

**ORANGE COUNTY WATER CONTROL  
AND IMPROVEMENT DISTRICT NO. 1  
VIDOR, TEXAS**

**ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED JUNE 30, 2020**

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ANNUAL FILING AFFIDAVIT

THE STATE OF TEXAS §

COUNTY OF Orange §

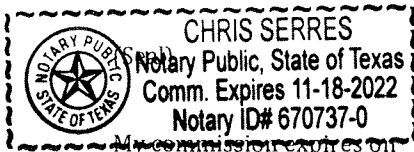
I, Robert Viator of the Orange County Water Control and Improvement District No. 1 hereby swear, or affirm, that the District named above has reviewed and approved at a meeting of the Board of Directors of the District on the 19 day of October 2020 its annual report for the fiscal year or period ended June 30, 2020 and that copies of the annual audit have been filed in the District office, located at 460 E. Bolivar, Vidor, TX 77662. The annual filing affidavit and the attached copy of the annual audit report are being submitted to the Texas Commission on Environmental Quality in satisfaction of all annual filing requirements within Section 49.194 of the Texas Water Code.

Date: 10-19 2020

By: Robert Viator SR  
(Signature of District Representative)

Robert Viator, Board President  
(Typed Name and Title of above  
District Representative)

Sworn to and subscribed to before me this 19 day of October 2020



Chris Serres  
(Signature of Notary)

My commission expires on 11/18 2022 Notary Public in and for the State of Texas.

J. Pat O'Neill, III, CPA  
Michael W. Kiefer, CPA  
Troy W. Domingue, CPA



Stanley (Chip) Majors, Jr., CPA, CITP, CGMA  
Jane P. Burns, CPA, CDFA  
Jeremy R. Triska, CPA

October 19, 2020

## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Orange County Water Control & Improvement District No. 1  
Vidor, Texas

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, and each major fund of Orange County Water Control & Improvement District No. 1 as of and for the year ended June 30, 2020 and the related notes to the financial statements, which collectively comprise the Orange County Water Control & Improvement District No. 1's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### Opinions

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 Orange County Water Control & Improvement District No. 1 as of June 30, 2020, 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.

## **Other Matters**

### **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on page 4 through 9; the Schedules of Changes in Employer's Net Pension Liability and Related Ratios and Employer Contributions on pages 38 through 39; and the Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund on page 40 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standard 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 on pages 4 through 9 and pages 38 and 39 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 this information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The required supplementary information on page 40 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 financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the financial statements taken as a whole.

### **Other Information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Orange County Water Control & Improvement District No. 1's, basic financial statements. The Texas Supplementary Information listed in the Table of Contents on pages 41 through 53 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The Texas Supplementary Information listed in the Table of Contents 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 current year financial information included in these schedules has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The Schedules of Services and Rates and Board Members, Key Personnel and Consultants have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on this information.

## **Other Reporting Required by Governmental Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated October 19, 2020, on our consideration of Orange County Water Control & Improvement District No. 1's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of Orange County Water Control & Improvement District No. 1's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Orange County Water Control & Improvement District No. 1's internal control over financial reporting and compliance.

*Wathen, DeShong & Juncker, L.L.P.*

**WATHEN, DeSHONG & JUNCKER, L.L.P.**  
Certified Public Accountants

# ORANGE COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1

## Management's Discussion and Analysis For The Year Ended June 30, 2020

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### MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Orange County Water Control & Improvement District No. 1 we offer readers of the Orange County Water Control & Improvement District No. 1 financial statements this narrative overview and analysis of the financial activities of the Orange County Water Control & Improvement District No. 1 for the fiscal year ended June 30, 2020. We encourage readers to consider the information presented here in conjunction with the independent auditor's report and the District's financial statements, which follow.

#### FINANCIAL HIGHLIGHTS

- The assets of the Orange County Water Control & Improvement District No. 1 exceeded its liabilities at the close of 2020, by \$10,632,771. Of this amount, \$5,807,099 is considered unrestricted.
- The Orange County Water Control & Improvement District No. 1's total net position decreased by \$557,846 in fiscal year 2020.
- As of the close of the current fiscal year, the District's governmental funds reported a combined ending fund balance of \$9,697,236 an increase of \$79,137. Of this total fund balance, \$726,293 is considered spendable and unassigned and is considered available for use.
- The general fund reported a fund balance of \$3,451,807 at the end of the current fiscal year. The unassigned fund balance for the general fund was \$726,293 or 15.9% of total general fund expenditures.

#### OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Orange County Water Control & Improvement District No. 1's basic financial statements. These basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-wide financial statements** are designed to provide readers with a broad overview of the Orange County Water Control & Improvement District No. 1's finances, in a manner similar to a private-sector business.

The Statement of Net Position presents information on all of the Orange County Water Control & Improvement District No. 1's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decrease in net position may serve as a useful indicator of whether the financial position of the Orange County Water Control & Improvement District No. 1 is improving or deteriorating.

The Statement of Activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., earned but unused vacation).

The Statement of Activities includes collection and disbursement of ad valorem taxes to pay off long-term debt.

## ORANGE COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1

### Management's Discussion and Analysis For The Year Ended June 30, 2020

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The government-wide financial statements can be found on pages 10 and 11 of this report.

**Fund financial statements** are a grouping of related accounts that are used to maintain control over resources that have been segregated for specific activities or objectives. The Orange County Water Control & Improvement District No. 1, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All funds of Orange County Water Control & Improvement District No. 1 are governmental funds.

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

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

The Orange County Water Control & Improvement District No. 1 maintains several governmental funds. Information is presented in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Debt Service Fund, Contingency Fund, and Construction & Capital Project Funds which are considered to be major funds.

**Notes to the financial statements** provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the Financial Statements can be found on pages 16 through 37.

**Other information.** In addition to the basic financial statements and accompanying notes, required supplementary information presents a schedule of changes in employer's net pension liability and related ratios, a schedule of employer contribution, and a schedule of revenues, expenditures, and changes in fund balance-budget and actual to demonstrate compliance with the budget. The required supplementary information can be found on pages 38 through 40. Texas Supplementary Information is presented on pages 41 through 53.

#### **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 Orange County Water Control & Improvement District No. 1, assets exceeded liabilities by \$10,632,771 at June 30, 2020.

ORANGE COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1

Management's Discussion and Analysis  
For The Year Ended June 30, 2020

**THE DISTRICT'S NET POSITION**

	2020	2019
Current assets:		
Cash & Investments	\$ 9,514,780	\$ 9,409,104
Taxes Receivable	483,942	436,138
Service Revenues Receivable	801,821	704,668
Due from Others	-	21,552
Inventory	86,571	108,921
Net Pension Asset	79,660	-
Total current assets	10,966,774	10,680,383
Noncurrent Assets:		
Capital Assets	64,984,263	66,525,202
Less accumulated depreciation	(25,345,143)	(24,568,487)
Total noncurrent assets	39,639,120	41,956,715
Total assets	50,605,894	52,637,098
Deferred Outflows of Resources:		
Deferred Outflows of Resources-pension related	127,018	347,366
Current Liabilities:		
Accounts payable and accrued liabilities	174,388	119,260
Customer LPSS deposits and tap fees	56,453	49,770
Unearned revenue	510,089	492,110
Current portion of long-term debt	2,734,050	2,628,264
Total current liabilities	3,474,980	3,289,404
Long-term liabilities:		
Customer deposits	386,290	367,810
Long-term debt	36,102,454	37,873,250
Net Pension Liability	-	207,139
Total long-term liabilities	36,488,744	38,448,199
Total liabilities	39,963,724	41,737,603
Deferred Inflows of Resources:		
Deferred Inflows of Resources-pension related	136,417	56,244
Net Position:		
Net Investment in Capital Assets	2,692,459	3,266,941
Restricted for Debt Service	2,133,213	1,996,702
Unrestricted	5,807,099	5,926,974
Total net position	\$ 10,632,771	\$ 11,190,617



ORANGE COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1

Management's Discussion and Analysis  
For The Year Ended June 30, 2020

**Changes in net position**

The District's total revenues were \$6,152,729. A significant portion, 56%, of the District's revenue comes from charges for water and sewer services. Approximately 35% of the revenue comes from taxes.

The total cost of all programs and services was \$6,710,575; all these costs are related to water and sewer services.

**Governmental Activities**

Property tax rates increased by approximately .00638 cents per \$100 valuation. This increase resulted in an increase in the tax levy to \$2,114,764.

**CHANGES IN THE DISTRICT'S NET POSITION**

	Government Wide Activities	
	2020	2019
Program Revenues:		
Charges for Services		
Water	\$ 1,674,355	\$ 1,500,804
Sewer	1,663,889	1,428,107
Service Fees	96,363	95,136
General Revenues:		
Taxes	2,082,453	1,771,712
Penalty & Interest	51,164	54,728
Interest on Temporary Investments	112,527	177,728
Revenue Note Collections	1,015,948	1,018,122
Miscellaneous Revenues	132,758	235,880
Grants and Contributions	37,798	13,926
Insurance Proceeds	-	99,027
Loss on Disposition of Capital Assets	(714,526)	-
Total Revenues	<u>6,152,729</u>	<u>6,395,170</u>
Water and Sewer Service	848,963	969,368
Salaries, Benefits, & Payroll taxes	2,371,764	2,405,824
Professional Fees	46,457	49,832
Administrative Expenses	234,525	274,330
Other	69,371	75,412
Interest and Fiscal Charges	1,314,551	2,031,226
Depreciation	1,824,944	1,866,736
Total Expenses	<u>6,710,575</u>	<u>7,672,728</u>
Change in Net Position	<u>\$ (557,846)</u>	<u>\$ (1,277,558)</u>

The following presents information of each of the District's largest functions:

- The cost of all governmental activities this year was \$6,710,575.
- Property tax revenue was \$2,133,617.
- \$3,434,607 was paid by those who directly received service.

ORANGE COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1

Management's Discussion and Analysis  
For The Year Ended June 30, 2020

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**FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS**

**General Fund Budgetary Highlights**

Over the course of the year, the District did not revise its budget. Actual expenditures were \$7,748 or 0.17% below budgeted amounts in the General Fund. Resources available were \$47,853 or 1.02% below budgeted amounts.

**Capital Assets and Debt Administration**

**Capital Assets**

At the end of 2020, the District had invested \$64,984,263 in a broad range of capital assets, including land, buildings, water and sewer systems, equipment, and vehicles.

**CAPITAL ASSETS**

**District's Capital Assets  
Activities**

	<u>2020</u>
Land	\$ 303,729
Buildings and Improvements	368,802
Water and Sewer System	62,081,023
Machinery and Equipment	612,617
Autos and Trucks	470,143
Office Furniture and Fixtures	166,177
Construction in Progress	<u>981,772</u>
Totals at historical cost	<u>64,984,263</u>
Total Accumulated Depreciation	<u>(25,345,143)</u>
Net Capital Assets	<u>\$ 39,639,120</u>

# ORANGE COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1

## Management's Discussion and Analysis For The Year Ended June 30, 2020

### LONG TERM DEBT AND LIABILITIES

At year-end the District had \$28,449,552 in bonds outstanding and \$9,870,000 in notes payable. More detailed information about the District's debt is presented in the notes to the financial statements.

	Interest	Amounts at Original	Beginning			Ending	Due Within
Bonds Payable:	Rate	Issue	Balance	Additions	Retirements	Balance	One Year
General Obligation							
2009	1.70%-5.05%	\$ 11,115,000	\$ 1,300,000	\$ -	\$ (600,000)	\$ 700,000	\$ 625,000
2019 Refunding	2.0%-4.0%	9,015,000	9,015,000	-	(115,000)	8,900,000	55,000
Premium - 2019 Refunding			928,980	-	(91,374)	837,606	121,028
Revenue Bonds							
2013 Refunding	1.86%	1,230,000	300,000	-	(165,000)	135,000	135,000
Capital Appreciation							
2012	1.2%-5.3%	13,999,994	12,576,527	-	(448,590)	12,127,937	415,089
Accreted Interest Payable							
2012 Unlimited Tax Bonds			5,612,254	653,165	(516,410)	5,749,009	569,911
Total Bonded Debt			29,732,761	653,165	(1,936,374)	28,449,552	1,921,028
Notes Payable							
2011 Revenue Notes	0.3%-4.1%	13,610,000	10,360,000	-	(490,000)	9,870,000	540,000
Total GASB 88 Type Debt			40,092,761	653,165	(2,426,374)	38,319,552	2,461,028
Compensated Absences Payable			120,984	262	-	121,246	-
OPEB Liability			85,879	36,805	-	122,684	-
Accrued Interest Expense			201,890	273,022	(201,890)	273,022	273,022
Customer Deposits			367,810	78,050	(59,570)	386,290	-
Total Long-Term Liabilities			\$ 40,869,324	\$ 1,041,304	\$ (2,687,834)	\$ 39,222,794	\$ 2,734,050

### ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The 2020-2021 budget was presented with no significant increase in rates or the number of customers in the District. The General Fund Revenue Budget for 2020-2021 is \$4,729,200 which is a 1.24% increase from the 2019-2020 General Fund Budget of \$4,671,460.

There are no major expenditures anticipated other than the normal operating expenditures expected in servicing the customers of the District with the largest expenditures being related to employee wages and salaries. The General Fund Expenditure Budget for 2020-2021 is \$ 4,729,200 which is a 1.24% increase from the 2019-2020 General Fund Expenditure Budget of \$4,671,460.

The ad valorem tax roll for the 2020 tax year is \$519,253,612 with an adopted tax rate of \$0.42201 per \$100 valuation. All proceeds from ad valorem tax collection are used for debt service retirement.

### CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the District's offices, located at 460 E. Bolivar Street, Vidor Texas 77662.

## **BASIC FINANCIAL STATEMENTS**

## **GOVERNMENT-WIDE FINANCIAL STATEMENTS**

# ORANGE COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1

## STATEMENT OF NET POSITION JUNE 30, 2020

	Primary Government
	Governmental Activities
<hr/>	
ASSETS	
Cash and Cash Equivalents	\$ 9,032,416
Taxes Receivable, Net	483,942
Accounts Receivable, Net	801,821
Inventories	86,571
Restricted Cash	482,364
Capital Assets:	
Land	303,729
Improvements other than buildings, net	37,819,727
Buildings, Net	167,604
Machinery and Equipment, Net	366,288
Construction in Progress	981,772
Net Pension Asset	79,660
Total Assets	<u>50,605,894</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred Outflow Related to Pension Plan	127,018
Total Deferred Outflows of Resources	<u>127,018</u>
LIABILITIES	
Accounts Payable	85,019
Wages and Salaries Payable	69,451
Unearned Revenues	566,542
Other Current Liabilities	19,918
Noncurrent Liabilities:	
Due Within One Year	2,734,050
Due in More Than One Year	36,488,744
Total Liabilities	<u>39,963,724</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred Inflow Related to Pension Plan	136,417
Total Deferred Inflows of Resources	<u>136,417</u>
NET POSITION	
Net Investment in Capital Assets	2,692,459
Restricted for Debt Service	2,133,213
Unrestricted	5,807,099
Total Net Position	<u>\$ 10,632,771</u>

The accompanying notes are an integral part  
of these financial statements.



## **FUND FINANCIAL STATEMENTS**



**ORANGE COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO.1**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**JUNE 30, 2020**

	General Fund	Debt Service Fund	Contingency Fund	Construction And Capital Projects Funds	Total Governmental Funds
<b>ASSETS</b>					
Cash and Cash Equivalents	\$ 2,756,606	\$ 430,831	\$ 2,641,448	\$ 3,203,531	\$ 9,032,416
Taxes Receivable	-	569,343	-	-	569,343
Allowance for Uncollectible Taxes	-	(85,401)	-	-	(85,401)
Accounts Receivable, Net	801,821	-	-	-	801,821
Due from Other Funds	17,176	-	-	-	17,176
Inventories	86,571	-	-	-	86,571
Restricted Cash - TWDB Escrow	-	-	-	482,364	482,364
Total Assets	<u>\$ 3,662,174</u>	<u>\$ 914,773</u>	<u>\$ 2,641,448</u>	<u>\$ 3,685,895</u>	<u>\$ 10,904,290</u>
<b>LIABILITIES</b>					
Accounts Payable	\$ 64,544	\$ -	\$ -	\$ 20,475	\$ 85,019
Wages and Salaries Payable	69,451	-	-	-	69,451
Due to Other Funds	-	-	-	17,176	17,176
Unearned Revenues	56,454	-	-	510,088	566,542
Other Current Liabilities	19,918	-	-	-	19,918
Total Liabilities	<u>210,367</u>	<u>-</u>	<u>-</u>	<u>547,739</u>	<u>758,106</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Unavailable Revenue - Property Taxes	-	448,948	-	-	448,948
Total Deferred Inflows of Resources	<u>-</u>	<u>448,948</u>	<u>-</u>	<u>-</u>	<u>448,948</u>
<b>FUND BALANCES</b>					
Nonspendable Fund Balance:					
Inventories	86,571	-	-	-	86,571
Restricted Fund Balance:					
Capital Acquisition and Obligation	-	-	-	1,645,643	1,645,643
Retirement of Long-Term Debt	2,252,653	465,825	-	-	2,718,478
Other Restricted Fund Balance	386,290	-	-	-	386,290
Assigned Fund Balance:					
Construction	-	-	-	1,492,513	1,492,513
Other Assigned Fund Balance	-	-	2,641,448	-	2,641,448
Unassigned Fund Balance	726,293	-	-	-	726,293
Total Fund Balances	<u>3,451,807</u>	<u>465,825</u>	<u>2,641,448</u>	<u>3,138,156</u>	<u>9,697,236</u>
Total Liabilities, Deferred Inflows And Fund Balances	<u>\$ 3,662,174</u>	<u>\$ 914,773</u>	<u>\$ 2,641,448</u>	<u>\$ 3,685,895</u>	<u>\$ 10,904,290</u>

The accompanying notes are an integral part  
of these financial statements.

# ORANGE COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1

## RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION FOR THE YEAR ENDED JUNE 30, 2020

<b>Total Fund Balances - Governmental Funds</b>	<b>\$ 9,697,236</b>
Capital assets used in government activities are not financial resources and, therefore, are not reported in governmental funds.	39,639,120
Property taxes receivables are not available to pay for current period expenditures and, therefore, are deferred in the governmental funds	448,948
Long-term liabilities, including bonds payable and notes payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds.	(38,592,574)
Net pension assets (obligations) are not available to pay for current expenditures, are not due and payable in the current period and, therefore, are not reported in the governmental funds.	70,261
Other post employment benefits are not due and payable in the current period and, therefore, are not reported in the governmental funds.	(122,684)
Compensated absences and customer deposits are not due and payable in the current period and, therefore, are not reported in the governmental funds.	(507,536)
<b>Net Position of Governmental Activities</b>	<b><u>\$ 10,632,771</u></b>

The accompanying notes are an integral part  
of these financial statements.

# ORANGE COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1

## STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS FOR THE YEAR ENDED JUNE 30, 2020

	General Fund	Debt Service Fund	Contingency Fund	Construction And Capital Projects Funds	Total Governmental Funds
<b>REVENUES:</b>					
Taxes:					
Property Taxes	\$ -	\$ 2,034,649	\$ -	\$ -	\$ 2,034,649
Penalty and Interest on Taxes	-	51,164	-	-	51,164
Intergovernmental Revenue and Grants	-	-	-	30,131	30,131
Water Services	1,674,355	-	-	-	1,674,355
Sewer Services	1,663,889	-	-	-	1,663,889
Other Service Fees	90,135	2,928	-	3,300	96,363
FEMA Funding	7,667	-	-	-	7,667
Investment Earnings	29,375	11,278	33,180	38,694	112,527
Revenue Note Collections	1,015,948	-	-	-	1,015,948
Other Revenue	141,238	-	-	10,000	151,238
Total Revenues	<u>4,622,607</u>	<u>2,100,019</u>	<u>33,180</u>	<u>82,125</u>	<u>6,837,931</u>
<b>EXPENDITURES</b>					
Current:					
General Government:					
Water and Sewer Service	827,792	-	-	-	827,792
Salaries, Benefits and Payroll Taxes	2,320,975	-	-	-	2,320,975
Professional Fees	41,457	-	-	5,000	46,457
Administrative Expenses	234,525	-	-	-	234,525
Other	40,679	28,692	-	-	69,371
Debt Service					
Bond Principal	655,000	1,680,000	-	-	2,335,000
Bond Interest and Fiscal Charges	364,238	317,390	-	-	681,628
Capital Outlay:					
Capital Outlay	79,046	-	-	251,563	330,609
Total Expenditures	<u>4,563,712</u>	<u>2,026,082</u>	<u>-</u>	<u>256,563</u>	<u>6,846,357</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>58,895</u>	<u>73,937</u>	<u>33,180</u>	<u>(174,438)</u>	<u>(8,426)</u>
<b>OTHER FINANCING SOURCES (USES):</b>					
Transfers In	200,000	80,000	80,000	113,463	473,463
Insurance Recovery	-	-	-	87,563	87,563
Transfers Out (Use)	<u>(100,000)</u>	<u>(80,000)</u>	<u>(280,000)</u>	<u>(13,463)</u>	<u>(473,463)</u>
Total Other Financing Sources (Uses)	<u>100,000</u>	<u>-</u>	<u>(200,000)</u>	<u>187,563</u>	<u>87,563</u>
Net Change in Fund Balances	158,895	73,937	(166,820)	13,125	79,137
Fund Balance - July 1 (Beginning)	<u>3,292,912</u>	<u>391,888</u>	<u>2,808,268</u>	<u>3,125,031</u>	<u>9,618,099</u>
Fund Balance - June 30 (Ending)	<u>\$ 3,451,807</u>	<u>\$ 465,825</u>	<u>\$ 2,641,448</u>	<u>\$ 3,138,156</u>	<u>\$ 9,697,236</u>

The accompanying notes are an integral part  
of these financial statements.

# ORANGE COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1

## RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF THE GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2020

<b>Total Net Change in Fund Balances - Governmental Funds</b>	<b>\$ 79,137</b>
Property tax revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the governmental funds.	47,804
Current year capital outlays are expenditures in the fund financial statements, but they should be shown as increases in capital assets in the government-wide financial statements.	309,438
Depreciation is not recognized as an expense in the governmental funds since it does not require the use of current financial resources.	(1,824,944)
Disposition of assets is not shown in the fund financial statements, but it is shown on the government-wide financial statements	(802,089)
The repayment of the principal portion of long-term debt consumes current financial resources of the governmental funds; however, it has no impact on the net position of the government-wide activities.	2,335,000
Interest on long-term governmental debt is not due and payable in the current period and, accordingly, is not reported as a current period expenditure. Interest expense on the long-term debt of governmental activities is accrued and accreted in the Statement of Activities.	(632,923)
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds. These include changes in other post employment benefits, net pension asset, and compensated absences.	(69,269)
<b>Change in Net Position of Governmental Activities</b>	<b><u>\$ (557,846)</u></b>

The accompanying notes are an integral part  
of these financial statements.

## **NOTES TO THE FINANCIAL STATEMENTS**

# **ORANGE COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1**

## **NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2020**

### **NOTE 1 – GENERAL STATEMENT**

Orange County Water Control and Improvement District No. 1, Vidor, Texas (the District) was created by an order of the Texas State Board of Water Engineers on January 26, 1948 and confirmed by the electorate of the District in a confirmation election held on April, 24, 1948. The District was validated by the 57<sup>th</sup> Legislature of Texas in 1965 and operates under Chapter 51 of the Texas Water Code. The Board of Directors held its first meeting on February 4, 1948 and the first bonds were sold on May 27, 1955. The general purpose financial statements of the District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the District's significant accounting policies.

### **NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

#### **A. Reporting Entity**

The District provides water and sewer to the Vidor area of Orange County. In evaluating how to define the government for financial reporting purposes, management has considered all potential component units. The decision to include or exclude a potential component unit in the reporting entity was made by applying the criteria set forth by generally accepted accounting principles. Based upon these principles, the basic criteria for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant criteria is financial interdependency. Other factors affecting the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public services. Based upon these criteria, there are no component units to the District, nor is the District a component unit of any governmental body.

#### **B. Excluded from the reporting entity**

Water and sewer development and improvement grants received from the Texas Department of Housing and Community Affairs through the City of Vidor, the City of Rose City, or the County of Orange are administered by those entities and are not included in the District's general purpose financial statements except for those costs incurred by the District as the project progresses.

# ORANGE COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1

## NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2020

### **NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

#### **C. Government-wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of the interfund activity has been removed from these statements.

The statement of activities demonstrates the degree to which the direct expenses of given functions or segments are offset by program revenue. Program revenue includes charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment. Taxes and other items not properly included among program revenue are reported instead as general revenue.

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenue is recorded when earned and expenses are recorded when liability is incurred, regardless of the timing of related cash flows.

Governmental fund financial statements are reported using the *current financial resources measurement focus and the modified accrual basis of accounting*. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available when it is collectible during the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenue to be available if it is collected within 60 days of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are record only when payment is due.

Property taxes, accounts receivable for service, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the District.

# ORANGE COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1

## NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2020

### **NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

#### **C. Government-wide and Fund Financial Statements (Continued)**

The District has the following Governmental Funds:

*General 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 other funds.

*Debt Service Fund* – The Debt Service Fund accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

*Contingency Fund* – The Contingency Fund is a special revenue fund. Established in the fiscal year ended June 30, 2014, it is to be used for emergencies only. Money is set aside regularly, and it is the goal of the Board of Directors to have \$3,000,000 available for emergency uses.

*Construction Fund* – This fund was formerly referred to and shown on the financial statements as the Capital Projects Fund. It accounts for the resources used for the construction or acquisition of major capital facilities when the construction or acquisition is paid for by grants, bonds, or by loans.

*Capital Projects Fund* – The Capital Projects Fund, established in the fiscal year ended June 30, 2014, accounts for the District’s financial resources to be used for the rehabilitation and expansion of the District’s infrastructure and facilities.

#### **D. Basis of Accounting**

The basis of accounting is the method by which revenues, and expenditures or expenses are recognized in the accounts and reported in the financial statements. The District uses the modified accrual basis of accounting. Revenues are recognized when they become susceptible to accrual, i.e., both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Most revenue sources are recorded as revenues when received in cash because they are generally not measurable until actually received. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred, except for interest on long-term debt, which is recognized when due.



# ORANGE COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1

## NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2020

### **NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

#### **E. Cash and Investments**

Cash includes amounts in demand deposits as well as money market accounts. The District Board has approved making investments in the Lone Star Investment Pool, but the District had no investments in the pool at June 30, 2020.

The District, in compliance with legal requirements, has written investment policy and the District's investment officers have received the required hours of training on the Texas Public Funds Investment Act and related investment issues for the year.

#### **F. Encumbrances**

The District does not use encumbrance accounting.

#### **G. Materials and Supplies Inventories**

Inventories are valued at cost using the first-in, first-out basis which approximates market. Inventories for all funds consist of expendable supplies held for consumption and the cost thereof is recorded as expenditure as the individual inventory items are issued (consumption method).

#### **H. Interfund Transactions**

*Interfund Receivable and Payable* – Short-term advances between funds are accounted for in the appropriate interfund receivable and payable accounts.

*Transactions Between Funds* – Transactions between funds that would be treated as revenues, expenditures, or expenses if they involved organizations external to the District are accounted for as revenues, expenditures, or expenses in the funds involved.

#### **I. Land, Buildings and Equipment**

General fixed assets have been acquired or constructed for general governmental purposes. Infrastructure assets and other fixed assets are recorded as expenditures in the governmental funds and capitalized at cost and recorded in the government-wide financial statements. Gifts or contributions of general fixed assets are recorded at estimated fair market value upon receipt. Interest has been capitalized as appropriate.

It is the policy of the District to capitalize assets with an individual cost of \$3,000 or more and a useful life of at least two years. Depreciating is computed using the straight-line method over the following useful lives:

# ORANGE COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1

## NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2020

### NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### **I. Land, Buildings and Equipment (Continued)**

<u>Assets</u>	<u>Years</u>
Buildings and Improvements	35
Water and Sewer System	35
Machinery and Equipment	5-10

#### **J. Long-term Liabilities**

Long-term liabilities that will be financed from governmental funds are recorded in the government-wide financial statements. The general long-term debt is secured by the general credit and taxing powers of the District.

#### **K. Compensated Absences**

Employees of the District are granted vacation benefits in varying amounts based upon tenure with the District. Unused vacation has a maximum allowable accumulation of twenty-five days. Each December 31, any excess balance will be reduced to the maximums by paid compensation. Unused vacation leave shall be paid upon termination of employment with the District.

Sick leave accrues to regular full-time employees to a maximum of one hundred twenty days. Each December 31, any excess of the maximum is reduced to the maximum without compensation. Unused sick leave is not compensatory upon separation from employment with the District, except that after twelve years of employment and for qualified retirement, the equivalent of one-half of accumulated sick leave shall be paid not to exceed a total of sixty days.

The estimated accrued liability for compensated absences for vacation and sick leave is as follows.

	<u>Number of Qualifying Employees</u>	<u>Maximum Days per Employee</u>	<u>Total Accrued</u>
Sick leave	6	60	\$ 65,356
Vacation	26	40	55,890
Total	<u>32</u>	<u>100</u>	<u>\$ 121,246</u>

Total accrued sick leave reflects 50% of estimated total liability due to its non-compensatory nature as explained above.

# ORANGE COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1

## NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2020

### **NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

#### **L. Post-Retirement Benefits**

The District currently pays one-half of the medical insurance premiums for its retirees from retirement to age 65. Liability for this benefit for one year is currently estimated to be \$122,684.

Financial reports information pertaining to the District's participation in the Texas County and District Retirement System (TCDRS) was prepared in accordance with Governmental Accounting Standards Board ("GASB") Statement No. 68, *Accounting and Financial Reporting for Pensions*, as amended by GASB statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*.

#### **M. Property Taxes**

Ad valorem taxes, penalties and interest are reported as revenue in the fiscal year in which they become available to finance expenditures of the fiscal year.

#### **N. Tax Abatements**

The Orange County Water Control and Improvement District No. 1 is committed to an expansion of its tax base, an increase to its population, the promotion of development in the District, and to an ongoing improvement in the quality of life for its residents. The District offers residential tax abatements for residents within the boundaries of the District Reinvestment Zones designated by the City of Vidor Ordinances Nos. 1247, 1248, 1249, 1250 and 1251 as a stimulus for economic development in the District. Property eligible for tax abatement per the guidelines and criteria is defined as: all property used as a single-family residence, located within a designated Reinvestment Zone, and within the boundaries of the District. As provided in the Act, abatement may only be granted for the value of eligible property subsequent to and listed in an abatement agreement between the District and the property owner, or the City of Vidor and the property owner where the District has, by official action, expressed an intent to be bound by the terms of the agreement in accordance with Section 312.206(a) of the Texas Property Code.

Upon determination that all requirements for tax abatement have been satisfied by the applicant, the value and terms of the abatements will be for a period of eight (8) years in accordance with the Schedule of Taxes Assessed stated in resolution no. 01-2018 of the Board of Directors of the District. Abatement shall be granted effective with the January 1 valuation date immediately following the date of approval of the abatement agreement and completion of construction of the property.

For the fiscal year ended June 30, 2020, the District abated property valued at \$5,139,642, which resulted in abated property taxes totaling \$21,433. All abatement agreements were in relation to residential property, and no single abatement exceeded 15% of the total abated value.

#### **O. Budget**

The District adopts an annual budget for the general fund only. The budget is adopted prior to the start of the fiscal and is based on the modified accrual basis of accounting which is consistent with generally accepted accounting principles. Appropriations lapse at year end.

# ORANGE COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1

## NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2020

### **NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

#### **P. Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumption that affect the reported amounts off assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts and expenses during the reporting periods. Actual results could differ from those estimates.

#### **Q. Application of Resources**

It is the District's policy to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

#### **R. Fund Equity**

The District has adopted GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balance more transparent. The following classifications describe the relative strength of the spending constraints:

Non-spendable fund balance – amounts that cannot be spent either because they are in non-spendable form or because they are legally or contractually required to be maintained intact.

Restricted fund balance – amounts that are restricted to specific purposes externally imposed by creditors, grantors, contributors, or imposed by the laws or regulations of other governments.

Committed fund balance – amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority (Board of Directors). To be reported as committed, amounts cannot be used for any other purpose unless the Board takes the highest level action to remove or change the constraint.

Assigned fund balance – the portion of fund balance that the Board of Directors and management intends to use for specific purposes.

Unassigned fund balance – the portion of fund balance that has not been restricted, committed, or assigned to specific purposes or other funds.

When the District incurs expenditures for purposes for which various fund balance classifications can be used, it is the District's policy to use restricted fund balance first, then committed fund balance, assigned fund balance, and finally unassigned fund balance. The District establishes (and modifies or rescinds) fund balance commitments by passage of a motion or resolution by the Board of Directors. This is done through adoption and amendment of the budget.

# ORANGE COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1

## NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2020

### NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### **R. Fund Equity (Continued)**

In the government-wide financial statements, net position represents the difference between assets and liabilities. Net position invested in capital assets represents capital asset balances reduced by accumulated depreciation and by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets. Net position is reported as restricted when there are limitations imposed on the use by the board of directors, designation, or through external restriction imposed by creditors, grantors or laws or regulations of other governments. When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, and then unrestricted resources as they are needed.

#### **S. Subsequent Events**

In accordance with ASC 855, the Management the Utility District has evaluated subsequent events through October 19, 2020, the date on which the financial statements were available for issue.

### NOTE 3 – CASH AND INVESTMENTS

Texas statute and the District's investment policy authorize the District to invest in U.S. Treasury, bills, notes and bonds, which are backed by the full faith and credit of the United States government, U.S. governmental agency securities, and insured or collateralized time deposits issued by banks domiciled in the State of Texas.

At the year-end, the carrying amount of the District's deposits was \$9,514,780 and the bank balance was \$9,527,715. All deposits as of the financial statement date were insured by FDIC coverage or collateralized by a letter of credit and pledged securities held by the depository's agent in the District's name.

Following are the components of the District's cash and investments at June 30, 2020:

	<u>Total</u>	<u>Bond Revenue Requirements</u>
Cash Accounts		
Interest and Sinking	\$ 1,465,043	\$ -
Bond Reserves (2011)	1,044,789	953,382
Bond Reserves (2013)	173,652	165,236
Bond Proceeds	1,645,535	-
Customer Deposits	403,327	-
Other	4,782,434	-
	<u>\$ 9,514,780</u>	<u>\$ 1,118,618</u>

# ORANGE COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1

## NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2020

### **NOTE 4 – PROPERTY TAXES**

The District's ad valorem property tax is levied each October 1 on the assessed value listed as of January 1 for all real property located in the District. The assessed value of the roll upon which the levy for the 2019 calendar year was based was \$507,125,372. The tax rate assessed for the year ended June 30, 2020, to service bonded indebtedness was \$0.41701 per \$100 valuation.

Property taxes attach as an enforceable lien on the property as of February 1 following the levy date. Taxes are due October 1 and become delinquent by February 1 following the October 1 levy date. Current tax collections for the year ended June 30, 2020 were 91.84% of the tax.

### **NOTE 5 – CAPITAL ASSETS**

Following is a summary of the District's capital asset activity:

	Balance July 1, 2019	Additions	Retire- ments	Transfers	Balance June 30, 2020
<b>Capital Assets</b>					
Capital assets, not being depreciated					
Land	\$ 303,729	\$ -	\$ -	\$ -	\$ 303,729
Construction-in-progress	916,454	82,988	-	(17,670)	981,772
Total capital assets, not being depreciated	1,220,183	82,988	-	(17,670)	1,285,501
Capital assets, being depreciated					
Buildings	348,644	20,158	-	-	368,802
Improvements other than buildings	63,660,145	193,402	(1,790,194)	17,670	62,081,023
Machinery and equipment	1,296,230	12,890	(60,183)	-	1,248,937
Total capital assets, being depreciated	65,305,019	226,450	(1,850,377)	17,670	63,698,762
Less accumulated depreciation					
Buildings	187,681	13,517	-	-	201,198
Improvements other than buildings	23,520,908	1,740,891	(1,000,503)	-	24,261,296
Machinery and equipment	859,898	70,536	(47,785)	-	882,649
Total accumulated depreciation	24,568,487	1,824,944	(1,048,288)	-	25,345,143
Total capital assets, being depreciation, net	40,736,532	(1,598,494)	(802,089)	17,670	38,353,619
Total capital assets, net	\$ 41,956,715	\$ (1,515,506)	\$ (802,089)	\$ -	\$ 39,639,120

Depreciation expense was \$1,824,944 for the fiscal year ended June 30, 2020.

# ORANGE COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1

## NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2020

### **NOTE 5 – CAPITAL ASSETS (CONTINUED)**

The following represents the District's construction commitments for the year ended June 30, 2020:

Project		Commitment	Spent to Date	Remaining Commitment
Contract 3	Water and Sewer Service Extensions Project	\$ 677,675	\$ 58,794	\$ 618,881
Contract 4	Sanitary Sewer System Improvements Project	1,099,114	89,611	1,009,503
	Well Site #5 - Ground Storage Tank Replacement	45,934	45,934	-
	Well Site 7 TTHM Treatment System	787,433	787,433	-
Totals		<u>\$ 2,610,156</u>	<u>\$ 981,772</u>	<u>\$ 1,628,384</u>

### **NOTE 6 – ADVANCE REFUNDING OF DEBT**

#### ***2001 Revenue Notes***

On January 15, 2013, the District issued \$1,230,000 in revenue refunding bonds with an interest rate of 1.86%. The proceeds were used to advance refund the \$1,375,000 outstanding balance of the 2001 revenue notes which had interest rates ranging from 3.15% to 3.9%. From the net proceeds of \$1,230,000 plus an additional \$193,778 of District funds, \$28,120 was used to pay the costs of issuance and \$1,395,658 was deposited in an irrevocable trust with an escrow agent to provide funds for the future debt service payment on the refunded revenue notes. As a result, the 2001 revenue notes are considered defeased and the liability for them has been removed from the statement of net position.

The advance refunding of the revenue notes reduced the total debt service payments over 9 years by \$108,350. The present value of the saving from cash flow, \$99,131, less prior funds on hand of \$25,000, resulted in net present value savings of \$74,131.

#### ***2007 and 2009 Unlimited Tax Bonds Refunding***

On May 21, 2019, the District issued \$9,015,000 in unlimited tax refunding bonds with an interest rate of 2.0% - 4.0%. The proceeds were used to advance refund \$1,470,000 of outstanding 2007 unlimited tax refunding bonds which had interest rates ranging from 3.15% to 4.0%; and \$8,199,242.50 was deposited in an irrevocable trust with an escrow agent to provide funds for the advance refunding of \$8,010,000 of outstanding 2009 unlimited tax refunding bonds on August 15, 2019. As a result, the 2007 and 2009 unlimited tax refunding bonds are considered defeased and the liability for those bonds has been removed from the statement of net position.

The advance refunding of the 2007 and 2009 bonds reduced the total debt service payments over 12 years by \$1,182,123. The present value of the saving from cash flow is \$1,051,373.

# ORANGE COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1

## NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2020

### **NOTE 6 – ADVANCE REFUNDING OF DEBT (CONTINUED)**

#### ***Prior Year Defeasance of Debt***

In prior years, the District defeased general obligation bonds by placing the proceeds of new bonds in an irrevocable trust account to provide for all future debt payments on those bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the District's financial statements. At June 30, 2020, 2013 Revenue Refunding Bonds of 2001 Revenue Notes in the amount of \$145,000, remain outstanding at year-end.

### **NOTE 7 – LONG-TERM DEBT**

The District issues General Obligation and Capital Appreciation bonds to provide funds for the acquisition and construction of major capital facilities. General Obligation and Capital Appreciation bonds are direct obligations and pledge the full faith and credit of the District.

The following is a schedule of the open bond series at the end of the fiscal year:

<u>Bond Series</u>	<u>Intrest Rates</u>	<u>Payable At</u>
2009 General Obligation	1.70-5.05%	Wells Fargo Bank NA, Ausitn Texas
2012 Capital Appreciation	1.20-5.30%	N/A Zero Coupon Bonds
2013 Revenue Refunding	1.86%	Bank of Texas, Houston, Texas
2019 General Obligation Refunding	2.0-4.0%	UMB Bank, N.A., Austin, Texas

Except for the revenue refunding bonds, bonds are payable from the proceeds of ad valorem taxes levied on all property subject to taxation in the District without limit as to rate or amount with no revenue pledge. Payment of the principal and interest on the bonds when due is guaranteed by a municipal bond insurance policy issued with the delivery of the bonds by MBIA Insurance Corporation. The revenue refunding bonds are payable from the District's revenues and ad valorem taxes may not be used for their repayment.

Annual debt service requirements to maturity for the bonds are as follows:

Due During Fiscal Year Ended	<u>Bonds</u>		<u>Revenue Note</u>		<u>Total</u>	<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2021	\$ 1,230,089	\$ 949,935	\$ 540,000	\$ 345,058	\$ 1,770,089	\$ 1,294,993
2022	1,434,309	636,241	710,000	327,920	2,144,309	964,161
2023	1,437,516	660,684	730,000	306,487	2,167,516	967,171
2024	1,454,048	674,552	755,000	282,715	2,209,048	957,267
2025	1,434,343	693,057	780,000	256,997	2,214,343	950,054
2026-2030	7,798,784	3,772,616	4,365,000	831,294	12,163,784	4,603,910
2031-2035	4,945,889	7,397,711	1,990,000	81,922	6,935,889	7,479,633
2036-2038	2,127,959	5,607,041	-	-	2,127,959	5,607,041
Total	<u>\$ 21,862,937</u>	<u>\$ 20,391,837</u>	<u>\$ 9,870,000</u>	<u>\$ 2,432,393</u>	<u>\$ 31,732,937</u>	<u>\$ 22,824,230</u>



# ORANGE COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1

## NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2020

### NOTE 7 – LONG-TERM DEBT (CONTINUED)

#### Changes in long-term liabilities

Long-term liability activity for the year ended June 30, 2020, was as follows:

	Interest	Amounts at Original	Beginning			Ending	Due Within
Bonds Payable:	Rate	Issue	Balance	Additions	Retirements	Balance	One Year
General Obligation							
2009	1.70%-5.05%	\$ 11,115,000	\$ 1,300,000	\$ -	\$ (600,000)	\$ 700,000	\$ 625,000
2019 Refunding	2.0%-4.0%	9,015,000	9,015,000	-	(115,000)	8,900,000	55,000
Premium - 2019 Refunding			928,980	-	(91,374)	837,606	121,028
Revenue Bonds							
2013 Refunding	1.86%	1,230,000	300,000	-	(165,000)	135,000	135,000
Capital Appreciation							
2012	1.2%-5.3%	13,999,994	12,576,527	-	(448,590)	12,127,937	415,089
Accreted Interest Payable							
2012 Unlimited Tax Bonds			5,612,254	653,165	(516,410)	5,749,009	569,911
Total Bonded Debt			29,732,761	653,165	(1,936,374)	28,449,552	1,921,028
Notes Payable							
2011 Revenue Notes	0.3%-4.1%	13,610,000	10,360,000	-	(490,000)	9,870,000	540,000
Total GASB 88 Type Debt			40,092,761	653,165	(2,426,374)	38,319,552	2,461,028
Compensated Absences Payable			120,984	262	-	121,246	-
OPEB Liability			85,879	36,805	-	122,684	-
Accrued Interest Expense			201,890	273,022	(201,890)	273,022	273,022
Customer Deposits			367,810	78,050	(59,570)	386,290	-
Total Long-Term Liabilities			<u>\$ 40,869,324</u>	<u>\$ 1,041,304</u>	<u>\$ (2,687,834)</u>	<u>\$ 39,222,794</u>	<u>\$ 2,734,050</u>

The Debt Service Fund on June 30, 2020 had combined cash, time deposits, and accrued interest amounting to \$430,831. The provisions of the bond resolutions relating to debt service requirements are being met and the cash allocated for these purposes is sufficient to meet upcoming debt service requirements for the remainder of the calendar year.

The funds in the General Funds revenue note payment accounts and the monthly deposits to them are sufficient to meet upcoming debt service requirements for the 2013 revenue refunding bonds and the 2011 revenue notes.

The required reserve account balance for the 2013 revenue refunding bonds is \$165,236 at June 30, 2020, and the actual account balance is \$173,652. The June 30, 2020, reserve requirement for the 2011 revenue note is \$953,382 and the account balance is \$1,044,789.

# ORANGE COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1

## NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2020

### NOTE 8 – PENSION PLAN

#### *Plan Description*

Orange County Water Control & Improvement District No. 1 provides retirement, disability and death benefits for all of its full-time employees through participation in the statewide Texas County and District Retirement System (TCDRS), a nontraditional defined benefit pension plan. The Board of Trustees of TCDRS is responsible for the administration of the statewide agent multiple-employer public employee retirement system consisting of 798 nontraditional defined benefit pension plans. TCDRS in the aggregate issues a comprehensive annual financial report (CAFR) on a calendar year basis. The CAFR is available upon written request from the TCDRS Board of Trustees at P.O. Box 2034, Austin, Texas 78768-2034.

The Plan provisions are adopted by the governing body of the employer, within the options available in the Texas state statutes governing TCDRS (TCDRS Act). Members can retire at ages 60 and above with 8 or more years of service or with 30 years regardless of age, or when the sum of their age and years of service equals 75 or more. Members are vested after 8 years of service but must leave their accumulated contributions in the plan to receive any employer-financed benefit. Members who withdraw their personal contributions in a lump sum are not entitled to any amounts contributed by their employer.

Benefit amounts are determined by sum of the employee's contributions to the plan, with interest, and employer-financed monetary credits. The level of those monetary credits is adopted by the governing body of the employer within the actuarial constraints imposed by the TCDRS Act so that the resulting benefits can be expected to be adequately financed by the employer's commitment to contribute. At retirement, death or disability, the benefit is calculated by converting the sum of the employee's accumulated contributions and the employer-financed monetary credits to a monthly annuity using annuity purchase rates prescribed by the TCDRS Act.

At June 30, 2020, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	10
Inactive employees entitled to but not yet receiving benefits	10
Active employees	<u>33</u>
	<u>53</u>

# ORANGE COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1

## NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2020

### **NOTE 8 – PENSION PLAN (CONTINUED)**

#### ***Funding Policy***

The employer has elected the annually determined contribution rate (ADCR) plan provisions of the TCDRS Act. The plan is funded by monthly contributions from both employee members and the employer based on the covered payroll of employee members. Under the TCDRS Act, the contribution rate of the employer is actuarially determined annually.

The employer contributed using the actuarially determined rate of 6.26% for the months of the accounting year in 2019 and 5.81% for the months of the accounting year in 2020. The contribution rate payable by the employee members for calendar years 2019 and 2020 is the rate of 7.00%, as adopted by the governing body of the employer. The employee contribution rate and the employer contribution rate may be changed by the governing body of the employer within the options available in the TCDRS Act.

#### ***Annual Pension Cost***

For the employer's accounting year ended June 30, 2020, the annual pension cost for the TCDRS plan for its employees was \$119,598 and the actual contribution was \$105,877. The required contribution was determined as part of the December 31, 2019 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at December 31, 2019 included (a) 8.0 percent investment rate of return (net of administrative expenses) and (b) projected salary increases of 4.9 percent. Both (a) and (b) included an inflation component of 2.75 percent. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period. The unfunded actuarial accrued liability is being amortized as a level percentage of covered payroll basis over a closed period with a layered approach.

#### ***Net Pension Liability (Asset)***

	December 31, 2018	December 31, 2019
Total pension liability	\$ 3,590,065	\$ 3,956,557
Fiduciary net position	<u>3,382,926</u>	<u>4,036,217</u>
Net pension liability / (asset)	<u>\$ 207,139</u>	<u>\$ (79,660)</u>
Fiduciary net position as a % of total pension liability	94.23%	102.01%
Pensionable covered payroll <sup>(1)</sup>	\$ 1,489,257	\$ 1,761,843
Net pension liability as a % of covered payroll	13.91%	-4.52%

<sup>(1)</sup> Payroll is calculated based on contributions as reported to TCDRS.

# ORANGE COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1

## NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2020

### **NOTE 8 –PENSION PLAN (CONTINUED)**

The total pension liability was determined by an actuarial valuation as of the valuation date, calculated based on the discount rate and actuarial assumptions below.

#### ***Discount Rate***

	<b>December 31, 2018</b>	<b>December 31, 2019</b>
Discount rate <sup>(2)</sup>	8.10%	8.10%
Long-term expected rate of return, net of investment expenses <sup>(2)</sup>	8.10%	8.10%
Municipal bond rate <sup>(3)</sup>	Does not apply	Does not apply

<sup>(2)</sup> This rate reflects the long-term rate of return funding valuation assumption of 8.00%, plus 0.10% adjustment to be gross of administrative expenses required by GASB 68.

<sup>(3)</sup> The plan's fiduciary net position is projected to be available to make all projected future benefit payments of current active, inactive and retired members. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return, and the municipal bond rate does not apply.

#### ***Other Key Actuarial Assumptions***

All actuarial assumptions that determined the total pension liability as of December 31, 2019 were based on the results of an actuarial experience study for the period January 1, 2013 – December 31, 2016, except where required to be different by GASB 68.

	<b>Beginning Date</b>	<b>Ending Date</b>
Valuation date	December 31, 2018	December 31, 2019
Measurement date	December 31, 2018	December 31, 2019
Reporting date	July 1, 2019	June 30, 2020

# ORANGE COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1

## NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2020

### **NOTE 8 –PENSION PLAN (CONTINUED)**

#### ***Actuarial Methods and Assumptions Used for GASB Calculations***

Valuation Timing	Actuarially determined contribution rates are calculated on a calendar year basis as of December 31, two years prior to the end of the fiscal year in which contributions are reported.
Actuarial Cost Method	Entry Age Normal <sup>(1)</sup>
Amortization Method	
Recognition of economic/demographic gains or losses	Straight-Line amortization over Expected Working Life
Recognition of assumptions changes or inputs	Straight-Line amortization over Expected Working Life
Asset Valuation Method	
Smoothing period	5 years
Recognition method	Non-asymptotic
Corridor	None
Inflation	2.75%
Salary Increases	Varies by age and service. 4.9% average over career including inflation.
Investment Rate of Return	8.1% (Gross of administrative expenses)
Cost-of-Living Adjustments	Cost-of-Living Adjustments for Orange County Water Control and Improvement District #1 are not considered to be substantively automatic under GASB 68. Therefore, no assumption for future cost-of-living adjustments is included in the GASB calculations. No assumption for future cost-of-living adjustments is included in the funding valuation.
Retirement Age	60 and above
Mortality	130% of the RP-2014 Healthy Annuitant Mortality Table for males and 110% of the RP-2014 Healthy Annuitant Mortality Table for females, both projected with 110% of the MP-2014 Ultimate scale after 2014.

<sup>(1)</sup> Individual entry age normal cost method, as required by GASB 68, used for GASB calculations. Note that a slightly different version of the entry age normal cost method is used for the funding actuarial valuation.

# ORANGE COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1

## NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2020

### NOTE 8 – PENSION PLAN (CONTINUED)

#### *Long-term Expected Rate of Return*

The Long-term expected rate of return on TCDRS assets is determined by adding expected inflation to expected long-term real returns, and reflecting expected volatility and correlation. The capital market assumptions and information shown below are provided by TCDRS' investment consultant, Cliffwater LLC. The numbers shown are based on April 2020 information for a 10-year time horizon.

Note that the valuation assumption for long-term expected return is re-assessed at a minimum of every four years, and is set based on a 30-year time horizon; the most recent analysis was performed in 2017.

Asset Class	Benchmark	Target Allocation <sup>(1)</sup>	Geometric Real Rate of Return (Expected minus Inflation) <sup>(2)</sup>
US Equities	Dow Jones U.S. Total Stock Market Index	14.50%	5.20%
Private Equity	Cambridge Associates Global Private Equity & Venture Capital Index <sup>(3)</sup>	20.00%	8.20%
Global Equities	MSCI World (net) Index	2.50%	5.50%
Int'l Equities - Developed Markets	MSCI World Ex USA (net) index	7.00%	5.20%
Int'l Equities - Emerging Markets	MSCI Emerging Markets (net) Index	7.00%	5.70%
Investment - Grade Bonds	Bloomberg Barclays U.S. Aggregate Bond Index	3.00%	-2.00%
Strategic Credit	FTSE High-Yield Cash-Pay Capped Index	12.00%	3.14%
Direct Lending	S&P/LSTA Leveraged Loan Index	11.00%	7.16%
Distressed Debt	Cambridge Assoc. Distressed Securities Index <sup>(4)</sup>	4.00%	6.90%
REIT Equities	67% FTSE NAREIT All Equity REITs Index + 33% S&P Global REIT (net) Index	3.00%	4.50%
Master Limited Partnership (MLPs)	Alerian MLP Index	2.00%	8.40%
Private Real Estate Partnerships	Cambridge Associates Real Estate Index <sup>(5)</sup>	6.00%	5.50%
Hedge Funds	Hedge Fund Research, Inc. (HFRI) Fund of Funds Composite Index	8.00%	2.30%

<sup>(1)</sup> Target asset allocation adopted at the June 2020 TCDRS Board Meeting.

<sup>(2)</sup> Geometric real rates of return equal the expected return minus the assumed inflation rate of 1.80%, per Cliffwater's 2020 capital market assumptions.

<sup>(3)</sup> Includes vintage years 2006-present of Quarter Pooled Horizon IRRs.

<sup>(4)</sup> Includes vintage years 2005-present of Quarter Pooled Horizon IRRs.

<sup>(5)</sup> Includes vintage years 2007-present of Quarter Pooled Horizon IRRs.

# ORANGE COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1

## NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2020

### NOTE 8 –PENSION PLAN (CONTINUED)

#### *Changes in Net Pension Liability/ (Asset)*

	Total Pension Liability (a)	Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balances as of December 31, 2018	\$ 3,590,065	\$ 3,382,926	\$ 207,139
Changes for the year:			
Service Cost	185,603	-	185,603
Interest on total pension liability <sup>(1)</sup>	300,406	-	300,406
Effect of plan changes <sup>(2)</sup>	-	-	-
Effect of economic/demographic gains or losses	17,058	-	17,058
Effect of assumptions changes or inputs	-	-	-
Refund of contributions	(4,789)	(4,789)	-
Benefit payments	(131,786)	(131,786)	-
Administrative expenses	-	(3,076)	3,076
Member contributions	-	123,329	(123,329)
Net Investment income	-	555,445	(555,445)
Employer contributions	-	110,283	(110,283)
Other <sup>(3)</sup>	-	3,885	(3,885)
Balances as of December 31, 2019	<u>\$ 3,956,557</u>	<u>\$ 4,036,217</u>	<u>\$ (79,660)</u>

<sup>(1)</sup> Reflects the change in the liability due to the time value of money. TCERS does not charge fees or interest.

<sup>(2)</sup> No plan changes valued.

<sup>(3)</sup> Relates to allocation of system-wide items.

# ORANGE COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1

## NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2020

### NOTE 8 –PENSION PLAN (CONTINUED)

#### *Sensitivity Analysis*

The following presents the net pension liability of the county/district, calculated using the discount rate of 8.10%, as well as what the Orange County Water Control & Improvement District No. 1 net pension liability would be if it were calculated using a discount rate that is 1 percent point lower (7.10%) or 1 percent higher (9.10)% than the current rate.

	1% Decrease 7.10%	Current Discount Rate 8.10%	1% Increase 9.10%
Total pension liability	\$ 4,480,702	\$ 3,956,557	\$ 3,513,914
Fiduciary net position	<u>4,036,217</u>	<u>4,036,217</u>	<u>4,036,217</u>
Net pension liability / (asset)	<u>\$ 444,485</u>	<u>\$ (79,660)</u>	<u>\$ (522,303)</u>

#### *Pension Expense/ (Income)*

	January 1, 2019 to December 31, 2019
Service cost	\$ 185,603
Interest on total pension liability <sup>(1)</sup>	300,406
Effect on plan changes	-
Administrative expenses	3,076
Member contributions	(123,329)
Expected investment return net of investment expenses	(277,903)
Recognition of deferred inflows/outflows of resources	
Recognition of economic/demographic gains or losses	7,955
Recognition of assumption changes or inputs	6,016
Recognition of investment gains or losses	21,659
Other <sup>(2)</sup>	<u>(3,885)</u>
Pension expense / (income)	<u>\$ 119,598</u>

<sup>(1)</sup> Reflects the change in the liability due to the time value of money. TCERS does not charge fees or interest.

<sup>(2)</sup> Relates to allocation of system-wide items.



# ORANGE COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1

## NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2020

### NOTE 8 –PENSION PLAN (CONTINUED)

#### *Deferred Inflows/ Outflows of Resources*

As of June 30, 2020, the deferred inflow and outflow resources are as follows:

	Deferred Inflows of Resources	Deferred Outflows of Resources
Differences between expected and actual experience	\$ 46,756	\$ 63,083
Changes of assumption	-	16,379
Net difference between projected and actual earnings	89,661	-
Contributions made subsequent to measurement date	n/a	47,556
	<u>\$ 136,417</u>	<u>\$ 127,018</u>

Amounts currently reported as deferred outflows of resources and deferred inflow of resources related to pensions, excluding contributions made subsequent to the measurement date, will be recognized in pension expense as follows:

Year ended December 31:

2020	\$ (7,278)
2021	(12,836)
2022	21,891
2023	(54,344)
2024	(6,824)
Thereafter	2,436

### NOTE 9 –OTHER REQUIRED INDIVIDUAL FUND DISCLOSURES

Generally accepted accounting principles require disclosure, as part of the basic financial statements, of certain information concerning individual funds including the following:

In the General Fund, actual expenditures exceeded the budget by the following amounts:

	Amount	Percent of Line Item
Salaries, Benefits and Payroll Taxes	\$ (22,415)	1.0%
Administrative Expenses	(19,525)	9.1%
Capital Outlay	<u>(9,546)</u>	13.7%
Total Budget	<u>\$ (51,486)</u>	9.9%

# ORANGE COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1

## NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2020

### **NOTE 10 – COMMITMENTS AND CONTINGENCIES**

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 obtains insurance coverage through commercial insurance carriers. Workers' compensation and auto liability insurance are covered through participation in a public entity risk pool, where risk is transferred to the pool within policy limits purchased. There have been no significant reductions in insurance coverage from the preceding year and settlement amounts have not exceeded insurance coverage for the current year.

### **NOTE 11 – TEXAS WATER DEVELOPMENT BOARD PRINCIPAL FORGIVENESS AGREEMENT**

On January 22, 2019, the Texas Water Development Board approved the District's Project No. 73825 for \$500,000 from the Clean Water State Revolving Fund with 100 percent of the loan to be forgiven. The \$500,000 was deposited into an escrow account controlled by the Texas Water Development Board. Money is transferred from the escrow account to the District's account as project milestones are achieved and approved by the Texas Water Development Board. Interest income is credited to the escrow account and is used for payment before principal. The unspent balance in the escrow account of \$482,364 is shown as restricted cash. Unearned revenue at June 30, 2020 for this project is \$461,889. Project activity through June 30, 2020 is shown below:

	<u>6/30/2019</u>	<u>6/30/2020</u>	<u>Total</u>
Escrow balance Beginning of Year	\$ -	\$ 492,110	\$ -
TWDB Deposit to escrow account	500,000	-	500,000
Interest Income	1,745	5,945	7,690
Project milestones transferred to the District	<u>(9,635)</u>	<u>(15,691)</u>	<u>(25,326)</u>
Escrow balance End of Year	<u>\$ 492,110</u>	<u>\$ 482,364</u>	<u>\$ 482,364</u>
Less End of Year Accounts Payable		<u>(20,475)</u>	<u>(20,475)</u>
Unearned revenue		<u>\$ 461,889</u>	<u>\$ 461,889</u>

# ORANGE COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1

## NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2020

### **NOTE 12 – COVID-19**

The coronavirus pandemic (COVID-19) has impacted numerous sectors of the economy, and many businesses are suffering downturns and the long-term economic consequences remain unknown. The spread of COVID-19 has severely impacted many local economies and some businesses are being forced to cease or limit operations for long or indefinite periods of time. Measures taken to contain the spread of the virus, including travel bans, quarantines, social distancing, and closures of nonessential services have triggered significant disruptions to businesses worldwide, resulting in an economic slowdown. Stock markets have also experienced great volatility and a significant weakening. Government and central banks have responded with monetary and fiscal interventions to stabilize economic conditions.

The statement of net position and statement of activities as of and for the year ended June 30, 2020 have not been adjusted to reflect the impact of the pandemic. The duration and impact of the COVID-19 pandemic, as well as the effectiveness of government and central bank responses, remains unclear at this time. It is not possible to reliably estimate the duration and severity of these consequences, as well as their impact on the financial position and results of the District for future periods.

## **REQUIRED SUPPLEMENTARY INFORMATION**

# ORANGE COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1

## SCHEDULE OF CHANGES IN EMPLOYER'S NET PENSION LIABILITY AND RELATED RATIOS FOR THE YEAR ENDED JUNE 30, 2020

	Year Ended December 31, 2019	Year Ended December 31, 2018	Year Ended December 31, 2017
Total Pension Liability			
Service cost	\$ 185,603	\$ 147,806	\$ 124,504
Interest on total pension liability	300,406	269,777	243,472
Effect of plan changes	-	119,853	-
Effect of assumption changes or inputs	-	-	15,212
Effect of economic/demographic (gains) or losses	17,058	(64,815)	40,659
Benefit payments/refunds of contributions	<u>(136,574)</u>	<u>(128,153)</u>	<u>(116,871)</u>
Net change in total pension liability	366,493	344,468	306,976
Total pension liability, beginning	<u>3,590,065</u>	<u>3,245,597</u>	<u>2,938,621</u>
Total pension liability, ending (a)	<u>3,956,558</u>	<u>3,590,065</u>	<u>3,245,597</u>
Fiduciary Net Position			
Employer contributions	110,283	56,294	47,633
Member contributions	123,329	104,248	95,265
Investment income net of investment expenses	555,445	(63,263)	432,303
Benefit payments/refunds of contributions	(136,574)	(128,153)	(116,871)
Administrative expenses	(3,076)	(2,717)	(2,271)
Other	<u>3,885</u>	<u>1,308</u>	<u>327</u>
Net change in fiduciary net position	653,292	(32,283)	456,386
Fiduciary net position, beginning	<u>3,382,926</u>	<u>3,415,209</u>	<u>2,958,823</u>
Fiduciary net position, ending (b)	<u>4,036,218</u>	<u>3,382,926</u>	<u>3,415,209</u>
Net pension liability / (asset), ending = (a) - (b)	<u>\$ (79,660)</u>	<u>\$ 207,139</u>	<u>\$ (169,612)</u>
Fiduciary net position as a % of total pension liability	102.01%	94.23%	105.23%
Pensionable covered payroll	\$ 1,761,843	\$ 1,489,257	\$ 1,360,927
Net pension liability as a % of covered payroll	-4.52%	13.91%	-12.46%

Year Ended December 31, 2016	Year Ended December 31, 2015	Year Ended December 31, 2014
\$ 122,477	\$ 101,557	\$ 103,617
215,074	197,203	180,582
-	(17,589)	-
56,100	26,900	-
-	(1,604)	8,286
<u>(98,503)</u>	<u>(84,829)</u>	<u>(96,633)</u>
295,148	221,638	195,852
<u>2,643,473</u>	<u>2,421,835</u>	<u>2,225,983</u>
<u>2,938,621</u>	<u>2,643,473</u>	<u>2,421,835</u>
50,942	45,340	49,669
114,310	74,328	75,419
197,926	1,695	165,930
(98,503)	(84,829)	(96,633)
(2,150)	(1,909)	(1,952)
<u>28,507</u>	<u>6,726</u>	<u>664</u>
291,032	41,351	193,097
<u>2,667,791</u>	<u>2,626,440</u>	<u>2,433,343</u>
<u>2,958,823</u>	<u>2,667,791</u>	<u>2,626,440</u>
<u>\$ (20,202)</u>	<u>\$ (24,318)</u>	<u>\$ (204,605)</u>
100.69%	100.92%	108.45%
\$ 1,235,678	\$ 1,061,834	\$ 1,077,414
-1.63%	-2.29%	-18.99%

# ORANGE COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1

## SCHEDULE OF EMPLOYER CONTRIBUTIONS FOR THE YEAR ENDED JUNE 30, 2020

<u>Year Ending December 31,</u>	<u>Actuarially Determined Contribution</u>	<u>Actual Employer Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Pensionable Covered Payroll<sup>(1)</sup></u>	<u>Actual Contribution as a % of Covered Payroll</u>
2010	\$ 32,191	\$ 32,191	\$ -	\$ 972,546	3.3%
2011	36,287	36,287	-	1,045,735	3.5%
2012	42,031	42,031	-	1,091,718	3.8%
2013	47,052	47,052	-	1,131,051	4.2%
2014	49,669	49,669	-	1,077,414	4.6%
2015	45,340	45,340	-	1,061,834	4.3%
2016	50,910	50,942	(32)	1,235,678	4.1%
2017	47,633	47,633	-	1,360,927	3.5%
2018	56,294	56,294	-	1,489,257	3.8%
2019	110,283	110,283	-	1,761,843	6.3%

*(1) Payroll is calculated based on contribution as reported to TCDRS*

# ORANGE COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1

## SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND FOR THE YEAR ENDED JUNE 30, 2020

	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or Negative
	Original	Final		
<b>REVENUES:</b>				
Water Services	\$ 1,728,780	\$ 1,728,780	\$ 1,674,355	\$ (54,425)
Sewer Services	1,664,780	1,664,780	1,663,889	(891)
Other Service Fees	99,400	99,400	90,135	(9,265)
FEMA Funding	-	-	7,667	7,667
Investment Earnings	45,000	45,000	29,375	(15,625)
Revenue Note Collections	1,020,000	1,020,000	1,015,948	(4,052)
Other Revenue	112,500	112,500	141,238	28,738
Total Revenues	<u>4,670,460</u>	<u>4,670,460</u>	<u>4,622,607</u>	<u>(47,853)</u>
<b>EXPENDITURES</b>				
Current:				
General Government:				
Water and Sewer Service	845,600	845,600	827,792	17,808
Salaries, Benefits and Payroll Taxes	2,298,560	2,298,560	2,320,975	(22,415)
Professional Fees	81,500	81,500	41,457	40,043
Administrative Expenses	215,000	215,000	234,525	(19,525)
Other	41,200	41,200	40,679	521
Debt Service				
Bond Principal	655,000	655,000	655,000	-
Bond Interest and Fiscal Charges	365,100	365,100	364,238	862
Capital Outlay:				
Capital Outlay	<u>69,500</u>	<u>69,500</u>	<u>79,046</u>	<u>(9,546)</u>
Total Expenditures	<u>4,571,460</u>	<u>4,571,460</u>	<u>4,563,712</u>	<u>7,748</u>
Excess (Deficiency) of Revenues				
Over (Under) Expenditures	<u>99,000</u>	<u>99,000</u>	<u>58,895</u>	<u>(40,105)</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers In	1,000	1,000	200,000	199,000
Transfers Out (Use)	<u>(100,000)</u>	<u>(100,000)</u>	<u>(100,000)</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>(99,000)</u>	<u>(99,000)</u>	<u>100,000</u>	<u>199,000</u>
Net Change in Fund Balances	-	-	158,895	158,895
Fund Balance - July 1 (Beginning)	<u>3,292,912</u>	<u>3,292,912</u>	<u>3,292,912</u>	<u>-</u>
Fund Balance - June 30 (Ending)	<u>\$ 3,292,912</u>	<u>\$ 3,292,912</u>	<u>\$ 3,451,807</u>	<u>\$ 158,895</u>



## **TEXAS SUPPLEMENTARY INFORMATION**

# **ORANGE COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1**

## **NOTES REQUIRED BY THE TEXAS COMMISSION ON ENVIRONMENTAL QUALITY**

### **Note A – Creation of District**

See the General Statement in Note 1 to the Financial Statements.

### **Note B – Contingent Liabilities**

The District has no contingent liabilities. See Note 10 to the Financial Statement

### **Note C – Pension Coverage**

See Schedule of Funding Progress.

### **Note D – Pledge of Revenues**

See Note 7 to the Financial Statements.

### **Note E – Compliance with Debt Service Requirements**

See Note 7 to the Financial Statements.

### **Note F – Bond Redemption**

See Note 6 to the Financial Statements.

# ORANGE COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1

## SCHEDULE OF SERVICES AND RATES FOR THE YEAR ENDED JUNE 30, 2020

### 1) SERVICES PROVIDED BY DISTRICT:

☒ Retail Water      ☐ Wholesale Water      ☐ Drainage  
☒ Retail Wastewater      ☐ Wholesale Wastewater      ☐ Irrigation  
☐ Parks/recreation      ☐ Fire Protection      ☐ Security  
☐ Solid Waste      ☐ Flood Control      ☐ Roads  
☐ Participates in joint venture, regional system, and/or wastewater service  
     (other then emergency interconnect)  
☐ Other (specify): \_\_\_\_\_

### 2) RETAIL RATES BASED ON 5/8" METER:

	Residential Minimum Charge	Residential Minimum Usage	Flat Rate Y/N	Rate per 100 Gallons over Minimum Use	Usage Levels
Water:	\$ 14.17	2,000	N	\$ 0.31	2,000 Gal & Over
Wastewater:	\$ 17.01	2,000	N	\$ 0.31	2,000 Gal & Over
Surcharge:	\$ -	-	-	\$ -	-

Total Charges per 10,000 gallons usage:      Water: \$38.97      Sewer: \$41.81

	Commercial Minimum Charge	Commercial Minimum Usage	Flat Rate Y/N	Rate per 1000 Gallons over Minimum Use	Usage Levels
Water:	\$ 15.91	2,000	N	\$ 0.34	2,000 Gal & Over
Wastewater:	\$ 19.10	2,000	N	\$ 0.34	2,000 Gal & Over
Surcharge:	\$ -	-	-	\$ -	-

Total Charges per 10,000 gallons usage:      Water: \$43.19      Sewer: \$46.38  
 District employs winter averaging for wastewater usage?      Yes\_\_\_ No X

Water and Wastewater Retail connections:

Meter Size	Total Connections	Active Connections	ESFC Factor	Active ESFC'S
Unmetered		22	1.0	22
< = 3/4"		4,695	1.0	4,695
1"		65	2.5	163
1 1/2"		32	5.0	160
2"		32	8.0	256
3"		1	16.0	16
4"		1	25.0	25
6"		7	50.0	Firelines
8"		5	80.0	Firelines
10"		-	115.0	-
Total Water		4,860		5,337
Total Wastewater		4,168	1.0	4,168

### 3) TOTAL WATER CONSUMPTION DURING THE FISCAL YEAR (ROUNDED TO THE NEAREST THOUSAND):

Gallons pumped into system:	436,938,000	Water Accountability Ratio:
Gallons billed to customers	273,639,300	(Gallons billed/Gallons pumped)
		63%

# ORANGE COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1

## SCHEDULE OF GENERAL FUND EXPENDITURES FOR THE YEAR ENDED JUNE 30, 2020

Personnel Expenditures (Including benefits)*	\$ 2,033,984
Professional fees:	
Engineering	6,857
Accounting	16,500
Legal	18,100
Utilities	268,318
Repairs and Maintenance	396,469
Administrative Expenditures	
Office Expense	42,904
Insurance	309,448
Capital Outlay	79,046
Solid Waste Disposal	31,876
Plant Operations	341,672
Debt Service and Reserve	<u>1,018,538</u>
Total Expenditures	<u>\$ 4,563,712</u>

\*Number of persons employed by the District: 30 Full-Time, and 2 Part-Time

# **ORANGE COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1**

## **SCHEDULE OF TEMPORARY INVESTMENTS JUNE 30, 2020**

As of June 30, 2020, the District had no reportable temporary investments.

# ORANGE COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1

## ANALYSIS OF TAXES LEVIED AND RECEIVABLE JUNE 30, 2020

Taxes Receivable, Beginning of Year	\$	513,104
2019 Original Tax Levy		2,114,764
Plus (Less): Net adjustments		<u>(23,888)</u>
Total to be Accounted for		2,603,980
Tax Collections:		
Current Year	\$	1,942,280
Prior Years		<u>92,357</u>
Total Collections		<u>2,034,637</u>
Taxes Receivable, End of Year	\$	<u>569,343</u>

Property valuations	2019	2018	2017	2016
Land	\$ 95,520,906	\$ 95,124,058	\$ 95,225,496	\$ 92,227,971
Improvements	456,576,992	390,486,428	403,603,853	385,025,221
Personal Property	60,125,643	51,825,659	48,324,110	45,319,413
Less Exemptions	<u>(105,098,169)</u>	<u>(100,677,056)</u>	<u>(63,973,620)</u>	<u>(59,833,765)</u>
TOTAL	<u>\$ 507,125,372</u>	<u>\$ 436,759,089</u>	<u>\$ 483,179,839</u>	<u>\$ 462,738,840</u>
Tax rate per \$100 Valuation (All Debt Service)	0.4170%	0.4106%	0.3596%	0.3889%
Original Tax Levy	<u>\$ 2,114,764</u>	<u>\$ 1,793,479</u>	<u>\$ 1,737,707</u>	<u>\$ 1,799,360</u>
Percent of Taxes Collected to Taxes Levied	91.84%	91.76%	92.14%	92.11%

NOTE: Debt service taxes are the only taxes levied by the District.

# ORANGE COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1

## GENERAL LONG - TERM DEBT SERVICE REQUIREMENTS BY YEAR JUNE 30, 2020

Due During Fiscal Years Ending June 30,	Series 2009 Bonds		Total Principal and Interest
	Principal	Interest	
2021	\$ 625,000	\$ 28,463	\$ 653,463
2022	75,000	3,150	78,150
	<u>\$ 700,000</u>	<u>\$ 31,613</u>	<u>\$ 731,613</u>

Due During Fiscal Years Ending June 30,	Series 2013 Revenue Refunding Bonds		Total Principal and Interest
	Principal	Interest	
2021	\$ 135,000	\$ 2,511	\$ 137,511
	<u>\$ 135,000</u>	<u>\$ 2,511</u>	<u>\$ 137,511</u>

Due During Fiscal Years Ending June 30,	Series 2019 Unlimited Tax Refunding Bonds		Total Principal and Interest
	Principal	Interest	
2021	\$ 55,000	\$ 349,050	\$ 404,050
2022	640,000	347,400	987,400
2023	740,000	328,200	1,068,200
2024	780,000	298,600	1,078,600
2025	790,000	267,400	1,057,400
2026	940,000	235,800	1,175,800
2027	985,000	198,200	1,183,200
2028	1,020,000	158,800	1,178,800
2029	1,060,000	118,000	1,178,000
2030	925,000	75,600	1,000,600
2031	965,000	38,600	1,003,600
	<u>\$ 8,900,000</u>	<u>\$ 2,415,650</u>	<u>\$ 11,315,650</u>

# ORANGE COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1

## GENERAL LONG - TERM DEBT SERVICE REQUIREMENTS BY YEAR JUNE 30, 2020

<u>Series 2012 Capital Appreciation Bonds</u>		
<u>Due During Fiscal Years Ending June 30,</u>	<u>Total Maturity Value Due</u>	<u>Total Due</u>
2021	\$ 985,000	\$ 985,000
2022	1,005,000	1,005,000
2023	1,030,000	1,030,000
2024	1,050,000	1,050,000
2025	1,070,000	1,070,000
2026	1,090,000	1,090,000
2027	1,110,000	1,110,000
2028	1,135,000	1,135,000
2029	1,160,000	1,160,000
2030	1,360,000	1,360,000
2031	1,385,000	1,385,000
2032	2,455,000	2,455,000
2033	2,475,000	2,475,000
2034	2,500,000	2,500,000
2035	2,525,000	2,525,000
2036	2,550,000	2,550,000
2037	2,580,000	2,580,000
2038	2,605,000	2,605,000
	<u>\$ 30,070,000</u>	<u>\$ 30,070,000</u>



# ORANGE COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1

## GENERAL LONG - TERM DEBT SERVICE REQUIREMENTS BY YEAR JUNE 30, 2020

Due During Fiscal Years Ending June 30,	Annual Requirements for All Series		
	Total Principal Due	Total Interest Due	Total Principal and Interest Due
2021	\$ 1,800,000	\$ 380,024	\$ 2,180,024
2022	1,720,000	350,550	2,070,550
2023	1,770,000	328,200	2,098,200
2024	1,830,000	298,600	2,128,600
2025	1,860,000	267,400	2,127,400
2026	2,030,000	235,800	2,265,800
2027	2,095,000	198,200	2,293,200
2028	2,155,000	158,800	2,313,800
2029	2,220,000	118,000	2,338,000
2030	2,285,000	75,600	2,360,600
2031	2,350,000	38,600	2,388,600
2032	2,455,000	-	2,455,000
2033	2,475,000	-	2,475,000
2034	2,500,000	-	2,500,000
2035	2,525,000	-	2,525,000
2036	2,550,000	-	2,550,000
2037	2,580,000	-	2,580,000
2038	2,605,000	-	2,605,000
	<u>\$ 39,805,000</u>	<u>\$ 2,449,774</u>	<u>\$ 42,254,774</u>

# ORANGE COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1

## ANALYSIS OF CHANGES IN LONG-TERM BONDED DEBT FOR THE YEAR ENDED JUNE 30, 2020

	Series 2009	Series 2012 CAB	Series 2013 Rev. Bond	Series 2019	Total
Interest rates	1.70% - 5.05%	1.20% - 5.30%	1.86%	2% - 4%	
Dates interest payable	8/17 - 2/18	8/17 - 2/18	8/17 - 2/18	02/20 - 02/31	
Maturity dates	2031	2038	2021	2031	
Bonds outstanding, beginning of current period	\$ 1,300,000	\$ 18,188,781	\$ 300,000	\$ 9,015,000	\$ 28,803,781
New bond proceeds	-	-	-	-	-
Interest accreted on CAB's	-	653,165	-	-	653,165
Retirements, principal	<u>600,000</u>	<u>965,000</u> (a)	<u>165,000</u>	<u>115,000</u>	<u>1,845,000</u>
Bonds outstanding, end of current period	<u>\$ 700,000</u>	<u>\$ 17,876,946</u>	<u>\$ 135,000</u>	<u>\$ 8,900,000</u>	<u>\$ 27,611,946</u>
Interest paid during current period	<u>\$ 51,562</u>	<u>\$ -</u> (a)	<u>\$ 5,580</u>	<u>\$ 263,513</u>	<u>\$ 320,655</u>
Bond authority	Revenue Notes	Revenue Bonds	Tax Bonds	Totals	
Amount authorized by voters	\$ -	\$ 1,230,000	\$ 34,129,994	\$ 35,359,994	
Amount authorized by board	13,610,000	-	-	13,610,000	
Amount issued	13,610,000	1,230,000	34,129,994	48,969,994	
Remaining to be issued	-	-	-	-	
Debt service fund cash and temporary investment balances as of June 30, 2020	-	-	430,831	430,831	
Average annual debt service payment (principal and interest) for remaining term of all debt				\$ 3,030,954	

(a) CAB retirements include original principal and accreted interest.

# ORANGE COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1

## COMPARATIVE STATEMENT OF REVENUES AND EXPENDITURES – GENERAL FUND FOR THE YEAR ENDED JUNE 30, 2020

	AMOUNTS					PERCENTAGE OF FUND REVENUES				
	2020	2019	2018	2017	2016	2020	2019	2018	2017	2016
GENERAL FUND REVENUES										
Service Revenues	\$ 3,395,627	\$ 2,938,709	\$ 2,757,550	\$ 2,994,770	\$ 3,093,332	73.5%	67.9%	69.8%	71.4%	72.6%
Tap connection fees	54,181	55,157	70,579	39,652	34,754	1.2%	1.3%	1.8%	0.9%	0.8%
Interest on Temporary investments	29,375	46,664	29,319	13,455	4,128	0.6%	1.1%	0.7%	0.3%	0.1%
Revenue Note Collections	1,015,948	1,018,122	970,067	1,036,043	1,031,645	22.0%	23.5%	24.6%	24.7%	24.2%
Other	127,476	270,787	121,090	107,620	96,964	2.8%	6.3%	3.1%	2.6%	2.3%
TOTAL GENERAL FUND REVENUES	4,622,607	4,329,439	3,948,605	4,191,540	4,260,823	100.0%	100.0%	100.0%	100.0%	100.0%
GENERAL FUND EXPENDITURES										
Bad debts	3,874	13,087	43,796	252,955	456	0.1%	0.3%	1.1%	6.0%	0.0%
Chemicals	29,663	23,955	15,804	32,289	35,235	0.6%	0.6%	0.4%	0.8%	0.8%
Employee retirement	105,914	82,048	53,019	50,334	64,259	2.3%	1.9%	1.3%	1.2%	1.5%
Engineering	6,857	5,540	33,025	22,895	38,225	0.1%	0.1%	0.8%	0.5%	0.9%
Fuel and lubricants	48,191	56,428	39,825	28,417	25,079	1.0%	1.3%	1.0%	0.7%	0.6%
Grinder Installations	62,513	162,938	76,136	83,380	94,951	1.4%	3.8%	1.9%	2.0%	2.2%
Insurance	309,448	328,812	276,531	249,045	243,474	6.7%	7.6%	7.0%	5.9%	5.7%
Interest	363,538	377,647	389,939	400,001	408,091	7.9%	8.7%	9.9%	9.5%	9.6%
Legal and auditing	34,600	30,780	33,874	40,050	34,733	0.7%	0.7%	0.9%	1.0%	0.8%
Maintenance & repair - Equipment	31,625	37,479	24,287	27,367	22,229	0.7%	0.9%	0.6%	0.7%	0.5%
Maintenance & repair - Water & Sewer	303,450	218,054	219,493	158,976	156,556	6.6%	5.0%	5.6%	3.8%	3.7%
Maintenance & repair - Bldg & Office Eq.	61,394	78,896	50,663	59,109	39,062	1.3%	1.8%	1.3%	1.4%	0.9%
Other	169,745	168,058	148,233	126,364	139,702	3.7%	3.9%	3.8%	3.0%	3.3%
Payroll taxes	140,015	128,372	117,849	96,205	103,147	3.0%	3.0%	3.0%	2.3%	2.4%
Postage	24,800	26,941	23,439	25,254	24,593	0.5%	0.6%	0.6%	0.6%	0.6%
Printing & office supplies	42,904	86,200	63,845	49,246	78,763	0.9%	2.0%	1.6%	1.2%	1.8%
Salaries & wages	1,788,055	1,679,541	1,463,229	1,277,309	1,310,046	38.7%	38.8%	37.1%	30.5%	30.7%
Utilities	268,318	250,421	251,115	263,446	260,737	5.8%	5.8%	6.4%	6.3%	6.1%
Capital outlay	79,046	68,707	106,785	119,530	63,624	1.7%	1.6%	2.7%	2.9%	1.5%
Principal retirement	655,000	645,000	635,000	620,000	615,000	14.2%	14.9%	16.1%	14.8%	14.4%
TCEQ & Department of Health	34,762	37,761	36,426	36,056	34,655	0.8%	0.9%	0.9%	0.9%	0.8%
TOTAL GENERAL FUND EXPENDITURES	4,563,712	4,506,665	4,102,313	4,018,228	3,792,617	98.7%	104.1%	103.9%	95.9%	89.0%
Operating Transfer In	200,000	408,000	-	-	-	4.3%	9.4%	0.0%	0.0%	0.0%
Operating Transfers Out	(100,000)	(108,000)	(108,000)	(613,652)	(114,416)	-2.2%	-2.5%	-2.7%	-14.6%	-2.7%
	100,000	300,000	(108,000)	(613,652)	(114,416)	2.2%	6.9%	-2.7%	-14.6%	-2.7%
EXCESS OF GENERAL FUND REVENUES OVER (UNDER) EXPENDITURES	\$ 158,895	\$ 122,774	\$ (261,708)	\$ (440,340)	\$ 353,790	3.4%	2.8%	-6.6%	-10.5%	8.3%

# ORANGE COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1

## COMPARATIVE STATEMENT OF REVENUES AND EXPENDITURES – DEBT SERVICE FUND FOR THE YEAR ENDED JUNE 30, 2020

	AMOUNTS					PERCENTAGE OF FUND REVENUES				
	2020	2019	2018	2017	2016	2020	2019	2018	2017	2016
DEBT SERVICE FUND REVENUES										
Tax Revenues	\$ 2,037,577	\$ 1,746,953	\$ 1,801,286	\$ 1,782,525	\$ 1,704,955	97.0%	96.4%	96.4%	96.7%	97.1%
Penalty and Interest	51,164	54,728	59,709	59,003	49,380	2.4%	3.0%	3.2%	3.2%	2.8%
Interest on Temporary Investments	11,278	10,450	7,000	1,781	1,289	0.5%	0.6%	0.4%	0.1%	0.1%
Miscellaneous Revenues	-	-	-	-	-	0.0%	0.0%	0.0%	0.0%	0.0%
TOTAL DEBT SERVICE FUND REVENUES	<u>2,100,019</u>	<u>1,812,131</u>	<u>1,867,995</u>	<u>1,843,309</u>	<u>1,755,624</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>
DEBT SERVICE FUND EXPENDITURES										
Tax Collection Services	1,315	1,298	1,299	1,360	1,352	0.1%	0.1%	0.1%	0.1%	0.1%
Principal Retirement	1,680,000	1,620,000	1,240,000	1,200,000	1,110,000	80.0%	89.4%	66.4%	65.1%	63.2%
Debt Service Interest and Fees	<u>344,767</u>	<u>837,139</u>	<u>583,397</u>	<u>625,293</u>	<u>649,996</u>	<u>16.4%</u>	<u>46.2%</u>	<u>31.2%</u>	<u>33.9%</u>	<u>37.0%</u>
TOTAL DEBT SERVICE FUND EXPENDITURES	<u>2,026,082</u>	<u>2,458,437</u>	<u>1,824,696</u>	<u>1,826,653</u>	<u>1,761,348</u>	<u>96.5%</u>	<u>135.7%</u>	<u>97.7%</u>	<u>99.1%</u>	<u>100.3%</u>
EXCESS OF DEBT SERVICE FUND REVENUES OVER (UNDER) EXPENDITURES	<u>\$ 73,937</u>	<u>\$ (646,306)</u>	<u>\$ 43,299</u>	<u>\$ 16,656</u>	<u>\$ (5,724)</u>	<u>3.5%</u>	<u>-35.7%</u>	<u>2.3%</u>	<u>0.9%</u>	<u>-0.3%</u>
Total active retail water and/or wastewater connections	5,337	5,384	5,311	5,251	5,187					

# ORANGE COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1

## BOARD MEMBERS, KEY PERSONNEL, AND CONSULTANTS FOR THE YEAR ENDED JUNE 30, 2020

Complete District Mailing Address: 460 E. Bolivar  
Vidor, TX 77662

District Business Telephone Number: (409) 769-2669

<u>Name and Address</u>	<u>Term of Office Date Elected or Hired</u>	<u>Salary or Fees and Expense Reimbursements Year Ended 6/30/2020</u>	<u>Title at 6/30/2020</u>	<u>Resident of District</u>
<b>Board Members</b>				
Robert Viator 855 Evangeline Vidor, TX 77612	Elected 05/18-05/22	None	President	No
Frank Inzer 315 S Main Vidor, TX 77662	Elected 05/20-05/24	None	Vice- President	Yes
Tim Beard 4575 Brookhollow Drive Vidor, TX 77662	Elected 05/18-05/22	None	Secretary	Yes
Trey Haney 1250 Lamar Street Vidor, TX 77662	Elected 05/18-05/22	None	Director	Yes
Guy Groves 290 Triangle Drive Vidor, TX 77662	Appointed 07/20-05/24	None	Director	Yes

NOTE: No Director is disqualified from serving on this Board under the Texas Water Code.

**ORANGE COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1****BOARD MEMBERS, KEY PERSONNEL, AND CONSULTANTS (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2020**

<u>Name and Address</u>	<u>Term of Office Date, Date Elected or Hired</u>	<u>Salary or Fees and Expense Reimbursements 6/30/2020</u>	<u>Title at 6/30/2020</u>	<u>Resident of District</u>
<b>Key Administrative Personnel</b>				
Chris Serres 2856 State Hwy. 62 Buna, Texas 77662	11/2019	\$ 103,022	General Manager	No
David B. LeJune 305 S Denver Street Vidor, TX 77662	08/1982	\$ 95,368	Operations Manager	Yes
<b>Consultants</b>				
The Ferguson Law Firm Larry C. Hunter 350 Pine Street Suite 1440 Beaumont, TX 77701	10/2015	\$ 15,600	Attorney	Yes
Karen Fisher Orange County Tax Assessor/Collector PO Box 670 Orange, TX 77631	07/1992	\$ 1,315	Tax Assessor/Collector	No
Orange County Appraisal District PO Box 457 Orange, TX 77631	01/1983	\$ 28,692	Appraisal District	No
LJA Engineering, Inc. 2929 Briarpark Drive Houston, TX 77042	01/2001	\$ 65,661	Engineering Consultants	No
Wathen, DeShong & Juncker, L.L.P. 4140 Gladys Ave. Suite 101 Beaumont, TX 77706	06/2016	\$ 16,500	Auditor	No
Keri Michutka, CPA 1906 Texas Avenue Bridge City, TX 77611	08/2019	\$ 5,000	CPA	No

J. Pat O'Neill, III, CPA  
Michael W. Kiefer, CPA  
Troy W. Domingue, CPA



Stanley (Chip) Majors, Jr., CPA, CITP, CGMA  
Jane P. Burns, CPA, CDFA  
Jeremy R. Triska, CPA

October 19, 2020

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE  
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Directors  
Orange County Water Control and Improvement District No. 1  
Vidor, Texas

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, and each major fund of Orange County Water Control and Improvement District No. 1 as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the basic financial statements of Orange County Water Control and Improvement District No. 1 and have issued our report thereon dated October 19, 2020.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Orange County Water Control and Improvement District No. 1's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Orange County Water Control and Improvement District No. 1's internal control. Accordingly, we do not express an opinion on the effectiveness of Orange County Water Control and Improvement District No. 1's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Orange County Water Control and Improvement District No. 1's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

***Wathen, DeShong & Juncker, L.L.P.***

**WATHEN, DeSHONG & JUNKER, L.L.P.**  
Certified Public Accountants