

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

**ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED JUNE 30, 2018**

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

Certified Public Accountants

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ANNUAL FILING AFFIDAVIT

THE STATE OF TEXAS §

COUNTY OF Orange §

I, Robert Viator of the Orange County Water Control and Improvement District No. 1 hereby swear, or affirm, that the District named above has reviewed and approved at a meeting of the Board of Directors of the District on the 6 day of November, 2018 its annual report for the fiscal year or period ended June 30, 2018 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: 11/6/, 2018

By: Robert Viator  
(Signature of District Representative)

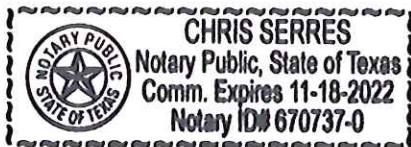
Robert Viator, Board President  
(Typed Name and Title of above  
District Representative)

Sworn to and subscribed to before me this 6 day of November, 2018

(Seal)

Chris Serres  
(Signature of Notary)

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





J. Pat O'Neill, III, CPA  
Michael W. Keifer, CPA, CFE, CFF

**Wathen,  
DeShong  
& Juncker,**  

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L.L.P.  
Certified Public Accountants

Troy W. Domingue, CPA  
Stanley "Chip" Majors, Jr., CPA, CITP, CGMA  
Jane P. Burns, CPA, CDFA

October 30, 2018

**INDEPENDENT AUDITOR'S REPORT**

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

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, and each major fund of Orange County Water Control & Improvement District No. 1 as of and for the year ended June 30, 2018 and the related notes to the financial statements, which collectively comprise the Orange County Water Control & Improvement District No. 1's basic financial statements as listed in the table of contents.

**Management's Responsibility for the Financial Statements**

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

**Auditor's Responsibility**

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

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

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

**Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, and each major fund of Orange County Water Control & Improvement District No. 1 as of June 30, 2018, and the respective changes in financial position, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.



## **Other Matters**

### **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on page 4 through 9; the Schedules of Changes in Employer's Net Pension Liabilities and Related Ratios and Employer Contributions on pages 39 through 40; and the Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Governmental Fund on page 40 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standard Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information on pages 4 through 9 and pages 39 and 40 in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on this information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The required supplementary information on page 41 has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the financial statements taken as a whole.

### **Other Information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Orange County Water Control & Improvement District No. 1's, basic financial statements. The Texas Supplementary Information listed in the Table of Contents on pages 42 through 55 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The Texas Supplementary Information listed in the Table of Contents is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The current year financial information included in these schedules has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The Schedules of Services and Rates and Board Members, Key Personnel and Consultants have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on this information.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated October 30, 2018, on our consideration of Orange County Water Control & Improvement District No. 1's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of Orange County Water Control & Improvement District No. 1's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Orange County Water Control & Improvement District No. 1's internal control over financial reporting and compliance.

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

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



# ORANGE COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1

## Management's Discussion and Analysis For The Year Ended June 30, 2018

### 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, 2018. 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 2018, by \$12,468,176. Of this amount, \$6,419,538 is considered unrestricted.
- The Orange County Water Control & Improvement District No. 1's total net position decreased by \$691,662 in fiscal year 2018.
- As of the close of the current fiscal year, the District's governmental funds reported a combined ending fund balance of \$10,224,308, a decrease of \$1,115,152. Of this total fund balance, \$1,021,856 is considered spendable and unassigned and is considered available for use.
- The general fund reported a fund balance of \$3,170,139 at the end of the current fiscal year. The unassigned fund balance for the general fund was \$1,021,856 or 25% of total general fund expenditures.
- The District decreased its debt by principal payments of \$1,875,000 during the current fiscal year.

#### 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 and operation of a water and sewer system.

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

### Management's Discussion and Analysis For The Year Ended June 30, 2018

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

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

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

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

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

**Notes to the financial statements** provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the Financial Statements can be found on pages 18 through 38.

**Other information.** In addition to the basic financial statements and accompanying notes, required supplementary information presents a schedule of changes in employer's net pension liability and related ratios, schedule of employer contribution, and schedule of revenues, expenditures, and changes in fund balance-budget and actual to demonstrate compliance with the budget. The required supplementary information can be found on pages 39 through 41. Texas Supplementary Information is presented on pages 42 through 55.

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

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Orange County Water Control & Improvement District No. 1, assets exceeded liabilities by \$12,468,176 at June 30, 2018.



ORANGE COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1

Management's Discussion and Analysis  
For The Year Ended June 30, 2018

**STATEMENT OF NET POSITION**

	2018	2017
Current assets:		
Cash & Investments	\$ 9,620,004	\$ 10,920,950
Taxes Receivable	415,635	486,198
Service Revenues Receivable	597,272	574,174
Due from Others	91,998	-
Inventory	109,282	111,733
Net Pension Asset	169,612	20,202
Total current assets	11,003,803	12,113,257
Noncurrent Assets:		
Capital Assets	66,237,438	65,257,485
Less accumulated depreciation	(22,701,751)	(21,012,726)
Total noncurrent assets	43,535,687	44,244,759
Total assets	54,539,490	56,358,016
Deferred Outflows of Resources:		
Deferred Outflows of Resources-pension related	133,092	253,155
Current Liabilities:		
Accounts payable and accrued liabilities	160,011	254,620
Customer LPSS deposits	73,766	61,380
Current portion of long-term debt	2,598,202	2,229,287
Total current liabilities	2,831,979	2,545,287
Long-term liabilities:		
Customer deposits	362,805	358,390
Long-term debt	38,961,129	40,546,510
Total long-term liabilities	39,323,934	40,904,900
Total liabilities	42,155,913	43,450,187
Deferred Inflows of Resources:		
Deferred Inflows of Resources-pension related	48,493	1,146
Net Position:		
Net Investment in Capital Assets	3,754,743	3,107,969
Restricted for Debt Service	2,293,895	2,298,509
Unrestricted	6,419,538	7,753,360
Total net position	\$ 12,468,176	\$ 13,159,838

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

**Management's Discussion and Analysis  
For The Year Ended June 30, 2018**

**Changes in net position**

The District's total revenues were \$6,018,283. A significant portion, 47%, of the District's revenue comes from charges for water and sewer services. Approximately 30% of the revenue comes from taxes.

The total cost of all programs and services was \$6,709,945; all of these costs are related to water and sewer services.

**Governmental Activities**

Property tax rates decreased by approximately .0293 cents per \$100 valuation. This decrease, accompanied by increasing values, resulted in a decrease in the tax levy to \$1,737,707.

**STATEMENT OF CHANGES IN NET POSITION**

	Government Wide Activities	
	2018	2017
Program Revenues:		
Charges for Services		
Water	\$ 1,426,943	\$ 1,503,610
Sewer	1,282,234	1,449,545
Service Fees	103,452	83,056
General Revenues:		
Taxes	1,737,493	1,795,349
Penalty & Interest	59,709	59,003
Interest on Temporary Investments	115,128	43,802
Revenue Note Collections	970,067	1,036,043
Miscellaneous Revenues	111,259	106,005
Grants and Contributions	111,998	-
Insurance Proceeds	100,000	-
Total Revenues	<u>6,018,283</u>	<u>6,076,413</u>
Water and Sewer Service	1,003,335	995,160
Salaries, Benefits, & Payroll taxes	1,824,219	1,668,150
Professional Fees	109,791	117,990
Administrative Expenses	210,510	202,259
Other	65,000	52,662
Interest and Fiscal Charges	1,707,843	1,727,620
Depreciation	1,789,247	1,783,130
Total Expenses	<u>6,709,945</u>	<u>6,546,971</u>
Change in Net Position	<u>\$ (691,662)</u>	<u>\$ (470,558)</u>

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

- The cost of all governmental activities this year was \$6,709,945.
- Property tax revenue was \$1,797,202.
- \$2,812,629 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, 2018

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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 \$176,113 or 4.46% in excess of budgeted amounts in the General Fund. Resources available were \$247,595 or 5.90% less than budgeted amounts.

**Capital Assets and Debt Administration**

**Capital Assets**

At the end of 2018, the District had invested \$66,237,438 in a broad range of capital assets, including land, buildings, water and sewer systems, equipment, and vehicles.

**CAPITAL ASSETS**

**District's Capital Assets  
Activities**

	2018
Land	\$ 303,729
Buildings and Improvements	299,166
Water and Sewer System	61,098,943
Machinery and Equipment	723,903
Autos and Trucks	350,053
Office Furniture and Fixtures	159,524
Construction in Progress	3,302,120
Totals at historical cost	66,237,438
Total Accumulated Depreciation	(22,701,751)
Net Capital Assets	\$ 43,535,687



# ORANGE COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1

## Management's Discussion and Analysis For The Year Ended June 30, 2018

### LONG TERM DEBT

At year-end the District had \$24,993,294 in bonds outstanding and \$10,840,000 in notes payable. 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
General Obligation							
2007	3.15%-4.00%	\$ 2,500,000	\$ 1,705,000	\$ -	\$ (115,000)	\$ 1,590,000	\$ 120,000
2009	1.70%-5.05%	11,115,000	10,065,000	-	(175,000)	9,890,000	580,000
2009A Refunding	3.75%	2,360,000	950,000	-	(950,000)	-	-
Revenue Bonds							
2013 Refunding	1.86%	1,230,000	625,000	-	(160,000)	465,000	165,000
Capital Appreciation							
2012	1.20%-5.30%	13,999,994	13,048,294	-	-	13,048,294	471,767
Total Bonded Debt			26,393,294	-	(1,400,000)	24,993,294	1,336,767
Accreted Interest Payable							
2012 Unlimited Tax Bonds		-	4,472,973	780,269	-	5,253,242	448,233
Notes Payable							
2011 Revenue Notes	0.30%-4.10%	13,610,000	11,315,000	-	(475,000)	10,840,000	480,000
Compensated Absences Payable			144,173	-	(61,833)	82,340	-
OPEB Liability			96,070	-	(38,817)	57,253	-
Accrued Interest Expense			354,287	333,202	(354,287)	333,202	333,202
Customer Deposits			358,390	71,210	(66,795)	362,805	-
Total Long-Term Liabilities			\$ 43,134,187	\$ 1,184,681	\$ (2,396,732)	\$ 41,922,136	\$ 2,598,202

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

The 2018-2019 budget was presented with no rate increase to the water and sewer rates and with no significant increase in the number of customers in the District. The General Fund Revenue Budget for 2018-2019 is \$4,200,000 which is a .09% increase from the 2017-2018 General Fund Budget of \$4,196,200.

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 2018-2019 is \$ 4,200,000, which is a 4.3% increase from the 2017-2018 General Fund Expenditure Budget of \$4,026,200.

The ad valorem tax roll for the 2018 tax year is \$436,759,089 with an adopted tax rate of \$0.41063 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, 2018

EXHIBIT A

	Primary Government
	Governmental Activities
<hr/>	
ASSETS	
Cash and Cash Equivalents	\$ 9,620,004
Taxes Receivable, Net	415,635
Accounts Receivable Net	597,272
Due from Others	91,998
Inventories	109,282
Capital Assets:	
Land	303,729
Infrastructure, Net	39,353,748
Buildings, Net	122,554
Machinery and Equipment, Net	453,536
Construction in Progress	3,302,120
Net Pension Asset	169,612
Total Assets	<u>54,539,490</u>
DEFERRED OUTFLOW OF RESOURCES	
Deferred Outflow Related to Pension Plan	133,092
Total Deferred Outflows of Resources	<u>133,092</u>
LIABILITIES	
Accounts Payable	129,513
Wages and Salaries Payable	30,498
Unearned Revenues	73,766
Noncurrent Liabilities:	
Due Within One Year	2,598,202
Due in More Than One Year	39,323,934
Total Liabilities	<u>42,155,913</u>
DEFERRED INFLOW OF RESOURCES	
Deferred Inflow Related to Pension Plan	48,493
Total Deferred Inflows of Resources	<u>48,493</u>
NET POSITION	
Net Investment in Capital Assets	3,754,743
Restricted for Debt Service	2,293,895
Unrestricted	6,419,538
Total Net Position	<u>\$ 12,468,176</u>

The notes to the financial statements are an integral part of this statement.

ORANGE COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2018

EXHIBIT B

		Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Primary Gov. Governmental Activities
Expenses				
<b>Primary Government:</b>				
GOVERNMENTAL ACTIVITIES:				
Water and Sewer Services	\$ 1,003,335	\$ 2,812,629	\$ -	\$ 1,809,294
Salaries, Benefits and Payroll Taxes	1,824,219	-	-	(1,824,219)
Professional Fees	109,791	-	-	(109,791)
Administrative Expenses	210,510	-	-	(210,510)
Other	65,000	-	-	(65,000)
Depreciation Expense	1,789,247	-	-	(1,789,247)
Interest on Debt	1,707,843	-	-	(1,707,843)
<b>TOTAL PRIMARY GOVERNMENT</b>	<b>\$ 6,709,945</b>	<b>\$ 2,812,629</b>	<b>\$ -</b>	<b>(3,897,316)</b>
General Revenues:				
Taxes:				
Property Taxes				1,737,493
Revenue Note Collections				970,067
Penalty and Interest				59,709
Grants and Contributions				111,998
Investment Earnings				115,128
Miscellaneous Revenue				111,259
Insurance Proceeds				100,000
Total General Revenues and Special Items				3,205,654
Change in Net Position				(691,662)
Net Position-- Beginning				13,159,838
Net Position--Ending				<u>\$ 12,468,176</u>

The notes to the financial statements are an integral part of this statement.

**FUND FINANCIAL STATEMENTS**



Construction & Capital Pro Funds	Total Governmental Funds
\$ 3,227,663	\$ 9,620,004
-	488,982
-	(73,347)
-	597,272
91,998	91,998
-	109,282
<u>\$ 3,319,661</u>	<u>\$ 10,834,191</u>
 \$ 54,680	 \$ 129,513
-	30,498
-	73,766
<u>54,680</u>	<u>233,777</u>
 -	 376,106
<u>-</u>	<u>376,106</u>
 -	 109,282
1,638,794	1,638,794
-	2,714,773
1,626,187	1,626,187
-	3,113,416
-	1,021,856
<u>3,264,981</u>	<u>10,224,308</u>
<u>\$ 3,319,661</u>	<u>\$ 10,834,191</u>

ORANGE COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE  
STATEMENT OF NET POSITION  
FOR THE YEAR ENDED JUNE 30, 2018

EXHIBIT C-2

<b>Total Fund Balances - Governmental Funds</b>	<b>\$ 10,224,308</b>
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in governmental funds.	43,535,687
Property taxes receivables are not available to pay for current period expenditures and, therefore, are deferred in the governmental funds.	376,106
Long-term liabilities, including bonds payable and notes payable, are not due and payable in the current period, and, therefore, are not reported in the funds.	(41,419,738)
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.	254,211
Other post employment benefits are not due and payable in the current period and, therefore, are not reported in the governmental funds.	(57,253)
Compensated absences and customer deposits are not due and payable in the current period and, therefore, are not reported in the governmental funds.	(445,145)
<b>Net Position of Governmental Activities</b>	<b><u>\$ 12,468,176</u></b>

The notes to the financial statements are an integral part of this statement.

Construction & Capital Pro Funds	Total Governmental Funds
\$ -	\$ 1,798,982
-	59,709
-	1,426,943
-	1,282,234
-	103,452
91,998	91,998
44,550	115,128
-	970,067
20,000	20,000
-	138,894
<u>156,548</u>	<u>6,007,407</u>
-	788,660
-	1,865,544
42,892	109,791
-	210,510
-	65,000
-	1,875,000
-	948,659
<u>1,252,658</u>	<u>1,359,395</u>
<u>1,295,550</u>	<u>7,222,559</u>
<u>(1,139,002)</u>	<u>(1,215,152)</u>
108,000	125,137
100,000	100,000
<u>(17,137)</u>	<u>(125,137)</u>
<u>190,863</u>	<u>100,000</u>
(948,139)	(1,115,152)
<u>4,213,120</u>	<u>11,339,460</u>
<u>\$ 3,264,981</u>	<u>\$ 10,224,308</u>

ORANGE COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1  
 RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,  
 AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES  
 FOR THE YEAR ENDED JUNE 30, 2018

<b>Total Net Change in Fund Balances - Governmental Funds</b>	<b>\$ (1,115,152)</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.	(61,489)
Current year capital outlays are expenditures in the fund financial statements, but are reported as increases in capital assets in the government-wide financial statements.	1,103,395
Government-wide financial statements capitalize long-term assets and depreciate the assets over their useful life. Long-term assets are not carried on the governmental fund basis and are expensed in the current period. Gains and (losses) associated with the disposal of a capital asset is not recorded on the governmental fund basis.	(23,220)
Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources.	(1,789,247)
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.	1,875,000
Interest on long-term governmental debt is not due and payable in the current period and, accordingly, is not reported as a current period expenditure. Interest expense on the long-term debt of governmental activities is accrued and accreted in the Statement of Activities.	(759,184)
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.	78,235
<b>Change in Net Position of Governmental Activities</b>	<b>\$ (691,662)</b>

The notes to the financial statements are an integral part of this statement.



**NOTES TO THE FINANCIAL STATEMENTS**

# ORANGE COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1

## NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2018

### **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, 2018

### 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. Property taxes are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

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



# ORANGE COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1

## NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2018

### 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. Deferred revenues are amounts which have been deemed 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, 2018

### 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, 2018.

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

#### **F. Encumbrances**

The District does not use encumbrance accounting.

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

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

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

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

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

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

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

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



# ORANGE COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1

## NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2018

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

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

##### Assets

<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	2	60	\$ 22,019
Vacation	19	40	60,321
Total	<u>21</u>	<u>100</u>	<u>\$ 82,340</u>

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



# ORANGE COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1

## NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2018

### 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 \$57,252.

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, 2018, the District abated property valued at \$2,381,102, which resulted in abated property taxes totaling \$8,563. All abatement agreements were in relation to residential property, and no single abatement exceeded 15% of the total abated value.

#### **O. Budget**

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

# ORANGE COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1

## NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2018

### 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, 2018

### 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.

### 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 \$9,620,004 and the bank balance was \$9,661,677. 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, 2018:

	Assets			Bond Revenue Requirements
	Unrestricted	Restricted	Total	
Cash Accounts				
Interest and Sinking	\$ -	\$ 1,494,663	\$ 1,494,663	\$ -
Bond Reserves (2011)	-	1,012,325	1,012,325	953,382
Bond Reserves (2013)	-	168,256	168,256	165,236
Bond Proceeds	-	1,601,485	1,601,485	-
Customer Deposits	-	434,843	434,843	-
Other	4,908,432	-	4,908,432	-
	<u>\$ 4,908,432</u>	<u>\$ 4,711,572</u>	<u>\$ 9,620,004</u>	<u>\$ 1,118,618</u>



# ORANGE COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1

## NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2018

### **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 2017 calendar year was based was \$483,179,839. The tax rate assessed for the year ended June 30, 2018, to service bonded indebtedness was \$0.3596 per \$100 valuation.

Property taxes attached 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, 2018 were 92.14% of the tax.

### **NOTE 5 – CAPITAL ASSETS**

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

	Balance July 1, 2017	Additions	Retirements	Balance June 30, 2018
<b>Capital Assets</b>				
Capital assets, not being depreciated				
Land	\$ 303,729	\$ -	\$ -	\$ 303,729
Construction-in-progress	2,406,324	895,796	-	3,302,120
 Total capital assets, not being depreciated	 2,710,053	 895,796	 -	 3,605,849
Capital assets, being depreciated				
Buildings	299,166	-	-	299,166
Improvements other than buildings	61,093,616	5,327	-	61,098,943
Machinery and equipment	1,154,650	202,272	(123,442)	1,233,480
 Total capital assets, being depreciated	 62,547,432	 207,599	 (123,442)	 62,631,589
Less accumulated depreciation				
Buildings	166,996	9,616	-	176,612
Improvements other than buildings	20,037,831	1,707,364	-	21,745,195
Machinery and equipment	807,899	72,267	(100,222)	779,944
 Total accumulated depreciation	 21,012,726	 1,789,247	 (100,222)	 22,701,751
 Total capital assets, being depreciation, net	 41,534,706	 (1,581,648)	 (23,220)	 39,929,838
 Total capital assets, net	 \$ 44,244,759	 \$ (685,852)	 \$ (23,220)	 \$ 43,535,687

Depreciation expense was \$1,789,247 for the fiscal year ended June 30, 2018.

# ORANGE COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1

## NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2018

### NOTE 5 – CAPITAL ASSETS (CONTINUED)

The following represents the District's construction commitments for the year ended June 30, 2018:

Project	Commitment	Spent to Date	Remaining Commitment
Contract 1 Water System Improvements Project	\$ 1,207,563	\$ 1,207,563	\$ -
Contract 2 Water System Improvements Project	1,005,249	903,248	102,001
Contract 3 Water and Sewer Service Extensions Project	677,675	35,586	642,089
Contract 4 Sanitary Sewer System Improvements Project	1,099,114	50,697	1,048,417
Engineering Water System Improvements Project	423,670	414,670	9,000
Well Site 7 TTHM Treatment System	748,106	690,356	57,750
Totals	<u>\$ 5,161,377</u>	<u>\$ 3,302,120</u>	<u>\$ 1,859,257</u>

### NOTE 6 – ADVANCE REFUNDING OF DEBT

#### *2001 Revenue Notes*

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

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

#### *2003 Unlimited Tax Bonds Refunding*

On January 15, 2013, the District issued \$1,830,000 in unlimited tax refunding bonds with an interest rate of 1.05%. The proceeds were used to advance refund \$2,425,000 of outstanding 2003 unlimited tax refunding bonds which had interest rates ranging from 3.125% to 3.40%. The net proceeds of \$1,830,000 plus an additional \$655,043 in District funds, less issuance costs of \$26,422 was deposited in an irrevocable trust with an escrow agent to provide funds for the future debt service payments on the refunded bonds. As a result, the 2003 unlimited tax refunding bonds are considered defeased and the liability for those bonds has been removed from the statement of net position.

The advance refunding of the 2003 bonds reduced the total debt service payments over 4 years by \$92,402. The present value of the saving from cash flow, \$89,627, less prior funds on hand of \$25,000, resulted in net present value savings of \$64,627.



# ORANGE COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1

## NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2018

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

#### *Prior Year Defeasance of Debt*

In prior years, the District defeased general obligation bonds by placing the proceeds of new bonds in an irrevocable trust account to provide for all future debt payments on those bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the District's financial statements. At June 30, 2018, \$0 relating to 2009A Refunding of 1998A Series of bonds defeased in prior years remained outstanding. In addition, 2013 Revenue Refunding Bonds of 2001 Revenue Notes in the amount of \$490,000, remain outstanding at year-end. At June 30, 2018, \$490,000 in bonds and notes outstanding were considered defeased.

### 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 beginning of the fiscal year:

<u>Bond Series</u>	<u>Interest Rates</u>	<u>Payable At</u>
2007 General Obligation	3.15-4.00%	JP Morgan Chase, Texas
2009 A General Obligation Refunding	3.75%	Wells Fargo Bank NA, Austin, Texas
2009 General Obligation	1.70-5.05%	Wells Fargo Bank NA, Austin, Texas
2012 Capital Appreciation	1.20-5.30%	N/A Zero Coupon Bonds
2013 Revenue Refunding	1.86%	Bank of Texas, Houston, Texas

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

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

Due During Fiscal Year Ended	<u>Bonds</u>		<u>Revenue Note</u>		<u>Total</u>	<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2019	\$ 1,336,767	\$ 967,552	\$ 480,000	\$ 368,997	\$ 1,816,767	\$ 1,336,549
2020	1,338,590	1,008,330	490,000	357,958	1,828,590	1,366,288
2021	1,305,089	1,031,099	540,000	345,058	1,845,089	1,376,157
2022	1,504,309	714,246	710,000	327,920	2,214,309	1,042,166
2023	1,512,516	728,676	730,000	306,487	2,242,516	1,035,163
2024-2028	7,764,278	3,789,365	4,055,000	1,137,365	11,819,278	4,926,730
2029-2033	6,483,506	5,658,491	3,835,000	315,563	10,318,506	5,974,054
2034-2038	3,748,239	9,011,761	-	-	3,748,239	9,011,761
Total	<u>\$ 24,993,294</u>	<u>\$ 22,909,520</u>	<u>\$ 10,840,000</u>	<u>\$ 3,159,348</u>	<u>\$ 35,833,294</u>	<u>\$ 26,068,868</u>



# ORANGE COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1

## NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2018

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

#### Changes in long-term liabilities

Long-term liability activity for the year ended June 30, 2018, was as follows:

Bonds Payable:	Interest Rate	Amounts at Original Issue	Beginning Balance	Additions	Retirements	Ending Balance	Due Within One Year
General Obligation							
2007	3.15%-4.00%	\$ 2,500,000	\$ 1,705,000	\$ -	\$ (115,000)	\$ 1,590,000	\$ 120,000
2009	1.70%-5.05%	11,115,000	10,065,000	-	(175,000)	9,890,000	580,000
2009A Refunding	3.75%	2,360,000	950,000	-	(950,000)	-	-
Revenue Bonds							
2013 Refunding	1.86%	1,230,000	625,000	-	(160,000)	465,000	165,000
Capital Appreciation							
2012	1.20%-5.30%	13,999,994	13,048,294	-	-	13,048,294	471,767
Total Bonded Debt			26,393,294	-	(1,400,000)	24,993,294	1,336,767
Accreted Interest Payable							
2012 Unlimited Tax Bonds		-	4,472,973	780,269	-	5,253,242	448,233
Notes Payable							
2011 Revenue Notes	0.30%-4.10%	13,610,000	11,315,000	-	(475,000)	10,840,000	480,000
Compensated Absences Payable			144,173	-	(61,833)	82,340	-
OPEB Liability			96,070	-	(38,817)	57,253	-
Accrued Interest Expense			354,287	333,202	(354,287)	333,202	333,202
Customer Deposits			358,390	71,210	(66,795)	362,805	-
Total Long-Term Liabilities			<u>\$ 43,134,187</u>	<u>\$ 1,184,681</u>	<u>\$ (2,396,732)</u>	<u>\$ 41,922,136</u>	<u>\$ 2,598,202</u>

The Debt Service Fund on June 30, 2018 had combined cash, time deposits, and accrued interest amounting to \$697,679. The provisions of the bond resolutions relating to debt service requirements are being met and the cash allocated for these purposes is sufficient to meet upcoming debt service requirements for the remainder of the calendar year.

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

The required reserve account balance for the 2013 revenue refunding bonds is \$165,236 at June 30, 2018, and the actual account balance is \$168,256. The June 30, 2018, reserve requirement for the 2011 revenue note is \$953,382 and the account balance is \$1,012,325.

# ORANGE COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1

## NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2018

### NOTE 8 –PENSION PLAN

#### *Plan Description*

Orange County Water Control & Improvement District No. 1 provides retirement, disability and death benefits for all of its full-time employees through participation in the statewide Texas County and District Retirement System (TCDRS), a nontraditional defined benefit pension plan. The Board of Trustees of TCDRS is responsible for the administration of the statewide agent multiple-employer public employee retirement system consisting of 760 nontraditional defined benefit pension plans. TCDRS in the aggregate issues a comprehensive annual financial report (CAFR) on a calendar year basis. The CAFR is available upon written request from the TCDRS Board of Trustees at P.O. Box 2034, Austin, Texas 78768-2034.

The Plan provisions are adopted by the governing body of the employer, within the options available in the Texas state statutes governing TCDRS (TCDRS Act). Members can retire at ages 60 and above with 8 or more years of service or with 30 years regardless of age, or when the sum of their age and years of service equals 80 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, 2018, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	9
Inactive employees entitled to but not yet receiving benefits	7
Active employees	<u>25</u>
	<u>41</u>



# ORANGE COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1

## NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2018

### 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 3.50% for the months of the accounting year in 2017 and 3.78% for the months of the accounting year in 2018. The contribution rate payable by the employee members for calendar years 2017 and 2018 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, 2018, the annual pension cost for the TCDRS plan for its employees was \$70,610 and the actual contribution was \$52,609. The required contribution was determined as part of the December 31, 2017 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at December 31, 2017 included (a) 8.0 percent investment rate of return (net of administrative expenses) and (b) projected salary increases of 4.9 percent. Both (a) and (b) included an inflation component of 2.75 percent. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period. The unfunded actuarial accrued liability is being amortized as a level percentage of covered payroll basis over a closed period with a layered approach.

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

	December 31, 2016	December 31, 2017
Total pension liability	\$ 2,938,621	\$ 3,245,597
Fiduciary net position	<u>2,958,823</u>	<u>3,415,209</u>
Net pension liability / (asset)	<u>\$ (20,202)</u>	<u>\$ (169,612)</u>
Fiduciary net position as a % of total pension liability	100.69%	105.23%
Pensionable covered payroll <sup>(1)</sup>	\$ 1,235,678	\$ 1,360,927
Net pension liability as a % of covered payroll	-1.63%	-12.46%

<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, 2018

### 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, 2016	December 31, 2017
Discount rate <sup>(2)</sup>	8.10%	8.10%
Long-term expected rate of return, net of investment expenses <sup>(2)</sup>	8.10%	8.10%
Municipal bond rate <sup>(3)</sup>	Does not apply	Does not apply

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

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

#### *Other Key Actuarial Assumptions*

Updated mortality assumptions were reflected in 2017. All other actuarial assumptions that determined the total pension liability as of December 31, 2017 were based on the results of an actuarial experience study for the period January 1, 2013 – December 31, 2016, except where required to be different by GASB 68.

	Beginning Date	Ending Date
Valuation date	December 31, 2016	December 31, 2017
Measurement date	December 31, 2016	December 31, 2017
Reporting date	July 1, 2017	June 30, 2018

# ORANGE COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1

## NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2018

### NOTE 8 – PENSION PLAN (CONTINUED)

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

Valuation Timing	Actuarially determined contribution rates are calculated on a calendar year basis as of December 31, two years prior to the end of the fiscal year in which contributions are reported.
Actuarial Cost Method	Entry Age Normal <sup>(1)</sup>
Amortization Method	
Recognition of economic/demographic gains or losses	Straight-Line amortization over Expected Working Life
Recognition of assumptions changes or inputs	Straight-Line amortization over Expected Working Life
Asset Valuation Method	
Smoothing period	5 years
Recognition method	Non-asymptotic
Corridor	None
Inflation	2.8%
Salary Increases	Varies by age and service. 4.9% average over career including inflation.
Investment Rate of Return	8.10%
Cost-of-Living Adjustments	Cost-of-Living Adjustments for Orange County Water Control and Improvement District #1 are not considered to be substantively automatic under GASB 68. Therefore, no assumption for future cost-of-living adjustments is included in the GASB calculations. No assumption for future cost-of-living adjustments is included in the funding valuation.
Retirement Age	60 and above
Mortality	130% of the RP-2014 Healthy Annuitant Mortality Table for males and 110% of the RP-2014 Healthy Annuitant Mortality Table for females, both projected with 110% of the MP-2014 Ultimate scale after 2014.

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

# ORANGE COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1

## NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2018

### 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 2018 information for a 10 year time horizon.

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

Asset Class	Benchmark	Target Allocation <sup>(1)</sup>	Geometric Real Rate of Return (Expected minus Inflation) <sup>(2)</sup>
US Equities	Dow Jones U.S. Total Stock Market Index	11.50%	4.55%
Private Equity	Cambridge Associates Global Private Equity & Venture Capital Index <sup>(3)</sup>	16.00%	7.55%
Global Equities	MSCI World (net) Index	1.50%	4.85%
Int'l Equities - Developed Markets	MSCI World Ex USA (net) index	11.00%	4.55%
Int'l Equities - Emerging Markets	MSCI Emerging Markets (net) Index	8.00%	5.55%
Investment - Grade Bonds	Bloomberg Barclays U.S. Aggregate Bond Index	3.00%	0.75%
Strategic Credit	FTSE High-Yield Cash-Pay Capped Index	8.00%	4.12%
Direct Lending	S&P/LSTA Leveraged Loan Index	10.00%	8.06%
Distressed Debt	Cambridge Assoc. Distressed Securities Index <sup>(4)</sup>	2.00%	6.30%
REIT Equities	67% FTSE NAREIT Equity REITs Index + 33% S&P Global REIT (net) Index	2.00%	4.05%
Master Limited Partnership (MLPs)	Alerian MLP Index	3.00%	6.00%
Private Real Estate Partnerships	Cambridge Associates Real Estate Index <sup>(5)</sup>	6.00%	6.25%
Hedge Funds	Hedge Fund Research, Inc. (HFRI) Fund of Funds Composite Index	18.00%	4.10%

<sup>(1)</sup> Target asset allocation adopted at the April 2018 TCDRS Board Meeting.

<sup>(2)</sup> Geometric real rates of return equal the expected return minus the assumed inflation rate of 1.95%, per Cliffwater's 2018 capital market assumptions.

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

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

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



# ORANGE COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1

## NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2018

### 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, 2016	\$ 2,938,621	\$ 2,958,823	\$ (20,202)
Changes for the year:			
Service Cost	124,504	-	124,504
Interest on total pension liability <sup>(1)</sup>	243,472	-	243,472
Effect of plan changes <sup>(2)</sup>	-	-	-
Effect of economic/demographic gains or losses	40,659	-	40,659
Effect of assumptions changes or inputs	15,212	-	15,212
Refund of contributions	-	-	-
Benefit payments	(116,871)	(116,871)	-
Administrative expenses	-	(2,271)	2,271
Member contributions	-	95,265	(95,265)
Net Investment income	-	432,303	(432,303)
Employer contributions	-	47,633	(47,633)
Other <sup>(3)</sup>	-	327	(327)
Balances as of December 31, 2017	<u>\$ 3,245,597</u>	<u>\$ 3,415,209</u>	<u>\$ (169,612)</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, 2018

### NOTE 8 – PENSION PLAN (CONTINUED)

#### *Sensitivity Analysis*

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

	1% Decrease 7.10%	Current Discount Rate 8.10%	1% Increase 9.10%
Total pension liability	\$ 3,667,945	\$ 3,245,597	\$ 2,887,912
Fiduciary net position	<u>3,415,209</u>	<u>3,415,209</u>	<u>3,415,209</u>
Net pension liability / (asset)	<u>\$ 252,736</u>	<u>\$ (169,612)</u>	<u>\$ (527,297)</u>

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

	January 1, 2017 to December 31, 2017
Service cost	\$ 124,504
Interest on total pension liability <sup>(1)</sup>	243,472
Effect on plan changes	-
Administrative expenses	2,271
Member contributions	(95,265)
Expected investment return net of investment expenses	(240,621)
Recognition of deferred inflows/outflows of resources	
Recognition of economic/demographic gains or losses	14,777
Recognition of assumption changes or inputs	6,016
Recognition of investment gains or losses	15,782
Other <sup>(2)</sup>	<u>(326)</u>
Pension expense / (income)	<u>\$ 70,610</u>

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

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

# ORANGE COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1

## NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2018

### NOTE 8 - PENSION PLAN (CONTINUED)

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

As of June 30, 2018, the deferred inflow and outflow resources are as follows:

	Deferred Inflows of Resources	Deferred Outflows of Resources
Differences between expected and actual experience	\$ 917	\$ 78,474
Changes of assumption	-	28,411
Net difference between projected and actual earnings	47,576	-
Contributions made subsequent to measurement date	n/a	26,207
	<u>\$ 48,493</u>	<u>\$ 133,092</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:	
2018	\$ 36,576
2019	29,736
2020	(13,170)
2021	(18,727)
2022	15,996
Thereafter	7,981

### 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 immaterial amounts as follows:

	Amount	Percent of Line Item
Water and Sewer Service Maintenance	\$ (52,060)	7.0%
Salaries, Benefits and Payroll Taxes	(104,544)	5.9%
Professional Fees	(399)	0.6%
Other	(3,524)	10.1%
Capital Outlay	(47,437)	79.9%
Line item with positive savings	<u>31,851</u>	0.0%
Total Budget	<u>\$ (176,113)</u>	4.4%



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

## **NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2018**

### **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 – SYSTEM REPAIRS**

On August 28-29, 2017, the Orange County Water Control and Improvement District No. 1's physical plant, its supporting infrastructure and its customer/taxpayer base were negatively impacted by the record rainfalls of Tropical Storm Harvey. In an effort to expedite necessary repairs to the District's assets, the District entered into an agreement with its insurance provider to manage the repair and recovery efforts of assets covered by insurance. The insurance company has procured and paid contractors to repair and restore damaged assets. As of June 30, 2018, the insurance company had paid directly to contractors approximately \$3 million dollars. The payments and related expenditures are not reflected in these financial statements.

**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, 2018

### EXHIBIT G-1

	Year Ended December 31, 2017	Year Ended December 31, 2016	Year Ended December 31, 2015	Year Ended December 31, 2014
<b>Total Pension Liability</b>				
Service cost	\$ 124,504	\$ 122,477	\$ 101,557	\$ 103,617
Interest on total pension liability	243,472	215,074	197,203	180,582
Effect of plan changes	-	-	(17,589)	-
Effect of assumption changes or inputs	15,212	56,100	26,900	-
Effect of economic/demographic (gains) or losses	40,659	-	(1,604)	8,286
Benefit payments/refunds of contributions	<u>(116,871)</u>	<u>(98,503)</u>	<u>(84,829)</u>	<u>(96,633)</u>
Net change in total pension liability	306,976	295,148	221,638	195,852
Total pension liability, beginning	<u>2,938,621</u>	<u>2,643,473</u>	<u>2,421,835</u>	<u>2,225,983</u>
Total pension liability, ending (a)	<u>3,245,597</u>	<u>2,938,621</u>	<u>2,643,473</u>	<u>2,421,835</u>
<b>Fiduciary Net Position</b>				
Employer contributions	47,633	50,942	45,340	49,669
Member contributions	95,265	114,310	74,328	75,419
Investment income net of investment expenses	432,303	197,926	1,695	165,930
Benefit payments/refunds of contributions	(116,871)	(98,503)	(84,829)	(96,633)
Administrative expenses	(2,271)	(2,150)	(1,909)	(1,952)
Other	<u>327</u>	<u>28,507</u>	<u>6,726</u>	<u>664</u>
Net change in fiduciary net position	456,386	291,032	41,351	193,097
Fiduciary net position, beginning	<u>2,958,823</u>	<u>2,667,791</u>	<u>2,626,440</u>	<u>2,433,343</u>
Fiduciary net position, ending (b)	<u>3,415,209</u>	<u>2,958,823</u>	<u>2,667,791</u>	<u>2,626,440</u>
Net pension liability / (asset), ending = (a) - (b)	<u>\$ (169,612)</u>	<u>\$ (20,202)</u>	<u>\$ (24,318)</u>	<u>\$ (204,605)</u>
Fiduciary net position as a % of total pension liability	105.23%	100.69%	100.92%	108.45%
Pensionable covered payroll	\$ 1,360,927	\$ 1,235,678	\$ 1,061,834	\$ 1,077,414
Net pension liability as a % of covered payroll	-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, 2018

EXHIBIT G-2

<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>
2008	\$ 10,842	\$ 10,842	\$ -	\$ 737,576	1.5%
2009	15,124	15,124	-	844,942	1.8%
2010	32,191	32,191	-	972,546	3.3%
2011	36,287	36,287	-	1,045,735	3.5%
2012	42,031	42,031	-	1,091,718	3.8%
2013	47,052	47,052	-	1,131,051	4.2%
2014	49,669	49,669	-	1,077,414	4.6%
2015	45,340	45,340	-	1,061,834	4.3%
2016	50,910	50,942	(32)	1,235,678	4.1%
2017	47,633	47,633	-	1,360,927	3.5%

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

ORANGE COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL - GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2018

	Budgeted Amounts		Actual Amounts (GAAPBASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
Water Services	\$ 1,420,000	\$ 1,420,000	\$ 1,426,943	\$ 6,943
Sewer Services	1,450,000	1,450,000	1,282,234	(167,766)
Other Service Fees	179,500	179,500	101,148	(78,352)
Investment Earnings	10,000	10,000	29,319	19,319
Revenue Note Collections	1,030,000	1,030,000	970,067	(59,933)
Other Revenue	106,700	106,700	138,894	32,194
Total Revenues	4,196,200	4,196,200	3,948,605	(247,595)
EXPENDITURES:				
Current:				
General Government:				
Water and Sewer Service	736,600	736,600	788,660	(52,060)
Salaries, Benefits and Payroll Taxes	1,761,000	1,761,000	1,865,544	(104,544)
Professional Fees	66,500	66,500	66,899	(399)
Administrative Expenses	242,000	242,000	210,510	31,490
Other	34,800	34,800	38,324	(3,524)
Debt Service:				
Bond Principal	635,000	635,000	635,000	-
Bond Interest and Fiscal Charges	391,000	391,000	390,639	361
Capital Outlay:				
Capital Outlay	59,300	59,300	106,737	(47,437)
Total Expenditures	3,926,200	3,926,200	4,102,313	(176,113)
Excess (Deficiency) of Revenues Over (Under) Expenditures	270,000	270,000	(153,708)	(423,708)
OTHER FINANCING SOURCES (USES):				
Transfers Out (Use)	(100,000)	(100,000)	(108,000)	(8,000)
Total Other Financing Sources (Uses)	(100,000)	(100,000)	(108,000)	(8,000)
Net Change	170,000	170,000	(261,708)	(431,708)
Fund Balance - July 1 (Beginning)	3,431,847	3,431,847	3,431,847	-
Fund Balance - June 30 (Ending)	\$ 3,601,847	\$ 3,601,847	\$ 3,170,139	\$ (431,708)

**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, 2018

### 1) SERVICES PROVIDED BY DISTRICT:

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

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

	Residential Minimum Charge	Residential Minimum Usage	Flat Rate Y/N	Rate per 100 Gallons over Minimum Use	Usage Levels
Water:	\$ 11.81	2,000	N	\$ 0.26	2,000 Gal & Over
Wastewater:	\$ 14.18	2,000	N	\$ 0.26	2,000 Gal & Over
Surcharge:	\$ -	-	-	\$ -	-

Total Charges per 10,000 gallons usage:

Water: \$32.61

Sewer: \$34.98

	Commercial Minimum Charge	Commercial Minimum Usage	Flat Rate Y/N	Rate per 1000 Gallons over Minimum Use	Usage Levels
Water:	\$ 13.26	2,000	N	\$ 0.29	2,000 Gal & Over
Wastewater:	\$ 15.92	2,000	N	\$ 0.29	2,000 Gal & Over
Surcharge:	\$ -	-	-	\$ -	-

Total Charges per 10,000 gallons usage:

Water: \$36.54

Sewer: \$39.20

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		40	1.0	40
< 3/4"		4,667	1.0	4,667
1"		65	2.5	163
1 1/2"		32	5.0	160
2"		30	8.0	240
3"		1	16.0	16
4"		1	25.0	25
6"		7	50.0	Firelines
8"		5	80.0	Firelines
10"		-	115.0	-
Total Water		4,848		5,311
Total Wastewater		4,158	1.0	4,158

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

Gallons pumped into system:	399,813,000	Water Accountability Ratio:
Gallons billed to customers	297,361,400	(Gallons billed/Gallons pumped)
		74%

# ORANGE COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1

## SCHEDULE OF GENERAL FUND EXPENDITURES FOR THE YEAR ENDED JUNE 30, 2018

Personnel Expenditures (Including benefits)*	\$ 1,634,097
Professional fees:	
Engineering	33,025
Accounting	
Legal	
Utilities	251,115
Repairs and Maintenance	294,443
Administrative Expenditures	
Office Expense	63,845
Insurance	276,531
Other Administrative	
Capital Outlay	106,785
Solid Waste Disposal	
Plant Operations	417,533
Debt Service and Reserve	1,024,939
Other Expenditures	
Operating Transfers Out	<u>108,000</u>
TOTAL EXPENDITURES	<u>\$ 4,210,313</u>

\*Number of persons employed by the District: 29 Full-Time



# ORANGE COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1

## SCHEDULE OF TEMPORARY INVESTMENTS – MONEY MARKET ACCOUNTS JUNE 30, 2018

<u>Funds</u>	<u>Identification or Certificate Number</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Balances at End of Year</u>
<u>General Funds</u>				
Money Market Account	1132778	1.70%	N/A	\$ 91,836
<u>Contingency Fund</u>				
Money Market Account	1132836	1.70%	N/A	3,051,980
<u>Debt Service Fund</u>				
Money Market Account	1132786	1.70%	N/A	<u>697,679</u>
Total				<u>\$ 3,841,495</u>

# ORANGE COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1

## ANALYSIS OF TAXES LEVIED AND RECEIVABLE JUNE 30, 2018

Taxes Receivable, Beginning of Year	\$	571,998
2017 Original Tax Levy		1,737,707
Plus (Less): Net adjustments		<u>(12,168)</u>
Total to be Accounted for		2,297,537
Tax Collections:		
Current Year	\$	1,601,148
Prior Years		<u>207,407</u>
Total Collections		<u>1,808,555</u>
Taxes Receivable, End of Year	\$	<u>488,982</u>

<u>Property valuations</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Land	\$ 95,225,496	\$ 92,227,971	\$ 90,843,246	\$ 77,841,290
Improvements	403,603,853	385,025,221	369,721,813	334,013,626
Personal Property	48,324,110	45,319,413	46,836,260	43,765,777
Less Exemptions	<u>(63,973,620)</u>	<u>(59,833,765)</u>	<u>(59,414,142)</u>	<u>(45,120,630)</u>
TOTAL	<u>\$ 483,179,839</u>	<u>\$ 462,738,840</u>	<u>\$ 447,987,177</u>	<u>\$ 410,500,063</u>
Tax rate per \$100 Valuation (All Debt Service)	0.3596%	0.3889%	0.3873%	0.4237%
Original Tax Levy	<u>\$ 1,737,707</u>	<u>\$ 1,799,360</u>	<u>\$ 1,734,875</u>	<u>\$ 1,739,388</u>
Percent of Taxes Collected to Taxes Levied	92.14%	92.11%	91.87%	93.26%

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, 2018

Due During Fiscal Years Ending June 30,	Series 2007 General Obligation Bonds		Total Principal and Interest
	Principal	Interest	
2019	\$ 120,000	\$ 60,612	\$ 180,612
2020	125,000	56,293	181,293
2021	130,000	51,730	181,730
2022	135,000	46,920	181,920
2023	135,000	41,857	176,857
2024	145,000	36,728	181,728
2025	150,000	31,217	181,217
2026	155,000	25,443	180,443
2027	160,000	19,475	179,475
2028	165,000	13,235	178,235
2029	170,000	8,600	178,600
	<u>\$ 1,590,000</u>	<u>\$ 392,110</u>	<u>\$ 1,982,110</u>



# ORANGE COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1

## GENERAL LONG - TERM DEBT SERVICE REQUIREMENTS BY YEAR JUNE 30, 2018

Due During Fiscal Years Ending June 30,	Series 2009 Bonds		Total Principal and Interest
	Principal	Interest	
2019	\$ 580,000	\$ 450,058	\$ 1,030,058
2020	600,000	430,047	1,030,047
2021	625,000	406,947	1,031,947
2022	650,000	381,635	1,031,635
2023	680,000	354,335	1,034,335
2024	710,000	324,755	1,034,755
2025	745,000	293,515	1,038,515
2026	780,000	259,245	1,039,245
2027	820,000	222,195	1,042,195
2028	860,000	182,835	1,042,835
2029	900,000	141,125	1,041,125
2030	945,000	97,025	1,042,025
2031	995,000	50,247	1,045,247
	<u>\$ 9,890,000</u>	<u>\$ 3,593,964</u>	<u>\$ 13,483,964</u>

# ORANGE COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1

## GENERAL LONG - TERM DEBT SERVICE REQUIREMENTS BY YEAR JUNE 30, 2018

Due During Fiscal Years Ending June 30,	Series 2013 Revenue Refunding Bonds		
	Principal	Interest	Total Principal and Interest
2019	\$ 165,000	\$ 8,649	\$ 172,114
2020	165,000	5,580	169,046
2021	135,000	2,511	136,255
	<u>\$ 465,000</u>	<u>\$ 16,740</u>	<u>\$ 477,415</u>

Due During Fiscal Years Ending June 30,	Series 2012 Capital Appreciation Bonds	
	Total Maturity Value Due	Total Due
2019	\$ 920,000	\$ 920,000
2020	965,000	965,000
2021	985,000	985,000
2022	1,005,000	1,005,000
2023	1,030,000	1,030,000
2024	1,050,000	1,050,000
2025	1,070,000	1,070,000
2026	1,090,000	1,090,000
2027	1,110,000	1,110,000
2028	1,135,000	1,135,000
2029	1,160,000	1,160,000
2030	1,360,000	1,360,000
2031	1,385,000	1,385,000
2032	2,455,000	2,455,000
2033	2,475,000	2,475,000
2034	2,500,000	2,500,000
2035	2,525,000	2,525,000
2036	2,550,000	2,550,000
2037	2,580,000	2,580,000
2038	2,605,000	2,605,000
	<u>\$ 31,955,000</u>	<u>\$ 31,955,000</u>

# ORANGE COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1

## GENERAL LONG - TERM DEBT SERVICE REQUIREMENTS BY YEAR JUNE 30, 2018

Due During Fiscal Years Ending June 30,	Annual Requirements for All Series		
	Total Principal Due	Total Interest Due	Total Principal and Interest Due
2019	\$ 1,785,000	\$ 519,319	\$ 2,302,784
2020	1,855,000	491,920	2,345,386
2021	1,875,000	461,188	2,334,932
2022	1,790,000	428,555	2,218,555
2023	1,845,000	396,192	2,241,192
2024	1,905,000	361,483	2,266,483
2025	1,965,000	324,732	2,289,732
2026	2,025,000	284,688	2,309,688
2027	2,090,000	241,670	2,331,670
2028	2,160,000	196,070	2,356,070
2029	2,230,000	149,725	2,379,725
2030	2,305,000	97,025	2,402,025
2031	2,380,000	50,247	2,430,247
2032	2,455,000	-	2,455,000
2033	2,475,000	-	2,475,000
2034	2,500,000	-	2,500,000
2035	2,525,000	-	2,525,000
2036	2,550,000	-	2,550,000
2037	2,580,000	-	2,580,000
2038	2,605,000	-	2,605,000
	<u>\$ 43,900,000</u>	<u>\$ 4,002,814</u>	<u>\$ 47,898,489</u>



# ORANGE COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1

## ANALYSIS OF CHANGES IN LONG-TERM BONDED DEBT FOR THE YEAR ENDED JUNE 30, 2018

	Bond Issues					Total
	Series 2007	Series 2009	Series 2009A	Series 2012 CAB	Series 2013 Rev. Note	
Interest rates	3.15% - 4.00%	1.70% - 5.05%	3.75%	1.20% - 5.30%	1.86%	
Dates interest payable	8/17 - 2/18	8/17 - 2/18	8/17 - 2/18	8/17 - 2/18	8/17 - 2/18	
Maturity dates	2029	2031	2018	2038	2021	
Bonds outstanding, beginning of current period	\$ 1,705,000	\$ 10,065,000	\$ 950,000	\$ 17,521,267	\$ 625,000	\$ 30,866,267
New bond proceeds	-	-	-	-	-	-
Interest accreted on CAB's	-	-	-	780,269	-	780,269
Retirements, principal	115,000	175,000	950,000	-	160,000	1,400,000
Bonds outstanding, end of current period	<u>\$ 1,590,000</u>	<u>\$ 9,890,000</u>	<u>\$ -</u>	<u>\$ 18,301,536</u>	<u>\$ 465,000</u>	<u>\$ 30,246,536</u>
Interest paid during current period	<u>\$ 64,637</u>	<u>\$ 455,658</u>	<u>\$ 35,625</u>	<u>\$ -</u>	<u>\$ 11,625</u>	<u>\$ 567,545</u>

Bond authority	Revenue Notes 2011	Bonds 2011
Amount authorized by voters	\$ -	\$ 14,000,000
Amount authorized by board	13,610,000	
Amount issued	13,610,000	13,999,944
Remaining to be issued	-	-

Debt service fund cash and temporary investment  
balances as of June 30, 2018

697,679

Average annual debt service payment (principal and  
interest) for remaining term of all debt

\$ 2,394,924

# ORANGE COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1

## COMPARATIVE STATEMENT OF REVENUES AND EXPENDITURES – GENERAL FUND FOR THE YEAR ENDED JUNE 30, 2018

	AMOUNTS					PERCENTAGE OF FUND REVENUES				
	2018	2017	2016	2015	2014	2018	2017	2016	2015	2014
<b>GENERAL FUND REVENUES</b>										
Service Revenues	\$ 2,757,550	\$2,994,770	\$ 3,093,332	\$ 2,844,866	\$ 2,918,070	69.8%	71.4%	72.6%	68.7%	68.7%
Tap connection fees	70,579	39,652	34,754	30,484	48,600	1.8%	0.9%	0.8%	0.7%	1.1%
Interest on Temporary investments	29,319	13,455	4,128	791	3,173	0.7%	0.3%	0.1%	0.0%	0.1%
Revenue Note Collections	970,067	1,036,043	1,031,645	1,035,650	1,013,501	24.6%	24.7%	24.2%	25.0%	23.9%
Other	121,090	107,620	96,964	231,358	266,096	3.1%	2.6%	2.3%	5.6%	6.3%
<b>TOTAL GENERAL FUND REVENUES</b>	<b>3,948,605</b>	<b>4,191,540</b>	<b>4,260,823</b>	<b>4,143,149</b>	<b>4,249,440</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>
<b>GENERAL FUND EXPENDITURES</b>										
Bad debts	43,796	252,955	456	66,730	5	1.1%	6.0%	0.0%	1.6%	0.0%
Chemicals	15,804	32,289	35,235	30,073	26,502	0.4%	0.8%	0.8%	0.7%	0.6%
Employee retirement	53,019	50,334	64,259	46,442	47,233	1.3%	1.2%	1.5%	1.1%	1.1%
Engineering	33,025	22,895	38,225	11,065	14,567	0.8%	0.5%	0.9%	0.3%	0.3%
Fuel and lubricants	39,825	28,417	25,079	34,136	42,672	1.0%	0.7%	0.6%	0.8%	1.0%
Grinder Installations	76,136	83,380	94,951	84,714	96,341	1.9%	2.0%	2.2%	2.0%	2.3%
Insurance	276,531	249,045	243,474	219,783	203,787	7.0%	5.9%	5.7%	5.3%	4.8%
Interest	389,939	400,001	408,091	415,561	421,742	9.9%	9.5%	9.6%	10.0%	9.9%
Legal and auditing	33,874	40,050	34,733	38,504	37,753	0.9%	1.0%	0.8%	0.9%	0.9%
Maintenance & repair - Equipment	24,287	27,367	22,229	368	32,185	0.6%	0.7%	0.5%	0.0%	0.8%
Maintenance & repair - Water & Sewer	219,493	158,976	156,556	169,574	168,839	5.6%	3.8%	3.7%	4.1%	4.0%
Maintenance & repair - Bldg & Office Eq.	50,663	59,109	39,062	42,057	35,289	1.3%	1.4%	0.9%	1.0%	0.8%
Other	148,233	126,364	139,702	129,692	114,606	3.8%	3.0%	3.3%	3.1%	2.7%
Payroll taxes	117,849	96,205	103,147	91,397	97,459	3.0%	2.3%	2.4%	2.2%	2.3%
Postage	23,439	25,254	24,593	20,742	22,387	0.6%	0.6%	0.6%	0.5%	0.5%
Printing & office supplies	63,845	49,246	78,763	54,770	52,654	1.6%	1.2%	1.8%	1.3%	1.2%
Salaries & wages	1,463,229	1,277,309	1,310,046	1,210,338	1,226,066	37.1%	30.5%	30.7%	29.2%	28.9%
Utilities	251,115	263,446	260,737	282,037	292,807	6.4%	6.3%	6.1%	6.8%	6.9%
Capital outlay	106,785	119,530	63,624	94,753	72,474	2.7%	2.9%	1.5%	2.3%	1.7%
Principal retirement	635,000	620,000	615,000	610,000	600,000	16.1%	14.8%	14.4%	14.7%	14.1%
TCEQ & Department of Health	36,426	36,056	34,655	29,546	66,169	0.9%	0.9%	0.8%	0.7%	1.6%
Operating Transfers	108,000	613,652	114,416	532,880	2,842,749	2.7%	14.6%	2.7%	12.9%	66.9%
<b>TOTAL GENERAL FUND EXPENDITURES</b>	<b>4,210,313</b>	<b>4,631,880</b>	<b>3,907,033</b>	<b>4,215,162</b>	<b>6,514,286</b>	<b>106.6%</b>	<b>110.5%</b>	<b>91.7%</b>	<b>101.7%</b>	<b>153.3%</b>
<b>EXCESS OF GENERAL FUND REVENUES OVER (UNDER) EXPENDITURES</b>	<b>\$ (261,708)</b>	<b>\$ (440,340)</b>	<b>\$ 353,790</b>	<b>\$ (72,013)</b>	<b>\$ (2,264,846)</b>	<b>-6.6%</b>	<b>-10.5%</b>	<b>8.3%</b>	<b>-1.7%</b>	<b>-53.3%</b>

# ORANGE COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1

## COMPARATIVE STATEMENT OF REVENUES AND EXPENDITURES – DEBT SERVICE FUND FOR THE YEAR ENDED JUNE 30, 2018

	AMOUNTS					PERCENTAGE OF FUND REVENUES				
	2018	2017	2016	2015	2014	2018	2017	2016	2015	2014
DEBT SERVICE FUND REVENUES										
Tax Revenues	\$ 1,801,286	\$1,782,525	\$1,704,955	\$1,775,532	\$ 1,678,650	96.4%	96.7%	97.1%	96.9%	97.3%
Penalty and Interest	59,709	59,003	49,380	54,970	44,033	3.2%	3.2%	2.8%	3.0%	2.6%
Interest on Temporary Investments	7,000	1,781	1,289	1,129	1,298	0.4%	0.1%	0.1%	0.1%	0.1%
Miscellaneous Revenues & Transfers In	-	-	-	-	1,462	0.0%	0.0%	0.0%	0.0%	0.1%
TOTAL DEBT SERVICE REVENUES	1,867,995	1,843,309	1,755,624	1,831,631	1,725,443	100.0%	100.0%	100.0%	100.0%	100.0%
DEBT SERVICE EXPENDITURES										
Tax Collection Services	1,299	1,360	1,352	1,285	1,202	0.1%	0.1%	0.1%	0.1%	0.1%
Principal Retirement	1,240,000	1,200,000	1,110,000	1,095,000	1,065,000	66.4%	65.1%	63.2%	59.8%	61.7%
Operating Transfers Out	-	-	-	-	-	0.0%	0.0%	0.0%	0.0%	0.0%
Debt Service, Interest, and Fees	583,397	625,293	649,996	670,666	693,345	31.2%	33.9%	37.0%	36.6%	40.2%
TOTAL DEBT SERVICE FUND EXPENDITURES	1,824,696	1,826,653	1,761,348	1,766,951	1,759,547	97.7%	99.1%	100.3%	96.5%	102.0%
EXCESS OF DEBT SERVICE FUND REVENUES OVER (UNDER) EXPENDITURES										
	\$ 43,299	\$ 16,656	\$ (5,724)	\$ 64,680	\$ (34,104)	2.3%	0.9%	-0.3%	3.5%	-2.0%
Total active retail water and/or wastewater connections	5,311	5,251	5,187	5,149	5,475					



# ORANGE COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1

## BOARD MEMBERS, KEY PERSONNEL, AND CONSULTANTS FOR THE YEAR ENDED JUNE 30, 2018

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 6/30/2018</u>	<u>Title at 6/30/2018</u>	<u>Resident of District</u>
<b>Board Members</b>				
Robert Viator 855 Evangeline Vidor, TX 77612	Elected 05/18-05/22	None	President	No
Frank Inzer 315 S Main Vidor, TX 77662	Elected 05/16-05/20	None	Vice- President	Yes
Tim Beard 4575 Brookhollow Drive Vidor, TX 77662	Elected 05/18-05/22	None	Secretary	Yes
Trey Haney 1250 Lamar Street Vidor, TX 77662	Elected 05/18-05/22	None	Director	Yes
Guy Groves 290 Triangle Drive Vidor, TX 77662	Elected 07/16-05/20	None	Director	Yes

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

**ORANGE COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1****BOARD MEMBERS, KEY PERSONNEL, AND CONSULTANTS (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2018**

<u>Name and Address</u>	<u>Term of Office Date, Date Elected or Hired</u>	<u>Salary or Fees and Expense Reimbursements 6/30/2018</u>	<u>Title at 6/30/2018</u>	<u>Resident of District</u>
<b>Key Administrative Personnel</b>				
Norman Blackman 185 Claiborne Vidor, TX 77662	10/2012	\$ 137,058	General Manager	Yes
David B. LeJune 305 Denver Street Vidor, TX 77662	08/1982	\$ 103,878	Operations Manager	Yes
<b>Consultants</b>				
The Ferguson Law Firm Larry C. Hunter 350 Pine Street Suite 1440 Beaumont, TX 77701	10/2015	\$ 16,462	Attorney	No
Karen Fisher Orange County Tax Assessor/Collector PO Box 670 Orange, TX 77631	07/1992	\$ 1,300	Tax Assessor/Collector	No
Orange County Appraisal District PO Box 457 Orange, TX 77631	01/1983	\$ 26,677	Appraisal District	No
LJA Engineering, Inc. 2929 Briarpark Drive Houston, TX 77042	03/2016	\$ 152,678	Engineering Consultants	No
Wathen, DeShong & Juncker, L.L.P. 4140 Gladys Ave. Suite 101 Beaumont, TX 77706	06/2016	\$ 16,500	Auditor	No

J. Pat O'Neill, III, CPA  
Michael W. Keifer, CPA, CFE, CFF



Troy W. Domingue, CPA  
Stanley "Chip" Majors, Jr., CPA, CITP, CGMA  
Jane P. Burns, CPA, CDFA

October 30, 2018

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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, and each major fund of Orange County Water Control and Improvement District No. 1 as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the basic financial statements of Orange County Water Control and Improvement District No. 1 and have issued our report thereon dated October 30, 2018.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Orange County Water Control and Improvement District No. 1's internal control over financial reporting (internal control) to determine the 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 the Orange County Water Control and Improvement District No. 1's internal control. Accordingly, we do not express an opinion on the effectiveness of the Orange County Water Control and Improvement District No. 1's internal control.

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

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



October 30, 2018

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Orange County Water Control and Improvement District No. 1's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. 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