

**QUAIL CREEK MUNICIPAL
UTILITY DISTRICT**

ANNUAL FINANCIAL REPORT

For the fiscal year ended September 30, 2023



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ANNUAL FILING AFFIDAVIT

THE STATE OF TEXAS
COUNTY OF VICTORIA

QUAIL CREEK MUNICIPAL UTILITY DISTRICT

I, Alvin Dlouhy
(Name of Duly Authorized District Representative)

of the Quail Creek Municipal Utility District

hereby swear, or affirm, that the District named above has reviewed and approved at a meeting of the District's Board of Directors on the 14th day of May, 2024, its annual audit report for the fiscal period ended September 30, 2023, and that copies of the annual audit report have been filed in the District's office, located at 515 Chukar Drive, Victoria, TX 77905.

The filing affidavit and the attached copy of the audit report will be submitted to the Texas Commission on Environmental Quality to satisfy the annual filing requirements of Texas Water Code Section 49.194.

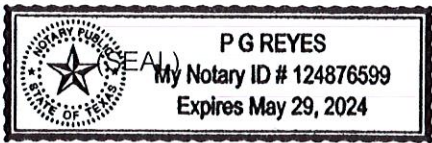
Date May 14, 2024

Alvin Dlouhy
(Signature of District Representative)

Alvin Dlouhy, Vice President
(Typed Name and Title of District Representative)

Sworn to and subscribed to before me this 14th day of May 2024.

PG Reyes
(Signature of Notary)



My Commission Expires On: May 29, 2024.
Notary Public in the State of Texas

Form TCEQ-0723 (Rev. 07/2012)

FINANCIAL SECTION



CERTIFIED PUBLIC ACCOUNTANTS
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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Quail Creek Municipal Utility District
Victoria, Texas

Report on the Audit of the Financial Statements

Opinion

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

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

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). 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 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 opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the 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 opinion. 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 GAAS 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 GAAS, we:

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

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

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements. The Texas Supplementary Information is presented for purposes of additional analysis and are not a required part of the basic financial statements. The Texas Commission on Environmental Quality requires districts to include certain information in their Annual Financial Report in conformity with laws and regulations of the State of Texas. This information is designated as supplemental information in the table of contents and is included herein as Exhibits TSI-1 through TSI-8. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information, with the exception of Exhibit TSI-1, 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 Texas Supplementary Information, with the exception of Exhibit TSI-1, is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the Texas Supplementary Information contained in Exhibit TSI-1 but does not include the basic financial statements and our auditor's report thereon. Our opinion on the basic financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.



HARRISON, WALDROP & UHEREK, L.L.P.
Certified Public Accountants

April 29, 2024

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QUAIL CREEK MUNICIPAL UTILITY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2023

In this section of the Annual Financial Report, we, the managers of the Quail Creek Municipal Utility District (the "District"), discuss and analyze the District's financial performance for the fiscal year ended September 30, 2023. Please read it in conjunction with the independent auditors' report on page 1 and the District's basic financial statements, which begin on page 10.

FINANCIAL HIGHLIGHTS

- The assets of the District exceeded its liabilities and deferred inflows at the close of the fiscal year ended September 30, 2023 by \$897,914. Of this amount, \$551,560 of unrestricted net position is available to meet the District's ongoing obligations to customers and creditors.
- At September 30, 2023, the District's General Fund reported an ending fund balance of \$547,658, an increase of \$108,188 or 25% from prior year. The entire fund balance is unassigned and available for use at the District's discretion.
- At September 30, 2023, the unassigned fund balance for the General Fund was 53% of total expenditures of \$1,025,173.
- The District's outstanding debt (including compensated absences) had a net decrease of \$55,508 or 14% from prior year.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of a series of financial statements. The government-wide financial statements include the Statement of Net Position and the Statement of Activities (on pages 10 through 14). These provide information about the activities of the District as a whole and present a longer-term view of the District's property and other financial matters. They reflect the flow of total economic resources in a manner similar to the financial reports of a business enterprise.

Fund financial statements (also on pages 10 through 14) report the District's operations in more detail than the government-wide statements by providing information about the District's most significant funds. For governmental activities, these statements tell how services were financed in the short-term as well as what resources remain for future spending. They reflect the flow of current financial resources and supply the basis for tax levies and the appropriations budget.

The notes to the basic financial statements (starting on page 15) provide narrative explanations or additional data needed for full disclosure in the government-wide statements or the fund financial statements.

Government-wide Financial Statements

The Statement of Net Position and the Statement of Activities

The analysis of the District's overall financial condition and operations are on pages 10 through 14. Its primary purpose is to show whether the District's financial condition improved or declined as a result of the year's activities. The Statement of Net Position includes all the District's assets and liabilities at the end of the year, while the Statement of Activities includes all the revenues and expenses generated by the District's operations during the year. These apply the accrual basis of accounting which is the basis used by private sector companies.

All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. All the District's assets are reported whether they serve the current year or future years. Liabilities are considered regardless of whether they must be paid in the current or future years.

OVERVIEW OF THE FINANCIAL STATEMENTS - (Continued)

Government-wide Financial Statements - (Continued)

The Statement of Net Position and the Statement of Activities - (Continued)

These two statements report the District's net position and changes in them. The District's net position (the difference between assets and liabilities) provide one measure of the District's financial health, or financial position. Over time, increases or decreases in the District's net position are one indicator of whether its financial health is improving or declining. To fully assess the overall health of the District, however, you should consider non-financial factors as well, such as changes in the District's property tax base and the condition of the District's facilities.

In the Statement of Net Position and the Statement of Activities, we disclose the District's one type of activity:

Governmental activities - All of the District's basic services are reported here. Charges for water and sewer services and property taxes finance most of these activities.

Fund Financial Statements

The fund financial statements also are included on pages 10 through 14 and provide detailed information about the District's most significant funds, not the District as a whole. Laws and contracts require the District to establish some funds. The District's administration can establish other funds to help it control and manage money for particular purposes such as debt service and capital projects. The District has only one fund, the General Fund, which is governmental.

Governmental funds - All of the District's basic services are reported in one governmental fund. This uses modified accrual accounting (a method that measures the receipt and disbursement of cash and all other financial assets that can be readily converted to cash) and report balances that are available for future spending. The governmental fund statements provide a detailed short-term view of the District's general operations and the basic services it provides. We describe the differences between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and the governmental fund as shown in the adjustments column in reconciliation schedules on pages 11 and 14.

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 fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

WEDC maintained one individual governmental fund during the year: General Fund. Information is presented in the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balance for the General Fund, which is considered a major fund.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities and deferred inflows of resources by \$897,914 at the close of the year ended September 30, 2023.

At the end of fiscal year 2023, the District is able to report positive balances in all categories of net position for the government as a whole.

Quail Creek Municipal Utility District			
Net Position			
	<u>Governmental Activities</u>		<u>Total %</u>
	<u>2023</u>	<u>2022</u>	<u>Change</u>
Assets			
Current assets	\$ 678,449	\$ 566,400	20%
Capital assets (net)	690,988	773,588	-11%
Total assets	<u>1,369,437</u>	<u>1,339,988</u>	2%
Liabilities			
Long-term liabilities	349,078	404,586	-14%
Other liabilities	122,445	119,503	2%
Total liabilities	<u>471,523</u>	<u>524,089</u>	-10%
Net Position			
Net investment in capital assets	346,354	376,114	-8%
Unrestricted net position	551,560	439,785	25%
Total net position	<u>\$ 897,914</u>	<u>\$ 815,899</u>	10%

The largest portion of the District's net position (61%) is unrestricted and may be used to meet the District's ongoing obligations to citizens and creditors. The remaining balance of net position reflects the District's investment in capital assets (i.e., land, buildings, infrastructure, machinery, and equipment), less any related outstanding debt used to acquire those assets. The District uses these capital assets to provide services to its citizens; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

GOVERNMENT-WIDE FINANCIAL ANALYSIS - (Continued)

Quail Creek Municipal Utility District			
Changes in Net Position			
	Governmental Activities		Total % Change
	2023	2022	
Revenues			
Program revenues			
Water and sewer service	\$ 615,371	\$ 586,755	5%
Garbage collection service	148,594	127,879	16%
Bulk water sales	10,432	8,499	23%
Maintenance fees	23,597	23,625	0%
Tap connection fees	9,350	4,500	108%
General revenues			
Tax collections	265,705	304,931	-13%
Investment income	18,577	846	2096%
Miscellaneous income	42,654	8,980	375%
Total revenues	1,134,280	1,066,015	6%
Expenses			
Service operations	1,009,795	990,730	2%
Capital outlay	17,405	8,936	95%
Debt service	25,065	24,959	0%
Total expenses	1,052,265	1,024,625	3%
Change in net position	82,015	41,390	
Net position - beginning	815,899	774,509	
Net position - ending	\$ 897,914	\$ 815,899	

Overall net position has increased from prior year by \$82,015. Key elements of the net increase in revenues includes:

- Increase in water and sewer revenues of \$28,616 due to increased customer rates in fiscal year 2023.
- Increase in garbage collection service revenues of \$20,715 due to increased customer rates in fiscal year 2023.
- Decrease in tax collections of \$39,226 due to a decrease in property tax valuations and the maintenance tax rate from prior year.
- Increase in miscellaneous income of \$33,674 due to additional monies received from insurance and damage reimbursements.

The cost of all governmental activities this year was \$1,052,265, compared to \$1,024,625 for fiscal year 2022. The amount that our taxpayers ultimately financed for these activities through District taxes was \$265,705. Those who directly benefited from the District's water and sewer facilities, interest income, and miscellaneous income, paid the remainder of the cost. Total expenses increased \$27,640 primarily due to an increase in contracted solid waste trash fees from prior year as a result of a change in vendors during the year.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

At September 30, 2023, the District's General Fund reported an ending fund balance of \$547,658, which is unassigned and, therefore, available for spending, subject to regulatory, statutory, and budgetary restrictions.

The General Fund fund balance is more than last year's total of \$439,470. The increase in total revenues of \$68,136 was primarily due to \$49,331 more service revenues resulting from an increase in customer rates, as well as \$33,562 more in miscellaneous income due to insurance and damage reimbursements. These increases were offset by a decrease in tax collections of \$39,355 from prior year as a result of a decrease in property tax valuations and the maintenance tax rate. Total expenditures increased \$40,810 as a result of various changes across all categories. The most significant of these changes was an increase in contracted solid waste trash fees of \$21,881, and an increase in professional fees of \$18,119 due to additional compliance expenditures.

GENERAL FUND BUDGETARY HIGHLIGHTS

Over the course of the year, the District's Board amended various revenue budget line items to account for utilization of the District. The total increase in budgeted revenues was \$101,800, primarily due to an increase in expected service income from the increases in customer rates, as well as increases in investment income due to higher interest rates and increases in miscellaneous income due to an insurance reimbursement. The expenditure budget was increased in various categories by \$121,100 as a result of additional expenditures expected in equipment repairs and maintenance, water department repairs and maintenance, contracted solid waste trash fees, and capital outlay. In addition, contract labor budgeted expenditures were increased after the retirement of an employee whose position was not filled by a permanent employee. Actual revenues were more than final budgeted amounts by \$10,261, primarily due to additional miscellaneous income from damage reimbursements. Actual expenditures were less than the final budgeted amounts by \$74,927, primarily due to less wage expenditures and contracted solid waste trash fees than budgeted.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The District's investment in capital assets as of September 30, 2023, amounts to \$690,988, net of accumulated depreciation. The investment in capital assets includes a range of capital assets, most of which relates to the water and sewage system. The net decrease in the District's investment in capital assets for the current year was \$82,600 or 11%.

More detailed information about the District's capital assets is presented in Note 5 to the financial statements.

Long-term Debt

At the end of fiscal year 2023, the District had a loan outstanding of \$344,634, a net decrease of \$52,840 from the prior year. This loan was used to fund water and wastewater improvements and is payable in full within the next fiscal year.

In addition, the District had \$4,444 in compensated absences at September 30, 2023.

Additional information can be found in Note 6 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The District's Board of Directors considered many factors when setting the 2023-2024 fiscal year budget and tax rates. The District also considered expenditures to be made in the upcoming fiscal year. At the end of fiscal year 2023, the District anticipates beginning significant repairs and improvements to the main water sewer line in the 2023-2024 fiscal year, which will be funded by a new loan.

REQUESTS FOR INFORMATION

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District's business office, at the Quail Creek Municipal Utility District, 515 Chukar Drive, Victoria, Texas 77905.

BASIC FINANCIAL STATEMENTS

QUAIL CREEK MUNICIPAL UTILITY DISTRICT

STATEMENT OF NET POSITION AND GOVERNMENTAL FUND BALANCE SHEET

September 30, 2023

	General Fund	Adjustments	Statement of Net Position
ASSETS			
Current assets			
Cash and cash equivalents	\$ 345,845	\$ -	\$ 345,845
Investments	142,402	-	142,402
Receivables (net)			
Water and sewer	70,433	-	70,433
Property taxes	8,346	-	8,346
Other	12,473	-	12,473
Restricted assets			
Cash	98,950	-	98,950
Capital assets, net of accumulated depreciation			
Land and rights-of-way	-	41,150	41,150
Buildings and improvements	-	109,579	109,579
Water and sewer system	-	509,993	509,993
Machinery and equipment	-	30,266	30,266
Total assets	\$ 678,449	\$ 690,988	\$ 1,369,437
LIABILITIES			
Current liabilities			
Accounts payable	\$ 16,438	\$ -	\$ 16,438
Accrued interest payable	431	-	431
Accrued salaries payable	6,626	-	6,626
Meter deposits refundable	98,950	-	98,950
Compensated absences	-	444	444
Loan payable	-	344,634	344,634
Noncurrent liabilities			
Compensated absences	-	4,000	4,000
Total liabilities	122,445	349,078	471,523
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue	8,346	(8,346)	-
Total deferred inflows of resources	8,346	(8,346)	-
FUND BALANCE/NET POSITION			
Fund balance			
Unassigned	547,658	(547,658)	-
Total fund balance	547,658	(547,658)	-
Total liabilities, deferred inflows, and fund balance	\$ 678,449		
Net position			
Net investment in capital assets		346,354	346,354
Unrestricted		551,560	551,560
Total net position		\$ 897,914	\$ 897,914

The accompanying notes are an integral part of this statement.

QUAIL CREEK MUNICIPAL UTILITY DISTRICT

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCE TO NET POSITION

OF GOVERNMENTAL ACTIVITIES

September 30, 2023

Total governmental fund balance		\$	547,658
<i>Amounts reported for governmental activities in the statement of net position are different because:</i>			
Property taxes receivable will be collected this year, but are not available soon enough to pay for the current period's expenditures, and therefore are reported as "unavailable" in the funds.			8,346
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds. The governmental capital assets at year-end consist of:			
Governmental capital assets costs	\$	3,048,841	
Accumulated depreciation of governmental capital assets		<u>(2,357,853)</u>	690,988
Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year-end consist of:			
Loan payable		(344,634)	
Compensated absences		<u>(4,444)</u>	<u>(349,078)</u>
Net position of governmental activities		\$	<u>897,914</u>

The accompanying notes are an integral part of this statement.

QUAIL CREEK MUNICIPAL UTILITY DISTRICT
*STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCE*
For the year ended September 30, 2023

	General Fund	Adjustments	Statement of Activities
EXPENDITURES/EXPENSES			
Service operations			
Advertising	\$ 777	\$ -	\$ 777
Appraisal fees	4,271	-	4,271
Bank fees	285	-	285
Communications	15,630	-	15,630
Contract labor	35,852	-	35,852
Contracted solid waste fees - landfill	17,541	-	17,541
Contracted solid waste fees - trash	150,116	-	150,116
Depreciation	-	96,524	96,524
Directors' compensation	14,100	-	14,100
Dues and subscriptions	10,840	-	10,840
Educational	5,297	-	5,297
Fuel	10,046	-	10,046
Insurance	95,615	-	95,615
Lab fees	10,330	-	10,330
Licenses and permits	2,822	-	2,822
Miscellaneous	422	-	422
Office equipment lease	4,215	-	4,215
Office supplies	13,912	-	13,912
Payroll taxes	19,976	-	19,976
Professional fees	35,127	-	35,127
Repairs and maintenance	73,672	-	73,672
Retirement contribution	10,670	-	10,670
Safety	8,250	-	8,250
Supplies	28,470	-	28,470
Uniforms	853	-	853
Utilities	70,180	-	70,180
Travel and meals	3,925	-	3,925
Wages	272,745	(2,668)	270,077
Capital outlay			
Capitalized assets	13,924	(13,924)	-
Expenditures not capitalized	17,405	-	17,405
Debt service			
Principal retirement	52,840	(52,840)	-
Interest and fiscal charges	25,065	-	25,065
Total expenditures/expenses	<u>1,025,173</u>	<u>27,092</u>	<u>1,052,265</u>

(continued)

QUAIL CREEK MUNICIPAL UTILITY DISTRICT
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCE
For the year ended September 30, 2023

	General Fund	Adjustments	Statement of Activities
REVENUES			
Program revenues			
Water and sewer service	\$ 615,371	\$ -	\$ 615,371
Garbage collection service	148,594	-	148,594
Bulk water sales	10,432	-	10,432
Maintenance fees	23,597	-	23,597
Tap connection fees	9,350	-	9,350
Total program revenues	<u>807,344</u>	<u>-</u>	<u>807,344</u>
Net program revenues/expenses			<u>(244,921)</u>
General revenues			
Tax revenues			
Tax collections	264,786	919	265,705
Penalty and interest	1,530	(1,530)	-
Investment income	18,577	-	18,577
Miscellaneous income	41,124	1,530	42,654
Total general revenues	<u>326,017</u>	<u>919</u>	<u>326,936</u>
Total revenues	<u>1,133,361</u>	<u>919</u>	<u>1,134,280</u>
Excess (deficiency) of revenues over (under) expenditures	108,188	(108,188)	
Change in net position		82,015	82,015
FUND BALANCE/NET POSITION			
Beginning of the year	<u>439,470</u>	<u>376,429</u>	<u>815,899</u>
End of the year	<u>\$ 547,658</u>	<u>\$ 350,256</u>	<u>\$ 897,914</u>

(concluded)

The accompanying notes are an integral part of this statement.

QUAIL CREEK MUNICIPAL UTILITY DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES
For the year ended September 30, 2023

Total net change in fund balance - governmental funds \$ 108,188

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

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.

Increase in capital assets	\$ 13,924	
Depreciation expense	<u>(96,524)</u>	(82,600)

Current year payments on long-term debt are expenditures in the fund financial statements, but they serve to reduce long-term liabilities in the government-wide financial statements. In the current year, these amounts consist of:

Loan principal retirement	52,840
---------------------------	--------

Some items 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. These activities consist of:

Decrease in compensated absences	2,668
----------------------------------	-------

Because some property taxes will not be collected for several months after the fiscal year ends, they are not considered "available" revenues and are deferred in the governmental funds. Similarly, other revenues are not currently available at year-end and are not reported as revenue in the governmental funds.

<u>919</u>

Change in net position of governmental activities \$ 82,015

The accompanying notes are an integral part of this statement.

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NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Quail Creek Municipal Utility District (the "District") operates under a Board of Directors form of government and provides water, wastewater, and solid waste disposal services to the District. The District was created by Section 59 of Article XVI of the Legislature of the State of Texas and Chapter 54 of the Texas Water Code. The voters of the District elect the governing body of the District. The Board of Directors held its first meeting on June 12, 1985. The District assumed various assets from the County of Victoria and began operations in November 1986.

The Board is elected by the public, and has decision-making authority, the power to designate management, the responsibility to significantly influence operations, and primary accountability for fiscal matters including taxing authority. Therefore, the District is not included in any other governmental reporting entity in accordance with the Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*.

A. Reporting Entity

The District considered the guidelines specified by the Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, and as amended by GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*, when determining which entities to include in the accompanying financial statements. Under these guidelines, the reporting entity consists of the primary government (all funds of the District), organizations for which the primary government is financially accountable, organizations for which the primary government is not financially accountable, organizations that raise and hold economic resources for the direct benefit of the primary government, and any other organizations for which the nature and significance of their relationship with the primary government is such that exclusion could cause the District's financial statements to be misleading or incomplete. Entities other than the primary government, which are included in the primary government's financial statements are called component units. Under these guidelines, no legally separate organization met the necessary criteria for inclusion as component units in the accompanying financial statements.

B. Government-wide and Fund Financial Statements

The combined government-wide and fund financial statements (i.e., the Statement of Net Position and Governmental Fund Balance Sheet and the Statement of Activities and Governmental Funds Revenues, Expenditures, and Changes in Fund Balance) report information on all activities of the District. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. The District had no business-type activities during the year ending September 30, 2023.

The combined Statement of Activities and Governmental Funds Revenues, Expenditures, and Changes in Fund Balance demonstrate the degree to which the direct expense of a given function or segment is 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 function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

The government-wide and fund financial statements are provided for the District with a column for adjustments between the two statements.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide information (i.e., the columns labeled "Statement of Net Position" and "Statement of Activities") in the financial statements is 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.

The governmental fund (i.e., the column labeled "General 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. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to claims and judgments, are recorded only when payment is due.

Property taxes and interest associated with the current 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 District.

The District reports the following major governmental fund:

The General Fund is the District's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The District reports no other fund types.

D. Budgets and Budgetary Accounting

The Board of Directors prepares and votes on the adopted budget. The budget for the General Fund is adopted on a basis consistent with generally accepted accounting principles (GAAP) in the United States of America. Any revisions to the budget are approved by the Board of Directors. The original budget and final amended budget are used in this report. The District does not employ the use of encumbrances in its budgetary accounting.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

E. Other Accounting Policies

Deposits and Investments

Cash and cash equivalents include amounts in petty cash, demand deposits, time deposits, and any investments purchased with an original maturity date of 90 days or less.

The District may invest its excess funds in any instruments authorized by the Public Funds Investment Act of Texas (the "Act"). Investments authorized under this act include, but are not limited to, the following: Obligations of the United States or its agencies and instrumentalities; direct obligations of the State of Texas or its agencies and instrumentalities; collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States; other obligations, the principal and interest of which are unconditionally guaranteed or insured by, or backed by full faith and credit of, the State of Texas or the United States or their respective agencies and instrumentalities; certificates of deposit issued by a state or financial institution domiciled in the State of Texas which is guaranteed or insured by the Federal Deposit Insurance Corporation (FDIC) or otherwise secured; and certain repurchase agreements.

Investments are recorded at fair value as of September 30, 2023. Fair value is defined by GASB as 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. Quoted market prices were used to determine fair value at the end of the current fiscal period.

The District has adopted a written investment policy regarding the investment of its funds as defined by the Public Funds Investment Act of 1995. The investments of the District are in compliance with the District's investment policies.

Receivables

All trade and property tax receivables are shown net of an allowance for uncollectibles.

Restricted Assets

Resources for customer meter deposit refunds are classified as Restricted Assets in the fund financial statements. The related liability is reported as "Meter Deposits Refundable".

Capital Assets

Capital assets, which include land, structures, and equipment, are reported in the applicable governmental activities column in the government-wide statement of net position. The District capitalizes and depreciates assets purchased or constructed that have an individual cost of \$5,000 or more and a useful life in excess of one year. Purchased or constructed capital assets are recorded at historical cost or estimated historical cost. Donated capital assets are recorded at acquisition value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of an asset are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

E. Other Accounting Policies - (Continued)

Capital Assets - (Continued)

The District's capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and improvements	40
Water and sewer system	25
Leasehold improvements	10
Machinery and equipment	7
Vehicles	5
Organizational costs	5

Compensated Absences

Vacation benefits are accrued by District employees according to guidelines set out in the District's personnel policy. This policy states that after completion of one year of service, each employee will thereafter accrue vacation according to the number of years of continuous service. Several of the District's employees are former employees of the company the District formerly contracted with to operate the system; therefore, years worked for the former contractor are included in the number of years of service for the purpose of vacation accrual for those employees. Vacation time is available for use in the calendar year earned and will be forfeited if not used by the end of the year. Vacation benefit pay is accrued in the government-wide financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignation or retirement.

Employees are credited with sick leave according to the number of years of continuous service. Unused sick leave benefits of 120 hours may be carried over to the succeeding year. Accrued sick leave is not payable upon termination. Therefore, no sick leave benefits are accrued.

Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net position. In the governmental fund financial statements, the face amount of debt issued is reported as other financing sources.

Deferred Inflows of Resources

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The District has only one type of item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes and insurance proceeds. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

E. Other Accounting Policies - (Continued)

Fund Balance

GASB Statement No. 54, "*Fund Balance Reporting and Governmental Fund Type Definitions*," (the "Statement") was issued in February 2009. This Statement eliminates the requirement to report governmental fund balances as reserved, unreserved, or designated. It replaces those categories with five possible classifications of governmental fund balances - nonspendable, restricted, committed, assigned, and unassigned. This Statement also redefines the governmental funds for clarity and to be consistent with these new fund balance classifications. The provisions of this Statement are effective for periods beginning after June 15, 2010. The District did not adopt a new fund balance policy in accordance with GASB Statement No. 54 during fiscal year 2023. This Statement did not have an impact on the District's functions, financial position or results of operations.

Use of Estimates

The preparation of the government-wide and fund financial statements in conformity with generally accepted accounting principles requires management to make estimates and assessments that affect the reported amounts 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. Accordingly, actual results could differ from those estimates.

NOTE 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Excess of Expenditures Over Appropriations

For the fiscal year ended September 30, 2023, the District complied with budgetary restriction at all function levels except as detailed in the following table:

<u>Function</u>	<u>Expenditure Variance</u>
Service operations	
Water department	
Repairs and maintenance	\$ 750

These over expenditures were funded by an available fund balance in the General Fund.

NOTE 3: DEPOSITS AND INVESTMENTS

The District's funds are required to be deposited and invested under the terms of a depository contract pursuant to the Texas Public Funds Investment Act. The depository bank pledges securities which comply with state law and these securities are held for safekeeping and trust with the District's and the depository bank's agent bank. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of FDIC insurance.

NOTE 3: DEPOSITS AND INVESTMENTS - (Continued)

As of September 30, 2023, the District had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Days)</u>	<u>Credit Rating</u>
Certificate of Deposit	\$142,402	267	N/A

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

As of September 30, 2023, the District has certificates of deposit valued using quoted prices for similar assets in active markets (Level 2 inputs).

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. In accordance with the District's investment policy, the District manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio for investments to less than one year from the time of purchase.

Credit Risk

Credit risk is the risk that an issuer or counterparty to an investment will not fulfill its obligations. The ratings of securities by nationally recognized rating agencies are designed to give an indication of credit risk. As of September 30, 2023, and for the year then ended, the District was not exposed to credit risk.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The District's investment policy requires that the investment portfolio shall be diversified in terms of investment instruments, maturity scheduling, and financial institutions to reduce the risk of loss resulting from overconcentration of assets in a specific class of investments, specific maturity, or specific user. At year end, the District was not exposed to a concentration of credit risk.

Custodial Credit Risk - Deposits

In the case of deposits, this is the risk that in the event of bank failure, the District's deposits may not be returned to it. During the fiscal year and at year-end, all deposits held in the depository bank were fully collateralized and therefore the District was not exposed to custodial credit risk.

Custodial Credit Risk - Investments

For an investment, this is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District's investment policy requires that securities be held in the name of the District or on behalf of the District and that all securities are purchased using the delivery versus payment method. As of September 30, 2023, and for the year then ended, the District was not exposed to any custodial credit risk.

NOTE 4: RECEIVABLES

Receivables at September 30, 2023 consisted of the following:

	<u>General Fund</u>
Gross receivables	
Service accounts	\$ 77,867
Ad valorem taxes	9,274
Other receivable	<u>12,473</u>
Total gross receivables	99,614
Less: allowances	<u>(8,362)</u>
Total net receivables	<u>\$ 91,252</u>

The District's ad valorem property tax is levied each October 1 on the assessed value listed as of the prior January 1 for all real and business personal property located in the District. Taxes are delinquent by February 1 following the October 1 levy date. A statutory lien becomes effective on all property with unpaid taxes as of January 1 of the year following the assessment.

Property taxes levied for 2022 were \$257,369 with a maintenance tax rate set at \$0.1572 per \$100 valuation. The 2022 taxes were based on the taxable value of \$163,720,562.

The District's governmental fund reports unavailable revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. At September 30, 2023, \$8,346 of unavailable revenue reported by the District is related to ad valorem taxes.

NOTE 5: CAPITAL ASSETS

The District's capital asset activity for the year ended September 30, 2023, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities				
Capital assets, not being depreciated				
Land, easements and rights-of-way	\$ 41,150	\$ -	\$ -	\$ 41,150
Total capital assets, not being depreciated	<u>41,150</u>	<u>-</u>	<u>-</u>	<u>41,150</u>
Capital assets, being depreciated				
Buildings and improvements	191,169	-	-	191,169
Water and sewer system	2,493,580	-	-	2,493,580
Leasehold improvements	21,031	-	-	21,031
Machinery and equipment	237,198	13,924	-	251,122
Organizational costs	<u>50,789</u>	<u>-</u>	<u>-</u>	<u>50,789</u>
Total capital assets, being depreciated	<u>2,993,767</u>	<u>13,924</u>	<u>-</u>	<u>3,007,691</u>
Less accumulated depreciation for				
Buildings and improvements	76,610	4,980	-	81,590
Water and sewer system	1,906,874	76,713	-	1,983,587
Leasehold improvements	21,031	-	-	21,031
Machinery and equipment	206,025	14,831	-	220,856
Organizational costs	<u>50,789</u>	<u>-</u>	<u>-</u>	<u>50,789</u>
Total accumulated depreciation	<u>2,261,329</u>	<u>96,524</u>	<u>-</u>	<u>2,357,853</u>
Total capital assets being depreciated, net	<u>732,438</u>	<u>(82,600)</u>	<u>-</u>	<u>649,838</u>
Governmental activities capital assets, net	<u>\$ 773,588</u>	<u>\$ (82,600)</u>	<u>\$ -</u>	<u>\$ 690,988</u>

Depreciation expense of \$96,524 was charged to the general government function/program.

NOTE 6: LONG-TERM DEBT

The following is a summary of long-term debt transactions of the District for the year ended September 30, 2023 for governmental activities:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Loan payable - direct borrowing	\$ 397,474	\$ -	\$ 52,840	\$ 344,634	\$ 344,634
Compensated absences	<u>7,112</u>	<u>10,181</u>	<u>12,849</u>	<u>4,444</u>	<u>444</u>
	<u>\$ 404,586</u>	<u>\$ 10,181</u>	<u>\$ 65,689</u>	<u>\$ 349,078</u>	<u>\$ 345,078</u>

The loan payable was a direct borrowing in March 2023, where the District renewed a previous loan payable from February 2020 for a total of \$372,795. The renewed loan requires monthly payments of \$6,929 including fixed interest of 7.50% starting April 24, 2023, with one final installment due on January 12, 2024 of all unpaid principal and interest.

The loan payable is secured by and payable from all non-tax revenues generated by the District.

Annual debt service requirements to maturity for the loan payable is as follows:

<u>Maturities</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 344,634	\$ 17,751	\$ 362,385
Total	<u>\$ 344,634</u>	<u>\$ 17,751</u>	<u>\$ 362,385</u>

Interest incurred on the District's long-term debt in the current fiscal year totaled \$25,065. The District appears to be in compliance with the debt covenants.

NOTE 7: COMMITMENTS AND CONTINGENCIES

The District is subject to regulation by the Texas Commission on Environmental Quality (TCEQ). TCEQ can levy fines if the District is noncompliant with state regulations. There were notices received regarding noncompliance with some issues in the current year. The District does not anticipate any fines will be assessed after September 30, 2023, but if they are, they do not expect it to be material to the financial statements. TCEQ is continuing monitoring of the District.

NOTE 8: RETIREMENT PLAN

The District sponsors a defined contribution pension plan established under Section 401(a) of the Internal Revenue Code that covers all of its employees. The plan is administered by John Hancock. Employees are able to select their contribution as an amount of their eligible earnings, which amounted to approximately \$11,875 for the year ended September 30, 2023. The District's contributions are required at a rate of 4% of each employee's salary, regardless of employee election. Total contributions made by the District for the year totaled \$10,670.

NOTE 9: IMPLEMENTATION OF NEW STANDARD

During fiscal year 2023, the District adopted GASB Statement No. 96 (GASB 96), Subscription-Based Information Technology Agreements (SBITA). The objective of this Statement was to establish standards for recognizing and measuring right to use subscription assets and liabilities related to contracts conveying control of the right to use another party's (a SBITA vendor's) information technology software. As of September 30, 2023, the District did not have any items required to be recorded as right to use subscription assets or liabilities as a result of implementing GASB 96.

NOTE 10: SUBSEQUENT EVENT

On January 9, 2024, the District entered into a loan (direct borrowing) in the amount of \$750,000, payable to Communities Unlimited, Inc. Principal and interest will be paid in 180 equal monthly payments of \$6,329 beginning on February 17, 2024 at a 6% interest rate. The District may draw down funds that are necessary to recompense approved expenditures.

REQUIRED SUPPLEMENTARY INFORMATION

QUAIL CREEK MUNICIPAL UTILITY DISTRICT

MAJOR GOVERNMENTAL FUND - GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

BUDGET (GAAP BUDGETARY BASIS) AND ACTUAL

For the year ended September 30, 2023

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
REVENUES				
Water and sewer service	\$ 589,000	\$ 600,000	\$ 615,371	\$ 15,371
Garbage collection service	138,000	161,200	148,594	(12,606)
Bulk water sales	5,000	16,000	10,432	(5,568)
Maintenance fees	23,100	21,600	23,597	1,997
Tap connection fees	5,000	14,000	9,350	(4,650)
Tax revenues	260,000	266,400	266,316	(84)
Investment income	-	16,200	18,577	2,377
Other income	1,200	27,700	41,124	13,424
Total revenues	<u>1,021,300</u>	<u>1,123,100</u>	<u>1,133,361</u>	<u>10,261</u>
EXPENDITURES				
Service operations				
General and administrative				
Advertising	700	800	777	23
Appraisal fees	4,000	4,300	4,271	29
Bank fees	300	300	285	15
Communications	10,800	16,100	15,630	470
Contract labor	10,000	35,900	35,852	48
Directors' compensation	15,500	15,500	14,100	1,400
Dues and subscriptions	10,000	12,200	10,840	1,360
Educational	16,500	5,900	5,297	603
Election expense	2,000	2,000	-	2,000
Fuel	15,000	13,600	10,046	3,554
Insurance - district	36,900	40,300	40,036	264
Insurance - employees	61,000	61,000	55,579	5,421
Licenses and permits	4,000	4,000	2,822	1,178
Miscellaneous	500	500	422	78
Office equipment lease	5,000	5,000	4,215	785
Office supplies	12,000	15,000	13,912	1,088
Payroll taxes	22,000	22,000	19,976	2,024
Professional fees	41,000	41,000	35,127	5,873
Repairs and maintenance	11,000	42,500	35,828	6,672
Retirement	11,500	11,500	10,670	830
Safety	8,500	8,500	8,250	250
Supplies	12,500	13,500	13,431	69
Uniforms	1,500	1,500	853	647
Utilities	6,500	6,700	6,636	64
Travel and meals	5,600	5,600	3,925	1,675
Wages	295,000	286,600	272,745	13,855
Water department				
Lab fees	10,000	10,400	10,330	70
Repairs and maintenance	10,000	28,300	29,050	(750)
Supplies	3,000	3,100	3,070	30
Utilities	20,000	20,100	20,043	57

(continued)

QUAIL CREEK MUNICIPAL UTILITY DISTRICT
MAJOR GOVERNMENTAL FUND - GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET (GAAP BUDGETARY BASIS) AND ACTUAL
For the year ended September 30, 2023

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Positive (Negative)
EXPENDITURES - (Continued)				
Service operations - (Continued)				
Sewer department				
Repairs and maintenance	\$ 10,000	\$ 12,800	\$ 8,794	\$ 4,006
Supplies	5,000	12,600	11,969	631
Utilities	23,200	23,800	23,705	95
Security lighting				
Utilities	5,500	5,600	5,537	63
Street lighting				
Utilities	13,900	14,300	14,259	41
Solid waste collection				
Contracted solid waste fees - landfill	35,000	20,000	17,541	2,459
Contracted solid waste fees - trash	131,000	161,000	150,116	10,884
Capital outlay	14,000	31,500	31,329	171
Debt service				
Principal retirement	57,100	58,200	52,840	5,360
Interest and fiscal charges	22,000	26,600	25,065	1,535
Total expenditures	<u>979,000</u>	<u>1,100,100</u>	<u>1,025,173</u>	<u>74,927</u>
Excess (deficiency) of revenues over (under) expenditures (GAAP BUDGETARY BASIS)	42,300	23,000	108,188	85,188
Fund balance at beginning of year	<u>439,470</u>	<u>439,470</u>	<u>439,470</u>	-
Fund balance at end of year	<u>\$ 481,770</u>	<u>\$ 462,470</u>	<u>\$ 547,658</u>	<u>\$ 85,188</u>

(concluded)

The accompanying notes to required supplementary information are an integral part of this schedule.

QUAIL CREEK MUNICIPAL UTILITY DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
September 30, 2023

NOTE 1: BUDGETARY BASIS OF ACCOUNTING

The District annually adopts budgets that are prepared using the modified accrual basis of accounting, which is consistent with generally accepted accounting principles.

NOTE 2: BUDGETARY LEGAL COMPLIANCE

For the fiscal year ended September 30, 2023, the District complied with budgetary restriction at all function levels except as detailed in the following table:

<u>Function</u>	<u>Expenditure Variance</u>
Service operations	
Water department	
Repairs and maintenance	\$ 750

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TEXAS SUPPLEMENTARY INFORMATION

QUAIL CREEK MUNICIPAL UTILITY DISTRICT

TSI-1: SERVICES AND RATES (UNAUDITED)

For the year ended September 30, 2023

1. Services provided by the District during the fiscal year:

- | | | |
|---|---|-------------------------------------|
| <input checked="" type="checkbox"/> Retail Water | <input checked="" type="checkbox"/> Wholesale Water | <input 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 checked="" type="checkbox"/> Solid Waste/Garbage | <input type="checkbox"/> Flood Control | <input type="checkbox"/> Roads |
| <input type="checkbox"/> Participation in joint venture, regional system, and/or wastewater service | | |
| <input type="checkbox"/> Other: _____ | | |

2. Retail Service Providers

a. Retail rates for a 3/4" meter:

	Minimum Charge	Minimum Usage	Flat Rate Y/N	Rate per 1000 Gallons Over Minimum	Usage Levels
WATER:	\$ 22.10	N/A	Y	\$ 2.00	0 to no limit
WASTEWATER:	\$ 22.10	N/A	Y	\$ 2.00	0 to no limit

District employs winter averaging for wastewater usage: Yes

Total charges per 10,000 gallons usage: Water: \$ 42.10 Wastewater: \$ 42.10

b. Water and Wastewater Retail Connections:

Meter Size	Total Connections	Active Connections	ESFC Factor	Active ESFC's
Unmetered	0	4	x 1.0	4
≤ 3/4"	636	627	x 1.0	627
1"	5	5	x 2.5	13
1 1/2"	0	0	x 5.0	0
2"	9	9	x 8.0	72
3"	3	3	x 15.0	45
4"	2	2	x 25.0	50
6"	2	2	x 50.0	100
8"	0	0	x 80.0	0
10"	0	0	x 115.0	0
Total Water	<u>657</u>	<u>652</u>		<u>911</u>
Total Wastewater	<u>614</u>	<u>612</u>	<u>x 1.0</u>	<u>612</u>

3. Total Water Consumption during the fiscal year (rounded to nearest thousand):

Gallons pumped into system:	<u>74,797,000</u>	Water Accountability Ratio: (Gallons billed/Gallons pumped)
Gallons billed to customers:	<u>54,915,210</u>	
		<u>73.42%</u>

4. Standby Fees: No

5. Location of District: No changes

QUAIL CREEK MUNICIPAL UTILITY DISTRICT

TSI-2: GENERAL FUND EXPENDITURES

For the year ended September 30, 2023

Personnel expenditures (including benefits)*	\$ 339,243
Professional fees:	
Auditing	10,275
Compliance consulting	22,782
Other	2,070
Contracted services:	
Appraisal district	4,271
Utilities	70,180
Repairs and maintenance	73,672
Administrative expenditures:	
Directors' compensation	14,100
Insurance	95,615
Office supplies	13,912
Other administrative expenditures	43,436
Capital outlay:	
Capitalized assets	13,924
Expenditures not capitalized	17,405
Solid waste disposal	
Contracted solid waste fees - landfill	17,541
Contracted solid waste fees - trash	150,116
Debt service:	
Loan principal payments	52,840
Loan interest payments	25,065
Other expenditures	<u>58,726</u>
TOTAL EXPENDITURES	<u>\$ 1,025,173</u>

* Number of persons employed by the District: 4 Full-Time N/A Part-Time

QUAIL CREEK MUNICIPAL UTILITY DISTRICT

TSI-3: TEMPORARY INVESTMENTS

For the year ended September 30, 2023

<u>Funds</u>	<u>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>
Certificate of Deposit	1540017100	3.150%	6/23/2024	\$ 142,402	\$ 1,217
Total				<u>\$ 142,402</u>	<u>\$ 1,217</u>

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QUAIL CREEK MUNICIPAL UTILITY DISTRICT

TSI-4: TAXES LEVIED AND RECEIVABLE

For the year ended September 30, 2023

Taxes receivable at beginning of year	\$ 8,252
2022 Original tax levy	257,369
Adjustments	<u>8,439</u>
Adjusted taxes receivable at beginning of year	274,060
Less: Collections	
Current year	262,208
Prior years	<u>2,578</u>
Taxes receivable at end of year	<u>\$ 9,274</u>
Taxes receivable by levy years	
2013 and prior	\$ 2,143
2014	140
2015	142
2016	337
2017	484
2018	524
2019	594
2020	647
2021	849
2022	<u>3,414</u>
Taxes receivable at end of year	<u>\$ 9,274</u>

ASSESSSED VALUATION SUMMARY

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Property valuations:					
Real estate and personal properties	<u>\$ 163,720,562</u>	<u>\$ 166,792,153</u>	<u>\$ 141,269,162</u>	<u>\$ 132,290,785</u>	<u>\$ 137,143,075</u>
Total property valuations	<u>\$ 163,720,562</u>	<u>\$ 166,792,153</u>	<u>\$ 141,269,162</u>	<u>\$ 132,290,785</u>	<u>\$ 137,143,075</u>
Tax rate per \$100 valuation					
Maintenance tax rates	<u>\$ 0.1572</u>	<u>\$ 0.1810</u>	<u>\$ 0.1926</u>	<u>\$ 0.1926</u>	<u>\$ 0.1964</u>
Total tax rates per \$100 valuation	<u>\$ 0.1572</u>	<u>\$ 0.1810</u>	<u>\$ 0.1926</u>	<u>\$ 0.1926</u>	<u>\$ 0.1964</u>
Original tax levy	<u>\$ 257,369</u>	<u>\$ 301,894</u>	<u>\$ 272,084</u>	<u>\$ 254,792</u>	<u>\$ 269,349</u>
Percent of current year taxes collected to current year taxes levied, as adjusted	<u>98.65%</u>	<u>99.35%</u>	<u>99.55%</u>	<u>98.98%</u>	<u>99.22%</u>

QUAIL CREEK MUNICIPAL UTILITY DISTRICT

TSI-7: COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES - GENERAL FUND

Five years ended September 30

	Amounts				
	2023	2022	2021	2020	2019
REVENUES					
Water and sewer service	\$ 615,371	\$ 586,755	\$ 526,039	\$ 478,328	\$ 491,691
Garbage collection service	148,594	127,879	124,063	120,461	117,185
Bulk water sales	10,432	8,499	11,505	8,743	15,882
Maintenance fees	23,597	23,625	21,391	23,051	22,838
Tap connection fees	9,350	4,500	8,350	16,750	10,400
Tax revenues	266,316	305,559	274,253	261,672	269,149
Investment income	18,577	846	635	3,924	6,774
Other income	41,124	7,562	6,331	1,339	3,468
Total revenues	<u>1,133,361</u>	<u>1,065,225</u>	<u>972,567</u>	<u>914,268</u>	<u>937,387</u>
EXPENDITURES					
Service operations					
Advertising	777	738	482	4,316	371
Appraisal services	4,271	4,220	3,779	3,664	3,608
Bank fees	285	229	152	590	857
Communications	15,630	10,310	9,967	10,751	9,927
Contract labor	35,852	9,315	11,630	12,729	14,705
Contracted solid waste fees	167,657	149,970	152,648	147,300	133,647
Directors' compensation	14,100	14,550	11,250	9,750	14,550
Dues and subscriptions	10,840	10,838	10,386	14,914	9,747
Educational	5,297	8,126	5,263	3,494	16,111
Election	-	1,814	-	-	-
Fuel	10,046	14,584	10,720	8,386	11,621
Insurance	95,615	91,305	91,524	86,011	94,044
Lab fees	10,330	8,154	11,204	7,107	6,744
Licenses and permits	2,822	2,902	2,791	2,812	3,920
Miscellaneous	422	509	556	559	583
Office equipment lease	4,215	4,293	4,279	5,052	3,621
Office supplies	13,912	11,942	13,282	18,852	12,709
Payroll taxes	19,976	23,809	26,247	21,945	26,950
Professional fees	35,127	17,008	14,235	20,298	20,718
Repairs and maintenance	73,672	67,825	99,361	92,375	158,263
Retirement contribution	10,670	11,947	12,417	12,188	9,665
Safety	8,250	3,500	3,500	3,500	-
Supplies	28,470	30,151	24,145	21,823	18,728
Uniforms	853	4,280	7,116	6,324	6,402
Utilities	70,180	68,589	62,389	68,639	57,587
Travel and meals	3,925	5,733	2,270	2,510	5,682
Wages	272,745	305,197	315,200	316,028	301,942
Capital outlay	31,329	20,054	7,680	16,870	83,568
Debt service					
Principal retirement	52,840	57,512	54,276	55,963	62,083
Interest and fiscal charges	25,065	24,959	28,205	31,440	25,402
Total expenditures	<u>1,025,173</u>	<u>984,363</u>	<u>996,954</u>	<u>1,006,190</u>	<u>1,113,755</u>
Excess (deficiency of revenues over (under) expenditures	<u>\$ 108,188</u>	<u>\$ 80,862</u>	<u>\$ (24,387)</u>	<u>\$ (91,922)</u>	<u>\$ (176,368)</u>

Percent of Total Revenue

2023	2022	2021	2020	2019
54.30	55.08	54.09	52.32	52.45
13.11	12.00	12.76	13.18	12.50
0.92	0.80	1.18	0.96	1.69
2.08	2.22	2.20	2.52	2.44
0.82	0.42	0.86	1.83	1.11
23.50	28.68	28.20	28.62	28.71
1.64	0.08	0.07	0.43	0.72
3.63	0.72	0.64	0.14	0.38
<u>100.00</u>	<u>100.00</u>	<u>100.00</u>	<u>100.00</u>	<u>100.00</u>
0.07	0.07	0.05	0.47	0.04
0.38	0.40	0.39	0.40	0.38
0.03	0.02	0.02	0.06	0.09
1.38	0.97	1.02	1.18	1.06
3.16	0.87	1.20	1.39	1.57
14.79	14.08	15.70	16.11	14.26
1.24	1.37	1.16	1.07	1.55
0.96	1.02	1.07	1.63	1.04
0.47	0.76	0.54	0.38	1.72
-	0.17	-	-	-
0.89	1.37	1.10	0.92	1.24
8.44	8.57	9.41	9.41	10.03
0.91	0.77	1.15	0.78	0.72
0.25	0.27	0.29	0.31	0.42
0.04	0.05	0.06	0.06	0.06
0.37	0.40	0.44	0.55	0.39
1.23	1.12	1.37	2.06	1.36
1.76	2.24	2.70	2.40	2.88
3.10	1.60	1.46	2.22	2.21
6.50	6.37	10.22	10.10	16.88
0.94	1.12	1.28	1.33	1.03
0.73	0.33	0.36	0.38	-
2.51	2.83	2.48	2.39	2.00
0.08	0.40	0.73	0.69	0.68
6.19	6.44	6.41	7.51	6.14
0.35	0.54	0.23	0.27	0.61
24.07	28.65	32.41	34.57	32.21
2.76	1.88	0.79	1.85	8.91
4.66	5.40	5.58	6.12	6.62
2.21	2.34	2.90	3.44	2.71
<u>90.47</u>	<u>92.42</u>	<u>102.52</u>	<u>110.05</u>	<u>118.81</u>
<u>9.53</u>	<u>7.58</u>	<u>(2.52)</u>	<u>(10.05)</u>	<u>(18.81)</u>

QUAIL CREEK MUNICIPAL UTILITY DISTRICT

TSI-7: COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES - GENERAL FUND - (Continued)
Five years ended September 30

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Total active retail water connections	652	653	615	606	634
Total active retail wastewater connections	612	605	584	588	582

QUAIL CREEK MUNICIPAL UTILITY DISTRICT

TSI-8: BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS

For the year ended September 30, 2023

Complete District Mailing Address: 515 Chukar Drive, Victoria, Texas 77905

District Business Telephone Number: (361) 572-0810

Submission Date of the most recent District Registration Form
(TWC Sections 36.054 and 49.054): 02/28/2024

Limit on Fees of Office that a Director may receive during a fiscal year: \$7,200
(Set by Board Resolution - TWC Section 49.060)

<u>Names:</u>	<u>Term of Office (Elected or Appointed) or Date Hired</u>	<u>Fees of Office Paid (FYE 9/30/23)</u>	<u>Expense Reimburse- ments (FYE 9/30/23)</u>	<u>Title at Year-End</u>
Board Members:				
Richard Reyes	(Elected) 5/20 - 5/24	\$ 3,000	\$ -	President
Alvin Dlouhy	(Elected) 6/22 - 6/26	\$ 2,700	\$ 233	Vice President
Bobby Shafer	(Elected) 5/20 - 5/24	\$ 2,550	\$ -	Secretary/Treasurer
Paul Miller	(Elected) 6/22 - 6/26	\$ 2,550	\$ -	Director
Rodgers Weppler	(Elected) 6/22 - 6/26	\$ 3,300	\$ 207	Director
Consultants:				
Harrison, Waldrop & Uherek, L.L.P.		\$ 10,275		Auditor
LSPS Solutions		\$ 22,782		Compliance

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