

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

**ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2024**

TABLE OF CONTENTS

	<u>PAGE</u>
Annual Filing Affidavit	1
Independent Auditor's Report	2-4
Management's Discussion and Analysis.....	5-10
 Basic Financial Statements	
Government-Wide Financial Statements	
Statement of Net Position.....	11
Statement of Activities.....	12
Fund Financial Statements	
Balance Sheet – Governmental Funds.....	13
Reconciliation of the Balance Sheet of Governmental Funds to the	
Statement of Net Position	14
Statement of Revenues, Expenditures and Changes in Fund Balances -	
Governmental Funds	15
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund	
Balances of the Governmental Funds to the Statement of Activities	16
 Notes to the Financial Statement	 17-37
 Required Supplementary Information	
Schedule of Changes in Employer's Net Pension Liability and Related Ratios	38
Schedule of Employer Contributions.....	39
Schedule of Revenues, Expenditures, and Changes in Fund Balance-	
Budget and Actual – General Fund	40
 Texas Supplementary Information	
Notes Required by the Texas Commission on Environmental Quality.....	41
Schedule of Services and Rates	42
Schedule of General Fund Expenditures	43
Schedule of Temporary Investments.....	44
Analysis of Taxes Levied and Receivable.....	45
General Long-Term Debt Service Requirements by Year	46-50
Analysis of Changes in Long - Term Bonded Debt.....	51
Comparative Statement of Revenues and Expenditures – General Fund.....	52
Comparative Statement of Revenues and Expenditures - Debt Service Fund.....	53
Board Members, Key Personnel and Consultants	54-55
 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 <i>Government Auditing Standards</i>.....	56-57

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 21st day of October, 2024 its annual report for the fiscal year or period ended June 30, 2024 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: 10/21/, 2024

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 21 day of October, 2024

(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 21, 2024

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, 2024, 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, 2024, 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 (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with 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 District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on page 5 through 10; the Schedules of Changes in Employer's Net Pension Liability and Related Ratios and Employer Contributions on pages 38 through 39; and the Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund on page 40 be presented to supplement the basic financial statements. Such information 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 41 through 55 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 21, 2024, 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 District'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 the District's internal control over financial reporting and compliance.

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

WATHEN, DeSHONG & JUNKER, 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, 2024

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, 2024. 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 2024, by \$15,542,041. Of this amount, \$753,499 is considered unrestricted.
- The Orange County Water Control & Improvement District No. 1's total net position increased by \$2,005,347 in fiscal year 2024.
- As of the close of the current fiscal year, the District's governmental funds reported a combined ending fund balance of \$15,967,363 an increase of \$5,329,854. Of this total fund balance, \$1,895,621 is considered spendable and unassigned and is considered available for use.
- The general fund reported a fund balance of \$4,782,819 at the end of the current fiscal year. The unassigned fund balance for the general fund was \$1,895,621 or 37.3% 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, 2024

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 37.

Other information. In addition to the basic financial statements and accompanying notes, required supplementary information presents a schedule of changes in employer's net pension liability and related ratios, a schedule of employer contribution, and a schedule of revenues, expenditures, and changes in fund balance-budget and actual to demonstrate compliance with the budget. The required supplementary information can be found on pages 38 through 40. Texas Supplementary Information is presented on pages 41 through 55.

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 \$15,542,041 at June 30, 2024.

ORANGE COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1

Management's Discussion and Analysis For The Year Ended June 30, 2024

THE DISTRICT'S NET POSITION

	2024	2023
Current Assets:		
Cash and Cash Equivalents	\$ 15,771,975	\$ 9,845,602
Taxes Receivable	524,566	516,826
Due From Others	-	155,991
Service Revenues Receivable	935,751	925,504
Inventory	123,967	119,083
Prepaid Insurance	34,002	30,625
Total Current Assets	17,390,261	11,593,631
Noncurrent Assets:		
Capital Assets	68,280,185	66,642,351
Less Accumulated Depreciation	(31,586,465)	(30,090,361)
SBITA Assets, Net	106,336	119,453
Total Noncurrent Assets	36,800,056	36,671,443
Total Assets	54,190,317	48,265,074
Deferred Outflows of Resources:		
Deferred Outflows of Resources-Pension Related	240,863	353,678
Current Liabilities:		
Accounts Payable and Accrued Liabilities	358,509	330,897
Customer LPSS Deposits and Tap Fees	62,165	54,144
Unearned Revenue	478,650	58,625
Current Portion of Long-Term Debt	3,247,977	2,561,595
Total Current Liabilities	4,147,301	3,005,261
Long-Term Liabilities:		
Customer Deposits	435,485	421,620
Long-Term Debt	34,225,366	31,547,140
Net Pension Liability	64,320	78,409
Total Long-Term Liabilities	34,725,171	32,047,169
Total Liabilities	38,872,472	35,052,430
Deferred Inflows of Resources:		
Deferred Inflows of Resources-Pension Related	16,667	29,628
Net Position:		
Net Investment in Capital Assets	12,216,731	11,270,187
Restricted for Debt Service	2,571,811	2,269,660
Unrestricted	753,499	(3,153)
Total Net Position	\$ 15,542,041	\$ 13,536,694

ORANGE COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1

Management's Discussion and Analysis For The Year Ended June 30, 2024

Changes in net position

The District's total revenues were \$8,731,239. A significant portion, 50.4%, of the District's revenue comes from charges for water and sewer services. Approximately 24.4% of the revenue comes from taxes.

The total cost of all programs and services was \$6,725,892; all these costs are related to water and sewer services.

Governmental Activities

Property tax rates decreased by approximately .02 cents per \$100 valuation. Property valuations increased \$66.7 million. Taxes levied for the year increased \$69,465.

CHANGES IN THE DISTRICT'S NET POSITION

	Government Wide Activities	
	2024	2023
Program Revenues:		
Charges for Services		
Water	\$ 2,148,691	\$ 2,091,719
Sewer	2,122,736	2,034,145
Service Fees	130,368	273,864
General Revenues:		
Taxes	2,132,115	2,075,098
Penalty and Interest	73,625	72,062
Interest on Temporary Investments	475,297	299,153
Revenue Note Collections	1,034,511	1,017,528
Miscellaneous Revenues	219,812	165,323
Grants and Contributions	394,084	384,311
Total Revenues	8,731,239	8,413,203
Water and Sewer Service	1,230,541	1,268,332
Salaries, Benefits, and Payroll taxes	2,222,778	1,949,808
Professional Fees	85,379	80,004
Administrative Expenses	346,272	343,176
Other	72,455	75,612
Interest and Fiscal Charges	1,079,389	654,651
Depreciation	1,689,078	1,648,390
Total Expenses	6,725,892	6,019,973
Change in Net Position	\$ 2,005,347	\$ 2,393,230

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

- The cost of all governmental activities this year was \$6,725,892.
- Property tax revenue was \$2,132,115.
- \$4,401,795 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, 2024

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 \$181,916 or 3.5% below budgeted amounts in the General Fund. Resources available were \$231,544 or 4.2% above budgeted amounts.

Capital Assets and Debt Administration

Capital Assets

At the end of 2024, the District had invested \$68,280,185 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

	2024	2023
Land	\$ 319,650	\$ 315,150
Buildings and Improvements	410,703	401,403
Water and Sewer System	63,512,651	62,718,487
Machinery and Equipment	633,712	633,335
Autos and Trucks	467,706	470,143
Office Furniture and Fixtures	194,641	194,641
Construction in Progress	2,741,122	1,909,192
Totals at historical cost	68,280,185	66,642,351
Total Accumulated Depreciation	(31,586,465)	(30,090,361)
Net Capital Assets	<u>\$ 36,693,720</u>	<u>\$ 36,551,990</u>

ORANGE COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1

Management's Discussion and Analysis For The Year Ended June 30, 2024

Long-Term Debt and Liabilities

At year-end the District had \$36,839,760 in bonded debt outstanding. More detailed information about the District's debt is presented in the notes to the financial statements.

	Beginning Balance	Additions	Retirements	Ending Balance	Due Within One Year
Bonds Payable:					
General Obligation					
2019 Refunding	\$ 7,465,000	\$ -	\$ (780,000)	\$ 6,685,000	\$ 790,000
Premium - 2019 Refunding	482,317	-	(103,535)	378,782	92,721
2022 Refunding	9,690,000	-	(655,000)	9,035,000	700,000
Premium - 2022 Refunding	569,615	-	(96,818)	472,797	88,103
Revenue Bonds					
2021 Refunding	8,010,000	-	(835,000)	7,175,000	850,000
Premium - 2021 Refunding	75,586	-	(17,637)	57,949	14,953
2023A Revenue Notes	-	410,000	-	410,000	20,000
2023B Revenue Notes	-	5,260,000	-	5,260,000	210,000
Capital Appreciation					
2022 Refunding	693,440	-	-	693,440	-
Accreted Interest Payable					
2022 Refunding Bonds	6,481,066	190,726	-	6,671,792	195,800
Total Bonded Debt	33,467,024	5,860,726	(2,487,990)	36,839,760	2,961,577
Compensated Absences Payable	145,017	-	(5,920)	139,097	-
OPEB Liability	107,016	-	(12,348)	94,668	-
Accrued Interest Expense	264,331	286,400	(264,331)	286,400	286,400
Customer Deposits	421,620	13,865	-	435,485	-
SBITA Liability	125,347	22,912	(34,841)	113,418	-
Total Long-Term Liabilities	\$ 34,530,355	\$ 6,183,903	\$ (2,805,430)	\$ 37,908,828	\$ 3,247,977

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The 2024-2025 budget was presented with an increase of \$1.00 to the minimum bill rate for the first 2,000 gallons of usage. A \$.05 increase per 100 gallons in the rates for all usages over the first 2,000 gallon minimum. The 2024-2025 budget was presented with an increase of forty-four in the number of customers in the District. The General Fund Revenue Budget for 2024-2025 is \$6,048,287 which is an 8.75% increase from the 2023-2024 General Fund Budget of \$5,561,230.

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 2024-2025 is \$6,048,287 which is an 8.75% increase from the 2023-2024 General Fund Expenditure Budget of \$5,561,230, including transfers.

The ad valorem tax roll for the 2024 tax year is \$741,140,130 with an adopted tax rate of \$0.29196 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, 2024

	Primary Government
	Governmental Activities
ASSETS	
Cash and Cash Equivalents	\$ 9,985,748
Taxes Receivable, Net	524,566
Accounts Receivable, Net	935,751
Inventories	123,967
Prepaid Insurance	34,002
Restricted Cash	5,786,227
Capital Assets:	
Land	319,650
Improvements other than buildings, net	33,089,660
Buildings, Net	146,151
Machinery and Equipment, Net	397,137
Construction in Progress	2,741,122
SBITA Assets, Net	106,336
Total Assets	54,190,317
DEFERRED OUTFLOWS OF RESOURCES	
Deferred Outflow Related to Pension Plan	240,863
Total Deferred Outflows of Resources	240,863
LIABILITIES	
Accounts Payable	309,534
Wages and Salaries Payable	41,111
Unearned Revenues	540,815
Net Pension Liability	64,320
Other Current Liabilities	7,864
Noncurrent Liabilities:	
Due Within One Year	3,247,977
Due in More Than One Year	34,660,851
Total Liabilities	38,872,472
DEFERRED INFLOWS OF RESOURCES	
Deferred Inflow Related to Pension Plan	16,667
Total Deferred Inflows of Resources	16,667
NET POSITION	
Net Investment in Capital Assets	12,216,731
Restricted for Debt Service	2,571,811
Unrestricted	753,499
Total Net Position	\$ 15,542,041

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

ORANGE COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO.1

STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2024

		Program Revenues		Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services	Operating Grants and Contributions	Primary Government Governmental Activities
Primary Government:				
GOVERNMENTAL ACTIVITIES:				
Water and Sewer Service	\$ 1,230,541	\$ 4,401,795	\$ -	\$ 3,171,254
Salaries, Benefits and Payroll Taxes	2,222,778	-	-	(2,222,778)
Professional Fees	85,379	-	-	(85,379)
Administrative Expenses	346,272	-	-	(346,272)
Other	72,455	-	-	(72,455)
Depreciation Expense	1,689,078	-	-	(1,689,078)
Bond Interest and Fiscal Charges	1,079,389	-	-	(1,079,389)
TOTAL PRIMARY GOVERNMENT	<u>\$ 6,725,892</u>	<u>\$ 4,401,795</u>	<u>\$ -</u>	<u>(2,324,097)</u>
General Revenues				
Taxes:				
Property Taxes				2,132,115
Revenue and Note Collections				1,034,511
Penalty and Interest				73,625
Grants and Contributions				394,084
Miscellaneous Revenue				219,812
Investment Earnings				475,297
Total General Revenues				<u>4,329,444</u>
Change in Net Position				2,005,347
Net Position - Beginning				<u>13,536,694</u>
Net Position - Ending				<u>\$ 15,542,041</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, 2024

	General Fund	Debt Service Fund	Contingency Fund	Construction And Capital Projects Funds	Total Governmental Funds
ASSETS					
Cash and Cash Equivalents	\$ 3,942,065	\$ 964,339	\$ 2,537,981	\$ 2,541,363	\$ 9,985,748
Taxes Receivable	-	617,137	-	-	617,137
Allowance for Uncollectible Taxes	-	(92,571)	-	-	(92,571)
Accounts Receivable, Net	935,751	-	-	-	935,751
Inventories	123,967	-	-	-	123,967
Restricted Cash - TWDB Escrow	-	-	-	5,786,227	5,786,227
Total Assets	<u>\$ 5,001,783</u>	<u>\$ 1,488,905</u>	<u>\$ 2,537,981</u>	<u>\$ 8,327,590</u>	<u>\$ 17,356,259</u>
LIABILITIES					
Accounts Payable	\$ 107,824	\$ -	\$ -	\$ 201,710	\$ 309,534
Wages and Salaries Payable	41,111	-	-	-	41,111
Unearned Revenues	62,165	-	-	478,650	540,815
Other Current Liabilities	7,864	-	-	-	7,864
Total Liabilities	<u>218,964</u>	<u>-</u>	<u>-</u>	<u>680,360</u>	<u>899,324</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable Revenue - Property Taxes	-	489,572	-	-	489,572
Total Deferred Inflows of Resources	<u>-</u>	<u>489,572</u>	<u>-</u>	<u>-</u>	<u>489,572</u>
FUND BALANCES					
Nonspendable Fund Balance:					
Inventories	123,967	-	-	-	123,967
Restricted Fund Balance:					
Capital Acquisition and Obligation	-	-	-	5,786,353	5,786,353
Retirement of Long-Term Debt	2,299,929	999,333	-	-	3,299,262
Other Restricted Fund Balance	463,302	-	-	-	463,302
Assigned Fund Balance:					
Construction	-	-	-	1,860,877	1,860,877
Other Assigned Fund Balance	-	-	2,537,981	-	2,537,981
Unassigned Fund Balance	1,895,621	-	-	-	1,895,621
Total Fund Balances	<u>4,782,819</u>	<u>999,333</u>	<u>2,537,981</u>	<u>7,647,230</u>	<u>15,967,363</u>
Total Liabilities, Deferred Inflows And Fund Balances	<u>\$ 5,001,783</u>	<u>\$ 1,488,905</u>	<u>\$ 2,537,981</u>	<u>\$ 8,327,590</u>	<u>\$ 17,356,259</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, 2024

Total Fund Balances - Governmental Funds	\$ 15,967,363
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in governmental funds.	36,693,720
Prepaid expenditures which were expended in the funds are included in the statement of net position	34,002
Property taxes receivables are not available to pay for current period expenditures and, therefore, are deferred in the governmental funds	489,572
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds	(37,126,160)
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.	159,876
Other post employment benefits are not due and payable in the current period and, therefore, are not reported in the governmental funds.	(94,668)
Compensated absences and customer deposits are not due and payable in the current period and, therefore, are not reported in the governmental funds.	(574,582)
SBITA assets used in governmental activities are not financial resources and, therefore, are not reported in governmental funds.	106,336
Long-term liabilities, including SBITA payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds	(113,418)
Net Position of Governmental Activities	<u>\$ 15,542,041</u>

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, 2024

	General Fund	Debt Service Fund	Contingency Fund	Construction And Capital Projects Funds	Total Governmental Funds
REVENUES:					
Taxes:					
Property Taxes	\$ -	\$ 2,124,375	\$ -	\$ -	\$ 2,124,375
Penalty and Interest on Taxes	-	73,625	-	-	73,625
Intergovernmental Revenue and Grants	-	-	-	79,975	79,975
Water Services	2,148,691	-	-	-	2,148,691
Sewer Services	2,122,736	-	-	-	2,122,736
Other Service Fees	128,441	1,489	-	436	130,366
Investment Earnings	158,615	41,436	129,500	145,747	475,298
Revenue Note Collections	1,034,511	-	-	-	1,034,511
Grant Revenue	-	-	-	314,109	314,109
Other Revenue	198,780	-	-	75	198,855
Total Revenues	<u>5,791,774</u>	<u>2,240,925</u>	<u>129,500</u>	<u>540,342</u>	<u>8,702,541</u>
EXPENDITURES					
Current:					
General Government:					
Water and Sewer Service	1,216,938	-	-	-	1,216,938
Salaries, Benefits and Payroll Taxes	2,156,139	-	-	-	2,156,139
Professional Fees	83,654	-	-	1,725	85,379
Administrative Expenses	386,175	-	-	-	386,175
Other	34,310	32,980	-	-	67,290
Debt Service					
Bond Principal	835,000	1,435,000	-	-	2,270,000
Bond Interest and Fiscal Charges	163,853	592,108	-	-	755,961
Bond Issuance Costs	-	-	-	328,623	328,623
Capital Outlay:					
Capital Outlay	203,245	-	-	1,572,937	1,776,182
Total Expenditures	<u>5,079,314</u>	<u>2,060,088</u>	<u>-</u>	<u>1,903,285</u>	<u>9,042,687</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>712,460</u>	<u>180,837</u>	<u>129,500</u>	<u>(1,362,943)</u>	<u>(340,146)</u>
OTHER FINANCING SOURCES (USES):					
Transfers In	25,755	-	62,496	196,599	284,850
Transfers Out (Use)	(259,095)	-	-	(25,755)	(284,850)
Issuance of revenue bonds	-	-	-	5,670,000	5,670,000
Total Other Financing Sources (Uses)	<u>(233,340)</u>	<u>-</u>	<u>62,496</u>	<u>5,840,844</u>	<u>5,670,000</u>
Net Change in Fund Balances	479,120	180,837	191,996	4,477,901	5,329,854
Fund Balance - July 1 (Beginning)	<u>4,303,699</u>	<u>818,496</u>	<u>2,345,985</u>	<u>3,169,329</u>	<u>10,637,509</u>
Fund Balance - June 30 (Ending)	<u>\$ 4,782,819</u>	<u>\$ 999,333</u>	<u>\$ 2,537,981</u>	<u>\$ 7,647,230</u>	<u>\$ 15,967,363</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, 2024

Total Net Change in Fund Balances - Governmental Funds	\$ 5,329,854
Property tax revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the governmental funds.	7,741
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.	1,794,780
Certain items reported as expenditures in the governmental funds are considered assets in the government-wide statements.	3,377
Depreciation is not recognized as an expense in the governmental funds since it does not require the use of current financial resources.	(1,689,078)
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.	2,270,000
Bond proceeds are reported as other financing sources in the governmental funds. This transaction has no effect on net assets.	(5,670,000)
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.	5,195
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.	(46,522)
Change in Net Position of Governmental Activities	<u>\$ 2,005,347</u>

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, 2024

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 57th 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.

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.

ORANGE COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2024

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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.

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.

ORANGE COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2024

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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, 2024.

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.

ORANGE COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2024

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. Land, Buildings and Equipment (Continued)

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:

<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	\$ 90,269
Vacation	24	40	48,828
Total		<u>100</u>	<u>\$ 139,097</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, 2024

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 \$94,668.

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, 2024, the District abated property valued at \$16,753,868, which resulted in abated property taxes totaling \$52,674. 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, 2024

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, 2024

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 21, 2024, 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 \$15,771,975 and the bank balance was \$15,797,339. Three accounts relating to debt issuance are held in a trust, the remaining amount of \$10,011,112, as of the financial statement date were insured by FDIC coverage or collateralized by an Irrevocable Standby Letter of Credit for \$13,000,000 held by FHLBank of Dallas. The letter is effective December 12, 2023 through December 31, 2025.

Following are the components of the District's cash and investments at June 30, 2024:

	<u>Total</u>	<u>Bond Revenue Requirements</u>
Cash Accounts		
Interest and Sinking	\$ 2,181,360	\$ -
Revenue Bonds Reserve	1,082,906	1,302,241
Bond Proceeds	5,786,227	-
Customer Deposits	463,302	-
Other	6,258,180	-
	<u>\$ 15,771,975</u>	<u>\$ 1,302,241</u>

In August 2023 the district received two additional Revenue Note bonds. The total bond reserve requirement for Series 2021, Series 2023A and Series 2023B is listed above. The district has 60 months from the date of receipt to accumulate the required funds. The district is depositing \$6,000 monthly into the reserve account.

ORANGE COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2024

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 2023 calendar year was based was \$689,088,206. The tax rate assessed for the year ended June 30, 2024, to service bonded indebtedness was \$0.3144 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, 2024 were 92.15% of the tax.

NOTE 5 – CAPITAL ASSETS

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

	Balance July 1, 2023	Additions	Transfers/ Retire- ments	Balance June 30, 2024
Capital Assets				
Capital assets, not being depreciated				
Land	\$ 315,150	\$ 4,500	\$ -	\$ 319,650
Construction-in-progress	1,909,192	1,561,954	(730,024)	2,741,122
Total capital assets, not being depreciated	2,224,342	1,566,454	(730,024)	3,060,772
Capital assets, being depreciated				
Buildings	401,403	9,300	-	410,703
Improvements other than buildings	62,718,487	64,140	730,024	63,512,651
Machinery and equipment	1,298,119	165,314	(167,374)	1,296,059
Total capital assets, being depreciated	64,418,009	238,754	562,650	65,219,413
Less accumulated depreciation				
Buildings	248,445	16,107	-	264,552
Improvements other than buildings	28,852,077	1,570,914	-	30,422,991
Machinery and equipment	989,839	66,029	(156,946)	898,922
Total accumulated depreciation	30,090,361	1,653,050	(156,946)	31,586,465
Total capital assets, being depreciation, net	34,327,648	(1,414,296)	719,596	33,632,948
Total capital assets, net	\$36,551,990	\$ 152,158	\$ (10,428)	\$36,693,720

Depreciation expense was \$1,653,050 for the fiscal year ended June 30, 2024.

ORANGE COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2024

NOTE 5 – CAPITAL ASSETS (CONTINUED)

The following represents the District's construction commitments for the year ended June 30, 2024:

Project	Commitment	Spent to Date	Remaining Commitment
Contract 3 6560E - Surplus Funds Water and Sewer Ext	\$ 748,790	\$ 85,812	\$ 662,978
Contract 4 6560D - Sanitary Sewer System Improvements	1,466,343	1,290,190	176,153
ARPA Alamo Life Station Rehab	492,562	492,562	-
TWDB Chloramine Treatment System - Series 2023A	410,000	21,350	388,650
TWDB Chloramine Treatment System - Loan Forgiveness	500,000	-	500,000
TWDB Well No 8 & Chloramine Treatment System	5,260,000	33,800	5,226,200
TTHM Airstripper - Well Site 7 TTHM Treatment System	817,408	817,408	-
Totals	<u>\$ 9,695,103</u>	<u>\$ 2,741,122</u>	<u>\$ 6,953,981</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, 2024

NOTE 7 – LONG-TERM DEBT

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

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

<u>Bond Series</u>	<u>Interest Rates</u>	<u>Payable At</u>
2019 General Obligation 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
2023A Revenue Notes	0%	BOKF, N.A., Dallas, Texas
2023B Revenue Notes	2.04%-3.07%	BOKF, N.A., Dallas, Texas

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

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

<u>Due During Fiscal Year Ended</u>	<u>Bonds</u>	
	<u>Principal</u>	<u>Interest</u>
2025	\$ 2,570,000	\$ 755,553
2026	2,650,000	673,863
2027	2,740,000	589,525
2028	2,800,000	506,839
2029	2,905,000	426,674
2030-2034	13,755,000	999,524
2035-2039	9,460,000	327,921
2040-2044	1,685,000	121,670
Total	<u>\$ 38,565,000</u>	<u>\$ 4,401,569</u>

ORANGE COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2024

NOTE 7 – LONG-TERM DEBT (CONTINUED)

Changes in long-term liabilities

Long-term liability activity for the year ended June 30, 2024, was as follows:

	Interest	Amounts	Beginning			Ending	Due Within
	Rate	at Original	Balance	Additions	Retirements	Balance	One Year
		Issue					
Bonds Payable:							
General Obligation							
2019 Refunding	2.0%-4.0%	\$ 9,015,000	\$ 7,465,000	\$ -	\$ (780,000)	\$ 6,685,000	\$ 790,000
Premium - 2019 Refunding			482,317	-	(103,535)	378,782	92,721
2022 Refunding	2.0%-4.0%	10,300,000	9,690,000	-	(655,000)	9,035,000	700,000
Premium - 2022 Refunding			569,615	-	(96,818)	472,797	88,103
Revenue Bonds							
2021 Refunding	1.25%-2%	8,825,000	8,010,000	-	(835,000)	7,175,000	850,000
Premium - 2021 Refunding			75,586	-	(17,637)	57,949	14,953
2023A Revenue Notes	0%	410,000	-	410,000	-	410,000	20,000
2023B Revenue Notes	2.04%-3.07%	5,260,000	-	5,260,000	-	5,260,000	210,000
Capital Appreciation							
2022 Refunding	2.48%-2.77%	693,440	693,440	-	-	693,440	-
Accreted Interest Payable							
2022 Refunding Bonds			6,481,066	190,726	-	6,671,792	195,800
Total Bonded Debt			33,467,024	5,860,726	(2,487,990)	36,839,760	2,961,577
Compensated Absences Payable			145,017	-	(5,920)	139,097	-
OPEB Liability			107,016	-	(12,348)	94,668	-
Accrued Interest Expense			264,331	286,400	(264,331)	286,400	286,400
Customer Deposits			421,620	13,865	-	435,485	-
SBITA Liability			125,347	22,912	(34,841)	113,418	-
Total Long-Term Liabilities			<u>\$ 34,530,355</u>	<u>\$ 6,183,903</u>	<u>\$ (2,805,430)</u>	<u>\$ 37,908,828</u>	<u>\$ 3,247,977</u>

The Debt Service Fund on June 30, 2024 had combined cash, time deposits, and accrued interest amounting to \$964,338. 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 Series 2021, Series 2023A, and Series 2023B revenue notes is \$1,302,241 at June 30, 2024, and the actual account balance is \$1,082,906. The district has 60 months from the date of receipt to accumulate the required funds. The district is depositing \$6,000 monthly into the reserve account.

2023 Revenue Notes Series 2023A and 2023B

In July 2023, the district issued Revenue Notes Series 2023A in the amount of \$410,000. Principal payments are due annually beginning August 15, 2024 through 2043. No interest is due on this note.

In August 2023, the district issued Revenue Notes Series 2023B in the amount of \$5,260,000. Interest rates on note maturities range from 2.04% to 3.07% with biannual interest payments due beginning February 15, 2024. Principal payments are due annually beginning August 15, 2024 through 2043. The district paid \$53,103 interest on the note in the year ended June 30, 2024.

ORANGE COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2024

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 200%) 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.

At June 30, 2024, 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	14
Active employees	<u>24</u>
	<u>51</u>

ORANGE COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2024

NOTE 8 – PENSION PLAN (CONTINUED)

Funding Policy

TCDRS is a model for responsible, disciplined funding. TCDRS does not receive any state funding. As an agent, multiple-employer plan, each participating employer in the system funds its plan independently. A combination of three elements funds each employer's plan: employee deposits, employer contributions and investment income.

- The deposit rate for employees is 4%, 5%, 6%, or 7% of compensation, as adopted by the employer's governing body.
- 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.
- Investment income funds a large part of the benefits employees earn.

The employer contributed using the actuarially determined rate of 9.00% for the months of the accounting year in 2023 and 10.63% for the months of the accounting year in 2024. The contribution rate payable by the employee members for calendar years 2023 and 2024 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.

Actuarial Cost Method

TCDRS has adopted the replacement life entry age cost method, a conservative cost method and an industry standard. The goal of this cost method is to fund benefits in an orderly manner for each participant over his or her career so that sufficient funds are accumulated by the time benefit payments begin. Under this approach, benefits are funded in advance as a level percentage of pay. This portion of the contribution rate is called the normal cost rate and generally remains stable from year to year.

Amortization Policy

The portion of the contribution rate that funds any remaining unfunded amounts for benefits that are not covered by the normal cost is called the unfunded actuarial accrued liability (UAAL) rate. UAAL amounts occur when benefit enhancements are adopted that have not been funded in advance, or when actual investment or demographic experience varies from the actuarial assumptions (actuarial gains and losses). UAAL amounts are amortized on a level-dollar basis over a closed period with a layered approach. UAAL layers established Dec. 31, 2022 and earlier are amortized on a level-percentage-of-covered-payroll basis. The closed periods ensure all unfunded liabilities are financed over no more than 20 years from the time they occur. Each year new layers are established to amortize changes in the UAAL due to actuarial gains or losses, as well as any plan benefit changes elected by an employer for that year.

Asset valuation method

When determining the actuarial value of assets used for measuring a plan's funded status, TCDRS smooths each year's actuarial investment gains and losses and recognizes them over a five-year period to better reflect the system's long-term investment horizons and to keep employer contribution rates more stable. As actuarial asset investment gains and losses are recognized, they become part of the actuarial gains and losses for the year and are funded according to the amortization policy. The five-year period helps stabilize employer rates while still ensuring that rates are reflective of current market conditions.

ORANGE COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2024

NOTE 8 – PENSION PLAN (CONTINUED)

Annual Pension Cost

For the employer's accounting year ended June 30, 2024, the annual pension cost for the TCDRS plan for its employees was \$240,023 and the actual contribution was \$154,258.

Net Pension Liability (Asset)

	December 31, 2022	December 31, 2023
Total pension liability	\$ 5,267,535	\$ 5,860,550
Fiduciary net position	5,189,126	5,796,230
Net pension liability / (asset)	<u>\$ 78,409</u>	<u>\$ 64,320</u>
Fiduciary net position as a % of total pension liability	98.51%	98.90%
Pensionable covered payroll ⁽¹⁾	\$ 1,490,782	\$ 1,526,676
Net pension liability as a % of covered payroll	5.26%	4.21%

⁽¹⁾ Payroll is calculated based on contributions as reported to TCDRS.

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

	December 31, 2022	December 31, 2023
Discount rate ⁽²⁾	7.60%	7.60%
Long-term expected rate of return, net of investment expenses ⁽²⁾	7.60%	7.60%
Municipal bond rate ⁽³⁾	Does not apply	Does not apply

⁽²⁾ 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.

⁽³⁾ 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.

ORANGE COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2024

NOTE 8 – PENSION PLAN (CONTINUED)

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 Milliman and adopted by the TCDRS Board of Trustees in December of 2021. All economic assumptions were recommended by Milliman 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, 2023. The assumptions are reviewed annually for continued compliance with the relevant actuarial standards of practice.

Valuation date	December 31, 2022	December 31, 2023
Measurement date	December 31, 2022	December 31, 2023
Employer's fiscal year	June 30, 2023	June 30, 2024

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) ⁽¹⁾
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-2021 Ultimate scale after 2010.

⁽¹⁾ Individual entry age normal cost method, as required by GASB 68, used for GASB calculations. Note that a replacement life entry age cost method is used for the funding actuarial valuation, which differs from the GASB-required approach in that it assumes that the current benefit provisions always applied.

ORANGE COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2024

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 ⁽¹⁾	Geometric Real Rate of Return ⁽²⁾
US Equities	Dow Jones U.S. Total Stock Market Index	11.50%	4.75%
Global Equities	MSCI World (net) Index	2.50%	4.75%
Int'l Equities - Developed Markets	MSCI World Ex USA (net) Index	5.00%	4.75%
Int'l Equities - Emerging Markets	MSCI Emerging Markets (net) Index	6.00%	4.75%
Investment - Grade Bonds	Bloomberg U.S. Aggregate Bond Index	3.00%	2.35%
Strategic Credit	FTSE High-Yield Cash-Pay Index	9.00%	3.65%
Direct Lending	Morningstar LSTA US Leveraged Loan TR USD Index	16.00%	7.25%
Distressed Debt	Cambridge Associates Distressed Securities Index ⁽³⁾	4.00%	6.90%
REIT Equities	67% FTSE NAREIT All Equity REITs Index + 33% S&P Global REIT (net) Index	2.00%	4.10%
Master Limited Partnership	Alerian MLP Index	2.00%	5.20%
Private Real Estate Partnerships	Cambridge Associates Real Estate Index ⁽⁴⁾	6.00%	5.70%
Private Equity	Cambridge Associates Global Private Equity & Venture Capital Index ⁽⁵⁾	25.00%	7.75%
Hedge Funds	Hedge Fund Research, Inc. (HFRI) Fund of Funds Composite Index	6.00%	3.25%
Cash Equivalents	90-Day U.S. Treasury	2.00%	0.60%

⁽¹⁾ Target asset allocation adopted at the March 2024 TCDRS Board Meeting.

⁽²⁾ Geometric real rates of return equal the expected return for the asset class minus the assumed inflation rate of 2.2%, per Cliffwater's 2024 capital market assumptions.

⁽³⁾ Includes vintage years 2005-present of Quarter Pooled Horizon IRRs.

⁽⁴⁾ Includes vintage years 2007-present of Quarter Pooled Horizon IRRs.

⁽⁵⁾ 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, 2024

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, 2022	\$ 5,267,535	\$ 5,189,126	\$ 78,409
Changes for the year:			
Service Cost	178,230	-	178,230
Interest on total pension liability ⁽¹⁾	406,098	-	406,098
Effect of plan changes ⁽²⁾	197,088	-	197,088
Effect of economic/demographic gains or losses	20,170	-	20,170
Effect of assumptions changes or inputs	-	-	-
Refund of contributions	(9,409)	(9,409)	-
Benefit payments	(199,162)	(199,162)	-
Administrative expenses	-	(3,027)	3,027
Member contributions	-	106,867	(106,867)
Net Investment income	-	570,643	(570,643)
Employer contributions	-	137,327	(137,327)
Other ⁽³⁾	-	3,865	(3,865)
Balances as of December 31, 2023	\$ 5,860,550	\$ 5,796,230	\$ 64,320

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

⁽²⁾ Reflects plan changes adopted effective in 2024

⁽³⁾ 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	\$ 6,675,391	\$ 5,860,550	\$ 5,180,395
Fiduciary net position	5,796,230	5,796,230	5,796,230
Net pension liability / (asset)	\$ 879,161	\$ 64,320	\$ (615,835)

ORANGE COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2024

NOTE 8 – PENSION PLAN (CONTINUED)

Pension Expense/ (Income)

	January 1, 2023 to December 31, 2023
Service cost	\$ 178,230
Interest on total pension liability ⁽¹⁾	406,098
Effect on plan changes	197,088
Administrative expenses	3,027
Member contributions	(106,867)
Expected investment return net of investment expenses	(395,734)
Recognition of deferred inflows/outflows of resources	
Recognition of economic/demographic gains or losses	5,925
Recognition of assumption changes or inputs	45,060
Recognition of investment gains or losses	(88,939)
Other ⁽²⁾	(3,865)
Pension expense / (income)	<u>\$ 240,023</u>

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

⁽²⁾ Relates to allocation of system-wide items.

Deferred Inflows/ Outflows of Resources

As of December 31, 2023, the deferred inflow and outflow resources are as follows:

	Deferred Inflows of Resources	Deferred Outflows of Resources
Differences between expected and actual experience	\$ 13,403	\$ 40,905
Changes of assumption	3,264	89,032
Net difference between projected and actual earnings	-	29,164
Contributions made subsequent to measurement date	-	81,762
	<u>\$ 16,667</u>	<u>\$ 240,863</u>

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

Year ended December 31:

2024	\$ 9,566
2025	36,596
2026	122,245
2027	(25,973)
2028	-
Thereafter	-

ORANGE COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2024

NOTE 9 – OTHER REQUIRED INDIVIDUAL FUND DISCLOSURES

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

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

	Amount	Percent of Line Item
Administrative Expenses	\$ (38,295)	-11.0%
Bond Interest and Fiscal Charges	(111,153)	-210.9%
Capital Outlay	(9,245)	-4.8%

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. As of 6/30/2024 the project is completed with no remaining balance in restricted cash or Unearned revenue.

	01/22/2019- 6/30/2023	6/30/2024	Total
Escrow balance Beginning of Year	\$ -	\$ 58,625	\$ -
TWDB Deposit to escrow account	500,000	-	500,000
Interest Income	15,098	-	15,098
Project milestones transferred to the District	(456,473)	(58,625)	(515,098)
Escrow balance End of Year	<u>\$ 58,625</u>	<u>\$ -</u>	<u>\$ -</u>

ORANGE COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2024

NOTE 11 – TEXAS WATER DEVELOPMENT BOARD PRINCIPAL FORGIVENESS AGREEMENT (CONTINUED)

On August 16, 2023, the Texas Water Development Board approved the District's Project No. 62949 for \$500,000 from the Drinking 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 \$478,667 is shown as restricted cash. Unearned revenue at June 30, 2024 for this project is \$478,650. Project activity through June 30, 2024 is shown below:

	<u>6/30/2024</u>
Escrow balance Beginning of Year	\$ -
TWDB Deposit to escrow account	500,000
Interest Income	17
Project milestones transferred to the District	<u>(21,350)</u>
Escrow balance End of Year	<u><u>\$ 478,667</u></u>

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

	Term in Months	Total Asset Amounts	Total Accumulated Amortization
Governmental Funds:			
Preservation of district documents	24	\$ 7,542	\$ 4,609
Public Board Meetings & Agendas	12	7,076	6,191
Technological needs	71	<u>151,016</u>	<u>48,498</u>
Total Governmental Activities		<u><u>\$ 165,634</u></u>	<u><u>\$ 59,298</u></u>

ORANGE COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2024

NOTE 12 – SUBSCRIPTION BASED INFORMATION TECHNOLOGY ARRANGEMENT – GASB 96 (CONTINUED)

Outflow of Resources:

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

The SBITA Liabilities and Associated Principal and Interest Requirements:

	Interest Rate	Beginning Liability	Term in Months	Ending Balance
Governmental Funds:				
Preservation of district documents	4.00%	\$ 7,572	24	\$ 3,299
Public Board Meetings & Agendas	4.00%	7,076	12	916
Technological needs	4.00%	151,016	71	<u>109,203</u>
Total Governmental Activities				<u><u>\$ 113,418</u></u>

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

	Principal	Interest	Total
Governmental Funds:			
Year Ended June 30			
2025	\$ 33,727	\$ 3,785	\$ 37,512
2026	19,547	2,750	22,297
2027	19,837	1,972	21,809
2028	20,645	1,164	21,809
2029	<u>19,662</u>	<u>329</u>	<u>19,991</u>
	<u><u>\$ 113,418</u></u>	<u><u>\$ 10,000</u></u>	<u><u>\$ 123,418</u></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, 2024

	Year Ended December 31, 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	\$ 178,230	\$ 176,990	\$ 188,247	\$ 177,798	\$ 185,603
Interest on total pension liability	406,098	377,260	353,125	327,748	300,406
Effect of plan changes	197,088	-	-	-	-
Effect of assumption changes or inputs	-	-	(8,157)	267,100	-
Effect of economic/demographic (gains) or losses	20,170	29,843	(10,094)	(314)	17,058
Benefit payments/refunds of contributions	<u>(208,571)</u>	<u>(203,314)</u>	<u>(185,588)</u>	<u>(179,667)</u>	<u>(136,574)</u>
Net change in total pension liability	593,015	380,779	337,533	592,665	366,493
Total pension liability, beginning	<u>5,267,535</u>	<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>5,860,550</u>	<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	137,327	134,122	85,703	96,596	110,283
Member contributions	106,867	104,355	103,264	115,859	123,329
Investment income net of investment expenses	570,643	(323,729)	985,331	417,035	555,445
Benefit payments/refunds of contributions	(208,571)	(203,314)	(185,588)	(179,667)	(136,574)
Administrative expenses	(3,027)	(3,041)	(2,960)	(3,282)	(3,076)
Other	<u>3,865</u>	<u>9,523</u>	<u>1,331</u>	<u>1,370</u>	<u>3,885</u>
Net change in fiduciary net position	607,104	(282,084)	987,081	447,911	653,292
Fiduciary net position, beginning	<u>5,189,126</u>	<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>5,796,230</u>	<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>\$ 64,320</u>	<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	98.90%	98.51%	111.96%	98.57%	102.01%
Pensionable covered payroll	\$ 1,526,676	\$ 1,490,782	\$ 1,475,197	\$ 1,655,124	\$ 1,761,843
Net pension liability as a % of covered payroll	4.21%	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, 2024

Year Ending December 31,	Actuarially Determined Contribution ⁽¹⁾	Actual Employer Contribution ⁽¹⁾	Contribution Deficiency (Excess)	Pensionable Covered Payroll ⁽²⁾	Actual Contribution as a % of Covered Payroll
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%
2023	116,485	137,327	(20,842)	1,526,676	9.0%

⁽¹⁾ 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.

⁽²⁾ 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, 2024

	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or Negative
	Original	Final		
REVENUES:				
Water Services	\$ 2,113,180	\$ 2,113,180	\$ 2,148,691	\$ 35,511
Sewer Services	2,128,050	2,128,050	2,122,736	(5,314)
Other Service Fees	87,000	87,000	128,441	41,441
Investment Earnings	85,000	85,000	158,615	73,615
Revenue Note Collections	1,020,000	1,020,000	1,034,511	14,511
Other Revenue	127,000	127,000	198,780	71,780
Total Revenues	<u>5,560,230</u>	<u>5,560,230</u>	<u>5,791,774</u>	<u>231,544</u>
EXPENDITURES				
Current:				
General Government:				
Water and Sewer Service	1,428,900	1,428,900	1,216,938	211,962
Salaries, Benefits and Payroll Taxes	2,193,000	2,193,000	2,156,139	36,861
Professional Fees	105,000	105,000	83,654	21,346
Administrative Expenses	347,880	347,880	386,175	(38,295)
Other	45,200	45,200	34,310	10,890
Debt Service				
Bond Principal	894,550	894,550	835,000	59,550
Bond Interest and Fiscal Charges	52,700	52,700	163,853	(111,153)
Capital Outlay:				
Capital Outlay	194,000	194,000	203,245	(9,245)
Total Expenditures	<u>5,261,230</u>	<u>5,261,230</u>	<u>5,079,314</u>	<u>181,916</u>
Excess (Deficiency) of Revenues				
Over (Under) Expenditures	<u>299,000</u>	<u>299,000</u>	<u>712,460</u>	<u>413,460</u>
OTHER FINANCING SOURCES (USES):				
Transfers In	1,000	1,000	25,755	24,755
Transfers Out (Use)	<u>(300,000)</u>	<u>(300,000)</u>	<u>(259,095)</u>	<u>40,905</u>
Total Other Financing Sources (Uses)	<u>(299,000)</u>	<u>(299,000)</u>	<u>(233,340)</u>	<u>65,660</u>
Net Change in Fund Balances	-	-	479,120	479,120
Fund Balance - July 1 (Beginning)	<u>4,303,699</u>	<u>4,303,699</u>	<u>4,303,699</u>	-
Fund Balance - June 30 (Ending)	<u>\$ 4,303,699</u>	<u>\$ 4,303,699</u>	<u>\$ 4,782,819</u>	<u>\$ 479,120</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.

SCHEDULE OF SERVICES AND RATES FOR THE YEAR ENDED JUNE 30, 2024

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	\$ 0.42	2,000 Gal & Over
Wastewater:	\$ 20.21	2,000	N	\$ 0.42	2,000 Gal & Over
Surcharge:	\$ -	-	-	\$ -	-

Total Charges per 10,000 gallons usage:

Water: \$50.44

Sewer: \$53.81

	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	\$ 0.452	2,000 Gal & Over
Wastewater:	\$ 23.88	2,000	N	\$ 0.452	2,000 Gal & Over
Surcharge:	\$ -	-	-	\$ -	-

Total Charges per 10,000 gallons usage:

Water: \$55.07

Sewer: \$59.54

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		7	1.0	7
< = 3/4"		4,602	1.0	4,602
1"		75	2.5	188
1 1/2"		53	5.0	265
2"		60	8.0	480
3"		4	16.0	64
4"		4	25.0	100
6"		3	50.0	Firelines
8"		1	80.0	Firelines
10"		-	115.0	-
Total Water		4,809		5,706
Total Wastewater		4,096	1.0	4,096

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

Gallons pumped into system:

379,834,000

Water Accountability Ratio:

(Gallons billed/Gallons pumped)

Gallons billed to customers

340,723,820

90%

ORANGE COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1

SCHEDULE OF GENERAL FUND EXPENDITURES FOR THE YEAR ENDED JUNE 30, 2024

Personnel Expenditures (Including benefits)*	\$ 1,924,407
Professional fees:	
Engineering	16,801
Accounting	23,180
Legal	43,673
Utilities	325,891
Repairs and Maintenance	712,873
Administrative Expenditures	
Office Expense	45,871
Insurance	293,847
Capital Outlay	200,194
Solid Waste Disposal	46,614
Plant Operations	447,110
Debt Service and Reserve	<u>998,853</u>
Total Expenditures	<u><u>\$ 5,079,314</u></u>

*Number of persons employed by the District: 25 Full-Time, and 6 Part-Time

ORANGE COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1

SCHEDULE OF TEMPORARY INVESTMENTS

JUNE 30, 2024

As of June 30, 2024, the District had no reportable temporary investments.

ORANGE COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1

ANALYSIS OF TAXES LEVIED AND RECEIVABLE JUNE 30, 2024

Taxes Receivable, Beginning of Year	\$	608,030
2023 Original Tax Levy		2,166,493
Plus (Less): Net adjustments		<u>(33,095)</u>
Total to be Accounted for		2,741,428
Tax Collections:		
Current Year	\$	1,996,336
Prior Years		<u>127,955</u>
Total Collections		<u>2,124,291</u>
Taxes Receivable, End of Year	\$	<u><u>617,137</u></u>

Property valuations	2023	2022	2021	2020
Land	\$ 107,842,432	\$ 96,067,823	\$ 95,551,672	\$ 97,722,476
Improvements	687,240,301	585,223,858	537,994,013	469,795,664
Personal Property	63,750,805	60,193,383	60,721,263	59,131,261
Less Exemptions	<u>(169,745,332)</u>	<u>(119,138,031)</u>	<u>(119,555,988)</u>	<u>(107,395,789)</u>
TOTAL	<u>\$ 689,088,206</u>	<u>\$ 622,347,033</u>	<u>\$ 574,710,960</u>	<u>\$ 519,253,612</u>
Tax rate per \$100 Valuation (All Debt Service)	\$ 0.3144	\$ 0.3376	\$ 0.3819	\$ 0.4220
Original Tax Levy	<u>\$ 2,166,493</u>	<u>\$ 2,097,028</u>	<u>\$ 2,185,003</u>	<u>\$ 2,171,450</u>
Percent of Taxes Collected to Taxes Levied	92.15%	91.88%	92.65%	93.24%

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, 2024

Due During Fiscal Years Ending June 30,	Series 2019 Unlimited Tax Refunding Bonds		
	Principal	Interest	Total Principal and Interest
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>\$ 6,685,000</u>	<u>\$ 1,092,400</u>	<u>\$ 7,777,400</u>

Due During Fiscal Years Ending June 30,	Series 2021 Revenue Refunding Bonds		
	Principal	Interest	Total Principal and Interest
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>\$ 7,175,000</u>	<u>\$ 363,888</u>	<u>\$ 7,538,888</u>

ORANGE COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1

GENERAL LONG - TERM DEBT SERVICE REQUIREMENTS BY YEAR (CONTINUED)

JUNE 30, 2024

Due During Fiscal Years Ending June 30,	Series 2022 Unlimited Tax Refunding Bonds		
	Principal	Interest	Total Principal and Interest
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>\$ 9,035,000</u>	<u>\$ 1,421,550</u>	<u>\$ 10,456,550</u>

Due During Fiscal Years Ending June 30,	Series 2022 Capital Appreciation Refunding Bonds	
	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 (CONTINUED)

JUNE 30, 2024

Due During Fiscal Years Ending June 30,	2023A Revenue Bonds	
	Total Maturity Value Due	Total Due
2025	\$ 20,000	\$ 20,000
2026	20,000	20,000
2027	20,000	20,000
2028	20,000	20,000
2029	20,000	20,000
2030	20,000	20,000
2031	20,000	20,000
2032	20,000	20,000
2033	20,000	20,000
2034	20,000	20,000
2035	20,000	20,000
2036	20,000	20,000
2037	20,000	20,000
2038	20,000	20,000
2039	20,000	20,000
2040	20,000	20,000
2041	20,000	20,000
2042	20,000	20,000
2043	25,000	25,000
2044	25,000	25,000
	<u>\$ 410,000</u>	<u>\$ 410,000</u>

ORANGE COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1

GENERAL LONG - TERM DEBT SERVICE REQUIREMENTS BY YEAR (CONTINUED)

JUNE 30, 2024

Due During Fiscal Years Ending June 30,	2023B Revenue Bonds		
	Principal	Interest	Total Principal and Interest
2025	\$ 210,000	\$ 129,353	\$ 339,353
2026	215,000	124,413	339,413
2027	220,000	119,575	339,575
2028	225,000	114,814	339,814
2029	230,000	110,049	340,049
2030	235,000	105,213	340,213
2031	240,000	100,297	340,297
2032	245,000	95,326	340,326
2033	250,000	90,214	340,214
2034	255,000	84,886	339,886
2035	260,000	79,154	339,154
2036	265,000	72,892	337,892
2037	270,000	66,136	336,136
2038	280,000	58,804	338,804
2039	285,000	50,935	335,935
2040	295,000	42,640	337,640
2041	305,000	33,923	338,923
2042	315,000	24,777	339,777
2043	325,000	15,192	340,192
2044	335,000	5,138	340,138
	<u>\$ 5,260,000</u>	<u>\$ 1,523,731</u>	<u>\$ 6,783,731</u>

ORANGE COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1

GENERAL LONG - TERM DEBT SERVICE REQUIREMENTS BY YEAR (CONTINUED) JUNE 30, 2024

Due During Fiscal Years Ending June 30,	Annual Requirements for All Series		
	Total Principal Due	Total Interest Due	Total Principal and Interest Due
2025	\$ 2,570,000	\$ 755,553	\$ 3,325,553
2026	2,650,000	673,863	3,323,863
2027	2,740,000	589,525	3,329,525
2028	2,800,000	506,839	3,306,839
2029	2,905,000	426,674	3,331,674
2030	2,990,000	342,738	3,332,738
2031	3,135,000	263,616	3,398,616
2032	3,125,000	178,870	3,303,870
2033	2,230,000	129,414	2,359,414
2034	2,275,000	84,886	2,359,886
2035	2,280,000	79,154	2,359,154
2036	2,285,000	72,892	2,357,892
2037	2,290,000	66,136	2,356,136
2038	2,300,000	58,804	2,358,804
2039	305,000	50,935	355,935
2040	315,000	42,640	357,640
2041	325,000	33,923	358,923
2042	335,000	24,777	359,777
2043	350,000	15,192	365,192
2044	360,000	5,138	365,138
	<u>\$ 38,565,000</u>	<u>\$ 4,401,569</u>	<u>\$ 42,966,569</u>

ORANGE COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1

ANALYSIS OF CHANGES IN LONG-TERM BONDED DEBT FOR THE YEAR ENDED JUNE 30, 2024

	Series 2019	Series 2021 Rev. Bonds	Series 2022 Tax Refunding	Series 2023A Rev. Bonds	Series 2023B Rev. Bonds	Total
Interest rates	2% - 4%	1.25% - 2%	2% - 4%	0.00%	2.04% - 3.07%	
Dates interest payable	02/20 - 02/31	02/22 - 08/31	08/22 - 02/38		02/24 - 08/43	
Maturity dates	2031	2031	2038	2044	2044	
Bonds outstanding, beginning of current period	\$ 7,465,000	\$ 8,010,000	\$ 16,171,066	\$ -	\$ -	\$ 31,646,066
New bond proceeds	-	-	-	410,000	5,260,000	5,670,000
Interest accreted on CAB's	-	-	190,726	-	-	190,726
Retirements, principal	780,000	835,000	655,000	-	-	2,270,000
Bonds outstanding, end of current period	<u>\$ 6,685,000</u>	<u>\$ 7,175,000</u>	<u>\$ 15,706,792</u>	<u>\$ 410,000</u>	<u>\$ 5,260,000</u>	<u>\$ 35,236,792</u>
Interest paid during current period	<u>\$ 298,600</u>	<u>\$ 110,750</u>	<u>\$ 291,100</u>	<u>\$ -</u>	<u>\$ 53,103</u>	<u>\$ 753,553</u>
Bond authority				Revenue Bonds	Tax Bonds	Totals
Amount authorized by voters				\$ 14,495,000	\$ 25,608,833	\$ 40,103,833
Amount issued				14,495,000	25,608,833	40,103,833
Remaining to be issued				-	-	-
Debt service fund cash and temporary investment balances as of June 30, 2024				1,082,906	964,338	2,047,244
Average annual debt service payment (principal and interest) for remaining term of all debt						\$ 2,148,328

ORANGE COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1

COMPARATIVE STATEMENT OF REVENUES AND EXPENDITURES – GENERAL FUND FOR THE YEAR ENDED JUNE 30, 2024

	AMOUNTS				
	2024	2023	2022	2021	2020
GENERAL FUND REVENUES					
Service Revenues	\$ 4,353,387	\$ 4,162,395	\$ 3,699,659	\$ 3,691,735	\$ 3,395,627
Tap connection fees	78,481	64,266	33,187	41,504	54,181
Interest on Temporary investments	158,615	99,415	6,568	1,770	29,375
Revenue Note Collections	1,034,511	1,017,528	1,016,608	1,016,488	1,015,948
Other	166,780	207,367	129,612	125,490	127,476
TOTAL GENERAL FUND REVENUES	5,791,774	5,550,971	4,885,634	4,876,987	4,622,607
GENERAL FUND EXPENDITURES					
Bad debts	32,629	31,652	60,120	35,486	3,874
Chemicals	46,993	43,951	39,151	37,246	29,663
Employee retirement	154,258	132,458	110,425	90,813	105,914
Engineering	16,801	15,335	37,357	4,602	6,857
Fuel and lubricants	50,406	58,533	55,425	44,444	48,191
Grinder Installations	93,816	94,401	80,603	50,749	62,513
Insurance	293,847	295,011	293,301	308,103	309,448
Interest	163,853	127,250	100,046	347,569	363,538
Legal and auditing	66,853	64,655	51,878	39,780	34,600
Maintenance & repair - Equipment	42,759	36,866	27,026	39,376	31,625
Maintenance & repair - Water & Sewer	514,990	497,037	368,058	325,905	303,450
Maintenance & repair - Bldg & Office Eq.	155,124	151,750	80,694	72,810	61,394
Other	195,385	180,479	185,270	507,112	169,745
Payroll taxes	128,912	116,303	117,017	128,788	140,015
Postage	39,699	34,474	28,738	29,570	24,800
Printing & office supplies	45,871	43,582	42,439	39,153	42,904
Salaries & wages	1,641,237	1,523,067	1,492,740	1,587,694	1,788,055
Utilities	325,891	359,489	324,706	261,168	268,318
Capital outlay	200,194	175,171	57,041	514,206	79,046
Principal retirement	835,000	815,000	-	675,000	655,000
TCEQ & Department of Health	34,796	36,811	34,811	34,764	34,762
TOTAL GENERAL FUND EXPENDITURES	5,079,314	4,833,275	3,586,846	5,174,338	4,563,712
Operating Transfer In	25,755	-	39,200	512,200	200,000
Issuance of bonds - face value	-	-	-	8,825,000	-
Issuance of bonds - premium	-	-	-	113,818	-
Operating Transfers Out	(259,095)	(486,749)	(139,679)	(232,012)	(100,000)
Other uses - payment to refunded bond escrow agent	-	-	-	(9,499,019)	-
	<u>(233,340)</u>	<u>(486,749)</u>	<u>(100,479)</u>	<u>(280,013)</u>	<u>100,000</u>
EXCESS OF GENERAL FUND REVENUES OVER (UNDER) EXPENDITURES	\$ 479,120	\$ 230,947	\$ 1,198,309	\$ (577,364)	\$ 158,895

PERCENTAGE OF FUND REVENUES				
2024	2023	2022	2021	2020
75.2%	75.0%	75.7%	75.7%	73.5%
1.4%	1.2%	0.7%	0.9%	1.2%
2.7%	1.8%	0.1%	0.0%	0.6%
17.9%	18.3%	20.8%	20.8%	22.0%
2.9%	3.7%	2.7%	2.6%	2.8%
100.0%	100.0%	100.0%	100.0%	100.0%
0.6%	0.6%	1.2%	0.7%	0.1%
0.8%	0.8%	0.8%	0.8%	0.6%
2.7%	2.4%	2.3%	1.9%	2.3%
0.3%	0.3%	0.8%	0.1%	0.1%
0.9%	1.1%	1.1%	0.9%	1.0%
1.6%	1.7%	1.6%	1.0%	1.4%
5.1%	5.3%	6.0%	6.3%	6.7%
2.8%	2.3%	2.0%	7.1%	7.9%
1.2%	1.2%	1.1%	0.8%	0.7%
0.7%	0.7%	0.6%	0.8%	0.7%
8.9%	9.0%	7.5%	6.7%	6.6%
2.7%	2.7%	1.7%	1.5%	1.3%
3.4%	3.3%	3.8%	10.4%	3.7%
2.2%	2.1%	2.4%	2.6%	3.0%
0.7%	0.6%	0.6%	0.6%	0.5%
0.8%	0.8%	0.9%	0.8%	0.9%
28.3%	27.4%	30.6%	32.6%	38.7%
5.6%	6.5%	6.6%	5.4%	5.8%
3.5%	3.2%	1.2%	10.5%	1.7%
14.4%	14.7%	0.0%	13.8%	14.2%
0.6%	0.7%	0.7%	0.7%	0.8%
87.7%	87.1%	73.4%	106.1%	98.7%
0.4%	0.0%	0.8%	10.5%	4.3%
0.0%	0.0%	0.0%	0.0%	0.0%
0.0%	0.0%	0.0%	0.0%	0.0%
-4.5%	-8.8%	-2.9%	-4.8%	-2.2%
0.0%	0.0%	0.0%	0.0%	0.0%
-4.0%	-8.8%	-2.1%	5.7%	2.2%
8.3%	4.2%	24.5%	-0.4%	3.4%

ORANGE COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1

COMPARATIVE STATEMENT OF REVENUES AND EXPENDITURES – DEBT SERVICE FUND FOR THE YEAR ENDED JUNE 30, 2024

	AMOUNTS				
	2024	2023	2022	2021	2020
DEBT SERVICE FUND REVENUES					
Tax Revenues	\$ 2,124,375	\$ 2,056,132	\$ 2,154,832	\$ 2,152,124	\$ 2,037,577
Penalty and Interest	73,625	72,062	71,488	66,773	51,164
Interest on Temporary Investments	41,436	23,199	4,690	311	11,278
Miscellaneous Revenues	1,489	58	-	-	-
TOTAL DEBT SERVICE FUND REVENUES	<u>2,240,925</u>	<u>2,151,451</u>	<u>2,231,010</u>	<u>2,219,208</u>	<u>2,100,019</u>
DEBT SERVICE FUND EXPENDITURES					
Tax Collection Services	1,208	1,585	1,266	1,264	1,315
Principal Retirement	1,435,000	1,350,000	1,434,309	1,665,000	1,680,000
Debt Service Interest and Fees	623,880	711,101	673,152	411,321	344,767
Bond Issuance Costs	-	-	484,149	-	-
TOTAL DEBT SERVICE FUND EXPENDITURES	<u>2,060,088</u>	<u>2,062,686</u>	<u>2,592,876</u>	<u>2,077,585</u>	<u>2,026,082</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>180,837</u>	<u>88,765</u>	<u>(361,866)</u>	<u>141,623</u>	<u>73,937</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>-</u>	<u>484,149</u>	<u>-</u>	<u>-</u>
NET CHANGE IN DEBT SERVICE FUND FUND BALANCE	<u>\$ 180,837</u>	<u>\$ 88,765</u>	<u>\$ 122,283</u>	<u>\$ 141,623</u>	<u>\$ 73,937</u>
Total active retail water and/or wastewater connections	5,706	5,594	5,199	5,393	5,337

PERCENTAGE OF FUND REVENUES				
2024	2023	2022	2021	2020
94.8%	95.6%	96.6%	97.0%	97.0%
3.3%	3.3%	3.2%	3.0%	2.4%
1.8%	1.1%	0.2%	0.0%	0.5%
0.1%	0.0%	0.0%	0.0%	0.0%
100.0%	100.0%	100.0%	100.0%	100.0%
0.1%	0.1%	0.1%	0.1%	0.1%
64.0%	62.7%	64.3%	75.0%	80.0%
27.8%	33.1%	30.2%	18.5%	16.4%
0.0%	0.0%	0.0%	0.0%	0.0%
91.9%	95.9%	94.5%	93.6%	96.5%
8.1%	4.1%	5.5%	6.4%	3.5%
0.0%	0.0%	492.8%	0.0%	0.0%
0.0%	0.0%	309.0%	0.0%	0.0%
0.0%	0.0%	0.0%	0.0%	0.0%
0.0%	0.0%	801.8%	0.0%	0.0%
8.1%	4.1%	807.3%	6.4%	3.5%

ORANGE COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1

BOARD MEMBERS, KEY PERSONNEL, AND CONSULTANTS FOR THE YEAR ENDED JUNE 30, 2024

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

District Business Telephone Number: (409) 769-2669

Name and Address	Term of Office Date Elected or Hired	Salary or Fees and Expense Reimbursements	Title at 6/30/2024	Resident of District
		Year Ended 6/30/2024		
Board Members				
Frank Inzer 315 S Main Vidor, TX 77662	Elected 05/24-05/28	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	Elected 05/24-05/28	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, 2024

Name and Address	Term of Office Date, Date Elected or Hired	Salary or Fees and Expense Reimbursements 6/30/2024	Title at 6/30/2024	Resident of District
Key Administrative Personnel				
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
Consultants				
Germer PLLC Kate Leverett 550 Fannin Suite 400 Beaumont, TX 77701	06/2022	\$ 42,680	Attorney	No
Karen Fisher Orange County Tax Assessor/Collector PO Box 670 Orange, TX 77631	07/1992	\$ 1,208	Tax Assessor/Collector	No
Orange County Appraisal District PO Box 457 Orange, TX 77631	01/1983	\$ 32,980	Appraisal District	No
LJA Engineering, Inc. 2929 Briarpark Drive Houston, TX 77042	01/2001	\$ 166,657	Engineering Consultants	No
Wathen, DeShong & Juncker, L.L.P. 4140 Gladys Ave. Suite 101 Beaumont, TX 77706	06/2016	\$ 18,100	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 21, 2024

**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, 2024, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated October 21, 2024.

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