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

**ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED JUNE 30, 2022**

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ANNUAL FILING AFFIDAVIT

THE STATE OF TEXAS §

COUNTY OF Orange §

I, Frank Inzer of the Orange County Water Control and Improvement District No. 1 hereby swear, or affirm, that the District named above has reviewed and approved at a meeting of the Board of Directors of the District on the 17 day of October, 2022 its annual report for the fiscal year or period ended June 30, 2022 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: 10/17/, 2022

By: [Signature]  
(Signature of District Representative)

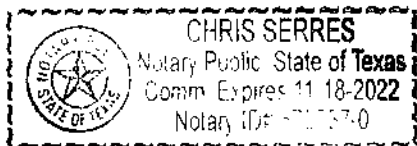
Frank Inzer - Board President  
(Typed Name and Title of above  
District Representative)

Sworn to and subscribed to before me this 17 day of October, 2022

(Seal)

[Signature]  
(Signature of Notary)

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



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

**Wathen,  
DeShong  
& Juncker,**  
L.L.P.  
CPAs & BUSINESS ADVISORS

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

October 7, 2022

**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 accompanying financial statements of the governmental activities, and each major fund of the Orange County Water Control & Improvement District No. 1, as of and for the year ended June 30, 2022, 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 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, 2022, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Orange County Water Control & Improvement District No. 1 and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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

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

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

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

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards 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 generally accepted auditing standards and *Government Auditing Standards*, we:

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

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

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on page 5 through 10; the Schedules of Changes in Employer's Net Pension Liability and Related Ratios and Employer Contributions on pages 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 53 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 7, 2022, on our consideration of the Orange County Water Control & Improvement District No. 1's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Orange County Water Control & Improvement District No. 1's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Orange County Water Control & Improvement District No. 1's internal control over financial reporting and compliance.

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

**WATHEN, DeSHONG & JUNKER, L.L.P.**

Certified Public Accountants

Management's Discussion and Analysis  
For The Year Ended June 30, 2022

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Orange County Water Control & Improvement District No. 1 we offer readers of the Orange County Water Control & Improvement District No. 1 financial statements this narrative overview and analysis of the financial activities of the Orange County Water Control & Improvement District No. 1 for the fiscal year ended June 30, 2022. 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 2022, by \$10,992,781. Of this amount, \$6,032,704 is considered unrestricted.
- The Orange County Water Control & Improvement District No. 1's total net position increased by \$144,732 in fiscal year 2022.
- As of the close of the current fiscal year, the District's governmental funds reported a combined ending fund balance of \$9,913,451 an increase of \$1,041,261. Of this total fund balance, \$1,480,823 is considered spendable and unassigned and is considered available for use.
- The general fund reported a fund balance of \$4,072,752 at the end of the current fiscal year. The unassigned fund balance for the general fund was \$1,480,823 or 41.3% 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 decrease in net position may serve as a useful indicator of whether the financial position of the Orange County Water Control & Improvement District No. 1 is improving or deteriorating.

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

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



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

### Management's Discussion and Analysis For The Year Ended June 30, 2022

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The government-wide financial statements can be found on pages 11 and 12 of this report.

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

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

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

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

**Notes to the financial statements** provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the Financial Statements can be found on pages 17 through 37.

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

#### **Government-Wide Financial Analysis**

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Orange County Water Control & Improvement District No. 1, assets exceeded liabilities by \$10,992,781 at June 30, 2022.

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

**Management's Discussion and Analysis  
For The Year Ended June 30, 2022**

**THE DISTRICT'S NET POSITION**

	<u>2022</u>	<u>2021</u>
Current assets:		
Cash & Investments	\$ 9,437,277	\$ 8,632,134
Taxes Receivable	497,860	489,854
Service Revenues Receivable	897,113	834,983
Inventory	129,372	83,261
Prepaid Insurance	<u>30,187</u>	<u>25,974</u>
Total current assets	<u>10,991,809</u>	<u>10,066,206</u>
Noncurrent Assets:		
Net Pension Asset	584,454	-
Capital Assets	65,655,442	65,520,181
Less accumulated depreciation	<u>(28,538,137)</u>	<u>(26,915,795)</u>
Total noncurrent assets	<u>37,701,759</u>	<u>38,604,386</u>
Total assets	<u>48,693,568</u>	<u>48,670,592</u>
Deferred Outflows of Resources:		
Deferred Outflows of Resources-pension related	<u>278,290</u>	<u>320,360</u>
Current Liabilities:		
Accounts payable and accrued liabilities	115,745	214,472
Customer LPSS deposits and tap fees	46,119	32,095
Unearned revenue	423,442	453,827
Current portion of long-term debt	<u>2,955,482</u>	<u>1,974,227</u>
Total current liabilities	<u>3,540,788</u>	<u>2,674,621</u>
Long-term liabilities:		
Customer deposits	411,070	401,245
Long-term debt	33,372,935	34,824,900
Net Pension Liability	<u>-</u>	<u>65,094</u>
Total long-term liabilities	<u>33,784,005</u>	<u>35,291,239</u>
Total liabilities	<u>37,324,793</u>	<u>37,965,860</u>
Deferred Inflows of Resources:		
Deferred Inflows of Resources-pension related	<u>654,284</u>	<u>177,043</u>
Net Position:		
Net Investment in Capital Assets	2,719,671	3,674,745
Restricted for Debt Service	2,240,406	2,107,834
Unrestricted	<u>6,032,704</u>	<u>5,065,470</u>
Total net position	<u>\$ 10,992,781</u>	<u>\$ 10,848,049</u>

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

**Management's Discussion and Analysis  
For The Year Ended June 30, 2022**

**Changes in net position**

The District's total revenues were \$7,157,521. A significant portion, 51.9%, of the District's revenue comes from charges for water and sewer services. Approximately 30.2% of the revenue comes from taxes.

The total cost of all programs and services was \$7,012,789; all these costs are related to water and sewer services.

**Governmental Activities**

Property tax rates decreased by approximately .04 cents per \$100 valuation. Property valuations increased \$55.4 million. Taxes levied for the year increased \$13,553.

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

	Government Wide Activities	
	2022	2021
Program Revenues:		
Charges for Services		
Water	\$ 1,816,967	\$ 1,821,416
Sewer	1,812,119	1,809,394
Service Fees	87,171	129,712
General Revenues:		
Taxes	2,160,216	2,155,725
Penalty & Interest	71,488	66,773
Interest on Temporary Investments	23,570	6,501
Revenue Note Collections	1,016,608	1,016,488
Miscellaneous Revenues	148,430	124,330
Grants and Contributions	20,952	17,495
Gain on Disposition of Capital Assets	-	5,342
Total Revenues	<u>7,157,521</u>	<u>7,153,176</u>
Water and Sewer Service	1,395,451	1,039,664
Salaries, Benefits, & Payroll taxes	1,898,047	2,041,855
Professional Fees	89,235	44,382
Administrative Expenses	280,518	256,039
Other	69,753	71,802
Interest and Fiscal Charges	1,657,443	1,913,504
Depreciation	<u>1,622,342</u>	<u>1,570,652</u>
Total Expenses	<u>7,012,789</u>	<u>6,937,898</u>
Change in Net Position	<u>\$ 144,732</u>	<u>\$ 215,278</u>

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

- The cost of all governmental activities this year was \$7,012,789.
- Property tax revenue was \$2,231,704.
- \$3,716,257 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, 2022

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

**General Fund Budgetary Highlights**

Over the course of the year, the District did not revise its budget. Actual expenditures were \$1,131,354 or 24.0% below budgeted amounts in the General Fund. Resources available were \$73,934 or 1.5% above budgeted amounts.

**Capital Assets and Debt Administration**

**Capital Assets**

At the end of 2022, the District had invested \$65,655,442 in a broad range of capital assets, including land, buildings, water and sewer systems, equipment, and vehicles.

**CAPITAL ASSETS**

**District's Capital Assets  
Governmental Activities**

	<u>2022</u>	<u>2021</u>
Land	\$ 303,729	\$ 303,729
Buildings and Improvements	384,903	378,188
Water and Sewer System	62,713,356	62,617,403
Machinery and Equipment	631,353	615,468
Autos and Trucks	470,143	470,143
Office Furniture and Fixtures	178,756	178,756
Construction in Progress	<u>973,202</u>	<u>956,494</u>
Totals at historical cost	65,655,442	65,520,181
Total Accumulated Depreciation	<u>(28,538,137)</u>	<u>(26,915,795)</u>
Net Capital Assets	<u>\$ 37,117,305</u>	<u>\$ 38,604,386</u>

# ORANGE COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1

## Management's Discussion and Analysis For The Year Ended June 30, 2022

### Long-Term Debt and Liabilities

At year-end the District had \$35,694,335 in bonded debt outstanding. More detailed information about the District's debt is presented in the notes to the financial statements.

Bonds Payable:	Interest Rate	Amounts at Original Issue	Beginning Balance	Additions	Retirements	Ending Balance	Due Within One Year
<b>General Obligation</b>							
2009	1.70%-5.05%	\$ 11,115,000	\$ 75,000	\$ -	\$ (75,000)	\$ -	\$ -
2019 Refunding	2.0%-4.0%	9,015,000	8,845,000	-	(640,000)	8,205,000	740,000
Premium - 2019 Refunding			716,578	-	(120,461)	596,117	113,800
2022 Refunding	2.0%-4.0%	10,300,000	-	10,300,000	-	10,300,000	610,000
Premium - 2022 Refunding			-	685,095	-	685,095	115,480
<b>Revenue Bonds</b>							
2021 Refunding	1.25%-2%	8,825,000	8,825,000	-	-	8,825,000	815,000
Premium - 2021 Refunding			113,818	-	(17,968)	95,850	20,264
<b>Capital Appreciation</b>							
2012	1.2%-5.3%	13,999,994	11,712,848	-	(11,712,848)	-	-
<b>Accreted Interest Payable</b>							
2012 Unlimited Tax Bonds			6,172,402	825,953	(6,998,355)	-	-
2022 Refunding	2.48%-2.77%	693,440	-	693,440	-	693,440	-
<b>Accreted Interest Payable</b>							
2022 Refunding Bonds			-	6,293,833	-	6,293,833	187,233
<b>Total Bonded Debt</b>			<b>36,460,646</b>	<b>18,798,321</b>	<b>(19,564,632)</b>	<b>35,694,335</b>	<b>2,601,777</b>
<b>Compensated Absences Payable</b>			<b>119,782</b>	<b>16,535</b>	<b>-</b>	<b>136,317</b>	<b>-</b>
<b>OPEB Liability</b>			<b>102,900</b>	<b>41,160</b>	<b>-</b>	<b>144,060</b>	<b>-</b>
<b>Accrued Interest Expense</b>			<b>115,799</b>	<b>353,705</b>	<b>(115,799)</b>	<b>353,705</b>	<b>353,705</b>
<b>Customer Deposits</b>			<b>401,245</b>	<b>75,973</b>	<b>(66,148)</b>	<b>411,070</b>	<b>-</b>
<b>Total Long-Term Liabilities</b>			<b>\$ 37,200,372</b>	<b>\$ 19,285,694</b>	<b>\$ (19,746,579)</b>	<b>\$ 36,739,487</b>	<b>\$ 2,955,482</b>

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

The 2022-2023 budget was presented with an increase of \$4.65 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 2022-2023 budget was presented with no increase in the number of customers in the District. The General Fund Revenue Budget for 2022-2023 is \$5,146,080 which is a 6.9% increase from the 2021-2022 General Fund Budget of \$4,812,700.

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 2022-2023 is \$5,146,080 which is a 6.9% increase from the 2021-2022 General Fund Expenditure Budget of \$4,812,700.

The ad valorem tax roll for the 2022 tax year is \$622,347,033 with an adopted tax rate of \$0.33760 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, 2022

	Primary Government
	Governmental Activities
<b>ASSETS</b>	
Cash and Cash Equivalents	\$ 9,013,835
Taxes Receivable, Net	497,860
Accounts Receivable, Net	897,113
Inventories	129,372
Prepaid Insurance	30,187
Restricted Cash	423,442
Net Pension Asset	584,454
Capital Assets:	
Land	303,729
Improvements other than buildings, net	35,409,754
Buildings, Net	151,436
Machinery and Equipment, Net	279,184
Construction in Progress	973,202
Total Assets	<u>48,693,568</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred Outflow Related to Pension Plan	<u>278,290</u>
Total Deferred Outflows of Resources	<u>278,290</u>
<b>LIABILITIES</b>	
Accounts Payable	64,721
Wages and Salaries Payable	37,187
Unearned Revenues	469,561
Other Current Liabilities	13,837
Noncurrent Liabilities:	
Due Within One Year	2,955,482
Due in More Than One Year	<u>33,784,005</u>
Total Liabilities	<u>37,324,793</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred Inflow Related to Pension Plan	<u>654,284</u>
Total Deferred Inflows of Resources	<u>654,284</u>
<b>NET POSITION</b>	
Net Investment in Capital Assets	2,719,671
Restricted for Debt Service	2,240,406
Unrestricted	<u>6,032,704</u>
Total Net Position	<u>\$ 10,992,781</u>

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, 2022

				Net (Expense) Revenue and Changes in Net Position
				Primary Government Governmental Activities
	Expenses	Charges for Services	Operating Grants and Contributions	
<b>Primary Government:</b>				
GOVERNMENTAL ACTIVITIES:				
Water and Sewer Service	\$ 1,395,451	\$ 3,716,257	\$ -	\$ 2,320,806
Salaries, Benefits and Payroll Taxes	1,898,047	-	-	(1,898,047)
Professional Fees	89,235	-	-	(89,235)
Administrative Expenses	280,518	-	-	(280,518)
Other	69,753	-	-	(69,753)
Depreciation Expense	1,622,342	-	-	(1,622,342)
Bond Interest and Fiscal Charges	1,657,443	-	-	(1,657,443)
<b>TOTAL PRIMARY GOVERNMENT</b>	<b>\$ 7,012,789</b>	<b>\$ 3,716,257</b>	<b>\$ -</b>	<b>(3,296,532)</b>
General Revenues				
Taxes:				
Property Taxes				2,160,216
Revenue and Note Collections				1,016,608
Penalty and Interest				71,488
Grants and Contributions				20,952
Miscellaneous Revenue				148,430
Investment Earnings				23,570
Total General Revenues				3,441,264
Change in Net Position				144,732
Net Position - Beginning				10,848,049
Net Position - Ending				\$ 10,992,781

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, 2022**

	General Fund	Debt Service Fund	Contingency Fund	Construction And Capital Projects Funds	Total Governmental Funds
<b>ASSETS</b>					
Cash and Cash Equivalents	\$ 3,208,131	\$ 694,736	\$ 1,936,395	3,174,573	\$ 9,013,835
Taxes Receivable	-	585,718	-	-	585,718
Allowance for Uncollectible Taxes	-	(87,858)	-	-	(87,858)
Accounts Receivable, Net	897,113	-	-	-	897,113
Inventories	129,372	-	-	-	129,372
Restricted Cash - TWDB Escrow	-	-	-	423,442	423,442
Total Assets	<u>\$ 4,234,616</u>	<u>\$ 1,192,596</u>	<u>\$ 1,936,395</u>	<u>\$ 3,598,015</u>	<u>\$ 10,961,622</u>
<b>LIABILITIES</b>					
Accounts Payable	\$ 64,721	\$ -	\$ -	-	\$ 64,721
Wages and Salaries Payable	37,187	-	-	-	37,187
Unearned Revenues	46,119	-	-	423,442	469,561
Other Current Liabilities	13,837	-	-	-	13,837
Total Liabilities	<u>161,864</u>	<u>-</u>	<u>-</u>	<u>423,442</u>	<u>585,306</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Unavailable Revenue - Property Taxes	-	462,865	-	-	462,865
Total Deferred Inflows of Resources	<u>-</u>	<u>462,865</u>	<u>-</u>	<u>-</u>	<u>462,865</u>
<b>FUND BALANCES</b>					
Nonspendable Fund Balance:					
Inventories	129,372	-	-	-	129,372
Restricted Fund Balance:					
Capital Acquisition and Obligation	-	-	-	1,650,406	1,650,406
Retirement of Long-Term Debt	2,059,810	729,731	-	-	2,789,541
Other Restricted Fund Balance	402,747	-	-	-	402,747
Assigned Fund Balance:					
Construction	-	-	-	1,524,167	1,524,167
Other Assigned Fund Balance	-	-	1,936,395	-	1,936,395
Unassigned Fund Balance	<u>1,480,823</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,480,823</u>
Total Fund Balances	<u>4,072,752</u>	<u>729,731</u>	<u>1,936,395</u>	<u>3,174,573</u>	<u>9,913,451</u>
Total Liabilities, Deferred Inflows And Fund Balances	<u>\$ 4,234,616</u>	<u>\$ 1,192,596</u>	<u>\$ 1,936,395</u>	<u>\$ 3,598,015</u>	<u>\$ 10,961,622</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, 2022

<b>Total Fund Balances - Governmental Funds</b>	<b>\$ 9,913,451</b>
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in governmental funds.	37,117,305
Prepaid expenditures which were expended in the funds are included in the statement of net position	30,187
Property taxes receivables are not available to pay for current period expenditures and, therefore, are deferred in the governmental funds	462,865
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds	(36,048,040)
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.	208,460
Other post employment benefits are not due and payable in the current period and, therefore, are not reported in the governmental funds.	(144,060)
Compensated absences and customer deposits are not due and payable in the current period and, therefore, are not reported in the governmental funds.	(547,387)
<b>Net Position of Governmental Activities</b>	<b><u>\$ 10,992,781</u></b>

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

# ORANGE COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1

## STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS FOR THE YEAR ENDED JUNE 30, 2022

	General Fund	Debt Service Fund	Contingency Fund	Construction And Capital Projects Funds	Total Governmental Funds
<b>REVENUES:</b>					
Taxes:					
Property Taxes	\$ -	\$ 2,152,211	\$ -	\$ -	\$ 2,152,211
Penalty and Interest on Taxes	-	71,488	-	-	71,488
Intergovernmental Revenue and Grants	-	-	-	20,952	20,952
Water Services	1,816,967	-	-	-	1,816,967
Sewer Services	1,812,119	-	-	-	1,812,119
Other Service Fees	75,117	2,621	-	9,433	87,171
Investment Earnings	6,568	4,690	4,379	7,935	23,572
Revenue Note Collections	1,016,608	-	-	-	1,016,608
Other Revenue	158,255	-	-	-	158,255
Total Revenues	<u>4,885,634</u>	<u>2,231,010</u>	<u>4,379</u>	<u>38,320</u>	<u>7,159,343</u>
<b>EXPENDITURES</b>					
Current:					
General Government:					
Water and Sewer Service	1,047,586	-	-	-	1,047,586
Salaries, Benefits and Payroll Taxes	1,972,999	-	-	-	1,972,999
Professional Fees	89,235	-	-	-	89,235
Administrative Expenses	282,321	-	-	-	282,321
Other	33,242	36,511	-	-	69,753
Debt Service					
Bond Principal	-	1,434,309	-	-	1,434,309
Bond Interest and Fiscal Charges	100,846	637,907	-	-	738,753
Bond Issuance Costs	-	484,149	-	-	484,149
Capital Outlay:					
Capital Outlay	60,617	-	-	422,509	483,126
Total Expenditures	<u>3,586,846</u>	<u>2,592,876</u>	<u>-</u>	<u>422,509</u>	<u>6,602,231</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>1,298,788</u>	<u>(361,866)</u>	<u>4,379</u>	<u>(384,189)</u>	<u>557,112</u>
<b>OTHER FINANCING SOURCES (USES):</b>					
Transfers In	39,200	-	63,000	391,846	494,046
Issuance of refunding bonds - face value	-	10,993,440	-	-	10,993,440
Issuance of refunding bonds - premium	-	6,894,735	-	-	6,894,735
Transfers Out (Use)	(139,679)	-	(315,167)	(39,200)	(494,046)
Other Uses - payment to refunded - bond escrow agent	-	(17,404,026)	-	-	(17,404,026)
Total Other Financing Sources (Uses)	<u>(100,479)</u>	<u>484,149</u>	<u>(252,167)</u>	<u>352,646</u>	<u>484,149</u>
Net Change in Fund Balances	1,198,309	122,283	(247,788)	(31,543)	1,041,261
Fund Balance - July 1 (Beginning)	2,874,443	607,448	2,184,183	3,206,116	8,872,190
Fund Balance - June 30 (Ending)	<u>\$ 4,072,752</u>	<u>\$ 729,731</u>	<u>\$ 1,936,395</u>	<u>\$ 3,174,573</u>	<u>\$ 9,913,451</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, 2022

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<b>Total Net Change in Fund Balances - Governmental Funds</b>	<b>\$ 1,041,261</b>
Property tax revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the governmental funds.	8,005
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.	135,261
Certain items reported as expenditures in the governmental funds are considered assets in the government-wide statements.	4,213
Depreciation is not recognized as an expense in the governmental funds since it does not require the use of current financial resources.	(1,622,342)
The issuance of refunding bonds and premium provide current financial resources to governmental funds, while the payment to the bond escrow agent consumes the current financial resources of the governmental funds. These transactions however, have no effect on net position. This is the amount by which payments to the bond escrow agent exceeded refunding bonds and premium proceeds.	103,719
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.	1,434,309
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.	(1,022,411)
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds. These include changes in other post employment benefits, net pension asset, and compensated absences.	62,717
<b>Change in Net Position of Governmental Activities</b>	<b><u>\$ 144,732</u></b>

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

**NOTES TO THE FINANCIAL STATEMENTS**

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

## **NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2022**

### **NOTE 1 - GENERAL STATEMENT**

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

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

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

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

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

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



# ORANGE COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1

## NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2022

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

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

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

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

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

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

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

# ORANGE COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1

## NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2022

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

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

The District has the following Governmental Funds:

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

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

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

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

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

#### D. Basis of Accounting

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

# ORANGE COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1

## NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2022

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

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

Cash includes amounts in demand deposits as well as money market accounts. The District Board has approved making investments in the Lone Star Investment Pool, but the District had no investments in the pool at June 30, 2022.

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

#### **F. Encumbrances**

The District does not use encumbrance accounting.

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

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

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

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

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

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

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

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

# ORANGE COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1

## NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2022

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

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

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

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

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

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

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

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

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

	<u>Number of Qualifying Employees</u>	<u>Maximum Days per Employee</u>	<u>Total Accrued</u>
Sick leave	10	60	\$ 83,534
Vacation	25	40	52,783
Total		<u>100</u>	<u>\$ 136,317</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, 2022

### 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 \$102,900.

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, 2022, the District abated property valued at \$10,186,712, which resulted in abated property taxes totaling \$38,903. 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, 2022

### 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, 2022

### 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 7, 2022, the date on which the financial statements were available for issue.

### NOTE 3 – CASH AND INVESTMENTS

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

At the year-end, the carrying amount of the District's deposits was \$9,437,277 and the bank balance was \$9,482,881. All deposits as of the financial statement date were insured by FDIC coverage or collateralized by a letter of credit and pledged securities held by the depository's agent in the District's name.

Following are the components of the District's cash and investments at June 30, 2022:

	<u>Total</u>	<u>Bond Revenue Requirements</u>
Cash Accounts		
Interest and Sinking	\$ 1,706,737	\$ -
Revenue Bonds Reserve	1,047,810	942,688
Bond Proceeds	1,650,292	-
Customer Deposits	402,747	-
Other	<u>4,629,691</u>	<u>-</u>
	<u>\$ 9,437,277</u>	<u>\$ 942,688</u>

# ORANGE COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1

## NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2022

### 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 2021 calendar year was based was \$574,710,960. The tax rate assessed for the year ended June 30, 2022, to service bonded indebtedness was \$0.3819 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, 2022 were 92.65% of the tax.

### NOTE 5 - CAPITAL ASSETS

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

	Balance July 1, 2021	Additions	Retire- ments	Balance June 30, 2022
<b>Capital Assets</b>				
Capital assets, not being depreciated				
Land	\$ 303,729	\$ -	\$ -	\$ 303,729
Construction-in-progress	956,494	16,708	-	973,202
Total capital assets, not being depreciated	1,260,223	16,708	-	1,276,931
Capital assets, being depreciated				
Buildings	378,188	6,715	-	384,903
Improvements other than buildings	62,617,403	95,953	-	62,713,356
Machinery and equipment	1,264,367	15,885	-	1,280,252
Total capital assets, being depreciated	64,259,958	118,553	-	64,378,511
Less accumulated depreciation				
Buildings	217,166	16,301	-	233,467
Improvements other than buildings	25,756,073	1,547,529	-	27,303,602
Machinery and equipment	942,556	58,512	-	1,001,068
Total accumulated depreciation	26,915,795	1,622,342	-	28,538,137
Total capital assets, being depreciation, net	37,344,163	(1,503,789)	-	35,840,374
Total capital assets, net	\$38,604,386	\$(1,487,081)	\$ -	\$37,117,305

Depreciation expense was \$1,622,342 for the fiscal year ended June 30, 2022.



# ORANGE COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1

## NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2022

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

The following represents the District's construction commitments for the year ended June 30, 2021:

Project	Commitment	Spent to Date	Remaining Commitment
Contract 3 Water and Sewer Service Extensions Project	\$ 677,675	\$ 58,794	\$ 618,881
Contract 4 Sanitary Sewer System Improvements Project	1,099,114	91,611	1,007,503
Well Site 7 TTHM Treatment System	817,297	817,297	-
Totals	<u>\$ 2,594,086</u>	<u>\$ 967,702</u>	<u>\$ 1,626,384</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, 2022

### NOTE 7 - LONG-TERM DEBT

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

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

<u>Bond Series</u>	<u>Intrest Rates</u>	<u>Payable At</u>
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%	BOKE, N.A., Dallas, Texas
2022 Capital Appreciation	2.48-2.77%	N/A Zero Coupon Bonds

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

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

<u>Due During Fiscal Year Ended</u>	<u>Bonds</u>	
	<u>Principal</u>	<u>Interest</u>
2023	\$ 2,165,000	\$ 802,666
2024	2,270,000	700,450
2025	2,340,000	626,200
2026	2,415,000	549,450
2027	2,500,000	469,950
2028-2032	13,680,000	1,193,038
2033-2037	9,960,000	39,200
2038	2,000,000	-
Total	<u>\$ 37,330,000</u>	<u>\$ 4,380,954</u>

# ORANGE COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1

## NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2022

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

#### Changes in long-term liabilities

Long-term liability activity for the year ended June 30, 2022, was as follows:

Bonds Payable:	Interest Rate	Amounts at Original Issue	Beginning Balance	Additions	Retirements	Ending Balance	Due Within One Year
<b>General Obligation</b>							
2009	1.70%-5.05%	\$ 11,115,000	\$ 75,000	\$ -	\$ (75,000)	\$ -	\$ -
2019 Refunding	2.0%-4.0%	9,015,000	8,845,000	-	(640,000)	8,205,000	740,000
Premium - 2019 Refunding			716,578	-	(120,461)	596,117	113,800
2022 Refunding	2.0%-4.0%	10,300,000	-	10,300,000	-	10,300,000	610,000
Premium - 2022 Refunding			-	685,095	-	685,095	115,480
<b>Revenue Bonds</b>							
2021 Refunding	1.25%-2%	8,825,000	8,825,000	-	-	8,825,000	815,000
Premium - 2021 Refunding			113,818	-	(17,968)	95,850	20,264
<b>Capital Appreciation</b>							
2012	1.2%-5.3%	11,999,994	11,712,848	-	(11,712,848)	-	-
<b>Accreted Interest Payable</b>							
2012 Unlimited Tax Bonds			6,172,402	825,953	(6,998,355)	-	-
2022 Refunding	2.48%-2.77%	693,440	-	693,440	-	693,440	-
<b>Accreted Interest Payable</b>							
2022 Refunding Bonds			-	6,293,833	-	6,293,833	187,233
<b>Total Bonded Debt</b>			<b>36,460,646</b>	<b>18,798,321</b>	<b>(19,564,632)</b>	<b>35,694,335</b>	<b>2,601,777</b>
<b>Compensated Absences Payable</b>			<b>119,782</b>	<b>16,535</b>	<b>-</b>	<b>136,317</b>	<b>-</b>
<b>OPEB Liability</b>			<b>102,900</b>	<b>41,160</b>	<b>-</b>	<b>144,060</b>	<b>-</b>
<b>Accrued Interest Expense</b>			<b>115,799</b>	<b>353,705</b>	<b>(115,799)</b>	<b>353,705</b>	<b>353,705</b>
<b>Customer Deposits</b>			<b>401,245</b>	<b>75,973</b>	<b>(66,148)</b>	<b>411,070</b>	<b>-</b>
<b>Total Long-Term Liabilities</b>			<b>\$ 37,200,372</b>	<b>\$ 19,285,694</b>	<b>\$ (19,746,579)</b>	<b>\$ 36,739,487</b>	<b>\$ 2,955,482</b>

The Debt Service Fund on June 30, 2022 had combined cash, time deposits, and accrued interest amounting to \$694,736. 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 2021 revenue refunding bonds.

The required reserve account balance for the 2021 revenue refunding bonds is \$942,689 at June 30, 2022, and the actual account balance is \$1,047,810.

# ORANGE COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1

## NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2022

### NOTE 8 – PENSION PLAN

#### *Plan Description*

Orange County Water Control & Improvement District No. 1 provides retirement, disability, and survivor benefits for all of its full-time and part-time non-temporary employees through participation in the statewide Texas County and District Retirement System (TCDRS), a defined benefit pension plan. The Board of Trustees of TCDRS is responsible for the administration of the statewide agent multiple-employer public employee retirement system consisting of 830 defined benefit pension plans. TCDRS in the aggregate issues an annual comprehensive financial report on a calendar year basis. The annual comprehensive financial report is available upon written request from the TCDRS Board of Trustees at P.O. Box 2034, Austin, Texas 78768-2034.

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

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

At June 30, 2022, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	12
Inactive employees entitled to but not yet receiving benefits	12
Active employees	27

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# ORANGE COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1

## NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2022

### NOTE 8 – PENSION PLAN (CONTINUED)

#### *Funding Policy*

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

The employer contributed using the actuarially determined rate of 5.81% for the months of the accounting year in 2021 and 9% for the months of the accounting year in 2022. The contribution rate payable by the employee members for calendar years 2021 and 2022 is the rate of 7.00%, as adopted by the governing body of the employer. The employee contribution rate and the employer contribution rate may be changed by the governing body of the employer within the options available in the TCDRS Act.

#### *Annual Pension Cost*

For the employer's accounting year ended June 30, 2022, the annual pension cost for the TCDRS plan for its employees was \$(19,812) and the actual contribution was \$110,425. The required contribution was determined as part of the December 31, 2021 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at December 31, 2021 included (a) 7.5 percent investment rate of return (net of administrative expenses) and (b) projected salary increases of 4.7 percent. Both (a) and (b) included an inflation component of 2.50 percent. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period. The unfunded actuarial accrued liability is being amortized as a level percentage of covered payroll basis over a closed period with a layered approach.

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

	December 31, 2020	December 31, 2021
Total pension liability	\$ 4,549,223	\$ 4,886,756
Fiduciary net position	<u>4,484,129</u>	<u>5,471,210</u>
Net pension liability / (asset)	<u>\$ 65,094</u>	<u>\$ (584,454)</u>
Fiduciary net position as a % of total pension liability	98.57%	111.96%
Pensionable covered payroll <sup>(1)</sup>	\$ 1,655,124	\$ 1,475,197
Net pension liability as a % of covered payroll	3.93%	-39.62%

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

# ORANGE COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1

## NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2022

### NOTE 8 – PENSION PLAN (CONTINUED)

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

#### *Discount Rate*

	December 31, 2020	December 31, 2021
Discount rate <sup>(2)</sup>	7.60%	7.60%
Long-term expected rate of return, net of investment expenses <sup>(2)</sup>	7.60%	7.60%
Municipal bond rate <sup>(3)</sup>	Does not apply	Does not apply

<sup>(2)</sup> This rate reflects the long-term rate of return funding valuation assumption of 7.50%, plus 0.10% adjustment to be gross of administrative expenses required by GASB 68.

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

#### *Other Key Actuarial Assumptions*

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

	Beginning Date	Ending Date
Valuation date	December 31, 2020	December 31, 2021
Measurement date	December 31, 2020	December 31, 2021
Employer's fiscal year	July 1, 2021	June 30, 2022

# ORANGE COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1

## NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2022

### NOTE 8 – PENSION PLAN (CONTINUED)

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

Valuation Timing	Actuarially determined contribution rates are calculated on a calendar year basis as of December 31, two years prior to the end of the fiscal year in which contributions are reported.
Actuarial Cost Method	Entry Age (level percent of pay) <sup>(1)</sup>
Amortization Method	
Recognition of economic/demographic gains or losses	Straight-Line amortization over Expected Working Life
Recognition of assumptions changes or inputs	Straight-Line amortization over Expected Working Life
Asset Valuation Method	
Smoothing period	5 years
Recognition method	Non-asymptotic
Corridor	None
Inflation	2.50%
Salary Increases	Varies by age and service. 4.7% average over career including inflation.
Investment Rate of Return	7.6% (Gross of administrative expenses)
Cost-of-Living Adjustments	Cost-of-Living Adjustments for Orange County Water Control and Improvement District #1 are not considered to be substantively automatic under GASB 68. Therefore, no assumption for future cost-of-living adjustments is included in the GASB calculations. No assumption for future cost-of-living adjustments is included in the funding valuation.
Retirement Age	60 and above
Mortality	135% of Pub-2010 General Employees Amount-Weighted Mortality Table for males and 120% Pub-2010 General Employees Amount-Weighted Mortality Table for females, both projected with 100% of the MP-201 Ultimate scale after 2010.

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

# ORANGE COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1

## NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2022

### 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 2022 information for a 10 year time horizon.

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

Asset Class	Benchmark	Target Allocation <sup>(1)</sup>	Geometric Real Rate of Return <sup>(2)</sup>
US Equities	Dow Jones U.S. Total Stock Market Index	11.50%	3.80%
Global Equities	MSCI World (net) Index	2.50%	4.10%
Int'l Equities - Developed Markets	MSCI World Ex USA (net) Index	5.00%	3.80%
Int'l Equities - Emerging Markets	MSCI Emerging Markets (net) Index	6.00%	4.30%
Investment - Grade Bonds	Bloomberg Barclays U.S. Aggregate Bond Index	3.00%	-0.85%
Strategic Credit	FTSE High-Yield Cash-Pay Capped Index	9.00%	1.77%
Direct Lending	S&P/LSTA Leveraged Loan Index	16.00%	6.25%
Distressed Debt	Cambridge Associates Distressed Securities Index <sup>(3)</sup>	4.00%	4.50%
REIT Equities	67% FTSE NAREIT All Equity REITs Index + 33% S&P Global REIT (net) Index	2.00%	3.10%
Master Limited Partnership (MLPs)	Alerian MLP Index	2.00%	3.85%
Private Real Estate Partnerships	Cambridge Associates Real Estate Index <sup>(4)</sup>	6.00%	5.10%
Private Equity	Cambridge Associates Global Private Equity & Venture Capital Index <sup>(5)</sup>	25.00%	6.80%
Hedge Funds	Hedge Fund Research, Inc. (HFRI) Fund of Funds Composite Index	6.00%	1.55%
Cash Equivalents	90-Day U.S. Treasury	2.00%	-1.05%

<sup>(1)</sup> Target asset allocation adopted at the March 2022 TCDRS Board Meeting.

<sup>(2)</sup> Geometric real rates of return equal the expected return minus the assumed inflation rate of 2.6%, per Cliffwater's 2022 capital market assumptions.

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

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

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



# ORANGE COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1

## NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2022

### 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, 2020	\$ 4,549,223	\$ 4,484,129	\$ 65,094
Changes for the year:			
Service Cost	188,247	-	188,247
Interest on total pension liability <sup>(1)</sup>	353,125	-	353,125
Effect of plan changes <sup>(2)</sup>	-	-	-
Effect of economic/demographic gains or losses	(10,094)	-	(10,094)
Effect of assumptions changes or inputs	(8,157)	-	(8,157)
Refund of contributions	(15,181)	(15,181)	-
Benefit payments	(170,407)	(170,407)	-
Administrative expenses	-	(2,960)	2,960
Member contributions	-	103,264	(103,264)
Net Investment income	-	985,331	(985,331)
Employer contributions	-	85,703	(85,703)
Other <sup>(3)</sup>	-	1,331	(1,331)
Balances as of December 31, 2021	<u>\$ 4,886,756</u>	<u>\$ 5,471,210</u>	<u>\$ (584,454)</u>

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

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

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

# ORANGE COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1

## NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2022

### NOTE 8 - PENSION PLAN (CONTINUED)

#### *Sensitivity Analysis*

The following presents the net pension liability of the employer, calculated using the discount rate of 7.60%, as well as what the Orange County Water Control & Improvement District No. 1 net pension liability would be if it were calculated using a discount rate that is 1 percent point lower (6.60%) or 1 percent higher (8.60%) than the current rate.

	1% Decrease 6.60%	Current Discount Rate 7.60%	1% Increase 8.60%
Total pension liability	\$ 5,546,565	\$ 4,886,756	\$ 4,330,765
Fiduciary net position	5,471,210	5,471,210	5,471,210
Net pension liability / (asset)	<u>\$ 75,355</u>	<u>\$ (584,454)</u>	<u>\$ (1,140,445)</u>

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

	January 1, 2021 to December 31, 2021
Service cost	\$ 188,247
Interest on total pension liability <sup>(1)</sup>	353,125
Effect on plan changes	-
Administrative expenses	2,960
Member contributions	(103,264)
Expected investment return net of investment expenses	(340,859)
Recognition of deferred inflows/outflows of resources	
Recognition of economic/demographic gains or losses	4,699
Recognition of assumption changes or inputs	48,902
Recognition of investment gains or losses	(172,291)
Other <sup>(2)</sup>	<u>(1,331)</u>
Pension expense / (income)	<u>\$ (19,812)</u>

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

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

# ORANGE COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1

## NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2022

### NOTE 8 - PENSION PLAN (CONTINUED)

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

As of December 31, 2021, the deferred inflow and outflow resources are as follows:

	Deferred Inflows of Resources	Deferred Outflows of Resources
Differences between expected and actual experience	\$ 36,063	\$ 29,382
Changes of assumption	6,526	182,413
Net difference between projected and actual earnings	611,695	-
Contributions made subsequent to measurement date	n/a	66,495
	<u>\$ 654,284</u>	<u>\$ 278,290</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:	
2022	\$ (83,963)
2023	(160,198)
2024	(112,679)
2025	(85,649)
2026	-
Thereafter	-

### 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
Water and Sewer Service	\$ (127,586)	13.9%
Professional Fees	(26,735)	42.8%
Administrative Expenses	(1,521)	0.5%

# ORANGE COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1

## NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2022

### NOTE 10 – COMMITMENTS AND CONTINGENCIES

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the District obtains insurance coverage through commercial insurance carriers. Workers' compensation and auto liability insurance are covered through participation in a public entity risk pool, where risk is transferred to the pool within policy limits purchased. There have been no significant reductions in insurance coverage from the preceding year and settlement amounts have not exceeded insurance coverage for the current year.

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

On January 22, 2019, the Texas Water Development Board approved the District's Project No. 73825 for \$500,000 from the Clean Water State Revolving Fund with 100 percent of the loan to be forgiven. The \$500,000 was deposited into an escrow account controlled by the Texas Water Development Board. Money is transferred from the escrow account to the District's account as project milestones are achieved and approved by the Texas Water Development Board. Interest income is credited to the escrow account and is used for payment before principal. The unspent balance in the escrow account of \$423,442 is shown as restricted cash. Unearned revenue at June 30, 2022 for this project is \$423,442. Project activity through June 30, 2022 is shown below:

	01/22/2019- 6/30/2021	6/30/2022	Total
Escrow balance Beginning of Year	\$ -	\$ 444,394	\$ -
TWDB Deposit to escrow account	500,000	-	500,000
Interest Income	8,015	952	8,967
Project milestones transferred to the District	<u>(63,621)</u>	<u>(21,904)</u>	<u>(85,525)</u>
Escrow balance End of Year	<u>\$ 444,394</u>	<u>\$ 423,442</u>	<u>\$ 423,442</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, 2022**

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

<u>Year Ending December 31,</u>	<u>Actuarially Determined Contribution</u>	<u>Actual Employer Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Pensionable Covered Payroll<sup>(1)</sup></u>	<u>Actual Contribution as a % of Covered Payroll</u>
2012	\$ 42,031	\$ 42,031	\$ -	\$ 1,091,718	3.8%
2013	47,052	47,052	-	1,131,051	4.2%
2014	49,669	49,669	-	1,077,414	4.6%
2015	45,340	45,340	-	1,061,834	4.3%
2016	50,910	50,942	(32)	1,235,678	4.1%
2017	47,633	47,633	-	1,360,927	3.5%
2018	56,294	56,294	-	1,489,257	3.8%
2019	110,283	110,283	-	1,761,843	6.3%
2020	96,163	96,596	(433)	1,655,124	5.8%
2021	84,971	85,703	(732)	1,475,197	5.8%

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



# 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, 2022

	Budgeted Amounts		Actual	Variance With
	Original	Final	Amounts (GAAP BASIS)	Final Budget Positive or Negative
<b>REVENUES:</b>				
Water Services	\$1,770,500	\$1,770,500	\$1,816,967	\$ 46,467
Sewer Services	1,793,000	1,793,000	1,812,119	19,119
Other Service Fees	97,200	97,200	75,117	(22,083)
Investment Earnings	2,500	2,500	6,568	4,068
Revenue Note Collections	1,020,000	1,020,000	1,016,608	(3,392)
Other Revenue	128,500	128,500	158,255	29,755
Total Revenues	4,811,700	4,811,700	4,885,634	73,934
<b>EXPENDITURES</b>				
Current:				
General Government:				
Water and Sewer Service	920,000	920,000	1,047,586	(127,586)
Salaries, Benefits and Payroll Taxes	2,182,600	2,182,600	1,972,999	209,601
Professional Fees	62,500	62,500	89,235	(26,735)
Administrative Expenses	280,800	280,800	282,321	(1,521)
Other	46,200	46,200	33,242	12,958
Debt Service				
Bond Principal	815,000	815,000	-	815,000
Bond Interest and Fiscal Charges	181,533	181,533	100,846	80,687
Capital Outlay:				
Capital Outlay	229,567	229,567	60,617	168,950
Total Expenditures	4,718,200	4,718,200	3,586,846	1,131,354
Excess (Deficiency) of Revenues Over (Under) Expenditures	93,500	93,500	1,298,788	1,205,288
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers In	1,000	1,000	39,200	38,200
Issuance of refunding bonds - face value	-	-	-	-
Issuance of refunding bonds - premium	-	-	-	-
Transfers Out (Use)	(94,500)	(94,500)	(139,679)	(45,179)
Other uses - payment to refunded - bond escrow agent	-	-	-	-
Total Other Financing Sources (Uses)	(93,500)	(93,500)	(100,479)	(6,979)
Net Change in Fund Balances	-	-	1,198,309	1,198,309
Fund Balance - July 1 (Beginning)	2,874,443	2,874,443	2,874,443	-
Fund Balance - June 30 (Ending)	2,874,443	2,874,443	4,072,752	\$1,198,309

## **TEXAS SUPPLEMENTARY INFORMATION**

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

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

### **Note A – Creation of District**

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

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

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

### **Note C – Pension Coverage**

See Schedule of Funding Progress.

### **Note D – Pledge of Revenues**

See Note 7 to the Financial Statements.

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

See Note 7 to the Financial Statements.

### **Note F – Bond Redemption**

See Note 6 to the Financial Statements.

# ORANGE COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1

## SCHEDULE OF SERVICES AND RATES FOR THE YEAR ENDED JUNE 30, 2022

### 1) SERVICES PROVIDED BY DISTRICT:

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

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

	Residential Minimum Charge	Residential Minimum Usage	Flat Rate Y/N	Rate per 100 Gallons over Minimum Use	Usage Levels
Water:	\$ 16.84	2,000	N	\$ 0.40	2,000 Gal & Over
Wastewater:	\$ 20.21	2,000	N	\$ 0.40	2,000 Gal & Over
Surcharge:	\$ -	-	-	\$ -	-

Total Charges per 10,000 gallons usage:      Water: \$42.74      Sewer: \$45.69

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

Total Charges per 10,000 gallons usage:      Water: \$53.39      Sewer: \$57.86  
 District employs winter averaging for wastewater usage?      Yes\_\_\_ No X

Water and Wastewater Retail connections:

Meter Size	Total Connections	Active Connections	ESFC Factor	Active ESFC'S
Unmetered		22	1.0	22
< = 3/4"		4,218	1.0	4,218
1"		69	2.5	173
1 1/2"		48	5.0	240
2"		54	8.0	432
3"		4	16.0	64
4"		2	25.0	50
6"		2	50.0	Firelines
8"		1	80.0	Firelines
10"		-	115.0	-
Total Water		4,420		5,199
Total Wastewater		4,066	1.0	4,066

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

Gallons pumped into system:	390,038,000	Water Accountability Ratio:
Gallons billed to customers	281,630,900	(Gallons billed/Gallons pumped)
		72%

# ORANGE COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1

## SCHEDULE OF GENERAL FUND EXPENDITURES FOR THE YEAR ENDED JUNE 30, 2022

Personnel Expenditures (Including benefits)*	\$ 1,720,182
Professional fees:	
Engineering	37,357
Accounting	21,500
Legal	30,378
Utilities	324,706
Repairs and Maintenance	475,778
Administrative Expenditures	
Office Expense	42,439
Insurance	293,301
Capital Outlay	57,041
Solid Waste Disposal	41,427
Plant Operations	442,691
Debt Service and Reserve	<u>100,046</u>
Total Expenditures	<u>\$ 3,586,846</u>

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

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

**SCHEDULE OF TEMPORARY INVESTMENTS  
JUNE 30, 2022**

As of June 30, 2022, the District had no reportable temporary investments.

# ORANGE COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1

## ANALYSIS OF TAXES LEVIED AND RECEIVABLE JUNE 30, 2022

Taxes Receivable, Beginning of Year	\$	576,299
2021 Original Tax Levy		2,185,003
Plus (Less): Net adjustments		<u>(23,373)</u>
Total to be Accounted for		2,737,929
Tax Collections:		
Current Year	\$	2,024,482
Prior Years		<u>127,729</u>
Total Collections		<u>2,152,211</u>
Taxes Receivable, End of Year	\$	<u>585,718</u>

Property valuations	2021	2020	2019	2018
Land	\$ 95,551,672	\$ 97,722,476	\$ 95,520,906	\$ 95,124,058
Improvements	537,994,013	469,795,664	456,576,992	390,486,428
Personal Property	60,721,263	59,131,261	60,125,643	51,825,659
Less Exemptions	<u>(119,555,988)</u>	<u>(107,395,789)</u>	<u>(105,098,169)</u>	<u>(100,677,056)</u>
TOTAL	<u>\$ 574,710,960</u>	<u>\$ 519,253,612</u>	<u>\$ 507,125,372</u>	<u>\$ 436,759,089</u>
Tax rate per \$100 Valuation (All Debt Service)	\$ 0.3819	\$ 0.4220	\$ 0.4170	\$ 0.4106
Original Tax Levy	<u>\$ 2,185,003</u>	<u>\$ 2,171,450</u>	<u>\$ 2,114,764</u>	<u>\$ 1,793,479</u>
Percent of Taxes Collected to Taxes Levied	92.65%	93.24%	91.84%	91.76%

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, 2022

Due During Fiscal Years Ending June 30,	<u>Series 2019 Unlimited Tax Refunding Bonds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total Principal and Interest</u>
2023	\$ 740,000	\$ 328,200	\$ 1,068,200
2024	780,000	298,600	1,078,600
2025	790,000	267,400	1,057,400
2026	940,000	235,800	1,175,800
2027	985,000	198,200	1,183,200
2028	1,020,000	158,800	1,178,800
2029	1,060,000	118,000	1,178,000
2030	925,000	75,600	1,000,600
2031	965,000	38,600	1,003,600
	<u>\$ 8,205,000</u>	<u>\$ 1,719,200</u>	<u>\$ 9,924,200</u>

Due During Fiscal Years Ending June 30,	<u>Series 2021 Revenue Refunding Bonds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total Principal and Interest</u>
2023	\$ 815,000	\$ 127,250	\$ 942,250
2024	835,000	110,750	945,750
2025	850,000	93,900	943,900
2026	865,000	76,750	941,750
2027	885,000	59,250	944,250
2028	895,000	45,925	940,925
2029	905,000	36,925	941,925
2030	915,000	27,825	942,825
2031	925,000	17,469	942,469
2032	935,000	5,844	940,844
	<u>\$ 8,825,000</u>	<u>\$ 601,888</u>	<u>\$ 9,426,888</u>



# ORANGE COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1

## GENERAL LONG - TERM DEBT SERVICE REQUIREMENTS BY YEAR JUNE 30, 2022

Due During Fiscal Years Ending June 30,	<u>Series 2022 Unlimited Tax Refunding Bonds</u>		Total Principal and Interest
	<u>Principal</u>	<u>Interest</u>	
2023	\$ 610,000	\$ 347,216	\$ 957,216
2024	655,000	291,100	946,100
2025	700,000	264,900	964,900
2026	610,000	236,900	846,900
2027	630,000	212,500	842,500
2028	640,000	187,300	827,300
2029	690,000	161,700	851,700
2030	895,000	134,100	1,029,100
2031	985,000	107,250	1,092,250
2032	1,925,000	77,700	2,002,700
2033	<u>1,960,000</u>	<u>39,200</u>	<u>1,999,200</u>
	<u>\$ 10,300,000</u>	<u>\$ 2,059,866</u>	<u>\$ 12,359,866</u>

### Series 2022 Capital Appreciation Refunding Bonds

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

# ORANGE COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1

## GENERAL LONG - TERM DEBT SERVICE REQUIREMENTS BY YEAR JUNE 30, 2022

Due During Fiscal Years Ending June 30,	Annual Requirements for All Series		
	Total Principal Due	Total Interest Due	Total Principal and Interest Due
2023	\$ 2,165,000	\$ 802,666	\$ 2,967,666
2024	2,270,000	700,450	2,970,450
2025	2,340,000	626,200	2,966,200
2026	2,415,000	549,450	2,964,450
2027	2,500,000	469,950	2,969,950
2028	2,555,000	392,025	2,947,025
2029	2,655,000	316,625	2,971,625
2030	2,735,000	237,525	2,972,525
2031	2,875,000	163,319	3,038,319
2032	2,860,000	83,544	2,943,544
2033	1,960,000	39,200	1,999,200
2034	2,000,000	-	2,000,000
2035	2,000,000	-	2,000,000
2036	2,000,000	-	2,000,000
2037	2,000,000	-	2,000,000
2038	2,000,000	-	2,000,000
	<u>\$ 37,330,000</u>	<u>\$ 4,380,954</u>	<u>\$ 41,710,954</u>

# ORANGE COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1

## ANALYSIS OF CHANGES IN LONG-TERM BONDED DEBT FOR THE YEAR ENDED JUNE 30, 2022

	Series 2009	Series 2012 CAB	Series 2019	Series 2021 Rev. Bonds	Series 2022 Tax Refunding	Total
Interest rates	1.70% - 5.05%	1.20% - 5.30%	2% - 4%	1.25% - 2%	2% - 4%	
Dates interest payable	8/17 - 2/18	8/17 - 2/18	02/20 - 02/31	02/22 - 08/31	08/22 - 02/38	
Maturity dates	2022	2038	2031	2031	2038	
Bonds outstanding, beginning of current period	\$ 75,000	\$ 17,885,250	\$ 8,845,000	\$ 8,825,000	\$ -	\$ 35,630,250
New bond proceeds	-	-	-	-	16,509,640	16,509,640
Interest accreted on CAB's	-	825,953	-	-	84,193	910,146
Retirements, principal	75,000	18,711,203 (a)	640,000	-	-	19,426,203
Bonds outstanding, end of current period	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,205,000</u>	<u>\$ 8,825,000</u>	<u>\$ 16,593,833</u>	<u>\$ 33,623,833</u>
Interest paid during current period	<u>\$ 3,150</u>	<u>\$ - (a)</u>	<u>\$ 347,400</u>	<u>\$ 112,833</u>	<u>\$ -</u>	<u>\$ 463,383</u>
Bond authority		Revenue Bonds	Tax Bonds	Totals		
Amount authorized by voters		\$ 8,825,000	\$ 26,218,080	\$ 35,043,080		
Amount issued		8,825,000	26,218,080	35,043,080		
Remaining to be issued		-	-	-		
Debt service fund cash and temporary investment balances as of June 30, 2021		-	694,736	694,736		
Average annual debt service payment (principal and interest) for remaining term of all debt				\$ 2,606,935		

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

# ORANGE COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1

## COMPARATIVE STATEMENT OF REVENUES AND EXPENDITURES – GENERAL FUND FOR THE YEAR ENDED JUNE 30, 2022

	AMOUNTS				
	2022	2021	2020	2019	2018
<b>GENERAL FUND REVENUES</b>					
Service Revenues	\$ 3,699,659	\$ 3,691,735	\$ 3,395,627	\$ 2,938,709	\$ 2,757,550
Tap connection fees	33,187	41,504	54,181	55,157	70,579
Interest on Temporary investments	6,568	1,770	29,375	46,664	29,319
Revenue Note Collections	1,016,608	1,016,488	1,015,948	1,018,122	970,067
Other	129,612	125,490	127,476	270,787	121,090
<b>TOTAL GENERAL FUND REVENUES</b>	<b>4,885,634</b>	<b>4,876,987</b>	<b>4,622,607</b>	<b>4,329,439</b>	<b>3,948,605</b>
<b>GENERAL FUND EXPENDITURES</b>					
Bad debts	60,120	35,486	3,874	13,087	43,796
Chemicals	39,151	37,246	29,663	23,955	15,804
Employee retirement	110,425	90,813	105,914	82,048	53,019
Engineering	37,357	4,602	6,857	5,540	33,025
Fuel and lubricants	55,425	44,444	48,191	56,428	39,825
Grinder Installations	80,603	50,749	62,513	162,938	76,136
Insurance	293,301	308,103	309,448	328,812	276,531
Interest	100,046	347,569	363,538	377,647	389,939
Legal and auditing	51,878	39,780	34,600	30,780	33,874
Maintenance & repair - Equipment	27,026	39,376	31,625	37,479	24,287
Maintenance & repair - Water & Sewer	368,058	325,905	303,450	218,054	219,493
Maintenance & repair - Bldg & Office Eq.	80,694	72,810	61,394	78,896	50,663
Other	185,270	507,112	169,745	168,058	148,233
Payroll taxes	117,017	128,788	140,015	128,372	117,849
Postage	28,738	29,570	24,800	26,941	23,439
Printing & office supplies	42,439	39,153	42,904	86,200	63,845
Salaries & wages	1,492,740	1,587,694	1,788,055	1,679,541	1,463,229
Utilities	324,706	261,168	268,318	250,421	251,115
Capital outlay	57,041	514,206	79,046	68,707	106,785
Principal retirement	-	675,000	655,000	645,000	635,000
TCEQ & Department of Health	34,811	34,764	34,762	37,761	36,426
<b>TOTAL GENERAL FUND EXPENDITURES</b>	<b>3,586,846</b>	<b>5,174,338</b>	<b>4,563,712</b>	<b>4,506,665</b>	<b>4,102,313</b>
Operating Transfer In	39,200	512,200	200,000	408,000	-
Issuance of bonds - face value	-	8,825,000	-	-	-
Issuance of bonds - premium	-	113,818	-	-	-
Operating Transfers Out	(139,679)	(232,012)	(100,000)	(108,000)	(108,000)
Other uses - payment to refunded bond escrow agent	-	(9,499,019)	-	-	-
	<u>(100,479)</u>	<u>(280,013)</u>	<u>100,000</u>	<u>300,000</u>	<u>(108,000)</u>
<b>EXCESS OF GENERAL FUND REVENUES OVER (UNDER) EXPENDITURES</b>	<b>\$ 1,198,309</b>	<b>\$ (577,364)</b>	<b>\$ 158,895</b>	<b>\$ 122,774</b>	<b>\$ (261,708)</b>

PERCENTAGE OF FUND REVENUES				
2022	2021	2020	2019	2018
75.7%	75.7%	73.5%	67.9%	69.8%
0.7%	0.9%	1.2%	1.3%	1.8%
0.1%	0.0%	0.6%	1.1%	0.7%
20.8%	20.8%	22.0%	23.5%	24.6%
2.7%	2.6%	2.8%	6.3%	3.1%
100.0%	100.0%	100.0%	100.0%	100.0%
1.2%	0.7%	0.1%	0.3%	1.1%
0.8%	0.8%	0.6%	0.6%	0.4%
2.3%	1.9%	2.3%	1.9%	1.3%
0.8%	0.1%	0.1%	0.1%	0.8%
1.1%	0.9%	1.0%	1.3%	1.0%
1.6%	1.0%	1.4%	3.8%	1.9%
6.0%	6.3%	6.7%	7.6%	7.0%
2.0%	7.1%	7.9%	8.7%	9.9%
1.1%	0.8%	0.7%	0.7%	0.9%
0.6%	0.8%	0.7%	0.9%	0.6%
7.5%	6.7%	6.6%	5.0%	5.6%
1.7%	1.5%	1.3%	1.8%	1.3%
3.8%	10.4%	3.7%	3.9%	3.8%
2.4%	2.6%	3.0%	3.0%	3.0%
0.6%	0.6%	0.5%	0.6%	0.6%
0.9%	0.8%	0.9%	2.0%	1.6%
30.6%	32.6%	38.7%	38.8%	37.1%
6.6%	5.4%	5.8%	5.8%	6.4%
1.2%	10.5%	1.7%	1.6%	2.7%
0.0%	13.8%	14.2%	14.9%	16.1%
0.7%	0.7%	0.8%	0.9%	0.9%
73.4%	106.1%	98.7%	104.1%	103.9%
0.8%	10.5%	4.3%	9.4%	0.0%
0.0%	181.0%	0.0%	0.0%	0.0%
0.0%	2.3%	0.0%	0.0%	0.0%
-2.9%	-4.8%	-2.2%	-2.5%	-2.7%
0.0%	-194.8%	0.0%	0.0%	0.0%
-2.1%	-5.7%	2.2%	6.9%	-2.7%
24.5%	-11.8%	3.4%	2.8%	-6.6%

# ORANGE COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1

## COMPARATIVE STATEMENT OF REVENUES AND EXPENDITURES - DEBT SERVICE FUND FOR THE YEAR ENDED JUNE 30, 2022

	AMOUNTS				
	2022	2021	2020	2019	2018
<b>DEBT SERVICE FUND REVENUES</b>					
Tax Revenues	\$ 2,154,832	\$ 2,152,124	\$ 2,037,577	\$ 1,746,953	\$ 1,801,286
Penalty and Interest	71,488	66,773	51,164	54,728	59,709
Interest on Temporary Investments	4,690	311	11,278	10,450	7,000
Miscellaneous Revenues	-	-	-	-	-
<b>TOTAL DEBT SERVICE FUND REVENUES</b>	<b>2,231,010</b>	<b>2,219,208</b>	<b>2,100,019</b>	<b>1,812,131</b>	<b>1,867,995</b>
<b>DEBT SERVICE FUND EXPENDITURES</b>					
Tax Collection Services	1,266	1,264	1,315	1,298	1,299
Principal Retirement	1,434,309	1,665,000	1,680,000	1,620,000	1,240,000
Debt Service Interest and Fees	673,152	411,321	344,767	837,139	583,397
Bond Issuance Costs	484,149	-	-	-	-
<b>TOTAL DEBT SERVICE FUND EXPENDITURES</b>	<b>2,592,876</b>	<b>2,077,585</b>	<b>2,026,082</b>	<b>2,458,437</b>	<b>1,824,696</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>\$ (361,866)</b>	<b>\$ 141,623</b>	<b>\$ 73,937</b>	<b>\$ (646,306)</b>	<b>\$ 43,299</b>
<b>OTHER FINANCING SOURCES (USES)</b>					
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)	-	-	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>484,149</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>NET CHANGE IN DEBT SERVICE FUND FUND BALANCE</b>	<b>\$ 122,283</b>	<b>\$ 141,623</b>	<b>\$ 73,937</b>	<b>\$ (646,306)</b>	<b>\$ 43,299</b>
<b>Total active retail water and/or wastewater connections</b>	<b>5,199</b>	<b>5,393</b>	<b>5,337</b>	<b>5,384</b>	<b>5,311</b>

PERCENTAGE OF FUND REVENUES				
2022	2021	2020	2019	2018
96.6%	97.0%	97.0%	96.4%	96.4%
3.2%	3.0%	2.4%	3.0%	3.2%
0.2%	0.0%	0.5%	0.6%	0.4%
0.0%	0.0%	0.0%	0.0%	0.0%
<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>
0.1%	0.1%	0.1%	0.1%	0.1%
64.3%	75.0%	80.0%	89.4%	66.4%
30.2%	18.5%	16.4%	46.2%	31.2%
21.7%	0.0%	0.0%	0.0%	0.0%
<u>116.2%</u>	<u>93.6%</u>	<u>96.5%</u>	<u>135.7%</u>	<u>97.7%</u>
<u>-16.2%</u>	<u>6.4%</u>	<u>3.5%</u>	<u>-35.7%</u>	<u>2.3%</u>
492.8%	0.0%	0.0%	0.0%	0.0%
309.0%	0.0%	0.0%	0.0%	0.0%
<u>-780.1%</u>	<u>0.0%</u>	<u>0.0%</u>	<u>0.0%</u>	<u>0.0%</u>
<u>21.7%</u>	<u>0.0%</u>	<u>0.0%</u>	<u>0.0%</u>	<u>0.0%</u>
<u>5.5%</u>	<u>6.4%</u>	<u>3.5%</u>	<u>-35.7%</u>	<u>2.3%</u>

# ORANGE COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1

## BOARD MEMBERS, KEY PERSONNEL, AND CONSULTANTS FOR THE YEAR ENDED JUNE 30, 2022

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

District Business Telephone Number: (409) 769-2669

<u>Name and Address</u>	<u>Term of Office Date Elected or Hired</u>	<u>Salary or Fees and Expense Reimbursements Year Ended 6/30/2021</u>	<u>Title at 6/30/2021</u>	<u>Resident of District</u>
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### Board Members

Frank Inzer 315 S Main Vidor, TX 77662	Elected 05/20-05/24	None	President	Yes
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Tim Beard 4575 Brookhollow Drive Vidor, TX 77662	Elected 05/22-05/26	None	Vice- President	Yes
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Trey Haney 1250 Lamar Street Vidor, TX 77662	Elected 05/22-05/26	None	Secretary	Yes
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Kelly Brewer 180 Sandra Vidor, TX 77662	Elected 05/22-05/26	None	Director	Yes
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Troy Taylor 650 Jackson Vidor, TX 77662	Appointed 08/21-05/24	None	Director	Yes
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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, 2022

Name and Address	Term of Office Date, Date Elected or Hired	Salary or Fees and Expense Reimbursements 6/30/2021	Title at 6/30/2021	Resident of District
<b>Key Administrative Personnel</b>				
Chris Serres 2856 State Hwy. 62 Buna, Texas 77662	04/2009	\$ 107,303	General Manager	No
David B. LeJune 305 S Denver Street Vidor, TX 77662	08/1982	\$ 109,351	Operations Manager	Yes
<b>Consultants</b>				
The Ferguson Law Firm Larry C. Hunter 350 Pine Street Suite 1440 Beaumont, TX 77701	10/2015	\$ 21,529	Attorney	Yes
Germer PLLC Kate Leverett 550 Fannin Suite 400 Beaumont, TX 77701	06/2022	\$ 5,250	Attorney	No
Karen Fisher Orange County Tax Assessor/Collector PO Box 670 Orange, TX 77631	07/1992	\$ 1,266	Tax Assessor/Collector	No
Orange County Appraisal District PO Box 457 Orange, TX 77631	01/1983	\$ 36,511	Appraisal District	No
LJA Engineering, Inc. 2929 Briarpark Drive Houston, TX 77042	01/2001	\$ 56,056	Engineering Consultants	No
Wathen, DeShong & Juncker, L.L.P. 4140 Gladys Ave. Suite 101 Beaumont, TX 77706	06/2016	\$ 16,500	Auditor	No
Keri Michutka, CPA 1906 Texas Avenue Bridge City, TX 77611	08/2019	\$ 5,000	CPA	No

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

**Wathen,  
DeShong  
& Juncker,  
L.L.P.**  
CPAs & BUSINESS ADVISORS

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

October 7, 2022

**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, 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, 2022, and the related notes to the financial statements, which collectively comprise Orange County Water Control & Improvement District No. 1's basic financial statements, and have issued our report thereon dated October 7, 2022.

**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