

ORANGE COUNTY DRAINAGE DISTRICT

AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2020

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ANNUAL FILING AFFIDAVIT

THE STATE OF TEXAS §

COUNTY OF ORANGE §

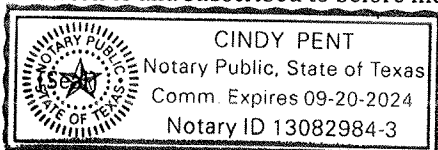
I, Hal LaPray, Vice-
Brent Pevoto, President of the Board of Directors of the Orange County Drainage District
hereby swear, or affirm, that the District named above has reviewed and approved at a meeting of the
Board of Directors of the District on the 8th day of December, 2020 its annual report for the
fiscal year or period ended September 30, 2020 and that copies of the annual audit have been filed in
the District Office, located at 8081 Old Hwy 90, Orange, Texas 77630. 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: December 8, 2020

By: Hal LaPray
(Signature of District Representative)

Hal LaPray, Vice-President of the Board of Directors
(Typed Name and Title of above District Representative)

Sworn to and subscribed to before me this 8th day of December, 2020.



Cindy Pent
(Signature of Notary)

My Commission expires on September 24, Notary Public in and for the State of Texas.

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



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

December 8, 2020

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Orange County Drainage District
Orange, Texas

Members of the Board:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of Orange County Drainage District (the "District"), as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise the District'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 from 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 the general fund of the Orange County Drainage District, as of September 30, 2020 and the respective changes in financial position, for the year 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 pages 4 through 7; the budgetary comparison information on page 36; the Schedules of Changes in Employer's Net Pension Liability and Related Ratios and Employer Contributions on pages 37 through 38; and the Schedule of Changes in Total OPEB Liability and Related Ratios on page 39 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 Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context.

We have applied certain limited procedures to the required supplementary information on pages 4 through 7 and pages 37 through 39 in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the 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 36 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 basic financial statements or the basic 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 Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Orange County Drainage District's basic financial statements. The Texas Supplementary Information listed in the Table of Contents on pages 40 through 44 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 Schedule of Board Members, Key Personnel and Consultants has 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 Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 8, 2020 on our consideration of the Orange County Drainage District'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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

In this section of the Annual Financial Report, we discuss and analyze the District's financial performance for the fiscal year ended September 30, 2020. Please read it in conjunction with the District's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The District's total combined Net Position was \$10,767,201 at September 30, 2020.
- The District's total net position increased \$706,520.
- At the end of the current fiscal year, in the general fund, assigned fund balance for drainage projects was \$2,500,000 and unassigned fund balance was \$4,174,507.
- The Orange County Drainage District remains debt free.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Orange County Drainage District'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. The government-wide financial statements are designed to provide readers with a broad overview of the Orange County Drainage District's finances, in a manner similar to a private-sector business.

The Statement of Net Position presents information on all of the Orange County Drainage District's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Orange County Drainage District 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).

Both of the government-wide financial statements distinguish functions of the District that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees or charges (business-type activities). The governmental activities of the District include collections and disbursements of ad valorem taxes. The District does not have any business-type activities.

The government-wide financial statements can be found on pages 8 and 9 of this report.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Orange County Drainage District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

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 Drainage District maintains one individual governmental fund. 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, which is considered to be a major fund.

Notes to the financial statements. The notes 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 14 through 35.

Other information. In addition to the basic financial statements and accompanying notes, required supplementary information presents a budgetary comparison schedule for the General Fund, schedule of changes in employer's net pension liability and related ratios, schedule of employer contributions, and a schedule of changes in total OPEB liability and related ratios. The required supplementary information can be found on pages 36 through 39.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position of the District's governmental activities increased from \$10,060,681 to \$10,767,201 or a net increase of \$706,520. This increase in governmental assets was the result of revenues exceeding expenditures for the fiscal year ending September 30, 2020.

Table A-1
The District's Net Position

	Governmental Activities		Total %
	2020	2019	Change
Current and Other Assets	\$ 7,571,585	\$ 8,766,927	-13.6%
Capital and Non-Current Assets	4,430,785	3,710,715	19.4%
Total Assets	12,002,370	12,477,642	-3.8%
Deferred Outflow of Resources	589,402	1,481,510	-60.2%
Current Liabilities	240,655	947,164	-74.6%
Long Term Liabilities	1,636,219	2,754,980	-40.6%
Total Liabilities	1,876,874	3,702,144	-49.3%
Deferred Inflow of Resources	534,934	196,327	172.5%
Net Position:			
Invested in Capital Assets	4,430,785	3,710,715	19.4%
Unrestricted	6,336,416	6,349,966	-0.2%
Total Net Position	\$ 10,767,201	\$ 10,060,681	7.0%

Table A-2
Changes in the District's Net Position

	Governmental Activities		Total %
	2020	2019	Change
Revenues			
<u>General Revenues</u>			
Maintenance and Operations Taxes	\$ 7,858,922	\$ 7,259,073	8.3%
Penalty and Interest	91,737	91,737	0.0%
Miscellaneous Revenue	10,812	248,106	-95.6%
Gain on Disposal of Fixed Asset	108,782	83,337	30.5%
Investment Earnings	125,969	231,199	-45.5%
Grant Proceeds	574,035	769,443	n/a
Total Revenues	<u>8,770,257</u>	<u>8,682,895</u>	1.0%
Expenses			
General Governmental	8,063,737	7,730,819	4.3%
Total Expenses	<u>8,063,737</u>	<u>7,730,819</u>	4.3%
Increase (decrease) in Net Position	706,520	952,076	-25.8%
Beginning Net Position	<u>10,060,681</u>	<u>9,108,605</u>	10.5%
Ending Net Position	<u>\$ 10,767,201</u>	<u>\$ 10,060,681</u>	7.0%

The District's total revenues were \$8,770,257. The total cost of all governmental activities this year was \$8,063,737. The amount of revenue utilized for these activities through property taxes (including Penalty and Interest) was \$7,950,659 or 90.7% of total revenue.

THE DISTRICT FUNDS

The focus of the District's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unreserved, undesignated fund balance may serve as a useful measure of the District's new resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the District's governmental fund reported an ending fund balances of \$6,674,507. The governmental fund is the General Fund.

General Fund Budgetary Highlights

The District amended its budget periodically during the year. For fiscal year ended September 30, 2020, actual revenues were \$676,052 above budgeted amounts due primarily to the receipt of a grant and increases in investment earnings and property taxes.

Actual expenditures were \$25,098 below final budget amounts. The most significant variances were Maintenance under budget \$176,487, Professional fees under budget \$123,552, Administrative expenses under budget \$86,050, and NRCS project expenses over budget by \$548,048.

DEBT ADMINISTRATION AND CAPITAL ASSETS

Debt

At year-end, the District remains debt free.

Capital Assets

At the end of fiscal year 2020, the District had \$9.8 million invested in a broad range of capital assets, including facilities and equipment for administration and maintenance. (See Table A-3). This amount represents a net increase of \$934,637 or 10.6% above last year.

Table A-3
District's Capital Assets

	<u>Governmental Activities</u>		<u>Total %</u>
	<u>2020</u>	<u>2019</u>	<u>Change</u>
Land and/or Right-of-Ways	\$ 1,039,498	\$ 636,740	63.3%
Buildings and Improvements	1,178,483	1,178,483	0.0%
Furniture and Equipment	5,494,111	5,087,599	8.0%
Vehicles	1,856,642	1,731,275	7.2%
Infrastructure	<u>206,500</u>	<u>206,500</u>	0.0%
Totals at Historical Cost	9,775,234	8,840,597	10.6%
Total Accumulated Depreciation	<u>(5,344,449)</u>	<u>(5,129,882)</u>	4.2%
Net Capital Assets	<u>\$ 4,430,785</u>	<u>\$ 3,710,715</u>	19.4%

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The District's elected and appointed officials considered many factors when setting the fiscal year 2020/2021 budget tax rate. On September 8, 2020, the Board adopted a tax rate of \$0.13670 per \$100 valuation. Revenues are budgeted at \$8,563,264 and expenditures are budgeted at \$8,667,781 for the fiscal year 2020/2021 resulting in a projected decrease of \$104,517 in fund balance.

SABINE PASS TO GALVESTON BAY, TEXAS COASTAL STORM RISK MANAGEMENT PROJECT

During the fiscal year 2020, the District executed a Design Agreement (with Orange County as co-signatory), with the Department of the Army (by and through the United States Army Corps of Engineers) for the design of the Orange County Element of the Sabine Pass to Galveston Bay, Texas Coastal Storm Risk Management Project (the "Orange County Levee Project"). Pursuant to the Design Agreement, the District and Orange County contractually agreed to pay the thirty-five percent (35%) non-federal share of the cost of design of the project. At the time of the execution of the Design Agreement, the portion of the total design costs for which the District and Orange County would be responsible under the Design Agreement was estimated to be \$56,000,000. Simultaneous with execution of the Design Agreement, the District and Orange County, as co-signatories, also executed a Local Cooperation Agreement with the Texas General Land Office ("GLO"), whereby the GLO agreed to provide to the District and Orange County reimbursement or advance funding in an amount up to \$74,000,000 to pay for the non-federal share of the total design costs, as well as for the cost of engineering, legal and consultation services, as well as internal expenses, incurred by the District and the County during their participation in the design phase of the Orange County Levee Project. As of September 30, 2020, the District and Orange County had not yet been charged and invoiced for any of the non-federal portion of the design costs and have not received any funds from the GLO. Subsequent to September 30, 2020, the District received the sum of \$1,860,000 in advance funding from the GLO, and such funds were deposited into a Special Projects Account at TexPool.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional information, contact Don Carona, General Manager at the Orange County Drainage District, 8081 Hwy 90, Orange, TX 77630.

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

ORANGE COUNTY DRAINAGE DISTRICT

STATEMENT OF NET POSITION SEPTEMBER 30, 2020

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 421,188
Investments	6,379,095
Other receivable	8,052
Property Taxes Receivable	848,055
Allowance for Uncollectible Taxes	(84,805)
Prepaid expense	87,187
Restricted investment - TWDB grant	500,050
Capital assets:	
Land improvements	1,039,498
Buildings, net	810,164
Furniture and equipment, net	1,775,654
Vehicles, net	805,469
	<hr/>
Total assets	12,589,607
	<hr/>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to TCDRS pension	551,252
Deferred outflows related to TCDRS OPEB	38,150
	<hr/>
Total deferred outflows of resources	589,402
	<hr/>
LIABILITIES	
Accounts payable and other current liabilities	240,655
Pension Liability	499,901
OPEB Liability	163,778
Compensated absences	472,490
Unearned revenue	500,050
	<hr/>
Total liabilities	1,876,874
	<hr/>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows related to TCDRS pension	524,194
Deferred inflows related to OPEB	10,740
	<hr/>
Total deferred inflows of resources	534,934
	<hr/>
NET POSITION	
Invested in capital assets, net of related debt	4,430,785
Unrestricted net position	6,336,416
	<hr/>
Total net position	\$ 10,767,201
	<hr/>

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

ORANGE COUNTY DRAINAGE DISTRICT

STATEMENT OF ACTIVITIES FOR THE YEAR ENDED SEPTEMBER 30, 2020

Functions / Programs	Expenses	Program Revenues		Net (Expense) Revenue and Change in Net Position
		Charges for Services	Operating Grants and Contributions	Primary Governmental Activities
Governmental Activities:				
Personnel	\$ 3,546,651	\$ -	\$ -	\$ (3,546,651)
Employee benefits	1,548,159	-	-	(1,548,159)
Supplies	321,719	-	-	(321,719)
Maintenance	257,513	-	-	(257,513)
Fees for tax appraisal and collection	116,324	-	-	(116,324)
Professional fees	375,848	-	50,000	(325,848)
Outside services	161,011	-	-	(161,011)
Administrative expenses	340,650	-	-	(340,650)
NRCS Project	548,048	-	524,035	(24,013)
Depreciation expense	847,814	-	-	(847,814)
Total primary government	<u>\$ 8,063,737</u>	<u>\$ -</u>	<u>\$ 574,035</u>	<u>\$ (7,489,702)</u>
Taxes:				
Property taxes, levied for general purposes				7,950,659
Miscellaneous revenue				10,812
Gain on disposal of fixed asset				108,782
Investment earnings				125,969
Total general revenues				<u>8,196,222</u>
Change in net position				706,520
Net position - beginning				<u>10,060,681</u>
Net position - ending				<u>\$ 10,767,201</u>

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

GOVERNMENTAL FUND FINANCIAL STATEMENTS

ORANGE COUNTY DRAINAGE DISTRICT

BALANCE SHEET GOVERNMENTAL FUNDS SEPTEMBER 30, 2020

	<u>General Fund</u>
ASSETS	
Cash and cash equivalents	\$ 421,188
Investments - current - Texpool and CDs	6,379,095
Other receivable	8,052
Taxes receivable	848,055
Allowance for Uncollectible Taxes	(84,805)
Prepaid expense	87,187
Restricted investment - TWDB grant	<u>500,050</u>
Total assets	<u><u>\$ 8,158,822</u></u>
LIABILITIES	
Accounts payable	\$ 50,230
Wages and salaries payable	190,425
Unearned revenue - TWDB grant	<u>500,050</u>
Total liabilities	<u>740,705</u>
DEFERRED INFLOWS OF RESOURCES	
Unavailable revenue - property taxes	<u>743,610</u>
FUND BALANCES	
Assigned fund balance - drainage projects	2,500,000
Unassigned fund balance	<u>4,174,507</u>
Total fund balances	<u>6,674,507</u>
Total liabilities, deferred inflows, and fund balances	<u><u>\$ 8,158,822</u></u>

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

ORANGE COUNTY DRAINAGE DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION SEPTEMBER 30, 2020

Total Fund Balance - Governmental Funds Balance Sheet	\$ 6,674,507
Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds.	4,430,785
Property taxes receivable are not available to pay for current period expenditures and, therefore, are shown as unearned in the funds.	743,610
Other long-term liabilities which are not due and payable in the current period and, therefore, are not reported in the funds. (Compensated absences)	(472,490)
Included in the liability section is the recognition of the District's proportionate share of a net pension liability required by GASB 68 in the amount of \$499,901, a Deferred Resource Outflow and Inflow related to TCDRS in the amount of \$551,252 and \$524,194. These balances represent a decrease in Net Position.	(472,843)
Included in the liability section is the recognition of the District's proportionate share of a net OPEB liability required by GASB 75 in the amount of \$163,778, a Deferred Resource Outflow and Inflow related to TCDRS in the amount of \$38,150 and \$10,740. These balances represent a decrease in Net Position.	<u>(136,368)</u>
Net Position of Governmental Activities - Statement of Net Position	<u><u>\$10,767,201</u></u>

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

ORANGE COUNTY DRAINAGE DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS FOR THE YEAR ENDED SEPTEMBER 30, 2020

	<u>General Fund</u>
REVENUES:	
Property taxes	\$ 7,894,678
Miscellaneous	10,812
Gain on disposal of assets	108,782
Investment earnings	125,969
Grant revenue	<u>574,035</u>
Total revenue	<u>8,714,276</u>
EXPENDITURES:	
Current	
General government	
Personnel	3,492,025
Employee benefits	1,495,348
Supplies	321,719
Maintenance	257,513
Fees for tax appraisal and collection	116,324
Professional fees	375,848
Outside services	161,011
Administrative expenses	340,650
NRCS Project	548,048
Capital outlay	<u>1,567,883</u>
Total expenditures	<u>8,676,369</u>
NET CHANGE IN FUND BALANCE	37,907
FUND BALANCE - BEGINNING OF YEAR	<u>6,636,600</u>
FUND BALANCE - END OF YEAR	<u><u>\$ 6,674,507</u></u>

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

ORANGE COUNTY DRAINAGE DISTRICT

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

Total Net Change in Fund Balances - Governmental Funds		\$ 37,907
Government funds report capital outlays as expenditures. However, in the government-wide financials the cost of those assets is allocated over their estimated useful lives and reported as depreciation.		
Capital Outlays	\$ 1,567,884	720,070
Depreciation expense	(847,814)	
Gain on Dispositions	-	
Property tax revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
		55,981
Some expenses reported in the government-wide financials do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. (Compensated Absences)		
		(54,626)
Changes to net pension liability and pension related deferred outflows and inflows of resources do not require the use of current financial resources and therefore are not reported as expenditures in the governmental fund.		
		(44,182)
Changes to net OPEB liability and OPEB related deferred outflows and inflows of resources do not require the use of current financial resources and therefore are not reported as expenditures in the governmental fund.		
		<u>(8,630)</u>
Change in Net Position of Governmental Activities - Statement of Activities		<u>\$ 706,520</u>

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

NOTES TO THE FINANCIAL STATEMENTS

ORANGE COUNTY DRAINAGE DISTRICT

NOTES TO THE FINANCIAL STATEMENTS AT AND FOR THE YEAR ENDED SEPTEMBER 30, 2020

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. REPORTING ENTITY

Orange County Drainage District (the "District") was created in 1963 by enactment of the fifty-eighth Texas Legislature, House Bill No. 971, Chapter 307 (Vernon's Annotated Civil Statutes, Article 8280-8982). Services provided by the District include the proper drainage of surface water from all properties in Orange County including private and public property. The District prepares its basic financial statements in conformity with generally accepted accounting principles promulgated by the Governmental Accounting Standards Board and other authoritative sources.

In evaluating how to define Orange County Drainage District for financial reporting purposes, management has considered all potential component units. The decision for inclusion or exclusion of a potential component unit in the reporting entity was made by applying the criteria set forth in Governmental Accounting Standards Board (GASB) Statement No. 14. The basic, but not the only, criterion for including a potential component unit within the reporting entity is the governing body's ability to significantly influence operations and accountability for fiscal matters. The other criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the District is able to exercise oversight responsibilities. Based on this criterion, Orange County Drainage District as a reporting entity includes no other operating or non-operating organizations. The District's Board of Directors is elected by the general electorate of Orange County. The District is a separate political subdivision of the State of Texas.

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The Statement of Net Position and the Statement of Activities are government-wide financial statements. They report information on all of the Orange County Drainage District nonfiduciary activities with most of the interfund activities removed. *Governmental activities* include programs supported primarily by taxes, grants and other intergovernmental revenues.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenue. The "charges for services" column includes payments made by parties that purchase, use or directly benefit from goods or services provided by a given function or segment of the District.

The District only has one fund; therefore, there are no interfund transactions for the year.

The fund financial statements provide reports on the financial condition and results of operations of a single governmental fund. There are no proprietary or fiduciary funds.

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION

The government-wide financial statements use the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

ORANGE COUNTY DRAINAGE DISTRICT

NOTES TO THE FINANCIAL STATEMENTS AT AND FOR THE YEAR ENDED SEPTEMBER 30, 2020

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION (CONTINUED)

Governmental fund financial statements use the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets, current liabilities and fund balances are included on the balance sheet. Operating statements of these funds present net increases and decreases in current assets (i.e., revenues and other financing sources and expenditures and other financing uses).

The modified accrual basis of accounting recognizes revenues in the accounting period in which they become both measurable and available, and it recognizes expenditures in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest and principal on long-term debt, which is recognized when due. The expenditures related to certain compensated absences and claims and judgments are recognized when the obligations are expected to be liquidated with expendable available financial resources. The District considers all revenues available if they are collectible within 60 days after year-end.

Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the State are recognized under the "susceptible to accrual" concept, that is, when they are both measurable and available. The District considers them "available" if they will be collected within 60 days of the end of the fiscal year. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available.

District accounts are organized on the basis of fund and account groups, each of which is considered a separate accounting entity. The District has established fund groups that are organized as separate sets of self-balancing accounts comprised of assets, liabilities, fund balance, revenues and expenditures as appropriate. Governmental resources allocated to individual funds are recorded for the purpose of carrying on specific activities in accordance with laws, regulations or other appropriate requirements. District accounts are organized into one fund type, a governmental fund, as described below.

D. FUND ACCOUNTING

The District reports the following major governmental funds:

1. The **General Fund** is established to account for resources financing the fundamental operations of the District. All revenues and expenditures not required to be accounted for in other funds or account groups are included here. This is a budgeted fund and any fund balances are considered resources available for current operations. Fund balances may be appropriated by the Board of Directors to implement its responsibilities.

ORANGE COUNTY DRAINAGE DISTRICT

NOTES TO THE FINANCIAL STATEMENTS AT AND FOR THE YEAR ENDED SEPTEMBER 30, 2020

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. OTHER ACCOUNTING POLICIES

1. *Deposits and investments*

Investments – Revenue from investments, including governmental external investment pools, is based upon fair value. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. Most investments are reported at amortized cost when the investments have remaining maturities of one year or less at time of purchase. External investment pools are permitted to report short-term debt investments at amortized cost, provided that the fair value of those investments is not significantly affected by the impairment of the credit standing of the issuer, or other factors. For this purpose, a pool's short-term investments are those with remaining maturities of up to ninety days.

2. *Property taxes*

Property tax receivables are shown net of an allowance for uncollectibles. The property tax receivable allowance is equal to 10% of the outstanding property taxes at September 30, 2020.

3. *Accrued expenditures*

Accrued expenses include accrued wages.

4. *Compensated absences*

Employees are entitled to paid vacation, paid sick days and personal days off depending on length of services and other factors. Compensated absences are accrued on the Statement of Net Position.

5. *Capital assets*

Capital assets, which include land, buildings, furniture and equipment, are reported in the applicable governmental activities columns in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Majors outlays for capital assets and improvements are capitalized as projects are constructed.

Buildings, furniture and equipment of the District are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	30
Building improvements	30
Infrastructure	5 - 18
Vehicles	10
Equipment	10

ORANGE COUNTY DRAINAGE DISTRICT

NOTES TO THE FINANCIAL STATEMENTS AT AND FOR THE YEAR ENDED SEPTEMBER 30, 2020

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. OTHER ACCOUNTING POLICIES (CONTINUED)

6. *Budgetary Control*

Budgets for the General Fund are adopted on the modified accrual basis of accounting. Budgeted amounts shown on the budget to actual statements are as originally adopted or as amended by the District.

7. *Health care*

The District obtained insurance through the commercial market to provide health insurance for its employees. The District has a group policy and provides health insurance for each employee.

8. *Using estimates*

In preparing financial statements in conformity with generally accepted accounting principles, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and revenues and expenses during the reporting period. Actual results could differ from those estimates.

9. *Risk management and participation in risk pools*

The District is exposed to various risk of loss related to torts; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disaster. Most of these risks are protected by insurance. There were no settlements exceeding coverage for each of the past three fiscal years. The District participates in the following Texas Water Conservation Association Risk Management Fund (TWCARMF) risk pools.

During the year ended September 30, 2020, the District met its statutory workers' compensation obligations through participation in the TWCARMF Workers' Compensation Fund (the Fund). The Fund was created and is operated under the provision of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code. The Fund's worker's compensation program is authorized by Chapter 504, Texas Labor Code. All participants in the Fund execute Interlocal Agreements that define the responsibilities of the parties. The Fund provides statutory workers' compensation benefits to its members and their injured employees.

The Fund and its members are protected against higher expected claims costs through the purchase of stop-loss coverage for any claim in excess of the Fund's self-insured retention. For the year ended September 30, 2020, the Fund purchases excess coverage from American Reinsurance Company. Member districts have no additional liability beyond their contractual obligations for payment of contributions.

ORANGE COUNTY DRAINAGE DISTRICT

NOTES TO THE FINANCIAL STATEMENTS AT AND FOR THE YEAR ENDED SEPTEMBER 30, 2020

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. OTHER ACCOUNTING POLICIES (CONTINUED)

9. *Risk management and participation in risk pools (continued)*

The District is a member of the TWCARMF Property/Casualty Account ("Fund"). The Fund was formed for the purpose of providing property, casualty and liability for its membership, to provide claims administration and develop a comprehensive loss control program. The district pays contributions to the Fund for its property casualty and liability coverage. The District's agreement with the Fund provides that the Fund will be self-sustaining through member premiums. The Fund has obtained various reinsurance contracts to reduce its ultimate exposure to losses from claims. Member districts have no additional liability beyond their contractual obligations for payment of contributions.

10. *Pensions*

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Texas County and District Retirement System (TCDRS) and additions to/deductions from TCERS's fiduciary net position have been determined on the same basis as they are reported by TCERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

11. *Other Post-Employment Benefits*

For purposes of measuring the net other post-employment benefits liability, deferred outflows of resources and deferred inflows of resources related to other post-employment benefits, and other post-employment benefits expense, information about the fiduciary net position of the Texas County and District Retirement System (TCERS) and additions to/deductions from TCERS's fiduciary net position have been determined on the same basis as they are reported by TCERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

12. *Subsequent Events*

In accordance with ASC 855, the Management of Orange County Drainage District has evaluated subsequent events through December 8, 2020, the date on which the financial statements were available for issue.

NOTE 2. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS

A. DEPOSITS AND INVESTMENTS

The District addresses its credit risk, custodial credit risk and concentration of credit risk by investing only in instruments of nationally recognized financial institutions or pools that are fully insured or collateralized. The District addresses its interest rate risk by investing primarily in short-term instruments.

ORANGE COUNTY DRAINAGE DISTRICT

NOTES TO THE FINANCIAL STATEMENTS AT AND FOR THE YEAR ENDED SEPTEMBER 30, 2020

NOTE 2. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (CONTINUED)

A. DEPOSITS AND INVESTMENTS (CONTINUED)

Orange County Drainage District invests funds that are not immediately needed in certificates of deposit and TexPool. The depository bank places approved pledged securities for safekeeping and trust with the District's agent bank in an amount sufficient to protect District funds on a day to day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance.

Carrying values of TexPool are based on cost, which approximates market values of the underlying assets as provided by the Fund Sponsor, The State of Texas. In accordance with GASB 31, no unrealized gains/losses were recognized. All gains/losses that are reported in the financial statements are for realized gains/losses.

At September 30, 2019, the carrying amount of the District's deposits (cash, certificates of deposits and interest-bearing savings accounts included in temporary investments) was \$421,188 in cash, \$3,911,826 in TexPool and \$2,967,319 in UBS – Financial Services.

The Public Funds Investment Act (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports and establishment of appropriate policies. Among other things, it requires the District to adopt, implement and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities and (9) bid solicitation preferences for certificates of deposit. Statutes authorize the District to invest in (1) obligations of the U.S. Treasury, certain U.S. agencies and the State of Texas, (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers acceptances, (7) mutual funds, (8) investment pools, (9) guaranteed investment contracts and (10) common trust funds. The Act also requires the District to have independent auditors perform test procedures related to investment practices as provided by the Act. The District is in substantial compliance with the requirements of the Act and with local policies.

Both cash deposits and investments held at a financial institution can be categorized according to three levels of risk. These three levels of risk are:

- Category 1 - Cash or investments that are insured, registered or held by the District or by its agent in the District's name.
- Category 2 - Cash or investments that are uninsured and unregistered held by the counterparty's trust department or agent in the District's name.
- Category 3 - Uninsured and unregistered investments held by the counterparty, its trust department or its agent but not in the District's name.

Based on these three levels of risk, all of the District's investments are classified as Category 1. The District's investments at September 30, 2020 are shown below:

<u>Name</u>	<u>Carrying Amount</u>	<u>Market Value</u>	<u>Category</u>
UBS - Financial Services	\$ 2,967,319	\$ 2,967,319	1
TexPool Accounts	3,911,826	3,911,826	1

ORANGE COUNTY DRAINAGE DISTRICT

NOTES TO THE FINANCIAL STATEMENTS AT AND FOR THE YEAR ENDED SEPTEMBER 30, 2020

NOTE 2. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (CONTINUED)

B. PROPERTY TAXES

Property taxes are levied by October 1 on the assessed value listed as of prior January 1 for all real and business personal property located in the District in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 31 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties and interest ultimately imposed. Property tax revenues are considered available (1) when they become due or past due and receivable within the current period and (2) when they are expected to be collected during a 60-day period after the close of the fiscal year. The District, for the current year, had net taxable valuations of \$6,050,352,778 and levied property taxes in the amount of \$7,962,304 from a tax rate of \$0.13160 / \$100 valuation. As of September 30, 2020, property taxes receivable, net of estimated uncollectible taxes of \$84,805, totaled \$763,250.

Property taxes receivable as of September 30, 2020, were comprised of the following:

Year of Levy	General Fund
2019	\$ 229,398
2018	137,104
2017	93,781
2016	72,442
2015	59,525
Before 2015	255,805
	<u>\$ 848,055</u>

C. CAPITAL ASSET ACTIVITY

Capital asset activity for the District for the year ended September 30, 2020 was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental activities:				
Land and/or Right-of-Ways	\$ 636,740	\$ 402,758	\$ -	\$ 1,039,498
Buildings and Improvements	1,178,483	-	-	1,178,483
Furniture and Equipment	5,087,599	869,829	463,317	5,494,111
Vehicles	1,731,275	295,297	169,930	1,856,642
Infrastructure	206,500	-	-	206,500
Total capital assets being depreciated	<u>8,840,597</u>	<u>1,567,884</u>	<u>633,247</u>	<u>9,775,234</u>
Less accumulated depreciation				
Buildings and Improvements	337,089	31,230	-	368,319
Furniture and Equipment	3,626,732	555,042	463,317	3,718,457
Vehicles	959,561	261,542	169,930	1,051,173
Infrastructure	206,500	-	-	206,500
Total accumulated depreciation	<u>5,129,882</u>	<u>847,814</u>	<u>633,247</u>	<u>5,344,449</u>
Total capital assets, being depreciated, net	<u>\$ 3,710,715</u>	<u>\$ 720,070</u>	<u>\$ -</u>	<u>\$ 4,430,785</u>

ORANGE COUNTY DRAINAGE DISTRICT

NOTES TO THE FINANCIAL STATEMENTS AT AND FOR THE YEAR ENDED SEPTEMBER 30, 2020

NOTE 2. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (CONTINUED)

C. CAPITAL ASSET ACTIVITY (CONTINUED)

Depreciation expense was charged to functions/programs of the district as follows:

Business-type Activities	
General	<u>\$ 847,814</u>
Total Depreciation Expense	<u><u>\$ 847,814</u></u>

NOTE 3. DEFINED BENEFIT PENSION PLAN

Plan Description. The District provides retirement, disability and death benefits for all of its full-time and part-time non-temporary employees through a nontraditional defined benefit pension plan in the statewide Texas County and District Retirement System (TCDRS). The Board of Trustees of TCDRS is responsible for the administration of the statewide agent multiple-employer public employee retirement's system consisting of 798 nontraditional defined benefit pension plans. TCDRS in the aggregate issues a comprehensive annual financial report (CAFR) on a calendar year basis. The CAFR is available upon written request from TCDRS Board of Trustees at PO 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 age 60 and above with 8 years or more of service, with 30 years of service regardless of age or when the sum of their age and years of service equals 75 or more. Members are vested after 8 years of service but must leave their accumulated contributions in the plan to receive any employer-financed benefit. Members who withdraw their personal contributions in a lump sum are not entitled to any amounts contributed by their employer.

Benefit amounts are determined by the sum of the employee's contributions to the plan, with interest, and employer-financed monetary credits. The level of these monetary credits is adopted by the governing body of the employer within the actuarial constraints imposed by the TCDRS Act so 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 rate prescribed by the TCDRS Act.

At December 31, 2019, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	38
Inactive employees entitled to but not yet receiving benefits	20
Active employees	<u>54</u>
	<u><u>112</u></u>

Funding Policy. The employer has elected the annual determined contribution rate (ACDR) 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 the 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 13.5% for the months of the accounting year 2020 and 2019. The contribution rate payable by the employee members for the calendar years 2020 and 2019 is the rate of 7.0% as adopted by the governing body of the employer.

ORANGE COUNTY DRAINAGE DISTRICT

NOTES TO THE FINANCIAL STATEMENTS AT AND FOR THE YEAR ENDED SEPTEMBER 30, 2020

NOTE 3. DEFINED BENEFIT PENSION PLAN (CONTINUED)

Annual Pension Cost. For the employer's accounting year ended September 30, 2020, the annual pension cost for the TCDRS plan for its employees was \$486,711 and the actual contribution was \$442,466.

The required contribution was determined as part of the December 31, 2019 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at December 31, 2019 included (a) 8.0 percent investment rate of return (net of investment 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 projected payroll on a closed basis.

Net Pension Liability / (Asset)

	December 31, 2019	December 31, 2018
Total pension liability	\$17,996,553	\$17,061,514
Fiduciary net position	<u>17,496,651</u>	<u>15,348,498</u>
Net pension liability / (asset)	\$ 499,902	\$ 1,713,016
Fiduciary net position as a % of total pension liability	97.22%	89.96%
Pensionable covered payroll ⁽¹⁾	\$ 3,156,096	\$ 2,932,033
Net pension liability as a % of covered payroll	15.84%	58.42%

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

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

Discount Rate

Discount rate ⁽²⁾	8.10%	8.10%
Long-term expected rate of return, net of investment expenses ⁽²⁾	8.10%	8.10%
Municipal bond rate ⁽³⁾	Does not apply	Does not apply

⁽²⁾ 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.

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

ORANGE COUNTY DRAINAGE DISTRICT

NOTES TO THE FINANCIAL STATEMENTS AT AND FOR THE YEAR ENDED SEPTEMBER 30, 2020

NOTE 3. DEFINED BENEFIT PENSION PLAN (CONTINUED)

Other Key Actuarial Assumptions

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

	<u>Beginning Date</u>	<u>Ending Date</u>
Valuation Date	December 31, 2018	December 31, 2019
Measurement Date	December 31, 2018	December 31, 2019
Employer's Fiscal year	October 1, 2019	September 30, 2020

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 ⁽¹⁾
Amortization Method	
Recognition of economic/ demographic gains or losses	Straight-Line amortization over Expected Working Life
Recognition of assumptions changes or inputs	Straight-Line amortization over Expected Working Life
Asset Valuation Method	
Smoothing Period	5 Years
Recognition Method	Non-asymptotic
Corridor	None
Inflation	2.75%
Salary Increases	4.9%
Investment Rate of Return	8.10% (Gross of administrative expenses)
Cost-of-Living Adjustments	Cost-of-Living Adjustments for Orange County Drainage District 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	Later of the earliest retirement eligibility or age 60
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.

⁽¹⁾ Individual entry age normal cost method, as required by GASB 68, used for GASB calculations.

ORANGE COUNTY DRAINAGE DISTRICT

NOTES TO THE FINANCIAL STATEMENTS AT AND FOR THE YEAR ENDED SEPTEMBER 30, 2020

NOTE 3. DEFINED BENEFIT PENSION PLAN (CONTINUED)

Actuarial Methods and Assumptions Used for Funding Valuation

Economic Assumptions

TCDRS system-wide economic assumptions:

Real rate of return	5.25%
Inflation	2.75%
Long-term investment return	8.00%

The assumed long-term investment return of 8.0% is net after investment and administrative expenses. It is assumed returns will equal the nominal annual rate of 8.0% for calculating the actuarial accrued liability and the normal cost contribution rate for the retirement plan of each participating employer.

The annual salary increase rates assumed for individual members vary by length of service and by entry-age group. The annual rates consist of a general wage inflation component of 3.25% (made up of 2.75% inflation and 0.5% productivity increase assumptions) and a merit, promotion and longevity component that on average approximates 1.6% per year for a career employee.

Employer-specific economic assumptions:

Growth in membership	0.00%
Payroll growth for funding calculations	2.25%

The payroll growth assumption is for the aggregate covered payroll of an employer.

Long-term Expected Rate of Return

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

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.

ORANGE COUNTY DRAINAGE DISTRICT

NOTES TO THE FINANCIAL STATEMENTS AT AND FOR THE YEAR ENDED SEPTEMBER 30, 2020

NOTE 3. DEFINED BENEFIT PENSION PLAN (CONTINUED)

Long-term Expected Rate of Return (Continued)

Asset Class	Benchmark	Target Allocation ⁽¹⁾	Geometric Real Rate of Return ⁽²⁾
US Equities	Dow Jones U.S. Total Stock Market Index	14.50%	5.20%
Private Equity	Cambridge Associates Global Private Equity & Venture Capital Index ⁽³⁾	20.00%	8.20%
Global Equities	MSCI World (net) Index	2.50%	5.50%
Int'l Equities - Developed Markets	MSCI World Ex USA (net) Index	7.00%	5.20%
Int'l Equities - Emerging Markets	MSCI Emerging Markets (net) Index	7.00%	5.70%
Investment - Grade Bonds	Bloomberg Barclays U.S. Aggregate Bond Index	3.00%	-0.20%
Strategic Credit	FTSE High-Yield Cash-Pay Capped index	12.00%	3.14%
Direct Lending	S&P/LSTA Leveraged Loan Index	11.00%	7.16%
Distressed Debt	Cambridge Associates Distressed Securities Index ⁽⁴⁾	4.00%	6.90%
REIT Equities	67% FTSE NAREIT Equity REITs Index + 33% S&P Global REIT (net) Index	3.00%	4.50%
Master Limited Partnership (MLPs)	Alerian MLP Index	2.00%	8.40%
Private Real Estate Partnerships	Cambridge Associates Real Estate Index ⁽⁵⁾	6.00%	5.50%
Hedge Funds	Hedge Fund Research, Inc. (HFRI) Fund of Funds Composite Index	8.00%	2.30%

(1) Target asset allocation adopted at the June 2020 TCDRS Board Meeting.

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

(3) Includes vintage years 2006 – present of Quarter Pooled Horizon IRRs.

(4) Includes vintage years 2005 – present of Quarter Pooled Horizon IRRs.

(5) Includes vintage years 2007 – present of Quarter Pooled Horizon IRRs.

Discount Rate

The discount rate is the single rate of return that, when applied to all projected benefit payments results in an actuarial present value of projected benefit payments equal to the total of the following:

1. The actuarial present value of benefit payments projected to be made in future periods in which (a) the amount of the pension plan's fiduciary net position is projected to be greater than the benefit payments that are projected to be made in that period and (b) pension plan assets up to that point are expected to be invested using a strategy to achieve the long-term rate of return, calculated using the long-term expected rate of return on pension plan investments.
2. The actuarial present value of projected benefit payments not included in (1) calculated using the municipal bond rate.

Therefore, if plan investments in a given future year are greater than projected benefit payments in that year and are invested such that they are expected to earn the long-term rate of return, the discount rate applied to projected benefit payments in that year should be the long-term expected rate of return on plan investments. If future years exist where this is not the case, then an index rate reflecting the yield on a 20-year, tax exempt municipal bond should be used to discount the projected benefit payments for those years.

ORANGE COUNTY DRAINAGE DISTRICT

NOTES TO THE FINANCIAL STATEMENTS AT AND FOR THE YEAR ENDED SEPTEMBER 30, 2020

NOTE 3. DEFINED BENEFIT PENSION PLAN (CONTINUED)

Discount Rate (Continued)

The determination of a future date when plan investments are not sufficient to pay projected benefit payments is often referred to as a depletion date projection. A depletion date projection compares projections of the pension plan's fiduciary net position to projected benefit payments and aims to determine a future date, if one exists, when the fiduciary net position is projected to be less than projected benefit payments. If an evaluation of the sufficiency of the projected fiduciary net position compared to projected benefit payments can be made with sufficient reliability without performing a depletion date projection, alternative methods to determine sufficiency may be applied.

In order to determine the discount rate to be used by the employer we have used an alternative method to determine the sufficiency of the fiduciary net position in all future years. Our alternative method reflects the funding requirements under the employer's funding policy and the legal requirements under the TCDRS Act.

1. TCDRS has a funding policy where the Unfunded Actuarial Accrued Liability (UAAL) shall be amortized as a level percent of pay over 20-year closed layered periods.
2. Under the TCDRS Act, the employer is legally required to make the contribution specified in the funding policy.
3. The employer's assets are projected to exceed its accrued liabilities in 20 years or less. When this point is reached, the employer still required to contribute at least the normal cost.
4. Any increased cost due to the adoption of a COLA is required to be funded over a period of 15 years, if applicable.

Based on the above, the projected fiduciary net position is determined to be sufficient compared to projected benefit payments. Based on the expected level of cash flows and investment returns to the system, the fiduciary net position as a percentage of total pension liability is projected to increase from its current level in future years.

Since the projected fiduciary net position is projected to be sufficient to pay projected benefit payments in all future years, the discount rate for purposes of calculating the total pension liability and net pension liability of the employer is equal to the long-term assumed rate of return on investments. This long-term assumed rate of return should be net of investment expenses, but gross of administrative expenses for GASB 68 purposes. Therefore, we have used a discount rate of 8.10%. This rate reflects the long-term assumed rate of return on assets for funding purposes of 8.00%, net of all expenses, increased by 0.10% to be gross of administrative expenses.

ORANGE COUNTY DRAINAGE DISTRICT

NOTES TO THE FINANCIAL STATEMENTS AT AND FOR THE YEAR ENDED SEPTEMBER 30, 2020

NOTE 3. DEFINED BENEFIT PENSION PLAN (CONTINUED)

Changes in Net Pension Liability / (Asset)

	Total Pension Liability (a)	Increase (Decrease) Fiduciary Net Position (b)	Net Pension Liabilities (Asset) (a) - (b)
Balances as of December 31, 2018	\$ 17,061,514	\$ 15,348,498	\$ 1,713,016
Changes for the year:			
Service cost	384,709	-	384,709
Interest on total pension liability ⁽¹⁾	1,373,557	-	1,373,557
Effect on plan changes ⁽²⁾	-	-	-
Effect of economic/demographic gains or losses	173,630	-	173,630
Effect of assumptions changes or inputs	-	-	-
Refund of contributions	(7,030)	(7,030)	-
Benefit payments	(989,827)	(989,827)	-
Administrative expenses	-	(13,333)	13,333
Member contributions	-	220,927	(220,927)
Net investment income	-	2,520,885	(2,520,885)
Employer contributions	-	426,073	(426,073)
Other ⁽³⁾	-	(9,541)	9,541
Balances as of December 31, 2019	<u>\$ 17,996,553</u>	<u>\$ 17,496,652</u>	<u>\$ 499,901</u>

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

⁽²⁾ No plan changes valued.

⁽³⁾ Relates to allocation of system-wide items.

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 Drainage District 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	\$ 20,158,173	\$ 17,996,553	\$ 16,164,604
Fiduciary net position	<u>17,496,651</u>	<u>17,496,652</u>	<u>17,496,651</u>
Net pension liability / (asset)	<u>\$ 2,661,522</u>	<u>\$ 499,901</u>	<u>\$ (1,332,047)</u>

ORANGE COUNTY DRAINAGE DISTRICT

NOTES TO THE FINANCIAL STATEMENTS AT AND FOR THE YEAR ENDED SEPTEMBER 30, 2020

NOTE 3. DEFINED BENEFIT PENSION PLAN (CONTINUED)

	January 1, 2019 to December 31, 2019
Pension Expense / (Income)	
Service cost	\$ 384,708
Interest on total pension liability ⁽¹⁾	1,373,557
Effect on plan changes	-
Administrative expenses	13,333
Member contributions	(220,927)
Expected investment return net of investment expenses	(1,228,427)
Recognition of deferred inflows/outflows of resources	
Recognition of economic/demographic gains or losses	(9,651)
Recognition of assumption changes or inputs	19,905
Recognition of investment gains or losses	133,480
Other ⁽²⁾	9,541
Pension expense / (income)	\$ 475,519

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

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

Deferred inflows and outflows of resources are as follows as of December 31, 2019:

	Deferred Inflows of Resources	Deferred Outflows of Resources
Differences between expected and actual experience	\$ 89,317	\$ 239,269
Changes of assumption	93	-
Net difference between projected and actual earnings	434,784	-
	524,194	239,269
Contributions made subsequent to measurement date	N/A	311,983
	\$ 524,194	\$ 551,252

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 expenses as follows:

Year ended December 31:	
2020	\$ (67,834)
2021	(110,943)
2022	117,616
2023	(223,764)
2024	-
Thereafter	-

ORANGE COUNTY DRAINAGE DISTRICT

NOTES TO THE FINANCIAL STATEMENTS AT AND FOR THE YEAR ENDED SEPTEMBER 30, 2020

NOTE 3. DEFINED BENEFIT PENSION PLAN (CONTINUED)

Payable to the Pension Plan

At September 30, 2020, the District reported a payable of \$53,692 for the outstanding amount of contributions to the pension plan required for the year ended September 30, 2020.

NOTE 4. RETIREE GROUP TERM LIFE PROGRAM

Plan Description. The District participates in the Texas County & District Retirement System (TCDRS) retiree Group Term Life program, which is a statewide, multiple-employer, public employee retirement system.

All full and part-time non-temporary employees participate in the plan, regardless of the number of hours they work in a year and are eligible for the TCERS pension plan. Only employers that have elected participation in the retiree Group Term Life program are included in the OPEB plan. The plan provides a \$5,000 post-retirement death benefit to beneficiaries of service retirees and disability retirees of employers that have elected participation in the retiree GTL program. The OPEB benefit is a fixed \$5,000 lump-sum benefit. No future increases are assumed in the \$5,000 benefit amount. Benefit terms are established under the TCERS Act. Participation in the retiree GTL program is optional and the employer may elect to opt out of (or opt into) coverage as of January 1 each year.

At December 31, 2019, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits ⁽¹⁾	34
Inactive employees entitled to but not yet receiving benefits	8
Active employees	<u>54</u>
	<u>96</u>

⁽¹⁾ "Receiving Benefits" indicates the member is retired and receiving monthly pension benefits, and his or her beneficiary is eligible for the \$5,000 lump sum upon the retiree's death.

Funding Policy. Contributions made to the retiree GTL program are held in the GTL fund. The district's contribution rate for the retiree GTL program is calculated annually on an actuarial basis, and is equal to the cost of providing a one-year death benefit equal to \$5,000.

Annual Pension Cost. For the employer's accounting year ended September 30, 2020, the annual OPEB cost for the TCERS plan for its employees was \$13,158 and the actual contribution was \$4,528.

ORANGE COUNTY DRAINAGE DISTRICT

NOTES TO THE FINANCIAL STATEMENTS AT AND FOR THE YEAR ENDED SEPTEMBER 30, 2020

NOTE 4. RETIREE GROUP TERM LIFE PROGRAM (CONTINUED)

Total OPEB Liability

	December 31, 2019	December 31, 2018
Total OPEB liability	\$ 163,778	\$ 128,565

The total OPEB 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, 2019	December 31, 2018
Discount rate ⁽¹⁾	2.74%	4.10%
Long-term expected rate of return, net of investment expenses ⁽¹⁾	Does not apply	Does not apply
Municipal bond rate ⁽¹⁾	2.74%	4.10%

⁽¹⁾ The OPEB plan has been determined to be an unfunded OPEB plan; therefore, only the municipal bond rate applies.

Other Key Actuarial Assumptions

All actuarial assumptions that determined the total OPEB liability as of December 31, 2019 were based on the results of an actuarial experience study for the period January 1, 2013 – December 31, 2016, except where required to be different by GASB 75.

	<u>Beginning Date</u>	<u>Ending Date</u>
Valuation Date	December 31, 2018	December 31, 2019
Measurement Date	December 31, 2018	December 31, 2019
Employer's Fiscal year	October 1, 2019	September 30, 2020

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
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	Does not apply
Inflation	Does not apply
Salary Increases	Does not apply

ORANGE COUNTY DRAINAGE DISTRICT

NOTES TO THE FINANCIAL STATEMENTS AT AND FOR THE YEAR ENDED SEPTEMBER 30, 2020

NOTE 4. RETIREE GROUP TERM LIFE PROGRAM (CONTINUED)

Actuarial Methods and Assumptions Used for GASB Calculations (Continued)

Investment Rate of Return	2.74% 20 Year Bond GO Index published by bondbuyer.com as of December 26, 2019
Cost-of-Living Adjustment	Does not apply
Disability	Members who become disabled are eligible to commence benefit payments regardless of age. Rates of disability are based on a custom table based on TCDRS experience.
Mortality	
Depositing members	90% of the RP-2014 Active Employee Mortality Table for males and 90% of the RP-2014 Active Employee Mortality Table for females, projected with 110% of the MP-2014 Ultimate scale after 2014.
Service retirees, beneficiaries and non-depositing members	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.
Disable retirees	130% of the RP 2014 Disabled Annuitant Mortality Table for men and 115% of the RP 2014 Disabled Annuitant Mortality Table for females, both projected with 110% of the MP-2014 Ultimate scale after 2014..
Retirement	Rates vary by length of service, entry-age group (age at hire) and gender.
Other Termination	Rates vary by length of service, entry-age group (age at hire) and gender.

Discount Rate

The TCDRS GTL program is treated as unfunded OPEB plan because the GTL trust covers both actives and retirees and the assets are not segregated for these groups. Under GASB 75 (paragraph 155), the discount rate for an unfunded OPEB plan should be based on 20-year tax-exempt AA or higher Municipal Bonds. Therefore, a discount rate of 2.74% based on the 20 Year Bond GO Index published by bondbuyer.com is used as of the measurement date of December 31, 2019.

ORANGE COUNTY DRAINAGE DISTRICT

NOTES TO THE FINANCIAL STATEMENTS AT AND FOR THE YEAR ENDED SEPTEMBER 30, 2020

NOTE 4. RETIREE GROUP TERM LIFE PROGRAM (CONTINUED)

Changes in Total OPEB Liability / (Asset)

	Changes in Total OPEB Liability
Balances as of December 31, 2018	\$ 128,565
Changes for the year:	
Service cost	2,830
Interest on total OPEB liability ⁽¹⁾	5,310
Changes in benefit terms ⁽²⁾	-
Effect of economic/demographic experience	(1,543)
Effect of assumptions changes or inputs ⁽³⁾	32,403
Benefit payments	(3,787)
Other	-
Balances as of December 31, 2019	<u>\$ 163,778</u>

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

⁽²⁾ No plan changes valued.

⁽³⁾ Reflects change in discount rate.

Sensitivity Analysis

The following table shows the Total OPEB Liability of the county/district, calculated using the discount rate of 2.74%, as well as what the Orange County Drainage District Total OPEB liability would be if it were calculated using a discount rate that is 1 percent point lower (1.74%) or 1 percent higher (3.74%) than the current rate. Note that the healthcare cost trend rate does not affect the Total OPEB liability, so sensitivity to the healthcare cost trend rate is not shown.

	1% Decrease 1.74%	Current Discount Rate 2.74%	1% Increase 3.74%
Total OPEB liability	\$ 195,869	\$ 163,778	\$ 138,936

ORANGE COUNTY DRAINAGE DISTRICT

NOTES TO THE FINANCIAL STATEMENTS AT AND FOR THE YEAR ENDED SEPTEMBER 30, 2020

NOTE 4. RETIREE GROUP TERM LIFE PROGRAM (CONTINUED)

	January 1, 2019 to December 31, 2019
OPEB Expense / (Income)	
Service cost	\$ 2,830
Interest on total OPEB liability ⁽¹⁾	5,310
Effect on plan changes	-
Recognition of deferred inflows/outflows of resources	
Recognition of economic/demographic gains or losses	991
Recognition of assumption changes or inputs	4,026
Other	-
OPEB expense / (income)	<u>\$ 13,157</u>

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

Deferred inflows and outflows of resources are as follows as of December 31, 2019:

	Deferred Inflows of Resources	Deferred Outflows of Resources
Differences between expected and actual experience	\$ 1,286	\$ 4,714
Changes of assumption	<u>9,454</u>	<u>29,969</u>
	10,740	34,683
Contributions made subsequent to measurement date	<u>N/A</u>	<u>3,467</u>
	<u>\$ 10,740</u>	<u>\$ 38,150</u>

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

Year ended December 31:	
2020	\$ 5,017
2021	5,017
2022	5,017
2023	3,752
2024	5,140
Thereafter	-

ORANGE COUNTY DRAINAGE DISTRICT

NOTES TO THE FINANCIAL STATEMENTS AT AND FOR THE YEAR ENDED SEPTEMBER 30, 2020

NOTE 5. COMMITMENTS AND CONTINGENCIES

The District is a party to various claims and legal actions arising in the ordinary course of operations. In the opinion of management, all such matters are adequately covered by insurance or if not so covered, are without merit, or involve such amounts that unfavorable disposition would not have a material effect on the operation of the District.

NOTE 6. FUND BALANCE CLASSIFICATIONS

In accordance with Government Accounting Standards Board 54, Fund Balance Report and Governmental Fund Type Definitions, the District classified governmental fund balances as follows:

1. Non-spendable – includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints. The District has \$-0- classified as non-spendable.
2. Restricted – includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation. The District has \$-0- classified as restricted.
3. Committed – includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority and does not lapse at year-end. The District has \$-0- classified as committed.
4. Assigned – includes fund balance amounts that are intended to be used for specific purposes that are neither considered to be restricted or committed. The District has \$2,500,000 classified as assigned for drainage projects.
5. Unassigned – includes positive fund balance with the General Fund which has not been classified within the above mentioned categories and negative fund balances in other governmental funds. The District has \$4,174,507 classified as unassigned.

The elected board of directors has the authority to commit, assign and restrict fund balances. In some instances, a restriction is a result of meeting contractual or otherwise legal requirements, for example, debt services requirements contained in a bond covenant.

NOTE 7. TEXAS WATER DEVELOPMENT BOARD PRINCIPAL FORGIVENESS AGREEMENT

On October 17, 2018, the Texas Water Development Board approved the District's Project No. 73802 for \$500,000 from their Clean Water State Revolving Fund with 100 percent of the loan to be forgiven. The \$500,000 was deposited into an escrow account controlled by the Texas Water Development Board. Money is transferred from the escrow account to the District's account as project milestones are achieved and approved by the Texas Water Development Board. Interest income is credited to the escrow account and is used for payment before principal. The unspent balance in the escrow account of \$500,050 is shown as restricted investment and unearned revenue at September 30, 2020. Project activity for the year ended September 30, 2020 is shown below:

Escrow balance 10/01/2019	\$ 495,534
Interest Income	4,516
Project milestones transferred to the District	<u>-</u>
	<u>\$ 500,050</u>

ORANGE COUNTY DRAINAGE DISTRICT

NOTES TO THE FINANCIAL STATEMENTS AT AND FOR THE YEAR ENDED SEPTEMBER 30, 2020

NOTE 8. LEASE OBLIGATIONS

A. Operating Leases

Orange County Drainage District is obligated under operating (noncapitalized) leases for equipment. For the year ended September 30, 2020, lease expenditures of \$5,092 were made from the General Fund. The following is a schedule of minimum lease payment under non-cancelable operating leases as of September 30, 2020.

<u>Year Ended September 30</u>	<u>General Fund</u>
2021	\$ 5,092
2022	<u>1,697</u>
	<u>\$ 6,789</u>

NOTE 9. TAX ABATEMENTS

The District participates in the residential tax abatement of the City of Vidor residential property owners. These abatements are under the Property Redevelopment and Tax Abatement Act, Chapter 312 of the Texas Tax Code. The abatement period is for one or two years of construction and then another seven years of declining percentage. The foregone taxes for the year ended September 30, 2020 were \$6,410.

Taxes were abated on a single commercial facility during 2020, in the total amount of \$74,508.

REQUIRED SUPPLEMENTARY INFORMATION

ORANGE COUNTY DRAINAGE DISTRICT

BUDGETARY COMPARISON SCHEDULE – GENERAL FUND FOR THE YEAR ENDED SEPTEMBER 30, 2020

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Property taxes	\$ 7,863,224	\$ 7,863,224	\$ 7,894,678	\$ 31,454
Investment earnings	80,000	80,000	125,969	45,969
Sale of fixed assets	90,000	90,000	108,782	18,782
Grant revenue	-	-	574,035	574,035
Other revenue	5,000	5,000	10,812	5,812
Total revenues	<u>8,038,224</u>	<u>8,038,224</u>	<u>8,714,276</u>	<u>676,052</u>
EXPENDITURES				
Current				
Personnel	3,502,775	3,525,611	3,492,025	33,586
Employee benefits	1,519,549	1,541,119	1,495,348	45,771
Supplies	387,000	387,000	321,719	65,281
Maintenance	434,000	434,000	257,513	176,487
Fees for tax appraisal and collection	120,000	120,000	116,324	3,676
Professional fees	499,400	499,400	375,848	123,552
Outside services	189,000	189,000	161,011	27,989
Administrative expenses	426,700	426,700	340,650	86,050
NRCS Project	-	-	548,048	(548,048)
Capital outlay	1,007,500	1,578,637	1,567,883	10,754
Total operations	<u>8,085,924</u>	<u>8,701,467</u>	<u>8,676,369</u>	<u>25,098</u>
Excess of revenues over (under) expenditures	(47,700)	(663,243)	37,907	701,150
Fund Balance, beginning of year	<u>6,636,600</u>	<u>6,636,600</u>	<u>6,636,600</u>	<u>-</u>
Fund Balance, end of year	<u>\$ 6,588,900</u>	<u>\$ 5,973,357</u>	<u>\$ 6,674,507</u>	<u>\$ 701,150</u>

ORANGE COUNTY DRAINAGE DISTRICT

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

	Year-Ended December 31, 2019	Year-Ended December 31, 2018	Year-Ended December 31, 2017	
Total Pension Liability				.
Service cost	\$ 384,709	\$ 373,363	\$ 391,633	
Interest on total pension liability	1,373,557	1,304,065	1,256,717	
Effect of plan changes	-	-	-	
Effect of assumption changes or inputs	-	-	(234)	
Effect of economic/demographic (gains) or losses	173,630	124,216	(223,294)	
Benefit payments/refunds of contributions	<u>(996,857)</u>	<u>(914,865)</u>	<u>(732,685)</u>	.
Net changes in total pension liability	935,039	886,779	692,136	
Total pension liability, beginning	<u>17,061,514</u>	<u>16,174,735</u>	<u>15,482,598</u>	.
Total pension liability, ending (a)	<u>\$ 17,996,553</u>	<u>\$ 17,061,514</u>	<u>\$ 16,174,735</u>	.
Fiduciary Net Position				
Employer contributions	\$ 426,073	\$ 395,824	\$ 385,725	
Member contributions	220,927	205,242	200,006	
Investment income net of investment expenses	2,520,885	(301,277)	2,054,159	
Benefit payments/refunds of contributions	(996,857)	(914,865)	(732,685)	
Administrative expenses	(13,333)	(12,328)	(10,630)	
Other	<u>(9,541)</u>	<u>(7,743)</u>	<u>(2,070)</u>	.
Net change in fiduciary net position	2,148,154	(635,147)	1,894,505	
Fiduciary net position, beginning	<u>15,348,498</u>	<u>15,983,645</u>	<u>14,089,140</u>	.
Fiduciary net position, ending (b)	<u>\$ 17,496,652</u>	<u>\$ 15,348,498</u>	<u>\$ 15,983,645</u>	.
Net pension liability / (asset), ending = (a) - (b)	<u>\$ 499,901</u>	<u>\$ 1,713,016</u>	<u>\$ 191,090</u>	.
Fiduciary net position as a % of total pension liability	97.22%	89.96%	98.82%	
Pensionable covered payroll	\$ 3,156,096	\$ 2,932,033	\$ 2,857,224	
Net pension liability as a % of covered payroll	15.84%	58.42%	6.69%	

Year-Ended December 31, 2016	Year-Ended December 31, 2015	Year-Ended December 31, 2014
\$ 320,710	\$ 330,642	\$ 307,661
1,164,286	1,119,478	1,041,498
-	(37,534)	-
-	99,760	-
129,171	(251,976)	152,325
(683,175)	(660,868)	(503,296)
930,991	599,501	998,188
<u>14,551,607</u>	<u>13,952,106</u>	<u>12,953,918</u>
<u>\$ 15,482,598</u>	<u>\$ 14,551,607</u>	<u>\$ 13,952,106</u>
\$ 344,666	\$ 295,751	\$ 388,022
178,702	153,126	154,851
980,589	(109,631)	857,458
(683,175)	(660,868)	(503,296)
(10,641)	(9,649)	(10,123)
44,876	(18,839)	13,342
855,017	(350,110)	900,253
<u>13,234,122</u>	<u>13,584,232</u>	<u>12,683,978</u>
<u>\$ 14,089,140</u>	<u>\$ 13,234,122</u>	<u>\$ 13,584,232</u>
<u>\$ 1,393,459</u>	<u>\$ 1,317,485</u>	<u>\$ 367,874</u>
91.00%	90.95%	97.36%
\$ 2,552,892	\$ 2,187,517	\$ 2,212,160
54.58%	60.23%	16.63%

ORANGE COUNTY DRAINAGE DISTRICT

SCHEDULE OF EMPLOYER CONTRIBUTIONS AT AND FOR THE YEAR ENDED SEPTEMBER 30, 2020

<u>Year Ending December 31,</u>	<u>Actuarially Determined Contribution ⁽¹⁾</u>	<u>Actual Employer Contribution ⁽¹⁾</u>	<u>Contribution Deficiency (Excess)</u>	<u>Pensionable Covered Payroll ⁽²⁾</u>	<u>Actual Contribution as a % of Covered Payroll</u>
2010	\$ 247,953	\$ 261,003	\$ (13,050)	\$ 2,175,025	12.0%
2011	248,539	280,644	(32,105)	2,245,154	12.5%
2012	268,784	281,863	(13,079)	2,254,903	12.5%
2013	267,135	270,161	(3,026)	2,161,284	12.5%
2014	294,660	388,022	(93,362)	2,212,160	17.5%
2015	285,690	295,751	(10,061)	2,187,517	13.5%
2016	320,388	344,666	(24,278)	2,552,892	13.5%
2017	354,010	385,725	(31,714)	2,857,224	13.5%
2018	348,032	395,824	(47,792)	2,932,033	13.5%
2019	349,380	426,073	(76,693)	3,156,096	13.5%

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

⁽²⁾ Payroll is calculated based on contributions as reported to TCDRS.

ORANGE COUNTY DRAINAGE DISTRICT

SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS FOR THE YEAR ENDED SEPTEMBER 30, 2020

	Year-Ended December 31, 2019	Year-Ended December 31, 2018	Year-Ended December 31, 2017
Total OPEB Liability			
Service cost	\$ 2,830	\$ 3,546	\$ 3,241
Interest on total OPEB liability	5,310	4,608	4,604
Effect of plan changes	-	-	-
Effect of assumption changes or inputs	32,403	(14,182)	5,934
Effect of economic/demographic (gains) or losses	(1,543)	5,815	1,674
Benefit payments/refunds of contributions	<u>(3,787)</u>	<u>(3,225)</u>	<u>(4,000)</u>
Net changes in total OPEB liability	35,213	(3,438)	11,453
Total OPEB liability, beginning	<u>128,565</u>	<u>132,003</u>	<u>120,550</u>
Total OPEB liability, ending	<u>\$ 163,778</u>	<u>\$ 128,565</u>	<u>\$ 132,003</u>
Pensionable covered payroll	\$ 3,156,096	\$ 2,932,033	\$ 2,857,224
Net OPEB liability as a % of covered payroll	5.19%	4.38%	4.62%

TEXAS SUPPLEMENTARY INFORMATION

ORANGE COUNTY DRAINAGE DISTRICT

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

Personnel expenditures (including benefits)*	\$ 4,951,373
Professional fees	
Auditing	18,900
Bookkeeping	12,000
Consultant	12,000
Legal	132,531
Engineering	198,463
Contracted services	
Tax collector	122,249
Other contracted services	690,281
Utilities	18,665
Repairs and maintenance	257,513
Administrative expenditures	
Directors fees	36,200
Supplies	321,719
Insurance	179,925
Other administrative expenditures	156,666
Capital outlay	
Capital assets	1,567,884
Expenditures not capitalized	-
Other expenditures	-
Total expenditures	<u>\$ 8,676,369</u>

* Number of persons employed by the District: 61 Full-time and -0- Part-time

ORANGE COUNTY DRAINAGE DISTRICT

SCHEDULE OF TEMPORARY INVESTMENTS SEPTEMBER 30, 2020

<u>Funds</u>	<u>Identification or Certificate Number</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Balance at End of Year</u>	<u>Accrued Interest Receivable at End of Year</u>
General Fund					
TexPool	449/1813100001	Various	Various	\$ 3,411,776	-
TexPool	449/1813100004	Various	Various	500,050	-
UBS - Financial Services	08141	Various	Various	2,967,319	-

ORANGE COUNTY DRAINAGE DISTRICT

SCHEDULE OF TAXES LEVIED AND RECEIVABLE FOR THE YEAR ENDED SEPTEMBER 30, 2020

	Maintenance Taxes
Taxes receivable, beginning of year	\$ 793,039
Adjustments	<u>(27,406)</u>
Adjusted Receivable	<u>765,633</u>
2019 original tax levy	7,962,304
Adjustments	<u>(79,343)</u>
Adjusted 2019 tax levy	<u>7,882,961</u>
Total to be accounted for	<u><u>\$ 8,648,594</u></u>
Tax collections:	
Current year	\$ 7,653,563
Prior years	<u>146,976</u>
Total collections	<u>7,800,539</u>
Taxes receivable, end of year	<u><u>\$ 848,055</u></u>
Taxes receivable by year	
2019	\$ 229,398
2018	137,104
2017	93,781
2016	72,442
2015	59,525
Before 2015	<u>255,805</u>
Taxes receivable, end of year	<u><u>\$ 848,055</u></u>

	2019	2018	2017	2016
Property valuations				
Land	\$ 893,046,105	\$ 888,696,911	\$ 888,442,951	\$ 862,148,232
Improvements	5,799,769,444	5,219,978,169	5,278,181,310	4,877,246,043
Personal property	1,403,287,552	1,320,838,792	1,284,625,272	1,394,835,783
Less: exemptions	<u>(2,045,750,323)</u>	<u>(1,886,964,572)</u>	<u>(1,983,285,909)</u>	<u>(1,841,677,271)</u>
Total property valuations	<u><u>\$ 6,050,352,778</u></u>	<u><u>\$ 5,542,549,300</u></u>	<u><u>\$ 5,467,963,624</u></u>	<u><u>\$ 5,292,552,787</u></u>
Tax rate per \$100 valuations:				
Maintenance tax rates †	0.13160	0.13160	0.11126	0.11126
Original tax levy	<u><u>\$ 7,962,304</u></u>	<u><u>\$ 7,294,061</u></u>	<u><u>\$ 6,083,695</u></u>	<u><u>\$ 5,888,566</u></u>
Percent of taxes collected to taxes levied ‡	<u><u>97%</u></u>	<u><u>97%</u></u>	<u><u>94%</u></u>	<u><u>97%</u></u>

† Maximum Tax Rate Approved by Voters: \$0.13160 per \$100 of taxable value on 09/10/2019

‡ Calculated as taxes collected for tax year divided by adjusted taxes levied

ORANGE COUNTY DRAINAGE DISTRICT

COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES – GENERAL FUND FIVE YEARS ENDED SEPTEMBER 30, 2020

	Amounts				
	2020	2019	2018	2017	2016
GENERAL FUND:					
REVENUES:					
Property taxes	\$ 7,894,678	\$ 7,626,945	\$ 6,107,275	\$ 5,911,561	\$ 5,623,316
Other income	10,812	244,507	97,639	25,941	108,189
Gain on disposal of assets	108,782	83,337	146,373	169,832	86,307
Interest on time deposits	125,969	231,199	62,073	39,074	96,287
Grant revenue	574,035	769,443	-	-	-
Total revenues	8,714,276	8,955,431	6,413,360	6,146,408	5,914,099
EXPENDITURES:					
Administrative expense	340,650	398,645	306,956	283,161	300,131
Professional fees	375,848	205,433	152,968	158,793	98,633
Outside services	161,011	169,288	49,963	37,517	33,920
Payroll	4,987,373	4,806,628	4,539,900	4,396,633	3,799,733
Material and supplies	321,719	351,966	304,857	276,857	204,339
Repairs and maintenance	257,513	248,614	197,981	242,894	258,198
Fees for tax appraisal and collection	116,324	92,248	88,864	77,215	81,227
Hurricane Harvey expense	-	-	82,116	-	-
NRCS Project	548,048	571,878	-	-	-
Capital outlay	1,567,883	1,367,992	545,743	491,089	914,846
Total expenditures	8,676,369	8,212,692	6,269,348	5,964,159	5,691,027
EXCESS REVENUES OVER (UNDER) EXPENDITURES	<u>\$ 37,907</u>	<u>\$ 742,739</u>	<u>\$ 144,012</u>	<u>\$ 182,249</u>	<u>\$ 223,072</u>

Percent of Total Fund Revenues				
<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
90.6%	85.2%	95.2%	96.2%	95.1%
0.1%	2.7%	1.5%	0.4%	1.8%
1.3%	0.9%	2.3%	2.8%	1.5%
1.4%	2.6%	1.0%	0.6%	1.6%
<u>6.6%</u>	<u>8.6%</u>	<u>0.0%</u>	<u>0.0%</u>	<u>0.0%</u>
<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>
3.9%	4.5%	4.8%	4.6%	5.0%
4.3%	2.3%	2.4%	2.6%	1.7%
1.8%	1.9%	0.8%	0.6%	0.6%
57.2%	53.7%	70.8%	71.5%	64.2%
3.7%	3.9%	4.8%	4.4%	3.5%
3.0%	2.8%	3.1%	4.0%	4.4%
1.3%	1.0%	1.4%	1.3%	1.4%
0.0%	0.0%	1.3%	0.0%	0.0%
6.3%	6.4%	0.0%	0.0%	0.0%
<u>18.0%</u>	<u>15.3%</u>	<u>8.5%</u>	<u>7.9%</u>	<u>15.5%</u>
<u>99.5%</u>	<u>91.8%</u>	<u>97.9%</u>	<u>96.9%</u>	<u>96.3%</u>
<u><u>0.5%</u></u>	<u><u>8.2%</u></u>	<u><u>2.1%</u></u>	<u><u>3.1%</u></u>	<u><u>3.7%</u></u>

ORANGE COUNTY DRAINAGE DISTRICT

SCHEDULE OF BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS FOR THE YEAR ENDED SEPTEMBER 30, 2020

Complete District Mailing Address: Orange County Drainage District
8081 Old Hwy 90
Orange, Texas 77630

District Business Telephone Number: (409) 745-3225

Submission Date of the Recent District Registration Form: June 21, 2018
(TWC Section 36.054):

Limit on Fees of Office that a Director may receive during a fiscal year: \$ 7,200
(Set by Board Resolution - TWC Section 49.060)

<u>Name</u>	<u>Term of Office (Elected or Appointed) or Date Hired</u>	<u>Fees of Office Paid *</u> <u>09/30/2020</u>	<u>Expense Reimbursements</u> <u>09/30/2020</u>	<u>Title at Year-End</u>
Board Members				
Brent Peveto	Elected 05/14 - 04/22	\$ 7,200	\$ -	President / Director
Hal LaPray	Elected 05/14 - 04/22	\$ 7,200	\$ -	Vice-President Director
Russell Covington	Appointed 06/18 - 04/22	\$ 7,200	\$ -	Secretary/Treasurer/ Director
J.B. Arrington	Elected 05/16 - 10/20	\$ 7,200	\$ -	Director
Randy Fuselier	Appointed 08/17 - 10/20	\$ 7,200	\$ -	Director
Key Administrative Personnel				
Don Carona	08/01/16	\$ 154,258	\$ 1,064	General Manager
Austin Barrow	10/01/10	\$ 98,422	\$ -	Asst GM
Jerry Hood	05/04/15	\$ 39,758	\$ -	Asst GM
Consultants				
Dies Law Firm	**	\$ 24,000	\$ 106,852	Attorney
Keri Michutka, CPA	**	12,000	-	Accountant
UBS Financial Services, Inc.	**	Various	-	Finance Manager
Wathen, Deshong & Juncker, LLP	**	18,900	-	Auditor
Arceneaux, Wilson and Cole	**	63,617	-	Engineer
LJA Engineer	**	147,736	-	Engineer
Tidal Basin	**	16,731	-	Grant Administrator
Ron Lewis	**	42,000	-	Consultant
Ray Russo	**	44,151	-	Consultant
Dan Delich	**	1,878	-	Consultant
Orange County Treasurer	Annually	5,924	-	Treasurer
Orange County Appraisal District	Annually	116,324	-	Appraisal District

* *Fees of Office* are the amounts actually paid to a director during the district's fiscal year.

** Serves at the will of the Board.

COMPLIANCE AND INTERNAL CONTROLS SECTION

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



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

December 8, 2020

Independent Auditor's Report

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 Drainage District
Orange, 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 *Governmental 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 Drainage District (the "District"), as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 8, 2020.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District'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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District'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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Orange County Drainage District's financial statements are free of 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 *Governmental 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