165,000	77,775		242,775
2029	170,000	74,475		244,475
2030	175,000	71,075		246,075
2031	180,000	67,575		247,575
2032	185,000	63,975		248,975
2033	190,000	60,275		250,275
2034	195,000	56,475		251,475
2035	205,000	52,575		257,575
2036	210,000	48,475		258,475
2037	215,000	44,275		259,275
2038	220,000	39,975		259,975
2039	225,000	35,575		260,575
2040	230,000	31,075		261,075
2041	240,000	26,475		266,475
2042	245,000	21,675		266,675
2043	250,000	16,468		266,468
2044	260,000	11,156		271,156
2045	265,000	5,632		270,632
2046				
2047				
	\$ 4,600,000	\$ 1,254,906	\$	5,854,906

See accompanying independent auditor's report.

VERANDAH MUNICIPAL UTILITY DISTRICT OF HUNT COUNTY
LONG-TERM DEBT SERVICE REQUIREMENTS
SEPTEMBER 30, 2022

S E R I E S - 2 0 2 1				
Due During Fiscal Years Ending September 30	Principal Due September 1	Interest Due March 1/ September 1	Total	
2023	\$ 165,000	\$ 121,500	\$	286,500
2024	170,000	118,200		288,200
2025	185,000	114,800		299,800
2026	185,000	111,100		296,100
2027	195,000	107,400		302,400
2028	200,000	103,500		303,500
2029	205,000	99,500		304,500
2030	205,000	95,400		300,400
2031	210,000	91,300		301,300
2032	220,000	87,100		307,100
2033	220,000	82,700		302,700
2034	225,000	78,300		303,300
2035	220,000	73,800		293,800
2036	225,000	69,400		294,400
2037	230,000	64,900		294,900
2038	235,000	60,300		295,300
2039	240,000	55,306		295,306
2040	245,000	50,206		295,206
2041	310,000	45,000		355,000
2042	320,000	38,026		358,026
2043	330,000	30,825		360,825
2044	335,000	23,400		358,400
2045	345,000	15,862		360,862
2046	360,000	8,100		368,100
2047				
	\$ 5,780,000	\$ 1,745,925	\$	7,525,925

See accompanying independent auditor's report.

VERANDAH MUNICIPAL UTILITY DISTRICT OF HUNT COUNTY
LONG-TERM DEBT SERVICE REQUIREMENTS
SEPTEMBER 30, 2022

S E R I E S - 2 0 2 2			
Due During Fiscal Years Ending September 30	Principal Due September 1	Interest Due March 1/ September 1	Total
2023	\$	\$ 563,153	\$ 563,153
2024	25,000	543,525	568,525
2025	190,000	542,025	732,025
2026	195,000	528,725	723,725
2027	205,000	515,075	720,075
2028	215,000	502,775	717,775
2029	220,000	494,175	714,175
2030	235,000	485,375	720,375
2031	245,000	475,975	720,975
2032	250,000	466,175	716,175
2033	265,000	456,175	721,175
2034	270,000	445,575	715,575
2035	280,000	434,775	714,775
2036	295,000	423,575	718,575
2037	310,000	411,775	721,775
2038	320,000	399,375	719,375
2039	335,000	386,575	721,575
2040	350,000	373,175	723,175
2041	1,035,000	359,175	1,394,175
2042	1,080,000	317,775	1,397,775
2043	1,130,000	274,575	1,404,575
2044	1,180,000	229,375	1,409,375
2045	1,385,000	182,175	1,567,175
2046	1,455,000	125,044	1,580,044
2047	1,530,000	65,025	1,595,025
	\$ 13,000,000	\$ 10,001,122	\$ 23,001,122

See accompanying independent auditor's report.

VERANDAH MUNICIPAL UTILITY DISTRICT OF HUNT COUNTY
LONG-TERM DEBT SERVICE REQUIREMENTS
SEPTEMBER 30, 2022

ANNUAL REQUIREMENTS
FOR ALL SERIES

Due During Fiscal Years Ending September 30	Total Principal Due	Total Interest Due	Total Principal Interest Due
2023	\$ 780,000	\$ 1,224,959	\$ 2,004,959
2024	830,000	1,180,463	2,010,463
2025	1,025,000	1,153,442	2,178,442
2026	1,055,000	1,115,013	2,170,013
2027	1,095,000	1,076,381	2,171,381
2028	1,130,000	1,038,046	2,168,046
2029	1,165,000	1,003,555	2,168,555
2030	1,205,000	968,714	2,173,714
2031	1,245,000	931,913	2,176,913
2032	1,285,000	893,314	2,178,314
2033	1,330,000	853,414	2,183,414
2034	1,370,000	811,365	2,181,365
2035	1,415,000	767,834	2,182,834
2036	1,470,000	718,568	2,188,568
2037	1,525,000	667,020	2,192,020
2038	1,580,000	613,134	2,193,134
2039	1,640,000	556,827	2,196,827
2040	1,695,000	504,568	2,199,568
2041	1,755,000	450,450	2,205,450
2042	1,820,000	392,601	2,212,601
2043	1,895,000	332,181	2,227,181
2044	1,965,000	269,156	2,234,156
2045	1,995,000	203,669	2,198,669
2046	1,815,000	133,144	1,948,144
2047	1,530,000	65,025	1,595,025
	<u>\$ 35,615,000</u>	<u>\$ 17,924,756</u>	<u>\$ 53,539,756</u>

See accompanying independent auditor's report.

**VERANDAH MUNICIPAL UTILITY DISTRICT OF HUNT COUNTY
CHANGE IN LONG-TERM BOND DEBT
FOR THE YEAR ENDED SEPTEMBER 30, 2022**

Description	Original Bonds Issued	Bonds Outstanding October 1, 2021
Verandah Municipal Utility District of Hunt County Unlimited Tax Bonds - Series 2013	\$ 3,000,000	\$ 2,645,000
Verandah Municipal Utility District of Hunt County Unlimited Tax Road Bonds - Series 2015	1,500,000	1,290,000
Verandah Municipal Utility District of Hunt County Unlimited Tax Road Refunding Bonds - Series 2017	3,040,000	2,540,000
Verandah Municipal Utility District of Hunt County Unlimited Tax Utility Bonds - Series 2018	3,375,000	3,125,000
Verandah Municipal Utility District of Hunt County Unlimited Tax Road Bonds - Series 2019	3,000,000	3,000,000
Verandah Municipal Utility District of Hunt County Unlimited Tax Utility Bonds - Series 2020	4,600,000	4,600,000
Verandah Municipal Utility District of Hunt County Unlimited Tax Road Bonds - Series 2021	5,780,000	5,780,000
Verandah Municipal Utility District of Hunt County Unlimited Tax Road Bonds - Series 2022	<u>13,000,000</u>	<u> </u>
TOTAL	<u>\$ 37,295,000</u>	<u>\$ 22,980,000</u>
	*	

Bond Authority:	Tax Bonds*	Refunding Bonds	Road Bonds	Refunding Road Bonds
Amount Authorized by Voters	\$ 64,560,000	\$ 96,840,000	\$ 71,675,000	\$ 107,510,000
Amount Issued	<u>7,975,000</u>	<u>- 0 -</u>	<u>29,780,000</u>	<u>270,000</u>
Remaining to be Issued	<u>\$ 56,585,000</u>	<u>\$ 96,840,000</u>	<u>\$ 41,895,000</u>	<u>\$ 107,240,000</u>

See accompanying independent auditor's report.

Current Year Transactions				
Bonds Sold	Retirements		Bonds Outstanding September 30, 2022	
	Principal	Interest		
\$	\$ 55,000	\$ 129,772	\$ 2,590,000	Wells Fargo Bank N.A. Houston, TX
	45,000	48,678	1,245,000	Wells Fargo Bank N.A. Houston, TX
	165,000	79,569	2,375,000	Wells Fargo Bank N.A. Houston, TX
	100,000	115,950	3,025,000	Wells Fargo Bank N.A. Houston, TX
		77,344	3,000,000	Wells Fargo Bank N.A. Houston, TX
		100,725	4,600,000	BOKF, NA Dallas, Texas
		127,912	5,780,000	BOKF, NA Dallas, Texas
			13,000,000	BOKF, NA Dallas, Texas
<u>\$ 13,000,000</u>	<u>\$ 365,000</u>	<u>\$ 679,950</u>	<u>\$ 35,615,000</u>	

Debt Service Fund cash and investment balances as of September 30, 2022: \$ 747,707

Average annual debt service payment (principal and interest) for remaining term of all debt: \$ 2,141,590

See Note 3 for interest rates, interest payment dates and maturity dates.

* Includes all bonds secured with tax revenues. Bonds in this category may also be secured with other revenues in combination with taxes.

See accompanying independent auditor's report.

**VERANDAH MUNICIPAL UTILITY DISTRICT OF HUNT COUNTY
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
GENERAL FUND - FIVE YEARS**

	Amounts		
	2022	2021	2020
REVENUES			
Property Taxes	\$ 520,486	\$ 388,263	\$ 339,759
Penalty and Interest	6,304	3,207	3,046
Permit Fees	106,400	162,900	
Miscellaneous and Investment Revenues	6,195	1,010	7,067
TOTAL REVENUES	\$ 639,385	\$ 555,380	\$ 349,872
EXPENDITURES			
Professional Fees	\$ 113,884	\$ 126,511	\$ 131,067
Contracted Services	27,849	25,205	18,406
Utilities	27,546	24,590	23,984
Repairs and Maintenance			
Other	123,428	125,628	117,785
Capital Outlay	27,740		
TOTAL EXPENDITURES	\$ 320,447	\$ 301,934	\$ 291,242
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ 318,938	\$ 253,446	\$ 58,630
OTHER FINANCING SOURCES (USES)			
Transfers In(Out)	\$ - 0 -	\$ - 0 -	\$ - 0 -
NET CHANGE IN FUND BALANCE	\$ 318,938	\$ 253,446	\$ 58,630
BEGINNING FUND BALANCE	557,461	304,015	245,385
ENDING FUND BALANCE	\$ 876,399	\$ 557,461	\$ 304,015

See accompanying independent auditor's report.

		Percentage of Total Revenues				
2019	2018	2022	2021	2020	2019	2018
\$ 292,555	\$ 154,880	81.4 %	69.9 %	97.1 %	95.1 %	97.1 %
7,333	2,806	1.0	0.6	0.9	2.4	1.8
7,608	1,891	16.6	29.3			(0.1)
<u>307,496</u>	<u>159,577</u>	<u>1.0</u>	<u>0.2</u>	<u>2.0</u>	<u>2.5</u>	<u>1.2</u>
\$ 307,496	\$ 159,577	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %
\$ 190,472	\$ 253,923	17.8 %	22.8 %	37.5 %	61.9 %	159.1 %
19,933	18,196	4.4	4.5	5.3	6.5	11.4
16,268	20,260	4.3	4.4	6.9	5.3	12.7
	831					0.5
117,707	14,329	19.3	22.6	33.7	38.3	9.0
<u>344,380</u>	<u>307,539</u>	<u>4.3</u>				
\$ 344,380	\$ 307,539	50.1 %	54.3 %	83.4 %	112.0 %	192.7 %
\$ (36,884)	\$ (147,962)	49.9 %	45.7 %	16.6 %	(12.0) %	(92.7) %
\$ - 0 -	\$ 26,028					
\$ (36,884)	\$ (121,934)					
<u>282,269</u>	<u>404,203</u>					
\$ 245,385	\$ 282,269					

See accompanying independent auditor's report.

**VERANDAH MUNICIPAL UTILITY DISTRICT OF HUNT COUNTY
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
DEBT SERVICE FUND - FIVE YEARS**

	Amounts		
	2022	2021	2020
REVENUES			
Property Taxes	\$ 1,088,290	\$ 811,853	\$ 741,879
Miscellaneous and Investment Revenues	<u>7,276</u>	<u>5,387</u>	<u>20,152</u>
TOTAL REVENUES	<u>\$ 1,095,566</u>	<u>\$ 817,240</u>	<u>\$ 762,031</u>
EXPENDITURES			
Tax Collection Expenditures	\$ 29,049	\$ 21,662	\$ 21,752
Debt Service Principal	365,000	355,000	345,000
Debt Service Interest and Fees	<u>686,326</u>	<u>535,708</u>	<u>474,826</u>
TOTAL EXPENDITURES	<u>\$ 1,080,375</u>	<u>\$ 912,370</u>	<u>\$ 841,578</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ 15,191</u>	<u>\$ (95,130)</u>	<u>\$ (79,547)</u>
OTHER FINANCING SOURCES (USES)			
Long-Term Debt Issued	<u>\$ - 0 -</u>	<u>\$ - 0 -</u>	<u>\$ - 0 -</u>
NET CHANGE IN FUND BALANCE	\$ 15,191	\$ (95,130)	\$ (79,547)
BEGINNING FUND BALANCE	<u>701,751</u>	<u>796,881</u>	<u>876,428</u>
ENDING FUND BALANCE	<u>\$ 716,942</u>	<u>\$ 701,751</u>	<u>\$ 796,881</u>
TOTAL ACTIVE RETAIL WATER CONNECTIONS	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
TOTAL ACTIVE RETAIL WASTEWATER CONNECTIONS	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>

See accompanying independent auditor's report.

		Percentage of Total Revenues				
<u>2019</u>	<u>2018</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
\$ 670,564	\$ 694,784	99.3 %	99.3 %	97.4 %	96.3 %	99.1 %
<u>26,112</u>	<u>6,036</u>	<u>0.7</u>	<u>0.7</u>	<u>2.6</u>	<u>3.7</u>	<u>0.9</u>
\$ <u>696,676</u>	\$ <u>700,820</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>
\$ 15,980	\$ 11,367	2.7 %	2.7 %	2.9 %	2.3 %	1.6 %
410,000	215,000	33.3	43.4	45.3	58.9	30.7
<u>426,972</u>	<u>298,290</u>	<u>62.6</u>	<u>65.6</u>	<u>62.3</u>	<u>61.3</u>	<u>42.6</u>
\$ <u>852,952</u>	\$ <u>524,657</u>	<u>98.6 %</u>	<u>111.7 %</u>	<u>110.5 %</u>	<u>122.5 %</u>	<u>74.9 %</u>
\$ <u>(156,276)</u>	\$ <u>176,163</u>	<u>1.4 %</u>	<u>(11.7) %</u>	<u>(10.5) %</u>	<u>(22.5) %</u>	<u>25.1 %</u>
\$ <u>- 0 -</u>	\$ <u>259,012</u>					
\$ (156,276)	\$ 435,175					
<u>1,032,704</u>	<u>597,529</u>					
\$ <u>876,428</u>	\$ <u>1,032,704</u>					
<u>N/A</u>	<u>N/A</u>					
<u>N/A</u>	<u>N/A</u>					

See accompanying independent auditor's report.

**VERANDAH MUNICIPAL UTILITY DISTRICT OF HUNT COUNTY
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
SEPTEMBER 30, 2022**

District Mailing Address - Verandah Municipal Utility District of Hunt County
c/o Winstead PC
2728 N. Harwood Street, Suite 500
Dallas, TX 75201

District Telephone Number - (214) 745-5400

Board Members	<u>Term of Office (Elected or Appointed)</u>	<u>Fees of Office for the year ended September 30, 2022</u>	<u>Expense Reimbursements for the year ended September 30, 2022</u>	<u>Title</u>
Jon Mitchell	05/22 05/24 (Elected)	\$ 1,950	\$ 147	President
Glenn Purcell	05/20 05/24 (Elected)	\$ 1,650	\$ 488	Vice President
Cynthia Berrones Mood	04/22 05/26 (Appointed)	\$ 1,350	\$ 318	Secretary
Seth Ramey	05/22 05/26 (Appointed)	\$ 1,500	\$ 43	Assistant Secretary
Doug Dickerson	05/22 05/26 (Elected)	\$ 1,350	\$ 236	Assistant Secretary
Jeff Dean	05/18 04/22 (Elected)	\$ 900	\$ 260	Assistant Secretary (Resigned)

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

Submission date of most recent District Registration Form: September 1, 2022

The limit on Fees of Office that a Director may receive during a fiscal year is \$7,200 as set by Board Resolution (TWC Section 49.060) on April 21, 2005. Fees of Office are the amounts paid to a Director during the District's current fiscal year.

See accompanying independent auditor's report.

**VERANDAH MUNICIPAL UTILITY DISTRICT OF HUNT COUNTY
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
SEPTEMBER 30, 2022**

Consultants:	<u>Date Hired</u>	<u>Fees for the year ended September 30, 2022</u>	<u>Title</u>
Winstead PC	09/16/15	\$ 69,166 \$ 378,100	General Counsel Bond Counsel
McCall Gibson Swedlund Barfoot PLLC	10/09/07	\$ 13,500 \$ 28,750	Audit Related AUP Services
Dye & Toverly, LLC	06/11/03	\$ 27,871	Bookkeeper
Linebarger Goggan Blair & Sampson, LLP	10/07/07	\$ 1,457	Delinquent Tax Attorney
Barraza Consulting, LLC	11/13/19	\$ 74,556	Engineer
Hilltop Securities	06/11/03	\$ 337,452	Financial Advisor
Kathi Dye	08/10/16	\$ -0-	Investment Officer
Hunt County Tax Assessor/ Collector	10/07/07	\$ 1,429	Tax Assessor/ Collector

See accompanying independent auditor's report.

