

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

**ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED JUNE 30, 2023**

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ANNUAL FILING AFFIDAVIT

THE STATE OF TEXAS §

COUNTY OF Orange §

I, Frank Inzer 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 16th day of October, 2023 its annual report for the fiscal year or period ended June 30, 2023 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: 10/16/, 2023

By: [Signature]  
(Signature of District Representative)

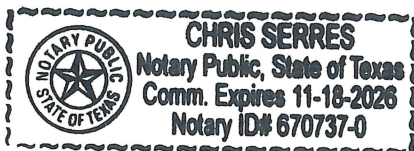
Frank Inzer - Board President  
(Typed Name and Title of above  
District Representative)

Sworn to and subscribed to before me this 16 day of October, 2023

(Seal)

[Signature]  
(Signature of Notary)

My commission expires on 11/18/, 2026, Notary Public in and for the State of Texas.



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



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

October 16, 2023

## INDEPENDENT AUDITOR'S REPORT

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

### Report on the Audit of the Financial Statements

#### *Opinions*

We have audited the financial statements of the governmental activities, and each major fund and the aggregate remaining fund information of the Orange County Water Control & Improvement District No. 1 (the District), as of and for the year ended June 30, 2023, 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.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Orange County Water Control & Improvement District No. 1, as of June 30, 2023, and the respective changes in financial position, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### *Basis for Opinions*

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Orange County Water Control & Improvement District No. 1 and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### *Responsibilities of Management for the Financial Statements*

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Orange County Water Control & Improvement District No. 1's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

***Auditor's Responsibilities for the Audit of the Financial Statements***

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

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Orange County Water Control & Improvement District No. 1's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Orange County Water Control & Improvement District No. 1's ability to continue as a going concern for a reasonable period of time.

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

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on page 5 through 10; the Schedules of Changes in Employer's Net Pension Liability and Related Ratios and Employer Contributions on pages 39 through 40; and the Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund on page 41 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

***Other Information***

Management is responsible for the other information included in the annual report. The other information comprises the Texas Supplementary Information listed in the Table of Contents on page 42 through 54 but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

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

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 16, 2023, on our consideration of the 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 solely 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 the 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, 2023

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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, 2023. 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 2023, by \$13,536,694. Of this amount, \$6,742,244 is considered unrestricted.
- The Orange County Water Control & Improvement District No. 1's total net position increased by \$2,393,230 in fiscal year 2023.
- As of the close of the current fiscal year, the District's governmental funds reported a combined ending fund balance of \$10,637,509 an increase of \$724,058. Of this total fund balance, \$1,669,617 is considered spendable and unassigned and is considered available for use.
- The general fund reported a fund balance of \$4,303,699 at the end of the current fiscal year. The unassigned fund balance for the general fund was \$1,669,617 or 34.5% 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 decreases 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, 2023

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The government-wide financial statements can be found on pages 11 and 12 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 17 through 38.

**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 39 through 41. Texas Supplementary Information is presented on pages 42 through 54.

#### **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 \$13,536,694 at June 30, 2023.



ORANGE COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1

Management's Discussion and Analysis  
For The Year Ended June 30, 2023

**THE DISTRICT'S NET POSITION**

	2023	2022
Current assets:		
Cash and Cash Equivalents	\$ 9,845,602	\$ 9,437,277
Taxes Receivable	516,826	497,860
Due From Others	155,991	-
Service Revenues Receivable	925,504	897,113
Inventory	119,083	129,372
Prepaid Insurance	30,625	30,187
Total current assets	<u>11,593,631</u>	<u>10,991,809</u>
Noncurrent Assets:		
Net Pension Asset	-	584,454
Capital Assets	66,642,351	65,655,442
Less Accumulated Depreciation	(30,090,361)	(28,538,137)
SBITA Assets, Net	119,453	-
Total noncurrent assets	<u>36,671,443</u>	<u>37,701,759</u>
Total assets	<u>48,265,074</u>	<u>48,693,568</u>
Deferred Outflows of Resources:		
Deferred Outflows of Resources-pension related	<u>353,678</u>	<u>278,290</u>
Current Liabilities:		
Accounts Payable and Accrued Liabilities	330,897	115,745
Customer LPSS Deposits and Tap Fees	54,144	46,119
Unearned Revenue	58,625	423,442
Current Portion of Long-Term Debt	2,561,595	2,955,482
Total current liabilities	<u>3,005,261</u>	<u>3,540,788</u>
Long-term liabilities:		
Customer Deposits	421,620	411,070
Long-term debt	31,547,140	33,372,935
Net Pension Liability	78,409	-
Total long-term liabilities	<u>32,047,169</u>	<u>33,784,005</u>
Total liabilities	<u>35,052,430</u>	<u>37,324,793</u>
Deferred Inflows of Resources:		
Deferred Inflows of Resources-pension related	<u>29,628</u>	<u>654,284</u>
Net Position:		
Net Investment in Capital Assets	4,524,790	2,719,671
Restricted for Debt Service	2,269,660	2,240,406
Unrestricted	6,742,244	6,032,704
Total net position	<u>\$ 13,536,694</u>	<u>\$ 10,992,781</u>

ORANGE COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1

Management's Discussion and Analysis  
For The Year Ended June 30, 2023

**Changes in net position**

The District's total revenues were \$8,413,203. A significant portion, 52.3%, of the District's revenue comes from charges for water and sewer services. Approximately 24.7% of the revenue comes from taxes.

The total cost of all programs and services was \$6,019,973; all these costs are related to water and sewer services.

**Governmental Activities**

Property tax rates decreased by approximately .04 cents per \$100 valuation. Property valuations increased \$47.6 million. Taxes levied for the year decreased \$87,975.

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

	Government Wide Activities	
	2023	2022
Program Revenues:		
Charges for Services		
Water	\$ 2,091,719	\$ 1,816,967
Sewer	2,034,145	1,812,119
Service Fees	273,864	87,171
General Revenues:		
Taxes	2,075,098	2,160,216
Penalty and Interest	72,062	71,488
Interest on Temporary Investments	299,153	23,570
Revenue Note Collections	1,017,528	1,016,608
Miscellaneous Revenues	165,323	148,430
Grants and Contributions	384,311	20,952
Total Revenues	<u>8,413,203</u>	<u>7,157,521</u>
Water and Sewer Service	1,268,332	1,395,451
Salaries, Benefits, and Payroll taxes	1,949,808	1,898,047
Professional Fees	80,004	89,235
Administrative Expenses	343,176	280,518
Other	75,612	69,753
Interest and Fiscal Charges	654,651	1,657,443
Depreciation	1,648,390	1,622,342
Total Expenses	<u>6,019,973</u>	<u>7,012,789</u>
Change in Net Position	<u>\$ 2,393,230</u>	<u>\$ 144,732</u>

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

- The cost of all governmental activities this year was \$6,019,973.
- Property tax revenue was \$2,147,160.
- \$4,399,728 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, 2023

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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 \$62,805 or 1.3% below budgeted amounts in the General Fund. Resources available were \$405,891 or 7.9% above budgeted amounts.

**Capital Assets and Debt Administration**

**Capital Assets**

At the end of 2023, the District had invested \$66,642,351 in a broad range of capital assets, including land, buildings, water and sewer systems, equipment, and vehicles.

**CAPITAL ASSETS**

**District's Capital Assets  
Governmental Activities**

	<u>2023</u>	<u>2022</u>
Land	\$ 315,150	\$ 303,729
Buildings and Improvements	401,403	384,903
Water and Sewer System	62,718,487	62,713,356
Machinery and Equipment	633,335	631,353
Autos and Trucks	470,143	470,143
Office Furniture and Fixtures	194,641	178,756
Construction in Progress	<u>1,909,192</u>	<u>1,123,885</u>
Totals at historical cost	66,642,351	65,806,125
Total Accumulated Depreciation	<u>(30,090,361)</u>	<u>(28,538,137)</u>
Net Capital Assets	<u>\$ 36,551,990</u>	<u>\$ 37,267,988</u>

# ORANGE COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1

## Management's Discussion and Analysis For The Year Ended June 30, 2023

### Long-Term Debt and Liabilities

At year-end the District had \$33,467,024 in bonded debt outstanding. More detailed information about

	Interest	Amounts at Original	Beginning			Ending	Due Within
	Rate	Issue	Balance	Additions	Retirements	Balance	One Year
Bonds Payable:							
General Obligation							
2019 Refunding	2.0%-4.0%	\$ 9,015,000	\$ 8,205,000	\$ -	\$ (740,000)	\$ 7,465,000	\$ 780,000
Premium - 2019 Refunding			596,117	-	(113,800)	482,317	103,535
2022 Refunding	2.0%-4.0%	10,300,000	10,300,000	-	(610,000)	9,690,000	655,000
Premium - 2022 Refunding			685,095	-	(115,480)	569,615	96,818
Revenue Bonds							
2021 Refunding	1.25%-2%	8,825,000	8,825,000	-	(815,000)	8,010,000	835,000
Premium - 2021 Refunding			95,850	-	(20,264)	75,586	17,637
Capital Appreciation							
2022 Refunding	2.48%-2.77%	693,440	693,440	-	-	693,440	-
Accreted Interest Payable							
2022 Refunding Bonds			6,293,833	187,233	-	6,481,066	(190,726)
Total Bonded Debt			35,694,335	187,233	(2,414,544)	33,467,024	2,297,264
Compensated Absences Payable			136,317	8,700	-	145,017	-
OPEB Liability			144,060	-	(37,044)	107,016	-
Accrued Interest Expense			353,705	(353,705)	264,331	264,331	264,331
Customer Deposits			411,070	10,550	-	421,620	-
SBITA Liability			-	142,722	(17,375)	125,347	-
Total Long-Term Liabilities			\$ 36,739,487	\$ (4,500)	\$ (2,204,632)	\$ 34,530,355	\$ 2,561,595

the District's debt is presented in the notes to the financial statements.

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

The 2023-2024 budget was presented with an increase of \$.00 to the minimum bill rate for the first 2,000 gallons of usage. A \$.025 increase per 100 gallons in the rates for all usages over the first 2,000 gallon minimum. The 2023-2024 budget was presented with no increase in the number of customers in the District. The General Fund Revenue Budget for 2023-2024 is \$5,561,230 which is an 8.07% increase from the 2022-2023 General Fund Budget of \$5,146,080.

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 2023-2024 is \$5,561,230 which is an 8.07% increase from the 2022-2023 General Fund Expenditure Budget of \$5,146,080.

The ad valorem tax roll for the 2023 tax year is \$689,088,206 with an adopted tax rate of \$0.31440 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, 2023

	<u>Primary Government</u>
	Governmental Activities
<b>ASSETS</b>	
Cash and Cash Equivalents	\$ 9,786,977
Taxes Receivable, Net	516,826
Accounts Receivable, Net	925,504
Due from others	155,991
Inventories	119,083
Prepaid Insurance	30,625
Restricted Cash	58,625
Capital Assets:	
Land	315,150
Improvements other than buildings, net	33,866,410
Buildings, Net	152,958
Machinery and Equipment, Net	308,280
Construction in Progress	1,909,192
SBITA Assets, Net	<u>119,453</u>
Total Assets	<u>48,265,074</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred Outflow Related to Pension Plan	<u>353,678</u>
Total Deferred Outflows of Resources	<u>353,678</u>
<b>LIABILITIES</b>	
Accounts Payable	283,167
Wages and Salaries Payable	41,620
Unearned Revenues	112,769
Net Pension Liability	78,409
Other Current Liabilities	6,110
Noncurrent Liabilities:	
Due Within One Year	2,561,595
Due in More Than One Year	<u>31,968,760</u>
Total Liabilities	<u>35,052,430</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred Inflow Related to Pension Plan	<u>29,628</u>
Total Deferred Inflows of Resources	<u>29,628</u>
<b>NET POSITION</b>	
Net Investment in Capital Assets	4,524,790
Restricted for Debt Service	2,269,660
Unrestricted	<u>6,742,244</u>
Total Net Position	<u>\$ 13,536,694</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, 2023**

	General Fund	Debt Service Fund	Contingency Fund	Construction And Capital Projects Funds	Total Governmental Funds
<b>ASSETS</b>					
Cash and Cash Equivalents	\$ 3,432,338	\$ 783,501	\$ 2,345,985	\$ 3,225,153	\$ 9,786,977
Taxes Receivable	-	608,030	-	-	608,030
Allowance for Uncollectible Taxes	-	(91,204)	-	-	(91,204)
Accounts Receivable, Net	925,504	-	-	-	925,504
Due from others	-	-	-	155,991	155,991
Inventories	119,083	-	-	-	119,083
Restricted Cash - TWDB Escrow	-	-	-	58,625	58,625
Total Assets	<u>\$ 4,476,925</u>	<u>\$ 1,300,327</u>	<u>\$ 2,345,985</u>	<u>\$ 3,439,769</u>	<u>\$ 11,563,006</u>
<b>LIABILITIES</b>					
Accounts Payable	\$ 71,352	\$ -	\$ -	\$ 211,815	\$ 283,167
Wages and Salaries Payable	41,620	-	-	-	41,620
Unearned Revenues	54,144	-	-	58,625	112,769
Other Current Liabilities	6,110	-	-	-	6,110
Total Liabilities	<u>173,226</u>	<u>-</u>	<u>-</u>	<u>270,440</u>	<u>443,666</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Unavailable Revenue - Property Taxes	-	481,831	-	-	481,831
Total Deferred Inflows of Resources	<u>-</u>	<u>481,831</u>	<u>-</u>	<u>-</u>	<u>481,831</u>
<b>FUND BALANCES</b>					
Nonspendable Fund Balance:					
Inventories	119,083	-	-	-	119,083
Restricted Fund Balance:					
Capital Acquisition and Obligation	-	-	-	1,704,155	1,704,155
Retirement of Long-Term Debt	2,088,803	818,496	-	-	2,907,299
Other Restricted Fund Balance	426,196	-	-	-	426,196
Assigned Fund Balance:					
Construction	-	-	-	1,465,174	1,465,174
Other Assigned Fund Balance	-	-	2,345,985	-	2,345,985
Unassigned Fund Balance	1,669,617	-	-	-	1,669,617
Total Fund Balances	<u>4,303,699</u>	<u>818,496</u>	<u>2,345,985</u>	<u>3,169,329</u>	<u>10,637,509</u>
Total Liabilities, Deferred Inflows And Fund Balances	<u>\$ 4,476,925</u>	<u>\$ 1,300,327</u>	<u>\$ 2,345,985</u>	<u>\$ 3,439,769</u>	<u>\$ 11,563,006</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, 2023

<b>Total Fund Balances - Governmental Funds</b>	<b>\$ 10,637,509</b>
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in governmental funds.	36,551,990
Prepaid expenditures which were expended in the funds are included in the statement of net position	30,625
Property taxes receivables are not available to pay for current period expenditures and, therefore, are deferred in the governmental funds	481,831
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds	(33,731,355)
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.	245,641
Other post employment benefits are not due and payable in the current period and, therefore, are not reported in the governmental funds.	(107,016)
Compensated absences and customer deposits are not due and payable in the current period and, therefore, are not reported in the governmental funds.	(566,637)
The District entered into new Subscription Based Information Technology Agreements. The details of these agreements are provided in the Notes to the Financial Statement. This resulted in an increase in the SBITA Asset in the amount of \$119,453 and an increase in the SBITA liability in the amount of \$142,722. The principal paid on the new SBITA asset during the year was \$17,375. This amount must be reclassified from an expenditure to a decrease in the SBITA liability causing an increase in Net Position by that amount. The net effect is a decrease in Net Position by \$5,894.	(5,894)
<b>Net Position of Governmental Activities</b>	<b><u>\$ 13,536,694</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, 2023

	General Fund	Debt Service Fund	Contingency Fund	Construction And Capital Projects Funds	Total Governmental Funds
<b>REVENUES:</b>					
Taxes:					
Property Taxes	\$ -	\$ 2,056,132	\$ -	\$ -	\$ 2,056,132
Penalty and Interest on Taxes	-	72,062	-	-	72,062
Intergovernmental Revenue and Grants	-	-	-	370,948	370,948
Water Services	2,091,719	-	-	-	2,091,719
Sewer Services	2,034,145	-	-	-	2,034,145
Other Service Fees	96,916	58	-	176,892	273,866
FEMA Funding	13,363	-	-	-	13,363
Investment Earnings	99,415	23,199	74,284	102,255	299,153
Revenue Note Collections	1,017,527	-	-	-	1,017,527
Other Revenue	197,886	-	-	-	197,886
Total Revenues	<u>5,550,971</u>	<u>2,151,451</u>	<u>74,284</u>	<u>650,095</u>	<u>8,426,801</u>
<b>EXPENDITURES</b>					
Current:					
General Government:					
Water and Sewer Service	1,216,327	-	-	-	1,216,327
Salaries, Benefits and Payroll Taxes	2,013,204	-	-	-	2,013,204
Professional Fees	79,990	-	14	-	80,004
Administrative Expenses	368,345	-	-	-	368,345
Other	35,337	35,048	-	-	70,385
Debt Service					
Bond Principal	815,000	1,350,000	-	-	2,165,000
Bond Interest and Fiscal Charges	128,698	677,638	-	-	806,336
Capital Outlay:					
Capital Outlay	176,374	-	-	806,768	983,142
Total Expenditures	<u>4,833,275</u>	<u>2,062,686</u>	<u>14</u>	<u>806,768</u>	<u>7,702,743</u>
Excess (Deficiency) of Revenues					
Over (Under) Expenditures	<u>717,696</u>	<u>88,765</u>	<u>74,270</u>	<u>(156,673)</u>	<u>724,058</u>
<b>OTHER FINANCING SOURCES (USES):</b>					
Transfers In	-	-	335,320	165,940	501,260
Transfers Out (Use)	<u>(486,749)</u>	<u>-</u>	<u>-</u>	<u>(14,511)</u>	<u>(501,260)</u>
Total Other Financing Sources (Uses)	<u>(486,749)</u>	<u>-</u>	<u>335,320</u>	<u>151,429</u>	<u>-</u>
Net Change in Fund Balances	230,947	88,765	409,590	(5,244)	724,058
Fund Balance - July 1 (Beginning)	<u>4,072,752</u>	<u>729,731</u>	<u>1,936,395</u>	<u>3,174,573</u>	<u>9,913,451</u>
Fund Balance - June 30 (Ending)	<u>\$ 4,303,699</u>	<u>\$ 818,496</u>	<u>\$ 2,345,985</u>	<u>\$ 3,169,329</u>	<u>\$ 10,637,509</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, 2023

<b>Total Net Change in Fund Balances - Governmental Funds</b>	<b>\$ 724,058</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.	18,966
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.	909,124
Certain items reported as expenditures in the governmental funds are considered assets in the government-wide statements.	438
Depreciation is not recognized as an expense in the governmental funds since it does not require the use of current financial resources.	(1,648,390)
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.	2,165,000
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.	151,684
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, compensated absences and net SBITA asset.	72,350
<b>Change in Net Position of Governmental Activities</b>	<b><u>\$ 2,393,230</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, 2023

### **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, 2023

### **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 recorded 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, 2023

### **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, 2023

### **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, 2023.

The District, in compliance with legal requirements, has a 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 plant, property, and equipment have been acquired or constructed for general governmental purposes. Infrastructure assets and other plant, property, and equipment 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 plant, property, and equipment 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. Depreciation 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, 2023

### 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	10	60	\$ 85,979
Vacation	25	40	59,038
Total		<u>100</u>	<u>\$ 145,017</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, 2023

### **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 \$107,016.

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, 2023, the District abated property valued at \$12,831,166, which resulted in abated property taxes totaling \$43,318. 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 year 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, 2023

### **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, 2023

### 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 of the Utility District has evaluated subsequent events through October 16, 2023, 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 \$9,845,602 and the bank balance was \$9,886,724. 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, 2023:

	<u>Total</u>	<u>Bond Revenue Requirements</u>
Cash Accounts		
Interest and Sinking	\$ 1,902,971	\$ -
Revenue Bonds Reserve	969,333	942,738
Bond Proceeds	1,703,733	-
Customer Deposits	426,196	-
Other	<u>4,843,369</u>	<u>-</u>
	<u>\$ 9,845,602</u>	<u>\$ 942,738</u>

# ORANGE COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1

## NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2023

### 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 2022 calendar year was based was \$622,347,033. The tax rate assessed for the year ended June 30, 2023, to service bonded indebtedness was \$0.3376 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, 2023 were 91.88% of the tax.

### NOTE 5 – CAPITAL ASSETS

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

	Balance July 1, 2022	Additions	Retire- ments	Balance June 30, 2023
<b>Capital Assets</b>				
Capital assets, not being depreciated				
Land	\$ 303,729	\$ 11,421	\$ -	\$ 315,150
Construction-in-progress	1,123,885	785,307	-	1,909,192
Total capital assets, not being depreciated	1,427,614	796,728	-	2,224,342
Capital assets, being depreciated				
Buildings	384,903	16,500	-	401,403
Improvements other than buildings	62,713,356	5,131	-	62,718,487
Machinery and equipment	1,280,252	112,777	(94,910)	1,298,119
Total capital assets, being depreciated	64,378,511	134,408	(94,910)	64,418,009
Less accumulated depreciation				
Buildings	233,467	14,978	-	248,445
Improvements other than buildings	27,303,602	1,548,475	-	28,852,077
Machinery and equipment	1,001,068	58,644	(69,873)	989,839
Total accumulated depreciation	28,538,137	1,622,097	(69,873)	30,090,361
Total capital assets, being depreciation, net	35,840,374	(1,487,689)	(25,037)	34,327,648
Total capital assets, net	<u>\$ 37,267,988</u>	<u>\$ (690,961)</u>	<u>\$ (25,037)</u>	<u>\$ 36,551,990</u>

Depreciation expense was \$1,622,097 for the fiscal year ended June 30, 2023.

# ORANGE COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1

## NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2023

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

The following represents the District's construction commitments for the year ended June 30, 2023:

Project	Commitment	Spent to Date	Remaining Commitment
Contract 3 Water and Sewer Service Extensions Project	\$ 677,675	\$ 70,390	\$ 607,285
Contract 4 Sanitary Sewer System Improvements Project	1,099,114	138,714	960,400
TWDB Sanitary Sewer Life Station Rehab	711,665	705,900	5,765
Alamo Life Station Rehab	634,620	176,891	457,729
Well Site 7 TTHM Treatment System	817,297	817,297	-
Totals	<u>\$ 3,940,371</u>	<u>\$ 1,909,192</u>	<u>\$ 2,031,179</u>

The District has determined that the Well Site 7 TTHM Treatment System is not needed and intends to sell the system. No fair market value has been determined for the system.

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

#### ***2021 Revenue Bonds Refunding***

On May 19, 2021, the District issued \$8,825,000 in revenue refunding bonds with an interest rate of 1.25% - 2.0%. The proceeds were used to advance refund \$9,330,000 of outstanding 2011 revenue notes which had interest rates ranging from 2.85% to 4.1%. From the net proceeds of \$8,951,606 plus an additional \$863,231 of District funds, \$104,163 was used to pay the cost of issuance and \$9,499,019 to call the bonds on August 15, 2021.

The advance refunding of the 2011 revenue notes reduced the total debt service payments over 11 years by \$1,011,384. The present value of the saving from cash flow is \$941,625.

#### ***2022 Unlimited Tax Bonds Refunding***

On January 7, 2022, the District issued \$10,300,000 in current interest refunding bonds with an interest rate of 3% - 4% and issued \$693,444 of capital appreciation bonds with an interest rate of 2.48% - 2.77%. The proceeds were used to advance refund \$17,885,250 of outstanding 2012 capital appreciation bonds which had interest rates ranging from 1.25% to 5.3%. From the net proceeds of \$17,888,175, \$484,149 was used to pay the cost of issuance and \$17,404,026 was placed in escrow to call the bonds on February 15, 2022.

The advance refunding of the 2012 capital appreciation bonds reduced the total debt service payments over 16 years by \$5,720,134. The present value of the saving from cash flow is \$4,367,972.



# ORANGE COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1

## NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2023

### **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:

Bond Series	Intrest Rates	Payable At
2019 General Obilgation Refunding	2.0-4.0%	UMB Bank, N.A., Austin, Texas
2021 Revenue Refunding	1.25-2%	UMB Bank, N.A., Austin, Texas
2022 General Obligation Refunding	2.0-4.0%	BOKF, N.A., Dallas, Texas
2022 Capital Appreciation	2.48-2.77%	N/A Zero Coupon Bonds

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	Bonds	
	Principal	Interest
2024	\$ 2,270,000	\$ 700,450
2025	2,340,000	626,200
2026	2,415,000	549,450
2027	2,500,000	469,950
2028	2,555,000	392,025
2029-2033	13,085,000	840,213
2034-2038	10,000,000	-
Total	<u>\$ 35,165,000</u>	<u>\$ 3,578,288</u>

# ORANGE COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1

## NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2023

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

#### Changes in long-term liabilities

Long-term liability activity for the year ended June 30, 2023, was as follows:

	Interest	Amounts at Original	Beginning			Ending	Due Within
	Rate	Issue	Balance	Additions	Retirements	Balance	One Year
Bonds Payable:							
General Obligation							
2019 Refunding	2.0%-4.0%	\$ 9,015,000	\$ 8,205,000	\$ -	\$ (740,000)	\$ 7,465,000	\$ 780,000
Premium - 2019 Refunding			596,117	-	(113,800)	482,317	103,535
2022 Refunding	2.0%-4.0%	10,300,000	10,300,000	-	(610,000)	9,690,000	655,000
Premium - 2022 Refunding			685,095	-	(115,480)	569,615	96,818
Revenue Bonds							
2021 Refunding	1.25%-2%	8,825,000	8,825,000	-	(815,000)	8,010,000	835,000
Premium - 2021 Refunding			95,850	-	(20,264)	75,586	17,637
Capital Appreciation							
2022 Refunding	2.48%-2.77%	693,440	693,440	-	-	693,440	-
Accreted Interest Payable							
2022 Refunding Bonds			6,293,833	187,233	-	6,481,066	(190,726)
Total Bonded Debt			35,694,335	187,233	(2,414,544)	33,467,024	2,297,264
Compensated Absences Payable			136,317	8,700	-	145,017	-
OPEB Liability			144,060	-	(37,044)	107,016	-
Accrued Interest Expense			353,705	(353,705)	264,331	264,331	264,331
Customer Deposits			411,070	10,550	-	421,620	-
SBITA Liability			-	142,722	(17,375)	125,347	-
Total Long-Term Liabilities			<u>\$ 36,739,487</u>	<u>\$ (4,500)</u>	<u>\$ (2,204,632)</u>	<u>\$ 34,530,355</u>	<u>\$ 2,561,595</u>

The Debt Service Fund on June 30, 2023 had combined cash, time deposits, and accrued interest amounting to \$783,501. 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 debt reserve accounts and the monthly deposits to them are sufficient to meet upcoming debt service requirements for the 2022 revenue refunding bonds.

The required reserve account balance for the 2021 revenue refunding bonds is \$942,738 at June 30, 2023, and the actual account balance is \$969,332.

# ORANGE COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1

## NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2023

### **NOTE 8 – PENSION PLAN**

#### ***Plan Description***

Orange County Water Control & Improvement District No. 1 participates in the Texas County & District Retirement System (TCDRS), which is a statewide, agent multiple-employer, public employee retirement system. All full-time and part time non-temporary employees participate in the plan, regardless of the number of hours they work in a year. Employees in a temporary position are not eligible for membership.

The plan provides retirement, disability, and survivor benefits. TCDRS is a savings-based plan. For the district's plan 7% of each employee's pay is deposited into his or her TCDRS account. By law, employee accounts earn 7% interest on beginning of year balances annually. At retirement, the account is matched at an employer set percentage (current match is 150%) and is then converted to an annuity.

There are not automatic COLAs. Each year, the district may elect an ad hoc COLA for its retirees (if any). There are two COLA types, each limited by actual inflation.

Benefit terms are established under the TCDRS Act. They may be amended as of January 1 each year, but must remain in conformity with the Act.

The district's contribution rate is calculated annually on an actuarial basis, although the employer may elect to contribute at a higher rate. The Orange County Water Control and Improvement District #1 contribution rate is based on the TCDRS funding policy adopted by the TCDRS Board of Trustees and must conform with the TCDRS Act. The employee contribution rates are set by the district and are currently 7%.

The most recent annual comprehensive financial report for TCRDS can be found at [TCDRS.org/Employer](http://TCDRS.org/Employer).

At June 30, 2023, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	13
Inactive employees entitled to but not yet receiving benefits	12
Active employees	<u>26</u>
	<u><u>51</u></u>

# ORANGE COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1

## NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2023

### NOTE 8 – PENSION PLAN (CONTINUED)

#### *Funding Policy*

Participating employers are required to contribute at actuarially determined rates to ensure adequate funding for each employer's plan. Employer contribution rates are determined annually and approved by the TCDRS Board of Trustees. The plan is funded by monthly contributions from both employee members and the employer based on the covered payroll of employee members.

The employer contributed using the actuarially determined rate of 9.00% for the months of the accounting year in 2022 and 9.00% for the months of the accounting year in 2023. The contribution rate payable by the employee members for calendar years 2022 and 2023 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, 2023, the annual pension cost for the TCDRS plan for its employees was \$95,278 and the actual contribution was \$132,458. The required contribution was determined as part of the December 31, 2022 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at December 31, 2022 included (a) 7.5 percent investment rate of return (net of administrative expenses) and (b) projected salary increases of 4.7 percent. Both (a) and (b) included an inflation component of 2.50 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, 2021	December 31, 2022
Total pension liability	\$ 4,886,756	\$ 5,267,535
Fiduciary net position	<u>5,471,210</u>	<u>5,189,126</u>
Net pension liability / (asset)	<u>\$ (584,454)</u>	<u>\$ 78,409</u>
Fiduciary net position as a % of total pension liability	111.96%	98.51%
Pensionable covered payroll <sup>(1)</sup>	\$ 1,475,197	\$ 1,490,782
Net pension liability as a % of covered payroll	-39.62%	5.26%

<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, 2023

### 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, 2021</b>	<b>December 31, 2022</b>
Discount rate <sup>(2)</sup>	7.60%	7.60%
Long-term expected rate of return, net of investment expenses <sup>(2)</sup>	7.60%	7.60%
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 7.50%, 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***

The demographic assumptions were developed from an actuarial experience investigation of TCDRS over the years 2017-2020. They were recommended by the actuary and adopted by the TCDRS Board of Trustees in December of 2021. All economic assumptions were recommended by the actuary and adopted by the TCDRS Board of Trustees in March of 2021. These assumptions, except where required to be different by GASB 68, are used to determine the total pension liability as of December 31, 2022. The assumptions are reviewed annually for continued compliance with the relevant actuarial standards of practice.

	<b>Beginning Date</b>	<b>Ending Date</b>
Valuation date	December 31, 2021	December 31, 2022
Measurement date	December 31, 2021	December 31, 2022
Employer's fiscal year	July 1, 2022	June 30, 2023

# ORANGE COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1

## NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2023

### **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 (level percent of pay) <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	2.50%
Salary Increases	Varies by age and service. 4.7% average over career including inflation.
Investment Rate of Return	7.6% (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	61 and above
Mortality	135% of Pub-2010 General Employees Amount-Weighted Mortality Table for males and 120% Pub-2010 General Employees Amount-Weighted Mortality Table for females, both projected with 100% of the MP-201 Ultimate scale after 2010.

<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, 2023

### 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 January 2023 information for a 10 year time horizon.

Note that the valuation assumption for long-term expected return is re-assessed in detail at a minimum of every four years, and is set based on a long-term time horizon. The TCDRS Board of Trustees adopted the current assumption at their March 2021 meeting. The assumption for the long-term expected return is reviewed annually for continued compliance with the relevant actuarial standards of practice. The actuary relies on the expertise of Cliffwater in this assessment.

Asset Class	Benchmark	Target Allocation <sup>(1)</sup>	Geometric Real Rate of Return <sup>(2)</sup>
US Equities	Dow Jones U.S. Total Stock Market Index	11.50%	4.95%
Global Equities	MSCI World (net) Index	2.50%	4.95%
Int'l Equities - Developed Markets	MSCI World Ex USA (net) Index	5.00%	4.95%
Int'l Equities - Emerging Markets	MSCI Emerging Markets (net) Index	6.00%	4.95%
Investment - Grade Bonds	Bloomberg U.S. Aggregate Bond Index	3.00%	2.40%
Strategic Credit	FTSE High-Yield Cash-Pay Index	9.00%	3.39%
Direct Lending	Morningstar LSTA US Leveraged Loan TR USD Index	16.00%	6.95%
Distressed Debt	Cambridge Associates Distressed Securities Index <sup>(3)</sup>	4.00%	7.60%
REIT Equities	67% FTSE NAREIT All Equity REITs Index + 33% S&P Global REIT (net) Index	2.00%	4.15%
Master Limited Partnership (MLPs)	Alerian MLP Index	2.00%	5.30%
Private Real Estate Partnerships	Cambridge Associates Real Estate Index <sup>(4)</sup>	6.00%	5.70%
Private Equity	Cambridge Associates Global Private Equity & Venture Capital Index <sup>(5)</sup>	25.00%	7.95%
Hedge Funds	Hedge Fund Research, Inc. (HFRI) Fund of Funds Composite Index	6.00%	2.90%
Cash Equivalents	90-Day U.S. Treasury	2.00%	0.20%

<sup>(1)</sup> Target asset allocation adopted at the March 2023 TCDRS Board Meeting.

<sup>(2)</sup> Geometric real rates of return equal the expected return for the asset class minus the assumed inflation rate of 2.3%, per Cliffwater's 2023 capital market assumptions.

<sup>(3)</sup> Includes vintage years 2005-present of Quarter Pooled Horizon IRRs.

<sup>(4)</sup> Includes vintage years 2007-present of Quarter Pooled Horizon IRRs.

<sup>(5)</sup> Includes vintage years 2006-present of Quarter Pooled Horizon IRRs.

# ORANGE COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1

## NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2023

### 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, 2021	\$ 4,886,756	\$ 5,471,210	\$ (584,454)
Changes for the year:			
Service Cost	176,990	-	176,990
Interest on total pension liability <sup>(1)</sup>	377,260	-	377,260
Effect of plan changes <sup>(2)</sup>	-	-	-
Effect of economic/demographic gains or losses	29,843	-	29,843
Effect of assumptions changes or inputs	-	-	-
Refund of contributions	(13,388)	(13,388)	-
Benefit payments	(189,926)	(189,926)	-
Administrative expenses	-	(3,041)	3,041
Member contributions	-	104,355	(104,355)
Net Investment income	-	(323,729)	323,729
Employer contributions	-	134,122	(134,122)
Other <sup>(3)</sup>	-	9,523	(9,523)
Balances as of December 31, 2022	<u>\$ 5,267,535</u>	<u>\$ 5,189,126</u>	<u>\$ 78,409</u>

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

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

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

#### **Sensitivity Analysis**

The following presents the net pension liability of the employer, calculated using the discount rate of 7.60%, 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 (6.60%) or 1 percent higher (8.60%) than the current rate.

	1% Decrease 6.60%	Current Discount Rate 7.60%	1% Increase 8.60%
Total pension liability	\$ 5,976,240	\$ 5,267,535	\$ 4,670,705
Fiduciary net position	<u>5,189,126</u>	<u>5,189,126</u>	<u>5,189,126</u>
Net pension liability / (asset)	<u>\$ 787,114</u>	<u>\$ 78,409</u>	<u>\$ (518,421)</u>



# ORANGE COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1

## NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2023

### NOTE 8 – PENSION PLAN (CONTINUED)

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

	January 1, 2022 to December 31, 2022
Service cost	\$ 176,990
Interest on total pension liability <sup>(1)</sup>	377,260
Effect on plan changes	-
Administrative expenses	3,041
Member contributions	(104,355)
Expected investment return net of investment expenses	(417,365)
Recognition of deferred inflows/outflows of resources	
Recognition of economic/demographic gains or losses	9,905
Recognition of assumption changes or inputs	45,059
Recognition of investment gains or losses	14,266
Other <sup>(2)</sup>	(9,523)
Pension expense / (income)	<u>\$ 95,278</u>

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

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

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

	Deferred Inflows of Resources	Deferred Outflows of Resources
Differences between expected and actual experience	\$ 24,733	\$ 37,990
Changes of assumption	4,895	135,723
Net difference between projected and actual earnings	-	115,134
Contributions made subsequent to measurement date	-	64,831
	<u>\$ 29,628</u>	<u>\$ 353,678</u>

As of December 31, 2022, the deferred inflow and outflow resources are as follows:

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:	
2023	\$ (7,005)
2024	40,514
2025	67,544
2026	153,193
2027	4,973
Thereafter	-

# ORANGE COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1

## NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2023

### **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:

	<u>Amount</u>	<u>Percent of Line Item</u>
Water and Sewer Service	\$ (82,002)	-7.2%
Professional Fees	(4,990)	-6.7%
Administrative Expenses	(40,345)	-12.3%
Bond Interest and Fiscal Charges	(143)	-0.1%

### **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 \$58,625 is shown as restricted cash. Unearned revenue at June 30, 2023 for this project is \$58,625. Project activity through June 30, 2023 is shown below:

	01/22/2019-		
	<u>6/30/2022</u>	<u>6/30/2023</u>	<u>Total</u>
Escrow balance Beginning of Year	\$ -	\$ 423,442	\$ -
TWDB Deposit to escrow account	500,000	-	500,000
Interest Income	8,967	6,131	15,098
Project milestones transferred to the District	<u>(85,525)</u>	<u>(370,948)</u>	<u>(456,473)</u>
Escrow balance End of Year	<u>\$ 423,442</u>	<u>\$ 58,625</u>	<u>\$ 58,625</u>

# ORANGE COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1

## NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2023

### **NOTE 12 – SUBSCRIPTION BASED INFORMATION TECHNOLOGY ARRANGEMENT – GASB 96**

#### **General Description**

Orange County Water Control and Improvement District No. 1 has several existing arrangements and some new arrangements subject to the requirements of GASB 96. These agreements can be described in groups of those relating to technological needs in keeping the district's computer network system up to date for administrative purposes; to those relating to Public Board Meetings, agendas, and minutes; and to those relating to the preservation of all the district's documents as required by the Local Government Code, Chapter 203. The district makes monthly, quarterly, or annual payments and the agreements are for varying terms. The SBITA liability is the present value of these payments using the district's incremental borrowing rate. The liability is amortized providing the principal and interest components of the payments over the SBITA term. The SBITA asset is measured as the SBITA liability plus any capitalized expenditures/expenses incurred in the initial implementation stage. The SBITA asset is depreciated (amortized) using the straight-line depreciation method over the term of the SBITA arrangement.

#### **The total amount of the Subscription Assets and Accumulated Amortization**

	<b>Term in Months</b>	<b>Total Asset Amounts</b>	<b>Total Accumulated Amortization</b>
<b>Governmental Funds:</b>			
Preservation of district documents	36	\$ 7,542	\$ 2,095
Public Board Meetings & Agendas	24	7,076	2,653
Technological needs	83	<u>128,104</u>	<u>18,521</u>
<b>Total Governmental Activities</b>		<u><u>\$ 142,722</u></u>	<u><u>\$ 23,269</u></u>

#### **Outflow of Resources:**

There were no outflows of resources paid for these SBITA arrangements.

#### **The SBITA Liabilities and Associated Principal and Interest Requirements:**

	<b>Interest Rate</b>	<b>Beginning Liability</b>	<b>Term in Months</b>	<b>Ending Balance</b>
<b>Governmental Funds:</b>				
Preservation of district documents	4.00%	\$ 7,542	36	\$ 5,743
Public Board Meetings & Agendas	4.00%	7,076	24	4,489
Technological needs	4.00%	128,104	83	<u>115,115</u>
<b>Total Governmental Activities</b>				<u><u>\$ 125,347</u></u>

# ORANGE COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1

## NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2023

### **NOTE 12 – SUBSCRIPTION BASED INFORMATION TECHNOLOGY ARRANGEMENT – GASB 96**

The future principal and interest SBITA arrangement payments as of fiscal year-end are as follows:

	Principal	Interest	Total
<b>Governmental Funds:</b>			
Year Ended June 30			
2024	\$ 23,614	\$ 4,491	\$ 28,105
2025	22,042	3,570	25,612
2026	19,547	2,750	22,297
2027	19,837	1,972	21,809
2028	20,645	1,164	21,809
2029	19,662	329	19,991
	<u>\$ 125,347</u>	<u>\$ 14,276</u>	<u>\$ 139,623</u>

## **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, 2023

	Year Ended December 31, 2022	Year Ended December 31, 2021	Year Ended December 31, 2020	Year Ended December 31, 2019
Total Pension Liability				
Service cost	\$ 176,990	\$ 188,247	\$ 177,798	\$ 185,603
Interest on total pension liability	377,260	353,125	327,748	300,406
Effect of plan changes	-	-	-	-
Effect of assumption changes or inputs	-	(8,157)	267,100	-
Effect of economic/demographic (gains) or losses	29,843	(10,094)	(314)	17,058
Benefit payments/refunds of contributions	<u>(203,314)</u>	<u>(185,588)</u>	<u>(179,667)</u>	<u>(136,574)</u>
Net change in total pension liability	380,779	337,533	592,665	366,493
Total pension liability, beginning	<u>4,886,756</u>	<u>4,549,223</u>	<u>3,956,558</u>	<u>3,590,065</u>
Total pension liability, ending (a)	<u>5,267,535</u>	<u>4,886,756</u>	<u>4,549,223</u>	<u>3,956,558</u>
Fiduciary Net Position				
Employer contributions	134,122	85,703	96,596	110,283
Member contributions	104,355	103,264	115,859	123,329
Investment income net of investment expenses	(323,729)	985,331	417,035	555,445
Benefit payments/refunds of contributions	(203,314)	(185,588)	(179,667)	(136,574)
Administrative expenses	(3,041)	(2,960)	(3,282)	(3,076)
Other	<u>9,523</u>	<u>1,331</u>	<u>1,370</u>	<u>3,885</u>
Net change in fiduciary net position	(282,084)	987,081	447,911	653,292
Fiduciary net position, beginning	<u>5,471,210</u>	<u>4,484,129</u>	<u>4,036,218</u>	<u>3,382,926</u>
Fiduciary net position, ending (b)	<u>5,189,126</u>	<u>5,471,210</u>	<u>4,484,129</u>	<u>4,036,218</u>
Net pension liability / (asset), ending = (a) - (b)	<u>\$ 78,409</u>	<u>\$ (584,454)</u>	<u>\$ 65,094</u>	<u>\$ (79,660)</u>
Fiduciary net position as a % of total pension liability	98.51%	111.96%	98.57%	102.01%
Pensionable covered payroll	\$ 1,490,782	\$ 1,475,197	\$ 1,655,124	\$ 1,761,843
Net pension liability as a % of covered payroll	5.26%	-39.62%	3.93%	-4.52%

Year Ended December 31, 2018	Year Ended December 31, 2017	Year Ended December 31, 2016	Year Ended December 31, 2015	Year Ended December 31, 2014
\$ 147,806	\$ 124,504	\$ 122,477	\$ 101,557	\$ 103,617
269,777	243,472	215,074	197,203	180,582
119,853	-	-	(17,589)	-
-	15,212	56,100	26,900	-
(64,815)	40,659	-	(1,604)	8,286
<u>(128,153)</u>	<u>(116,871)</u>	<u>(98,503)</u>	<u>(84,829)</u>	<u>(96,633)</u>
344,468	306,976	295,148	221,638	195,852
<u>3,245,597</u>	<u>2,938,621</u>	<u>2,643,473</u>	<u>2,421,835</u>	<u>2,225,983</u>
<u>3,590,065</u>	<u>3,245,597</u>	<u>2,938,621</u>	<u>2,643,473</u>	<u>2,421,835</u>
56,294	47,633	50,942	45,340	49,669
104,248	95,265	114,310	74,328	75,419
(63,263)	432,303	197,926	1,695	165,930
(128,153)	(116,871)	(98,503)	(84,829)	(96,633)
(2,717)	(2,271)	(2,150)	(1,909)	(1,952)
<u>1,308</u>	<u>327</u>	<u>28,507</u>	<u>6,726</u>	<u>664</u>
(32,283)	456,386	291,032	41,351	193,097
<u>3,415,209</u>	<u>2,958,823</u>	<u>2,667,791</u>	<u>2,626,440</u>	<u>2,433,343</u>
<u>3,382,926</u>	<u>3,415,209</u>	<u>2,958,823</u>	<u>2,667,791</u>	<u>2,626,440</u>
<u>\$ 207,139</u>	<u>\$ (169,612)</u>	<u>\$ (20,202)</u>	<u>\$ (24,318)</u>	<u>\$ (204,605)</u>
94.23%	105.23%	100.69%	100.92%	108.45%
\$ 1,489,257	\$ 1,360,927	\$ 1,235,678	\$ 1,061,834	\$ 1,077,414
13.91%	-12.46%	-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, 2023

Year Ending December 31,	Actuarially Determined Contribution <sup>(1)</sup>	Actual Employer Contribution <sup>(1)</sup>	Contribution Deficiency (Excess)	Pensionable Covered Payroll <sup>(2)</sup>	Actual Contribution as a % of Covered Payroll
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%
2020	96,163	96,596	(433)	1,655,124	5.8%
2021	84,971	85,703	(732)	1,475,197	5.8%
2022	120,455	134,122	(13,667)	1,490,782	9.0%

<sup>(1)</sup> TCDRS calculates actuarially determined contributions on a calendar year basis. GASB Statement No. 68 indicates the employer should report employer contribution amounts on a fiscal year basis.

<sup>(2)</sup> 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, 2023

	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or Negative
	Original	Final		
<b>REVENUES:</b>				
Water Services	\$ 1,929,864	\$ 1,929,864	\$ 2,091,719	\$ 161,855
Sewer Services	1,996,716	1,996,716	2,034,145	37,429
Other Service Fees	71,000	71,000	96,916	25,916
FEMA Funding	-	-	13,363	13,363
Investment Earnings	2,500	2,500	99,415	96,915
Revenue Note Collections	1,020,000	1,020,000	1,017,527	(2,473)
Other Revenue	125,000	125,000	197,886	72,886
Total Revenues	<u>5,145,080</u>	<u>5,145,080</u>	<u>5,550,971</u>	<u>405,891</u>
<b>EXPENDITURES</b>				
Current:				
General Government:				
Water and Sewer Service	1,134,325	1,134,325	1,216,327	(82,002)
Salaries, Benefits and Payroll Taxes	2,179,000	2,179,000	2,013,204	165,796
Professional Fees	75,000	75,000	79,990	(4,990)
Administrative Expenses	328,000	328,000	368,345	(40,345)
Other	39,200	39,200	35,337	3,863
Debt Service				
Bond Principal	815,000	815,000	815,000	-
Bond Interest and Fiscal Charges	128,555	128,555	128,698	(143)
Capital Outlay:				
Capital Outlay	197,000	197,000	176,374	20,626
Total Expenditures	<u>4,896,080</u>	<u>4,896,080</u>	<u>4,833,275</u>	<u>62,805</u>
Excess (Deficiency) of Revenues				
Over (Under) Expenditures	<u>249,000</u>	<u>249,000</u>	<u>717,696</u>	<u>468,696</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers In	1,000	1,000	-	(1,000)
Transfers Out (Use)	<u>(250,000)</u>	<u>(250,000)</u>	<u>(486,749)</u>	<u>(236,749)</u>
Total Other Financing Sources (Uses)	<u>(249,000)</u>	<u>(249,000)</u>	<u>(486,749)</u>	<u>(237,749)</u>
Net Change in Fund Balances	-	-	230,947	230,947
Fund Balance - July 1 (Beginning)	<u>4,072,752</u>	<u>4,072,752</u>	<u>4,072,752</u>	<u>-</u>
Fund Balance - June 30 (Ending)	<u>\$ 4,072,752</u>	<u>\$ 4,072,752</u>	<u>\$ 4,303,699</u>	<u>\$ 230,947</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, 2023

### 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 than 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:	\$ 16.84	2,000	N	\$ 0.40	2,000 Gal & Over
Wastewater:	\$ 20.21	2,000	N	\$ 0.40	2,000 Gal & Over
Surcharge:	\$ -	-	-	\$ -	-

Total Charges per 10,000 gallons usage:

Water: \$0

Sewer: \$0

	Commercial Minimum Charge	Commercial Minimum Usage	Flat Rate Y/N	Rate per 1000 Gallons over Minimum Use	Usage Levels
Water:	\$ 18.91	2,000	N	\$ 0.431	2,000 Gal & Over
Wastewater:	\$ 23.88	2,000	N	\$ 0.431	2,000 Gal & Over
Surcharge:	\$ -	-	-	\$ -	-

Total Charges per 10,000 gallons usage:

Water: \$0

Sewer: \$0

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"		4,555	1.0	4,555
1"		70	2.5	175
1 1/2"		51	5.0	255
2"		56	8.0	448
3"		4	16.0	64
4"		3	25.0	75
6"		3	50.0	Firelines
8"		1	80.0	Firelines
10"		-	115.0	-
Total Water		4,765		5,594
Total Wastewater		4,066	1.0	4,066

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

Gallons pumped into system:	372,326,000	Water Accountability Ratio:
Gallons billed to customers	332,059,500	(Gallons billed/Gallons pumped)
		89%

# ORANGE COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1

## SCHEDULE OF GENERAL FUND EXPENDITURES FOR THE YEAR ENDED JUNE 30, 2023

Personnel Expenditures (Including benefits)*	\$ 1,771,828
Professional fees:	
Engineering	15,335
Accounting	17,250
Legal	47,405
Utilities	359,489
Repairs and Maintenance	685,653
Administrative Expenditures	
Office Expense	43,582
Insurance	295,011
Capital Outlay	175,171
Solid Waste Disposal	33,982
Plant Operations	446,319
Debt Service and Reserve	<u>942,250</u>
Total Expenditures	<u>\$ 4,833,275</u>

\*Number of persons employed by the District: 27 Full-Time, and 1 Part-Time

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

## **SCHEDULE OF TEMPORARY INVESTMENTS JUNE 30, 2023**

As of June 30, 2023, the District had no reportable temporary investments.

# ORANGE COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1

## ANALYSIS OF TAXES LEVIED AND RECEIVABLE JUNE 30, 2023

Taxes Receivable, Beginning of Year	\$	585,718
2022 Original Tax Levy		2,097,028
Plus (Less): Net adjustments		<u>(21,157)</u>
Total to be Accounted for		2,661,589
Tax Collections:		
Current Year	\$	1,926,722
Prior Years		<u>126,837</u>
Total Collections		<u>2,053,559</u>
Taxes Receivable, End of Year	\$	<u>608,030</u>

<u>Property valuations</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Land	\$ 96,067,823	\$ 95,551,672	\$ 97,722,476	\$ 95,520,906
Improvements	585,223,858	537,994,013	469,795,664	456,576,992
Personal Property	60,193,383	60,721,263	59,131,261	60,125,643
Less Exemptions	<u>(119,138,031)</u>	<u>(119,555,988)</u>	<u>(107,395,789)</u>	<u>(105,098,169)</u>
TOTAL	<u>\$ 622,347,033</u>	<u>\$ 574,710,960</u>	<u>\$ 519,253,612</u>	<u>\$ 507,125,372</u>
Tax rate per \$100 Valuation (All Debt Service)	\$ 0.3376	\$ 0.3819	\$ 0.4220	\$ 0.4170
Original Tax Levy	<u>\$ 2,097,028</u>	<u>\$ 2,185,003</u>	<u>\$ 2,171,450</u>	<u>\$ 2,114,764</u>
Percent of Taxes Collected to Taxes Levied	91.88%	92.65%	93.24%	91.84%

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, 2023

Due During Fiscal Years Ending June 30,	<b>Series 2019 Unlimited Tax Refunding Bonds</b>		Total Principal and Interest
	Principal	Interest	
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>\$ 7,465,000</u>	<u>\$ 1,391,000</u>	<u>\$ 8,856,000</u>

Due During Fiscal Years Ending June 30,	<b>Series 2021 Revenue Refunding Bonds</b>		Total Principal and Interest
	Principal	Interest	
2024	\$ 835,000	\$ 110,750	\$ 945,750
2025	850,000	93,900	943,900
2026	865,000	76,750	941,750
2027	885,000	59,250	944,250
2028	895,000	45,925	940,925
2029	905,000	36,925	941,925
2030	915,000	27,825	942,825
2031	925,000	17,469	942,469
2032	935,000	5,844	940,844
	<u>\$ 8,010,000</u>	<u>\$ 474,638</u>	<u>\$ 8,484,638</u>



# ORANGE COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1

## GENERAL LONG - TERM DEBT SERVICE REQUIREMENTS BY YEAR JUNE 30, 2023

Due During Fiscal Years Ending June 30,	<b>Series 2022 Unlimited Tax Refunding Bonds</b>		
	Principal	Interest	Total Principal and Interest
2024	\$ 655,000	\$ 291,100	\$ 946,100
2025	700,000	264,900	964,900
2026	610,000	236,900	846,900
2027	630,000	212,500	842,500
2028	640,000	187,300	827,300
2029	690,000	161,700	851,700
2030	895,000	134,100	1,029,100
2031	985,000	107,250	1,092,250
2032	1,925,000	77,700	2,002,700
2033	1,960,000	39,200	1,999,200
	<u>\$ 9,690,000</u>	<u>\$ 1,712,650</u>	<u>\$ 11,402,650</u>

### **Series 2022 Capital Appreciation Refunding Bonds**

Due During Fiscal Years Ending June 30,	Total Maturity Value Due	Total Due
2034	\$ 2,000,000	\$ 2,000,000
2035	2,000,000	2,000,000
2036	2,000,000	2,000,000
2037	2,000,000	2,000,000
2038	2,000,000	2,000,000
	<u>\$ 10,000,000</u>	<u>\$ 10,000,000</u>

# ORANGE COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1

## GENERAL LONG - TERM DEBT SERVICE REQUIREMENTS BY YEAR JUNE 30, 2023

Due During Fiscal Years Ending June 30,	Annual Requirements for All Series		
	Total Principal Due	Total Interest Due	Total Principal and Interest Due
2024	\$ 2,270,000	\$ 700,450	\$ 2,970,450
2025	2,340,000	626,200	2,966,200
2026	2,415,000	549,450	2,964,450
2027	2,500,000	469,950	2,969,950
2028	2,555,000	392,025	2,947,025
2029	2,655,000	316,625	2,971,625
2030	2,735,000	237,525	2,972,525
2031	2,875,000	163,319	3,038,319
2032	2,860,000	83,544	2,943,544
2033	1,960,000	39,200	1,999,200
2034	2,000,000	-	2,000,000
2035	2,000,000	-	2,000,000
2036	2,000,000	-	2,000,000
2037	2,000,000	-	2,000,000
2038	2,000,000	-	2,000,000
	<u>\$ 35,165,000</u>	<u>\$ 3,578,288</u>	<u>\$ 38,743,288</u>

# ORANGE COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1

## ANALYSIS OF CHANGES IN LONG-TERM BONDED DEBT FOR THE YEAR ENDED JUNE 30, 2023

	Series 2019	Series 2021 Rev. Bonds	Series 2022 Tax Refunding	Total
Interest rates	2% - 4%	1.25% - 2%	2% - 4%	
Dates interest payable	02/20 - 02/31	02/22 - 08/31	08/22 - 02/38	
Maturity dates	2031	2031	2038	
Bonds outstanding, beginning of current period	\$ 8,205,000	\$ 8,825,000	\$ 16,593,833	\$ 33,623,833
New bond proceeds	-	-	-	-
Interest accreted on CAB's	-	-	187,233	187,233
Retirements, principal	740,000	815,000	610,000	2,165,000
Bonds outstanding, end of current period	<u>\$ 7,465,000</u>	<u>\$ 8,010,000</u>	<u>\$ 16,171,066</u>	<u>\$ 31,646,066</u>
Interest paid during current period	<u>\$ 328,200</u>	<u>\$ 127,250</u>	<u>\$ 347,216</u>	<u>\$ 802,666</u>
Bond authority		Revenue Bonds	Tax Bonds	Totals
Amount authorized by voters		\$ 8,010,000	\$ 23,636,066	\$ 31,646,066
Amount issued		8,010,000	23,636,066	31,646,066
Remaining to be issued		-	-	-
Debt service fund cash and temporary investment balances as of June 30, 2023		-	783,501	783,501
Average annual debt service payment (principal and interest) for remaining term of all debt				\$ 2,582,886

# ORANGE COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1

## COMPARATIVE STATEMENT OF REVENUES AND EXPENDITURES – GENERAL FUND FOR THE YEAR ENDED JUNE 30, 2023

	AMOUNTS				
	2023	2022	2021	2020	2019
GENERAL FUND REVENUES					
Service Revenues	\$ 4,162,395	\$ 3,699,659	\$ 3,691,735	\$ 3,395,627	\$ 2,938,709
Tap connection fees	64,266	33,187	41,504	54,181	55,157
Interest on Temporary investments	99,415	6,568	1,770	29,375	46,664
Revenue Note Collections	1,017,528	1,016,608	1,016,488	1,015,948	1,018,122
Other	207,367	129,612	125,490	127,476	270,787
TOTAL GENERAL FUND REVENUES	<u>5,550,971</u>	<u>4,885,634</u>	<u>4,876,987</u>	<u>4,622,607</u>	<u>4,329,439</u>
GENERAL FUND EXPENDITURES					
Bad debts	31,652	60,120	35,486	3,874	13,087
Chemicals	43,951	39,151	37,246	29,663	23,955
Employee retirement	132,458	110,425	90,813	105,914	82,048
Engineering	15,335	37,357	4,602	6,857	5,540
Fuel and lubricants	58,533	55,425	44,444	48,191	56,428
Grinder Installations	94,401	80,603	50,749	62,513	162,938
Insurance	295,011	293,301	308,103	309,448	328,812
Interest	127,250	100,046	347,569	363,538	377,647
Legal and auditing	64,655	51,878	39,780	34,600	30,780
Maintenance & repair - Equipment	36,866	27,026	39,376	31,625	37,479
Maintenance & repair - Water & Sewer	497,037	368,058	325,905	303,450	218,054
Maintenance & repair - Bldg & Office Eq.	151,750	80,694	72,810	61,394	78,896
Other	180,479	185,270	507,112	169,745	168,058
Payroll taxes	116,303	117,017	128,788	140,015	128,372
Postage	34,474	28,738	29,570	24,800	26,941
Printing & office supplies	43,582	42,439	39,153	42,904	86,200
Salaries & wages	1,523,067	1,492,740	1,587,694	1,788,055	1,679,541
Utilities	359,489	324,706	261,168	268,318	250,421
Capital outlay	175,171	57,041	514,206	79,046	68,707
Principal retirement	815,000	-	675,000	655,000	645,000
TCEQ & Department of Health	36,811	34,811	34,764	34,762	37,761
TOTAL GENERAL FUND EXPENDITURES	<u>4,833,275</u>	<u>3,586,846</u>	<u>5,174,338</u>	<u>4,563,712</u>	<u>4,506,665</u>
Operating Transfer In	-	39,200	512,200	200,000	408,000
Issuance of bonds - face value	-	-	8,825,000	-	-
Issuance of bonds - premium	-	-	113,818	-	-
Operating Transfers Out	(486,749)	(139,679)	(232,012)	(100,000)	(108,000)
Other uses - payment to refunded bond escrow agent	-	-	(9,499,019)	-	-
	<u>(486,749)</u>	<u>(100,479)</u>	<u>(280,013)</u>	<u>100,000</u>	<u>300,000</u>
EXCESS OF GENERAL FUND REVENUES OVER (UNDER) EXPENDITURES	<u>\$ 230,947</u>	<u>\$ 1,198,309</u>	<u>\$ (577,364)</u>	<u>\$ 158,895</u>	<u>\$ 122,774</u>

PERCENTAGE OF FUND REVENUES				
2023	2022	2021	2020	2019
75.0%	75.7%	75.7%	73.5%	67.9%
1.2%	0.7%	0.9%	1.2%	1.3%
1.8%	0.1%	0.0%	0.6%	1.1%
18.3%	20.8%	20.8%	22.0%	23.5%
3.7%	2.7%	2.6%	2.8%	6.3%
<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>
0.6%	1.2%	0.7%	0.1%	0.3%
0.8%	0.8%	0.8%	0.6%	0.6%
2.4%	2.3%	1.9%	2.3%	1.9%
0.3%	0.8%	0.1%	0.1%	0.1%
1.1%	1.1%	0.9%	1.0%	1.3%
1.7%	1.6%	1.0%	1.4%	3.8%
5.3%	6.0%	6.3%	6.7%	7.6%
2.3%	2.0%	7.1%	7.9%	8.7%
1.2%	1.1%	0.8%	0.7%	0.7%
0.7%	0.6%	0.8%	0.7%	0.9%
9.0%	7.5%	6.7%	6.6%	5.0%
2.7%	1.7%	1.5%	1.3%	1.8%
3.3%	3.8%	10.4%	3.7%	3.9%
2.1%	2.4%	2.6%	3.0%	3.0%
0.6%	0.6%	0.6%	0.5%	0.6%
0.8%	0.9%	0.8%	0.9%	2.0%
27.4%	30.6%	32.6%	38.7%	38.8%
6.5%	6.6%	5.4%	5.8%	5.8%
3.2%	1.2%	10.5%	1.7%	1.6%
14.7%	0.0%	13.8%	14.2%	14.9%
0.7%	0.7%	0.7%	0.8%	0.9%
<u>87.1%</u>	<u>73.4%</u>	<u>106.1%</u>	<u>98.7%</u>	<u>104.1%</u>
0.0%	0.8%	10.5%	4.3%	9.4%
0.0%	0.0%	0.0%	0.0%	0.0%
0.0%	0.0%	0.0%	0.0%	0.0%
-8.8%	-2.9%	-4.8%	-2.2%	-2.5%
<u>0.0%</u>	<u>0.0%</u>	<u>0.0%</u>	<u>0.0%</u>	<u>0.0%</u>
<u>-8.8%</u>	<u>-2.1%</u>	<u>5.7%</u>	<u>2.2%</u>	<u>6.9%</u>
<u>4.2%</u>	<u>24.5%</u>	<u>-0.4%</u>	<u>3.4%</u>	<u>2.8%</u>

# ORANGE COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1

## COMPARATIVE STATEMENT OF REVENUES AND EXPENDITURES – DEBT SERVICE FUND FOR THE YEAR ENDED JUNE 30, 2023

	AMOUNTS				
	2023	2022	2021	2020	2019
DEBT SERVICE FUND REVENUES					
Tax Revenues	\$ 2,056,132	\$ 2,154,832	\$ 2,152,124	\$ 2,037,577	\$ 1,746,953
Penalty and Interest	72,062	71,488	66,773	51,164	54,728
Interest on Temporary Investments	23,199	4,690	311	11,278	10,450
Miscellaneous Revenues	58	-	-	-	-
TOTAL DEBT SERVICE FUND REVENUES	<u>2,151,451</u>	<u>2,231,010</u>	<u>2,219,208</u>	<u>2,100,019</u>	<u>1,812,131</u>
DEBT SERVICE FUND EXPENDITURES					
Tax Collection Services	1,585	1,266	1,264	1,315	1,298
Principal Retirement	1,350,000	1,434,309	1,665,000	1,680,000	1,620,000
Debt Service Interest and Fees	711,101	673,152	411,321	344,767	837,139
Bond Issuance Costs	-	484,149	-	-	-
TOTAL DEBT SERVICE FUND EXPENDITURES	<u>2,062,686</u>	<u>2,592,876</u>	<u>2,077,585</u>	<u>2,026,082</u>	<u>2,458,437</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>88,765</u>	<u>(361,866)</u>	<u>141,623</u>	<u>73,937</u>	<u>(646,306)</u>
OTHER FINANCING SOURCES (USES)					
Issuance of refunding bonds - face value	-	10,993,440	-	-	-
Issuance of refunding bonds - premium	-	6,894,735	-	-	-
Other Uses - payment to refunded - bond escrow agent	-	(17,404,026)	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>484,149</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN DEBT SERVICE FUND FUND BALANCE	<u>\$ 88,765</u>	<u>\$ 122,283</u>	<u>\$ 141,623</u>	<u>\$ 73,937</u>	<u>\$ (646,306)</u>
Total active retail water and/or wastewater connections	5,594	5,199	5,393	5,337	5,384

PERCENTAGE OF FUND REVENUES				
2023	2022	2021	2020	2019
95.6%	96.6%	97.0%	97.0%	96.4%
3.3%	3.2%	3.0%	2.4%	3.0%
1.1%	0.2%	0.0%	0.5%	0.6%
0.0%	0.0%	0.0%	0.0%	0.0%
<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>
0.1%	0.1%	0.1%	0.1%	0.1%
62.7%	64.3%	75.0%	80.0%	89.4%
33.1%	30.2%	18.5%	16.4%	46.2%
<u>0.0%</u>	<u>0.0%</u>	<u>0.0%</u>	<u>0.0%</u>	<u>0.0%</u>
<u>95.9%</u>	<u>94.5%</u>	<u>93.6%</u>	<u>96.5%</u>	<u>135.7%</u>
<u>4.1%</u>	<u>5.5%</u>	<u>6.4%</u>	<u>3.5%</u>	<u>-35.7%</u>
0.0%	492.8%	0.0%	0.0%	0.0%
0.0%	309.0%	0.0%	0.0%	0.0%
<u>0.0%</u>	<u>0.0%</u>	<u>0.0%</u>	<u>0.0%</u>	<u>0.0%</u>
<u>0.0%</u>	<u>801.8%</u>	<u>0.0%</u>	<u>0.0%</u>	<u>0.0%</u>
<u>4.1%</u>	<u>807.3%</u>	<u>6.4%</u>	<u>3.5%</u>	<u>-35.7%</u>

# ORANGE COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1

## BOARD MEMBERS, KEY PERSONNEL, AND CONSULTANTS FOR THE YEAR ENDED JUNE 30, 2023

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 6/30/2023</u>	<u>Title at 6/30/2023</u>	<u>Resident of District</u>
<b>Board Members</b>				
Frank Inzer 315 S Main Vidor, TX 77662	Elected 05/20-05/24	None	President	Yes
Tim Beard 4575 Brookhollow Drive Vidor, TX 77662	Elected 05/22-05/26	None	Vice- President	Yes
Trey Haney 1250 Lamar Street Vidor, TX 77662	Elected 05/22-05/26	None	Secretary	Yes
Kelly Brewer 180 Sandra Vidor, TX 77662	Elected 05/22-05/26	None	Director	Yes
Troy Taylor 650 Jackson Vidor, TX 77662	Appointed 08/21-05/24	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, 2023**

<u>Name and Address</u>	<u>Term of Office Date, Date Elected or Hired</u>	<u>Salary or Fees and Expense Reimbursements 6/30/2023</u>	<u>Title at 6/30/2023</u>	<u>Resident of District</u>
<b>Key Administrative Personnel</b>				
Chris Serres 2856 State Hwy. 62 Buna, Texas 77662	04/2009	\$ 113,926	General Manager	No
David B. LeJune 305 S Denver Street Vidor, TX 77662	08/1982	\$ 102,931	Operations Manager	Yes
<b>Consultants</b>				
Germer PLLC Kate Leverett 550 Fannin Suite 400 Beaumont, TX 77701	06/2022	\$ 50,247	Attorney	No
Karen Fisher Orange County Tax Assessor/Collector PO Box 670 Orange, TX 77631	07/1992	\$ 1,585	Tax Assessor/Collector	No
Orange County Appraisal District PO Box 457 Orange, TX 77631	01/1983	\$ 35,048	Appraisal District	No
LJA Engineering, Inc. 2929 Briarpark Drive Houston, TX 77042	01/2001	\$ 20,937	Engineering Consultants	No
Wathen, DeShong & Juncker, L.L.P. 4140 Gladys Ave. Suite 101 Beaumont, TX 77706	06/2016	\$ 17,250	Auditor	No
Keri Michutka, CPA 1906 Texas Avenue Bridge City, TX 77611	08/2019	\$ 5,300	CPA	No

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



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

October 16, 2023

**INDEPENDENT AUDITOR'S 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 & Improvement District No. 1  
Vidor, Texas

We have audited, in accordance with the 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 (Government Auditing Standards), the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Orange County Water Control & Improvement District No. 1 as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise Orange County Water Control & Improvement District No. 1's basic financial statements, and have issued our report thereon dated October 16, 2023.

**Report on Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Orange County Water Control & 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 & Improvement District No. 1's internal control. Accordingly, we do not express an opinion on the effectiveness of Orange County Water Control & 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 or significant deficiencies may exist that were not identified.

**Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Orange County Water Control & 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 & JUNCKER, L.L.P.**  
Certified Public Accountants