

**ORANGE COUNTY DRAINAGE DISTRICT**

**AUDITED FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED SEPTEMBER 30, 2023**

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ANNUAL FILING AFFIDAVIT

THE STATE OF TEXAS §

COUNTY OF ORANGE §

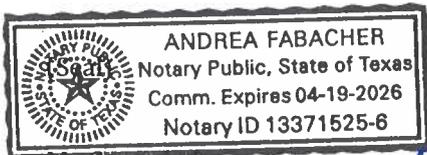
I, James Scales of the Orange County Drainage District hereby swear, or affirm, that the District named above has reviewed and approved at a meeting of the Board of Directors of the District on the 11<sup>th</sup> day of December, 2023 its annual report for the fiscal year or period ended September 30, 2023 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: 12/12, 2023

By: James Scales  
(Signature of District Representative)

James Scales, Secretary  
(Typed Name and Title of above District Representative)

Sworn to and subscribed to before me this 12<sup>th</sup> day of December, 2023.



Andrea Fabacher  
(Signature of Notary)

My Commission expires on 04/19 2026 Notary Public in and for the State of Texas.

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



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

December 11, 2023

## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Orange County Drainage District  
Orange, Texas

### Report on the Audit of the Financial Statements

#### *Opinions*

We have audited the accompanying financial statements of the governmental activities and each major fund of Orange County Drainage District (the District), as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities the general fund of the District, as of September 30, 2023, and the respective changes in financial position, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### *Basis for Opinions*

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Orange County Drainage District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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

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

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

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

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

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

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

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

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 8; the Budgetary Comparison Schedule – General Fund on page 39; the Schedules of Changes in Employer's Net Pension Liability and Related Ratios and Employer Contributions on pages 40 through 41; and the Schedule of Changes in Total OPEB Liability and Related Ratios on page 42 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

***Other Information***

Management is responsible for the other information included in the annual report. The other information comprises the Texas Supplementary Information listed in the Table of Contents on page 43 through 47 but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 11, 2023, on our consideration of the 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

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

**WATHEN, DeSHONG & 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, 2023. 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 \$15,603,147 at September 30, 2023.
- The District's total net position increased \$2,440,469.
- At the end of the current fiscal year, in the general fund, assigned fund balance for drainage projects was \$2,900,000, assigned fund balance for administrative building was \$700,000, and unassigned fund balance was \$6,713,199.
- 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.** 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 9 and 10 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 15 through 38.

**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 39 through 42.

#### GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position of the District's governmental activities increased from \$13,162,678 to \$15,603,147 or a net increase of \$2,440,469. This increase in governmental assets was the result of revenues exceeding expenditures for the fiscal year ending September 30, 2023.

**Table A-1  
The District's Net Position**

	<u>Governmental Activities</u>		Total % Change
	<u>2023</u>	<u>2022</u>	
Current and Other Assets	\$ 13,781,409	\$ 13,003,875	6.0%
Capital and Non-Current Assets	4,678,646	4,569,489	2.4%
Total Assets	<u>18,460,055</u>	<u>17,573,364</u>	5.0%
Deferred Outflow of Resources	<u>1,433,092</u>	<u>1,334,307</u>	7.4%
Current Liabilities	329,974	366,739	-10.0%
Long Term Liabilities	<u>3,579,151</u>	<u>2,738,167</u>	30.7%
Total Liabilities	<u>3,909,125</u>	<u>3,104,906</u>	25.9%
Deferred Inflow of Resources	<u>380,875</u>	<u>2,640,087</u>	-85.6%
Net Position:			
Invested in Capital Assets	4,678,646	4,569,489	2.4%
Unrestricted	<u>10,924,501</u>	<u>8,593,189</u>	27.1%
Total Net Position	<u>\$ 15,603,147</u>	<u>\$ 13,162,678</u>	18.5%

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

	Governmental Activities		Total % Change
	2023	2022	
<b>Revenues</b>			
<u>General Revenues</u>			
Maintenance and Operations Taxes	\$ 9,978,485	\$ 8,803,480	13.3%
Penalty and Interest	162,504	164,571	-1.3%
Miscellaneous Revenue	126,997	72,251	75.8%
Gain on Disposal of Fixed Assets	91,916	151,924	-39.5%
Investment Earnings	436,128	30,967	1308.4%
Grant Proceeds	2,019,649	1,051,408	92.1%
<b>Total Revenues</b>	12,815,679	10,274,601	24.7%
<b>Expenses</b>			
General Governmental	10,375,210	8,581,277	20.9%
<b>Total Expenses</b>	10,375,210	8,581,277	20.9%
Increase (decrease) in Net Position	2,440,469	1,693,324	44.1%
Beginning Net Position	13,162,678	11,469,354	14.8%
Ending Net Position	\$ 15,603,147	\$ 13,162,678	18.5%

The District's total revenues were \$12,815,679. The total cost of all governmental activities this year was \$10,375,210. The amount of revenue utilized for these activities through property taxes (including Penalty and Interest) was \$10,140,989 or 79.1% 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 balance of \$10,313,199. The governmental fund is the General Fund.

#### **General Fund Budgetary Highlights**

The District amended its budget periodically during the year. For the fiscal year ended September 30, 2023, actual revenues were \$2,321,692 above budgeted amounts due primarily to the receipt of grants.

Actual expenditures were \$978,549 above final budget amounts. The most significant variances were Maintenance under budget by \$110,831, Employee benefits under budget by \$191,038, Capital outlay under budget by \$141,444, Personnel expenses under budget by \$152,889, Supplies under budget by \$131,159, Orange County levee project expenses over budget by \$1,055,834, and TWDB Relief Ditch over budget by \$810,993.

#### **DEBT ADMINISTRATION AND CAPITAL ASSETS**

##### **Debt**

At year-end, the District remains debt free.

##### **Capital Assets**

At the end of fiscal year 2023, the District had \$11.55 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 \$692,732 or 6.4% above last year.

## Capital Assets (Continued)

**Table A-3  
District's Capital Assets**

	Governmental Activities		Total % Change
	2023	2022	
Land and/or Right-of-Ways	\$ 1,039,498	\$ 1,039,498	0.0%
Buildings and Improvements	1,478,164	1,472,657	0.4%
Furniture and Equipment	6,800,924	6,252,108	8.8%
Vehicles	2,028,340	1,889,931	7.3%
Infrastructure	206,500	206,500	0.0%
Totals at Historical Cost	11,553,426	10,860,694	6.4%
Total Accumulated Depreciation	<u>(6,906,717)</u>	<u>(6,291,205)</u>	9.8%
Net Capital Assets	<u>\$ 4,646,709</u>	<u>\$ 4,569,489</u>	1.7%

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

The District's elected and appointed officials considered many factors when setting the fiscal year 2023/2024 budget tax rate. On August 15, 2023, the Board adopted a tax rate of \$0.13410 per \$100 valuation. Revenues are budgeted at \$11,667,895 and expenditures are budgeted at \$10,648,849 for the fiscal year 2023/2024 resulting in a projected increase of \$1,019,047 in fund balance.

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

During the fiscal year ending September 30, 2020, the District executed a Design Agreement (with Orange County as cosignatory), with the Department of the Army (by and through the United States Army Corps of Engineers, or "Corps") 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" or "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. 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 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.

Following the creation of the Gulf Coast Protection District ("GCPD") by the 87<sup>th</sup> Texas Legislature, the GCPD became the Non-Federal Sponsor for the Project in April, 2022 by execution of a Project Partnership Agreement with the Corps, thereby effectively terminating the above-referenced Design Agreement. The District (with Orange County as co-signatory) executed an Interlocal Agreement with the GCPD, whereby the District agreed to continue to be involved in the design of the Project and to serve as the Representative Liaison of the GCPD with regard to the Project, and the GCPD agreed that it would provide funding to the District for the costs of engineering, legal and consultation services, as well as internal expenses incurred by the District in the remaining design phase of the Project.

During the fiscal year ending September 30, 2023, the GCPD provided the District the total sum of \$1,300,000, all of which were obtained by the GCPD from the legislative appropriation to the GLO in Senate Bill 1, 87<sup>th</sup> Texas Legislature. These funds were used by the District to pay for Design Participation Costs, as that term is defined in the Interlocal Agreement between the District and the GCPD, in regard to work performed in connection with the continued design of the Project.

### **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 Neal Ford, 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, 2023

	<u>Governmental Activities</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 318,859
Investments	9,665,533
Other receivable	608,384
Property Taxes Receivable	999,253
Allowance for Uncollectible Taxes	(99,925)
Restricted investment - TWDB grant	1,611,637
Restricted investment - Orange County Levee Project	677,668
Capital assets:	
Land improvements	1,039,498
Buildings, net	1,006,822
Furniture and equipment, net	1,820,732
Vehicles, net	779,657
SBITA Asset, net	<u>31,937</u>
 Total assets	 <u>18,460,055</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred outflows related to TCDRS pension	1,405,392
Deferred outflows related to TCDRS OPEB	<u>27,700</u>
 Total deferred outflows of resources	 <u>1,433,092</u>
<b>LIABILITIES</b>	
Accounts payable and other current liabilities	329,974
OPEB Liability	143,067
Pension Liability	564,857
SBITA Liability	33,738
Compensated absences	548,184
Unearned revenue	<u>2,289,305</u>
 Total liabilities	 <u>3,909,125</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred inflows related to TCDRS pension	331,378
Deferred inflows related to OPEB	<u>49,497</u>
 Total deferred inflows of resources	 <u>380,875</u>
<b>NET POSITION</b>	
Invested in capital assets, net of related debt	4,678,646
Unrestricted net position	<u>10,924,501</u>
 Total net position	 <u>\$ 15,603,147</u>

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

# ORANGE COUNTY DRAINAGE DISTRICT

## STATEMENT OF ACTIVITIES FOR THE YEAR ENDED SEPTEMBER 30, 2023

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	\$ 4,253,139	\$ -	\$ -	\$ (4,253,139)
Employee benefits	1,500,337	-	-	(1,500,337)
Supplies	517,841	-	-	(517,841)
Maintenance	233,670	-	-	(233,670)
Fees for tax appraisal and collection	145,087	-	-	(145,087)
Professional fees	337,294	-	237,000	(100,294)
Outside services	93,295	-	-	(93,295)
Administrative expenses	353,737	-	7,875	(345,862)
Orange County levee project	1,055,834	-	882,022	(173,812)
Depreciation and amortization	1,073,983	-	-	(1,073,983)
TWDB Relief Ditch	810,993	-	892,752	81,759
<b>Total primary government</b>	<b><u>\$ 10,375,210</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 2,019,649</u></b>	<b><u>(8,355,561)</u></b>
Taxes:				
Property taxes, levied for general purposes				10,140,989
Miscellaneous revenue				126,997
Gain on disposal of fixed asset				91,916
Investment earnings				436,128
<b>Total general revenues</b>				<b><u>10,796,030</u></b>
Change in net position				2,440,469
Net position - beginning				<u>13,162,678</u>
Net position - ending				<b><u>\$ 15,603,147</u></b>

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, 2023**

	<u>General Fund</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 318,859
Investments - current - Texpool and CDs	9,665,533
Other receivable	608,387
Taxes receivable	999,253
Allowance for Uncollectible Taxes	(99,925)
Restricted investment - TWDB grant	1,611,637
Restricted investment - Orange County Levee Project	<u>677,668</u>
 Total assets	 <u><u>\$ 13,781,412</u></u>
 <b>LIABILITIES</b>	
Accounts payable	\$ 192,350
Wages and salaries payable	137,625
Unearned revenue - TWDB grant	1,611,637
Unearned revenue - Orange County Levee Project	<u>677,668</u>
 Total liabilities	 <u>2,619,280</u>
 <b>DEFERRED INFLOWS OF RESOURCES</b>	
Unavailable revenue - property taxes	<u>848,933</u>
 <b>FUND BALANCES</b>	
Assigned fund balance - drainage projects	2,900,000
Assigned fund balance - administrative building	700,000
Unassigned fund balance	<u>6,713,199</u>
 Total fund balances	 <u>10,313,199</u>
 Total liabilities, deferred inflows, and fund balances	 <u><u>\$ 13,781,412</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, 2023

Total Fund Balance - Governmental Funds Balance Sheet	\$ 10,313,199
Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds.	4,646,709
SBITA Asset	31,937
Property taxes receivable are not available to pay for current period expenditures and, therefore, are shown as unearned in the funds.	848,931
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 \$564,857.	(564,857)
Other long-term liabilities which are not due and payable in the current period and, therefore, are not reported in the funds. (Compensated absences)	(548,184)
SBITA Liability	(33,738)
Included in the liability section is the recognition of a Deferred Resource Outflow and Inflow related to TCDRS in the amounts of \$1,405,392 and \$331,378, respectively. These balances represent a decrease in Net Position.	1,074,014
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 \$143,067, a Deferred Resource Outflow and Inflow related to TCDRS in the amounts of \$27,700 and \$49,497, respectively. These balances represent a decrease in Net Position.	<u>(164,864)</u>
Net Position of Governmental Activities - Statement of Net Position	<u><u>\$ 15,603,147</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, 2023

	<u>General Fund</u>
<b>REVENUES:</b>	
Property taxes	\$ 10,055,683
Miscellaneous	126,997
Gain on disposal of assets	91,916
Investment earnings	436,128
Grant revenue	<u>2,019,649</u>
Total revenue	<u>12,730,373</u>
<b>EXPENDITURES:</b>	
Current	
General government	
Personnel	4,201,543
Employee benefits	1,587,939
Supplies	517,841
Maintenance	233,669
Fees for tax appraisal and collection	145,087
Professional fees	337,294
Outside services	93,295
Administrative expenses	361,157
Orange County Levee Project	1,055,834
TWDB Relief Ditch	810,993
Capital outlay	<u>1,141,981</u>
Total expenditures	<u>10,486,633</u>
<b>NET CHANGE IN FUND BALANCE</b>	2,243,740
<b>FUND BALANCE - BEGINNING OF YEAR</b>	<u>8,069,459</u>
<b>FUND BALANCE - END OF YEAR</b>	<u><u>\$ 10,313,199</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, 2023

Total Net Change in Fund Balances - Governmental Funds		\$ 2,243,740
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	\$ 1,141,982	77,220
Depreciation expense	(1,064,762)	
SBITA amortization		(9,221)
Property tax revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		85,305
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)		(51,597)
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.		92,362
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.		(4,760)
The repayment of the principle of SBITAs consumes the current financial resources of the government funds. This transaction has no effect on net assets		<u>7,420</u>
Change in Net Position of Governmental Activities - Statement of Activities		<u>\$ 2,440,469</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, 2023

### 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, 2023

### 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 out 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, 2023

### 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 uncollectible accounts. The property tax receivable allowance is equal to 10% of the outstanding property taxes at September 30, 2023.

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. Major 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, 2023

### 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, 2023, 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, 2023, 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, 2023

### 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 11, 2023, the date on which the financial statements were available for issue.

##### 13. *Change in Accounting Principle*

GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, was adopted effective October 1, 2022. GASB Statement No. 96 established standards for recognizing and measuring right-to-use subscription assets (intangible assets) and a corresponding subscription liability. The adoption of this standard did not result in a restatement of beginning fund balance or net position, but assets and liabilities were recognized, and more extensive note disclosures were required.

# ORANGE COUNTY DRAINAGE DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS AT AND FOR THE YEAR ENDED SEPTEMBER 30, 2023

### 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 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, 2023, the carrying amount of the District's deposits (cash, certificates of deposits and interest-bearing savings accounts included in temporary investments) was \$318,859 in cash, \$8,910,182 in TexPool and \$3,044,656 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.

**ORANGE COUNTY DRAINAGE DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS  
AT AND FOR THE  
YEAR ENDED SEPTEMBER 30, 2023**

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

**A. DEPOSITS AND INVESTMENTS (CONTINUED)**

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, 2023 are shown below:

<u>Name</u>	<u>Carrying Amount</u>	<u>Market Value</u>	<u>Category</u>
UBS - Financial Services	\$ 3,044,656	\$ 3,044,656	1
TexPool Accounts	8,910,182	8,910,182	1

**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 \$7,510,770,916 and levied property taxes in the amount of \$10,071,945 from a tax rate of \$0.13410 / \$100 valuation. As of September 30, 2023, property taxes receivable, net of estimated uncollectible taxes of \$99,925, totaled \$999,253.

Property taxes receivable as of September 30, 2023, were comprised of the following:

<u>Year of Levy</u>	<u>General Fund</u>
2022	\$ 301,745
2021	170,408
2020	108,761
2019	88,586
2018	71,634
Before 2018	<u>258,119</u>
	<u><u>\$ 999,253</u></u>

**ORANGE COUNTY DRAINAGE DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS  
AT AND FOR THE  
YEAR ENDED SEPTEMBER 30, 2023**

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

**C. CAPITAL ASSET ACTIVITY**

Capital asset activity for the District for the year ended September 30, 2023 was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
<b>Governmental activities:</b>				
Land and/or Right-of-Ways	\$ 1,039,498	\$ -	\$ -	\$ 1,039,498
Buildings and Improvements	1,472,657	5,507	-	1,478,164
Furniture and Equipment	6,252,108	914,409	365,593	6,800,924
Vehicles	1,889,931	222,066	83,657	2,028,340
Infrastructure	206,500	-	-	206,500
	<u>10,860,694</u>	<u>1,141,982</u>	<u>449,250</u>	<u>11,553,426</u>
Total capital assets being depreciated				
Less accumulated depreciation				
Buildings and Improvements	433,833	37,509	-	471,342
Furniture and Equipment	4,552,003	793,782	(365,593)	4,980,192
Vehicles	1,098,869	233,471	(83,657)	1,248,683
Construction in Progress	-	-	-	-
Infrastructure	206,500	-	-	206,500
	<u>6,291,205</u>	<u>1,064,762</u>	<u>(449,250)</u>	<u>6,906,717</u>
Total accumulated depreciation				
Total capital assets, being depreciated, net	<u>\$ 4,569,489</u>	<u>\$ 77,220</u>	<u>\$ 898,500</u>	<u>\$ 4,646,709</u>

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

Business-type Activities	
General	<u>\$ 1,064,762</u>
Total Depreciation Expense	<u>\$ 1,064,762</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 TCERS is responsible for the administration of the statewide agent multiple-employer public employee retirement's system consisting of 849 nontraditional defined benefit pension plans. TCERS in the aggregate issues an annual comprehensive financial report (ACFR) on a calendar year basis. The ACFR is available upon written request from TCERS Board of Trustees at PO Box 2034, Austin, Texas 78768-2034.

# ORANGE COUNTY DRAINAGE DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS AT AND FOR THE YEAR ENDED SEPTEMBER 30, 2023

### NOTE 3. DEFINED BENEFIT PENSION PLAN (CONTINUED)

#### *Plan Description (Continued)*

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, 2022, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	40
Inactive employees entitled to but not yet receiving benefits	15
Active employees	<u>62</u>
	<u>117</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 2023 and 2022. The contribution rate payable by the employee members for the calendar years 2023 and 2022 is the rate of 7.0% as adopted by the governing body of the employer.

**Annual Pension Cost.** For the employer's accounting year ended September 30, 2023, the annual pension cost for the TCDRS plan for its employees was a positive \$442,034 due to the decrease in the investment return on the pension asset. The actual contribution was \$523,546.

The required contribution was determined as part of the December 31, 2022 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at December 31, 2022 included (a) 7.5 percent investment rate of return (net of investment expenses) and (b) projected salary increases of 4.7 percent. Both (a) and (b) included an inflation component of 2.5 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.

**ORANGE COUNTY DRAINAGE DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS  
AT AND FOR THE  
YEAR ENDED SEPTEMBER 30, 2023**

**NOTE 3. DEFINED BENEFIT PENSION PLAN (CONTINUED)**

***Net Pension Liability / (Asset)***

	December 31, 2022	December 31, 2021
	<u>                    </u>	<u>                    </u>
Total pension liability	\$21,350,045	\$20,802,041
Fiduciary net position	<u>20,785,189</u>	<u>22,555,671</u>
Net pension liability / (asset)	\$ 564,856	\$(1,753,630)
Fiduciary net position as a % of total pension liability	97.35%	108.43%
Pensionable covered payroll <sup>(1)</sup>	\$ 3,761,610	\$ 3,739,776
Net pension liability as a % of covered payroll	15.02%	-46.89%

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

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

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

***Other Key Actuarial Assumptions***

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

	<u>Beginning Date</u>	<u>Ending Date</u>
Valuation Date	December 31, 2021	December 31, 2022
Measurement Date	December 31, 2021	December 31, 2022
Employer's Fiscal year	October 1, 2022	September 30, 2023

# ORANGE COUNTY DRAINAGE DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS AT AND FOR THE YEAR ENDED SEPTEMBER 30, 2023

### NOTE 3. DEFINED BENEFIT PENSION PLAN (CONTINUED)

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

Valuation Timing	Actuarially determined contribution rates are calculated on a calendar year basis as of December 31, two years prior to the end of the fiscal year in which contributions are reported.
Actuarial Cost Method	Entry Age (level percent of pay) <sup>1</sup>
Amortization Method	
Recognition of economic/ demographic gains or losses	Straight-Line amortization over Expected Working Life
Recognition of assumptions changes or inputs	Straight-Line amortization over Expected Working Life
Asset Valuation Method	
Smoothing Period	5 Years
Recognition Method	Non-asymptotic
Corridor	None
Inflation	2.50%
Salary Increases	4.7%
Investment Rate of Return	7.50% (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	135% of the Pub-2010 General Retirees Table for males and 120% of the Pub-2010 General Retirees Table for females, both projected with 100% of the MP-2021 Ultimate scale after 2010.

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

#### *Actuarial Methods and Assumptions Used for Funding Valuation*

##### *Economic Assumptions*

TCDRS system-wide economic assumptions:

Real rate of return	5.00%
Inflation	2.50%
Long-term investment return	7.50%

**ORANGE COUNTY DRAINAGE DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS  
AT AND FOR THE  
YEAR ENDED SEPTEMBER 30, 2023**

**NOTE 3. DEFINED BENEFIT PENSION PLAN (CONTINUED)**

***Actuarial Methods and Assumptions Used for Funding Valuation (Continued)***

The assumed long-term investment return of 7.5% is net after investment and administrative expenses. It is assumed returns will equal the nominal annual rate of 7.5% 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 3.00% (made up of 2.50% inflation and 0.5% productivity increase assumptions) and a merit, promotion and longevity component that on average approximates 1.7% 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 January 2023 information for a 10-year time horizon.

The valuation assumption for long-term expected return is reassessed in detail at a minimum of every four years, and is set based on a 30-year time horizon. The TCDRS Board of Trustees adopted the current assumptions at their March 2021 meeting. The assumption for the long-term expected return is reviewed annually for continued compliance with the relevant actuarial standards of practice.

# ORANGE COUNTY DRAINAGE DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS AT AND FOR THE YEAR ENDED SEPTEMBER 30, 2023

### NOTE 3. DEFINED BENEFIT PENSION PLAN (CONTINUED)

#### *Long-term Expected Rate of Return (Continued)*

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

(1) Target asset allocation adopted at the March 2023 TCDRS Board Meeting.

(2) Geometric real rates of return equal the expected return minus the assumed inflation of 2.3%, per Cliffwater's 2023 capital market assumptions.

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

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

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

#### **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, 2023

### 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 7.60%. This rate reflects the long-term assumed rate of return on assets for funding purposes of 7.50%, net of all expenses, increased by 0.10% to be gross of administrative expenses.

**ORANGE COUNTY DRAINAGE DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS  
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**NOTE 3. DEFINED BENEFIT PENSION PLAN (CONTINUED)**

***Changes in Net Pension Liability / (Asset)***

	Total Pension Liability <u>(a)</u>	Increase (Decrease) Fiduciary Net Position <u>(b)</u>	Net Pension Liabilities (Asset) <u>(a) - (b)</u>
Balances as of December 31, 2021	\$ 20,802,041	\$ 22,555,671	\$ (1,753,630)
Changes for the year:			
Service cost	545,263	-	545,263
Interest on total pension liability <sup>(1)</sup>	1,577,548	-	1,577,548
Effect on plan changes <sup>(2)</sup>	-	-	-
Effect of economic/demographic gains or losses	(372,621)	-	(372,621)
Effect of assumptions changes or inputs	-	-	-
Refund of contributions	(91,434)	(91,434)	-
Benefit payments	(1,110,752)	(1,110,752)	-
Administrative expenses	-	(12,181)	12,181
Member contributions	-	263,313	(263,313)
Net investment income	-	(1,285,495)	1,285,495
Employer contributions	-	507,895	(507,895)
Other <sup>(3)</sup>	-	(41,829)	41,829
	<u>\$ 21,350,045</u>	<u>\$ 20,785,188</u>	<u>\$ 564,857</u>
Balances as of December 31, 2022	<u>\$ 21,350,045</u>	<u>\$ 20,785,188</u>	<u>\$ 564,857</u>

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

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

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

***Sensitivity Analysis***

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

	1% Decrease 6.60%	Current Discount Rate 7.60%	1% Increase 8.60%
Total pension liability	\$ 24,036,359	\$ 21,350,045	\$ 19,086,254
Fiduciary net position	<u>20,785,188</u>	<u>20,785,188</u>	<u>20,785,189</u>
Net pension liability / (asset)	<u>\$ 3,251,171</u>	<u>\$ 564,857</u>	<u>\$ (1,698,935)</u>

**ORANGE COUNTY DRAINAGE DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS  
AT AND FOR THE  
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**NOTE 3. DEFINED BENEFIT PENSION PLAN (CONTINUED)**

<b>Pension Expense / (Income)</b>	January 1, 2022 to December 31, 2022
Service cost	\$ 545,263
Interest on total pension liability <sup>(1)</sup>	1,577,548
Effect on plan changes	-
Administrative expenses	12,181
Member contributions	(263,313)
Expected investment return net of investment expenses	(1,696,139)
Recognition of deferred inflows/outflows of resources	
Recognition of economic/demographic gains or losses	5,065
Recognition of assumption changes or inputs	171,566
Recognition of investment gains or losses	37,182
Other <sup>(2)</sup>	41,829
	<u>\$ 431,182</u>

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

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

**Deferred inflows and outflows of resources are as follows as of December 31, 2022:**

	Deferred Inflows of Resources	Deferred Outflows of Resources
Differences between expected and actual experience	\$ 315,673	\$ 112,359
Changes of assumption	15,705	530,400
Net difference between projected and actual earnings	-	357,004
	<u>331,378</u>	<u>999,763</u>
Contributions made subsequent to measurement date	N/A	405,629
	<u>\$ 331,378</u>	<u>\$ 1,405,392</u>

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

Year ended December 31:	
2023	\$ (127,567)
2024	96,199
2025	177,953
2026	521,800
2027	-
Thereafter	-

**ORANGE COUNTY DRAINAGE DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS  
AT AND FOR THE  
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**NOTE 3. DEFINED BENEFIT PENSION PLAN (CONTINUED)**

***Payable to the Pension Plan***

At September 30, 2023, the District reported a payable of \$58,447 for the outstanding amount of contributions to the pension plan required for the year ended September 30, 2023.

**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, 2022, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits <sup>(1)</sup>	34
Inactive employees entitled to but not yet receiving benefits	5
Active employees	<u>62</u>
	<u><u>101</u></u>

<sup>(1)</sup> "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, 2023, the annual OPEB cost for the TCERS plan for its employees was \$8,900 and the actual contribution was \$4,140.

**ORANGE COUNTY DRAINAGE DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS  
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**NOTE 4. RETIREE GROUP TERM LIFE PROGRAM (CONTINUED)**

***Total OPEB Liability***

	December 31, <u>2022</u>	December 31, <u>2021</u>
Total OPEB liability	\$ 143,067	\$ 191,159

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, <u>2022</u>	December 31, <u>2021</u>
Discount rate <sup>(1)</sup>	3.72%	2.06%
Long-term expected rate of return, net of investment expenses <sup>(1)</sup>	Does not apply	Does not apply
Municipal bond rate <sup>(1)</sup>	3.72%	2.06%

<sup>(1)</sup> 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, 2022 were based on the results of an actuarial experience study for the period January 1, 2017 – December 31, 2020, except where required to be different by GASB 75. The assumptions are reviewed annually for continued compliance with the relevant actuarial standards of practice.

	<u>Beginning Date</u>	<u>Ending Date</u>
Valuation Date	December 31, 2021	December 31, 2022
Measurement Date	December 31, 2021	December 31, 2022
Employer's Fiscal year	October 1, 2022	September 30, 2023

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

Valuation Timing	Actuarially determined contribution rates are calculated on a calendar year basis as of December 31, two years prior to the end of the fiscal year in which contributions are reported.
Actuarial Cost Method	Entry Age Level Percent of Salary
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

# ORANGE COUNTY DRAINAGE DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS AT AND FOR THE YEAR ENDED SEPTEMBER 30, 2023

### NOTE 4. RETIREE GROUP TERM LIFE PROGRAM (CONTINUED)

#### *Actuarial Methods and Assumptions Used for GASB Calculations (Continued)*

Salary Increases	Does not apply
Investment Rate of Return	3.72% 20 Year Bond GO Index published by bondbuyer.com as of December 31, 2022
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	135% of Pub-2010 General Employees Amount-Weighted Mortality Table for males and 120% Pub-2010 General Employees Amount-Weighted Mortality Table for females, both projected with 100% of the MP-2021 Ultimate scale after 2010.
Service retirees, beneficiaries and non-depositing members	135% of Pub-2010 General Healthy Retirees Amount-Weighted Mortality Table for males and 120% Pub-2010 General Healthy Retirees Amount-Weighted Mortality Tables for females, both projected with 100% of the MP-2021 Ultimate scale after 2010.
Disable retirees	160% of Pub-2010 General Disabled Retirees Amount-Weighted Mortality Table for males and 125% Pub-2010 General Disabled Retirees Amount-Weighted Mortality Table for females, both projected with 100% of the MP-2021 Ultimate scale after 2010.
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 3.72% based on the 20 Year Bond GO Index published by bondbuyer.com is used as of the measurement date of December 31, 2022.

**ORANGE COUNTY DRAINAGE DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS  
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**NOTE 4. RETIREE GROUP TERM LIFE PROGRAM (CONTINUED)**

***Changes in Total OPEB Liability / (Asset)***

	Changes in Total OPEB Liability
	<u>                    </u>
Balances as of December 31, 2021	\$ 191,159
Changes for the year:	
Service cost	6,072
Interest on total OPEB liability <sup>(1)</sup>	4,013
Changes in benefit terms <sup>(2)</sup>	-
Effect of economic/demographic experience	(8,393)
Effect of assumptions changes or inputs <sup>(3)</sup>	(44,894)
Benefit payments	(4,890)
Other	<u>-</u>
Balances as of December 31, 2022	<u>\$ 143,067</u>

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

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

<sup>(3)</sup> Reflects change in discount rate.

***Sensitivity Analysis***

The following table shows the Total OPEB Liability of the employer, calculated using the discount rate of 3.72%, 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 percentage point lower (2.72%) or 1 percentage point higher (4.72%) 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	Current	1% Increase
	<u>2.72%</u>	<u>Discount Rate</u>	<u>4.72%</u>
		3.72%	
Total OPEB liability	\$ 167,953	\$ 143,067	\$ 123,288

**ORANGE COUNTY DRAINAGE DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS  
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**NOTE 4. RETIREE GROUP TERM LIFE PROGRAM (CONTINUED)**

<b>OPEB Expense / (Income)</b>	<u>January 1, 2022 to December 31, 2022</u>
Service cost	\$ 6,072
Interest on total OPEB liability <sup>(1)</sup>	4,013
Effect on plan changes	-
Recognition of deferred inflows/outflows of resources	
Recognition of economic/demographic gains or losses	(962)
Recognition of assumption changes or inputs	(224)
Other	<u>-</u>
OPEB expense / (income)	<u>\$ 8,899</u>

<sup>(1)</sup> 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, 2022:**

	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>
Differences between expected and actual experience	\$ 9,723	\$ 970
Changes of assumption	<u>39,774</u>	<u>23,725</u>
	49,497	24,695
Contributions made subsequent to measurement date	<u>N/A</u>	<u>3,005</u>
	<u>\$ 49,497</u>	<u>\$ 27,700</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:	
2023	\$ (2,451)
2024	(1,063)
2025	(6,203)
2026	(6,203)
2027	(8,882)
Thereafter	-

# ORANGE COUNTY DRAINAGE DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS AT AND FOR THE YEAR ENDED SEPTEMBER 30, 2023

### 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 \$2,900,000 classified as assigned for drainage projects and \$700,000 assigned for administrative building.
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 \$6,713,199 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.

# ORANGE COUNTY DRAINAGE DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS AT AND FOR THE YEAR ENDED SEPTEMBER 30, 2023

### 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. On April 22, 2021, the Texas Water Development Board also approved the District's Project No. 40019 for \$1,500,000, which was deposited into the same escrow account. 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 \$1,611,637 is shown as restricted investment and unearned revenue at September 30, 2023. Project activity for the year ended September 30, 2023 is shown below:

Escrow balance 10/01/2022	\$2,014,302
Interest Income	78,379
Additional funds received	-
Project milestones transferred to the District	<u>(481,044)</u>
	<u>\$1,611,637</u>

### NOTE 8. SUBSCRIPTION-BASED INFORMATION TECHNOLOGY ARRANGEMENTS

The District has several arrangements subject to the requirements of GASB Statement No. 96 *Subscription-Based Information Technology Arrangements* (SBITA's). These arrangements can be described in groups – those used for administrative purposes. The District makes monthly and annual payments and the agreements are for varying terms. The SBITA liability is the present value of these payments using the district's incremental borrowing rate of 7%. The liability is amortized providing the principal and interest components of the payments over the SBITA term. The SBITA asset is measured as the SBITA liability plus any capitalized expenditures incurred in the initial implementation state. The SBITA asset is depreciated (amortized) using a straight-line depreciation method over the term of the SBITA arrangement. There were no outflows of resources paid for the SBITA arrangements during the current fiscal year. There were no additional commitments made before the commencement of the SBITA terms. There were no impairments or modifications to be reported during this fiscal year.

SBITA assets and accumulated amortization at September 30, 2023, was as follows:

	Terms In Months	Total Asset Amount	Accumulated Amortization	Remaining Value
<b>Governmental Funds:</b>				
Administrative	7-60	\$ 41,158	\$ (9,221)	\$ 31,937

**ORANGE COUNTY DRAINAGE DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS  
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**NOTE 8. SUBSCRIPTION-BASED INFORMATION TECHNOLOGY ARRANGEMENTS (CONTINUED)**

SBITA liability activity for the year ended September 30, 2023 was as follows:

	Terms In Months	Interest Rate	Beginning Liability	Additions	Reductions	Endng Liability	Due Within One Year
<b>Governmental Funds:</b>							
Administrative	7-60	7%	\$ -	\$ 41,158	\$ (7,420)	\$ 33,738	\$ 7,824

Annual principal and interest requirements to maturity for the SBITA liability are as follows:

Year Ended September 30	SBITA Liabilities		
	Principal	Interest	Total
2024	\$ 7,824	\$ 9,233	\$ 17,057
2025	6,855	6,851	13,706
2026	6,712	6,304	13,016
2027	5,215	4,656	9,871
2028	5,592	4,656	10,248
2029	1,540	1,237	2,777
	<u>\$ 33,738</u>	<u>\$ 32,937</u>	<u>\$ 66,675</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, 2023 were \$20,943.

Taxes were abated on a single commercial facility during 2023, in the total amount of \$790.

On July 14, 2020, the District executed a Tax Abatement Agreement with Chevron Phillips Chemical Company LP ("CP Chem"), whereby the District agreed that it shall provide a ten-year tax abatement to CP Chem provided that CP Chem constructs a world scale ethylene cracker, and other facilities described in the Tax Abatement Agreement on or before January 1, 2024.

On January 12, 2021, the District executed a Tax Abatement Agreement with Optimus Steel, LLC ("Optimus"), whereby the District agreed that it shall provide a six-year tax abatement to Optimus pertaining to the expansion of an existing manufacturing space to accommodate a new steel wire product line.

**REQUIRED SUPPLEMENTARY INFORMATION**

## ORANGE COUNTY DRAINAGE DISTRICT

### BUDGETARY COMPARISON SCHEDULE - GENERAL FUND FOR THE YEAR ENDED SEPTEMBER 30, 2023

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>				
Property taxes	\$ 9,969,785	\$ 9,969,785	\$ 10,055,683	\$ 85,898
Investment earnings	40,000	207,057	436,128	229,071
Sale of fixed assets	80,000	80,000	91,916	11,916
Grant revenue	-	-	2,019,649	2,019,649
Other revenue	25,000	151,839	126,997	(24,842)
<b>Total revenues</b>	<u>10,114,785</u>	<u>10,408,681</u>	<u>12,730,373</u>	<u>2,321,692</u>
<b>EXPENDITURES</b>				
Current				
Personnel	4,354,432	4,354,432	4,201,543	152,889
Employee benefits	1,778,977	1,778,977	1,587,939	191,038
Supplies	649,000	649,000	517,841	131,159
Maintenance	344,500	344,500	233,669	110,831
Fees for tax appraisal and collection	145,000	145,000	145,087	(87)
Professional fees	335,400	335,400	337,294	(1,894)
Outside services	146,500	146,500	93,295	53,205
Administrative expenses	467,850	470,850	361,157	109,693
Orange County levee project	-	-	1,055,834	(1,055,834)
Capital outlay	986,481	1,283,425	1,141,981	141,444
TWDB Relief Ditch	-	-	810,993	(810,993)
<b>Total operations</b>	<u>9,208,140</u>	<u>9,508,084</u>	<u>10,486,633</u>	<u>(978,549)</u>
Excess of revenues over (under) expenditures	906,645	900,597	2,243,740	1,343,143
Fund Balance, beginning of year	<u>8,069,459</u>	<u>8,069,459</u>	<u>8,069,459</u>	<u>-</u>
Fund Balance, end of year	<u>\$ 8,976,104</u>	<u>\$ 8,970,056</u>	<u>\$ 10,313,199</u>	<u>\$ 1,343,143</u>

## ORANGE COUNTY DRAINAGE DISTRICT

### SCHEDULE OF CHANGES IN EMPLOYER'S NET PENSION LIABILITY AND RELATED RATIOS FOR THE YEAR ENDED SEPTEMBER 30, 2023

	Year-Ended December 31, 2022	Year-Ended December 31, 2021	Year-Ended December 31, 2020
<b>Total Pension Liability</b>			
Service cost	\$ 545,263	\$ 517,789	\$ 440,865
Interest on total pension liability	1,577,548	1,501,614	1,448,532
Effect of plan changes	-	-	-
Effect of assumption changes or inputs	-	(26,175)	1,060,803
Effect of economic/demographic (gains) or losses	(372,621)	129,387	(35,150)
Benefit payments/refunds of contributions	<u>(1,202,186)</u>	<u>(1,101,550)</u>	<u>(1,130,627)</u>
Net changes in total pension liability	548,004	1,021,065	1,784,423
Total pension liability, beginning	<u>20,802,041</u>	<u>19,780,976</u>	<u>17,996,553</u>
Total pension liability, ending (a)	<u>\$ 21,350,045</u>	<u>\$ 20,802,041</u>	<u>\$ 19,780,976</u>
<b>Fiduciary Net Position</b>			
Employer contributions	\$ 507,895	\$ 504,870	\$ 438,848
Member contributions	263,313	261,784	227,550
Investment income net of investment expenses	(1,285,495)	4,093,850	1,806,573
Benefit payments/refunds of contributions	(1,202,186)	(1,101,550)	(1,130,627)
Administrative expenses	(12,181)	(12,203)	(13,766)
Other	<u>(41,829)</u>	<u>(4,307)</u>	<u>(12,003)</u>
Net change in fiduciary net position	(1,770,483)	3,742,444	1,316,575
Fiduciary net position, beginning	<u>22,555,671</u>	<u>18,813,227</u>	<u>17,496,652</u>
Fiduciary net position, ending (b)	<u>\$ 20,785,188</u>	<u>\$ 22,555,671</u>	<u>\$ 18,813,227</u>
Net pension liability / (asset), ending = (a) - (b)	<u>\$ 564,857</u>	<u>\$ (1,753,630)</u>	<u>\$ 967,749</u>
Fiduciary net position as a % of total pension liability	97.35%	108.43%	95.11%
Pensionable covered payroll	\$ 3,761,610	\$ 3,739,776	\$ 3,250,720
Net pension liability as a % of covered payroll	15.02%	-46.89%	29.77%

Year-Ended December 31, 2019	Year-Ended December 31, 2018	Year-Ended December 31, 2017	Year-Ended December 31, 2016	Year-Ended December 31, 2015	Year-Ended December 31, 2014
\$ 384,709	\$ 373,363	\$ 391,633	\$ 320,710	\$ 330,642	\$ 307,661
1,373,557	1,304,065	1,256,717	1,164,286	1,119,478	1,041,498
-	-	-	-	(37,534)	-
-	-	(234)	-	99,760	-
173,630	124,216	(223,294)	129,171	(251,976)	152,325
<u>(996,857)</u>	<u>(914,865)</u>	<u>(732,685)</u>	<u>(683,175)</u>	<u>(660,868)</u>	<u>(503,296)</u>
935,039	886,779	692,136	930,991	599,501	998,188
<u>17,061,514</u>	<u>16,174,735</u>	<u>15,482,598</u>	<u>14,551,607</u>	<u>13,952,106</u>	<u>12,953,918</u>
<u>\$ 17,996,553</u>	<u>\$ 17,061,514</u>	<u>\$ 16,174,735</u>	<u>\$ 15,482,598</u>	<u>\$ 14,551,607</u>	<u>\$ 13,952,106</u>
\$ 426,073	\$ 395,824	\$ 385,725	\$ 344,666	\$ 295,751	\$ 388,022
220,927	205,242	200,006	178,702	153,126	154,851
2,520,885	(301,277)	2,054,159	980,589	(109,631)	857,458
(996,857)	(914,865)	(732,685)	(683,175)	(660,868)	(503,296)
(13,333)	(12,328)	(10,630)	(10,641)	(9,649)	(10,123)
<u>(9,541)</u>	<u>(7,743)</u>	<u>(2,070)</u>	<u>44,876</u>	<u>(18,839)</u>	<u>13,342</u>
2,148,154	(635,147)	1,894,505	855,017	(350,110)	900,253
<u>15,348,498</u>	<u>15,983,645</u>	<u>14,089,140</u>	<u>13,234,122</u>	<u>13,584,232</u>	<u>12,683,978</u>
<u>\$ 17,496,652</u>	<u>\$ 15,348,498</u>	<u>\$ 15,983,645</u>	<u>\$ 14,089,140</u>	<u>\$ 13,234,122</u>	<u>\$ 13,584,232</u>
<u>\$ 499,901</u>	<u>\$ 1,713,016</u>	<u>\$ 191,090</u>	<u>\$ 1,393,459</u>	<u>\$ 1,317,485</u>	<u>\$ 367,874</u>
97.22%	89.96%	98.82%	91.00%	90.95%	97.36%
\$ 3,156,096	\$ 2,932,033	\$ 2,857,224	\$ 2,552,892	\$ 2,187,517	\$ 2,212,160
15.84%	58.42%	6.69%	54.58%	60.23%	16.63%

**ORANGE COUNTY DRAINAGE DISTRICT**

**SCHEDULE OF EMPLOYER CONTRIBUTIONS  
AT AND FOR THE  
YEAR ENDED SEPTEMBER 30, 2023**

<u>Year Ending December 31,</u>	<u>Actuarially Determined Contribution <sup>(1)</sup></u>	<u>Actual Employer Contribution <sup>(1)</sup></u>	<u>Contribution Deficiency (Excess)</u>	<u>Pensionable Covered Payroll <sup>(2)</sup></u>	<u>Actual Contribution as a % of Covered Payroll</u>
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	(31,715)	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%
2020	390,086	438,848	(48,762)	3,250,720	13.5%
2021	428,578	504,870	(76,292)	3,739,776	13.5%
2022	471,330	507,895	(36,565)	3,761,610	13.5%

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

<sup>(2)</sup> Payroll is calculated based on 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, 2023

	Year-Ended December 31, 2022	Year-Ended December 31, 2021	Year-Ended December 31, 2020	Year-Ended December 31, 2019	Year-Ended December 31, 2018	Year-Ended December 31, 2017
Total OPEB Liability						
Service cost	\$ 6,072	\$ 5,573	\$ 4,395	\$ 2,830	\$ 3,546	\$ 3,241
Interest on total OPEB liability	4,013	4,002	4,542	5,310	4,608	4,604
Effect of plan changes	-	-	-	-	-	-
Effect of assumption changes or inputs	(44,894)	3,417	18,635	32,403	(14,182)	5,934
Effect of economic/demographic (gains) or losses	(8,393)	(2,587)	(858)	(1,543)	5,815	1,674
Benefit payments/refunds of contributions	<u>(4,890)</u>	<u>(4,862)</u>	<u>(4,876)</u>	<u>(3,787)</u>	<u>(3,225)</u>	<u>(4,000)</u>
Net changes in total OPEB liability	(48,092)	5,543	21,838	35,213	(3,438)	11,453
Total OPEB liability, beginning	<u>191,159</u>	<u>185,616</u>	<u>163,778</u>	<u>128,565</u>	<u>132,003</u>	<u>120,550</u>
Total OPEB liability, ending	<u>\$ 143,067</u>	<u>\$ 191,159</u>	<u>\$ 185,616</u>	<u>\$ 163,778</u>	<u>\$ 128,565</u>	<u>\$ 132,003</u>
Pensionable covered payroll	\$ 3,761,610	\$ 3,739,776	\$ 3,250,720	\$ 3,156,096	\$ 2,932,033	\$ 2,857,224
Net OPEB liability as a % of covered payroll	3.80%	5.11%	5.71%	5.19%	4.38%	4.62%

**TEXAS SUPPLEMENTARY INFORMATION**

**ORANGE COUNTY DRAINAGE DISTRICT**

**SCHEDULE OF GENERAL FUND EXPENDITURES  
FOR THE YEAR ENDED SEPTEMBER 30, 2023**

Personnel expenditures (including benefits)*	\$ 5,753,482
Professional fees	
Auditing	16,000
Bookkeeping	18,000
Consultant	12,000
Legal	122,889
Engineering	164,564
Contracted services	
Tax collector	153,628
Other contracted services	79,907
Utilities	26,797
Repairs and maintenance	233,669
Administrative expenditures	
Directors fees	36,200
Supplies	517,841
Insurance	144,188
Office equipment	16,088
Portable building lease	9,727
Other administrative expenditures	172,845
Capital outlay	
Capital assets	1,141,981
Expenditures not capitalized	-
Other expenditures	
Orange County levee project	1,055,834
TWDB Relief Ditch	<u>810,993</u>
Total expenditures	<u><u>\$ 10,486,633</u></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, 2023**

<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	\$ 6,370,474	-
TexPool	449/1813100004	Various	Various	527,168	-
TexPool	449/1813100005	Various	Various	677,668	-
TexPool	449/1813100006	Various	Various	1,084,469	-
TexPool	449/1813100007	Various	Various	250,403	-
UBS - Financial Services	08141	Various	Various	3,044,656	-

# ORANGE COUNTY DRAINAGE DISTRICT

## SCHEDULE OF TAXES LEVIED AND RECEIVABLE FOR THE YEAR ENDED SEPTEMBER 30, 2023

	Maintenance Taxes			
Taxes receivable, beginning of year	\$ 912,409			
Adjustments	(38,786)			
Adjusted Receivable	873,623			
2022 original tax levy	10,071,945			
Adjustments	(55,088)			
Adjusted 2022 tax levy	10,016,857			
Total to be accounted for	\$ 10,890,480			
Tax collections:				
Current year	\$ 9,715,112			
Prior years	176,115			
Total collections	9,891,227			
Taxes receivable, end of year	\$ 999,253			
Taxes receivable by year				
2022	\$ 301,745			
2021	170,408			
2020	108,761			
2019	88,586			
2018	71,634			
Before 2018	258,119			
Taxes receivable, end of year	\$ 999,253			
		2022	2021	2020
Property valuations				2019
Land	\$ 778,821,377	\$ 909,014,626	\$ 898,289,987	\$ 893,046,105
Improvements	7,340,811,313	6,493,340,361	6,015,620,093	5,799,769,444
Personal property	1,506,952,682	1,316,803,959	1,374,189,542	1,403,287,552
Less: exemptions	(2,115,814,456)	(2,086,666,437)	(2,023,728,657)	(2,045,750,323)
Total property valuations	\$ 7,510,770,916	\$ 6,632,492,509	\$ 6,264,370,965	\$ 6,050,352,778
Tax rate per \$100 valuations:				
Maintenance tax rates †	0.13410	0.13410	0.13670	0.13160
Original tax levy	\$ 10,071,945	\$ 8,894,309	\$ 8,563,713	\$ 7,962,304
Percent of taxes collected to taxes levied ‡	97%	97%	97%	97%

† Maximum Tax Rate Approved by Voters: \$0.13410 per \$100 of taxable value on 08/16/2022

‡ 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, 2023

	Amounts				
	2023	2022	2021	2020	2019
<b>GENERAL FUND:</b>					
<b>REVENUES:</b>					
Property taxes	\$ 10,055,683	\$ 8,997,493	\$ 8,471,211	\$ 7,894,678	\$ 7,626,945
Other income	126,997	72,251	33,328	10,812	244,507
Gain on disposal of assets	91,916	151,924	100,412	108,782	83,337
Interest on time deposits	436,128	30,967	9,312	125,969	231,199
Grant revenue	2,019,649	1,051,408	17,158,823	574,035	769,443
	<u>12,730,373</u>	<u>10,304,043</u>	<u>25,773,086</u>	<u>8,714,276</u>	<u>8,955,431</u>
<b>EXPENDITURES:</b>					
Administrative expense	361,157	354,551	390,650	340,650	398,645
Professional fees	337,294	253,938	311,491	375,848	205,433
Outside services	93,295	104,987	98,678	161,011	169,288
Payroll	5,789,482	5,628,294	5,676,420	4,987,373	4,806,628
Material and supplies	517,841	572,131	366,349	321,719	351,966
Repairs and maintenance	233,669	249,159	263,140	257,513	248,614
Fees for tax appraisal and collection	145,087	140,104	127,968	116,324	92,248
NRCS Project	-	-	1,277,871	548,048	571,878
Capital outlay	1,141,981	918,543	1,148,623	1,567,883	1,367,992
Orange County Levee Project	1,055,834	1,016,679	15,782,601	-	-
TWDB Relief Ditch	810,993	-	-	-	-
	<u>10,486,633</u>	<u>9,238,386</u>	<u>25,443,791</u>	<u>8,676,369</u>	<u>8,212,692</u>
<b>EXCESS REVENUES OVER (UNDER) EXPENDITURES</b>	<u>\$ 2,243,740</u>	<u>\$ 1,065,657</u>	<u>\$ 329,295</u>	<u>\$ 37,907</u>	<u>\$ 742,739</u>

Percent of Total Fund Revenues				
<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
79.0%	87.3%	32.9%	90.6%	85.2%
1.0%	0.7%	0.1%	0.1%	2.7%
0.8%	1.6%	0.5%	1.3%	0.9%
3.4%	0.3%	0.0%	1.4%	2.6%
<u>15.9%</u>	<u>10.2%</u>	<u>66.6%</u>	<u>6.6%</u>	<u>8.6%</u>
<u>100.1%</u>	<u>100.1%</u>	<u>100.1%</u>	<u>100.0%</u>	<u>100.0%</u>
2.8%	3.4%	1.5%	3.9%	4.5%
2.6%	2.5%	1.2%	4.3%	2.3%
0.7%	1.0%	0.4%	1.8%	1.9%
45.5%	54.6%	22.0%	57.2%	53.7%
4.1%	5.6%	1.4%	3.7%	3.9%
1.8%	2.4%	1.0%	3.0%	2.8%
1.1%	1.4%	0.5%	1.3%	1.0%
0.0%	0.0%	5.0%	6.3%	6.4%
9.0%	8.9%	4.5%	18.0%	15.3%
8.3%	9.9%	61.2%	0.0%	0.0%
<u>6.4%</u>	<u>0.0%</u>	<u>0.0%</u>	<u>0.0%</u>	<u>0.0%</u>
<u>82.3%</u>	<u>89.7%</u>	<u>98.7%</u>	<u>99.5%</u>	<u>91.8%</u>
<u>17.8%</u>	<u>10.4%</u>	<u>1.4%</u>	<u>0.5%</u>	<u>8.2%</u>

# ORANGE COUNTY DRAINAGE DISTRICT

## SCHEDULE OF BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS FOR THE YEAR ENDED SEPTEMBER 30, 2023

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: October 31, 2023  
(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)

Name	Term of Office (Elected or Appointed) or Date Hired	Fees of Office Paid * 09/30/2023	Expense Reimbursements 09/30/2023	Title at Year-End
<b>Board Members</b>				
Brent Peveto	Elected 05/14 - 04/26	\$ 7,200	\$ -	President / Director
Hal LaPray	Elected 05/14 - 04/26	7,200	-	Vice-President Director
Russell Covington	Elected 06/18 - 04/26	7,200	-	Director
Larry Ancelot, Jr.	Elected 11/20 - 04/24	7,200	-	Director
James Scales	Elected 11/20 - 04/24	7,200	1,018	Secretary/Treasurer Director
<b>Key Administrative Personnel</b>				
Don Carona	08/01/16	203,037	4,944	Exec Manager Spec Proj
Neal Ford	09/01/90	133,789	1,809	General Manager
Doug Manning	03/17/21	95,841	1,725	Asst GM
<b>Consultants</b>				
Dies Law Firm	**	24,000	134,349	Attorney
Keri Michutka, CPA	**	18,000	-	Accountant
UBS Financial Services, Inc.	**	Various	-	Finance Manager
Wathen, Deshong & Juncker, LLP	**	16,000	-	Auditor
J.S. Edwards & Sherlock	**	12,000	-	Insurance Consultant
Arceneaux, Wilson and Cole	**	164,916	-	Engineer
LJA Engineer	**	1,488,751	-	Engineer
Tidewater Professional Services, LLP	**	78,937	-	Engineer
Tidal Basin	**	5,365	-	Grant Administrator
Traylor and Associates	**	9,085	-	Grant Administrator
Ron Lewis	**	42,000	-	Consultant
Ray Russo	**	142,436	-	Consultant
Orange County Treasurer	Annually	8,541	-	Treasurer
Orange County Appraisal District	Annually	145,087	-	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  
Allen W. Fehnel, CPA



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

December 11, 2023

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

To the Board of Directors  
Orange County 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 (*Governmental Auditing Standards*), 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, 2023, 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 11, 2023.

**Report on 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.

Board of Directors  
Orange County Drainage District  
Page 2  
December 11, 2023

**Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the 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