

ORANGE COUNTY DRAINAGE DISTRICT

AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2024

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ANNUAL FILING AFFIDAVIT

THE STATE OF TEXAS §

COUNTY OF ORANGE §

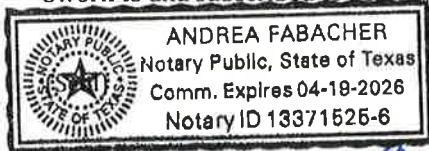
I, James Scales of the Orange County Drainage District hereby swear, or affirm, that the District named above has reviewed and approved at a meeting of the Board of Directors of the District on the 10th day of December, 2024 its annual report for the fiscal year or period ended September 30, 2024 and that copies of the annual audit have been filed in the District Office, located at 8081 Old Hwy 90, Orange, Texas 77630. The annual filing affidavit and the attached copy of the annual audit report are being submitted to the Texas Commission on Environmental Quality in satisfaction of all annual filing requirements within Section 49.194 of the Texas Water Code.

Date: December 10th, 2024

By: James Scales
(Signature of District Representative)

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

Sworn to and subscribed to before me this 10th day of December, 2024.



Andrea Fabacher
(Signature of Notary)

My Commission expires on April 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 10, 2024

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, 2024, 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 and the general fund of the District, as of September 30, 2024, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 42; and the Schedule of Changes in Total OPEB Liability and Related Ratios on page 43 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 44 through 48 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 10, 2024, 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, 2024. 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 \$19,383,544 at September 30, 2024.
- The District's total net position increased \$3,780,397.
- At the end of the current fiscal year, in the general fund, assigned fund balance for drainage projects was \$4,100,000, assigned fund balance for administrative building was \$1,000,000, and unassigned fund balance was \$8,094,349.
- 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 43.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position of the District's governmental activities increased from \$15,603,147 to \$19,383,544 or a net increase of \$3,780,397. This increase in governmental assets was the result of revenues exceeding expenditures for the fiscal year ending September 30, 2024.

Table A-1
The District's Net Position

	Governmental Activities		Total %
	2024	2023	Change
Current and Other Assets	\$ 16,251,816	\$ 13,781,409	17.9%
Pension asset	703,382	-	n/a
Capital Assets	4,834,110	4,678,646	3.3%
Total Assets	21,789,308	18,460,055	18.0%
Deferred Outflow of Resources	931,954	1,433,092	-35.0%
Current Liabilities	300,221	329,974	-9.0%
Long Term Liabilities	2,505,212	3,579,151	-30.0%
Total Liabilities	2,805,433	3,909,125	-28.2%
Deferred Inflow of Resources	532,285	380,875	39.8%
Net Position:			
Invested in Capital Assets	4,834,110	4,678,646	3.3%
Unrestricted	14,549,434	10,924,501	33.2%
Total Net Position	\$ 19,383,544	\$ 15,603,147	24.2%

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

	Governmental Activities		Total %
	2024	2023	Change
Revenues			
<u>General Revenues</u>			
Maintenance and Operations Taxes	\$ 11,295,906	\$ 9,978,485	13.2%
Penalty and Interest	227,410	162,504	39.9%
Miscellaneous Revenue	47,704	126,997	-62.4%
Gain on Disposal of Capital Assets	313,703	91,916	241.3%
Investment Earnings	741,256	436,128	70.0%
Grant Proceeds	972,711	2,019,649	-51.8%
Total Revenues	<u>13,598,690</u>	<u>12,815,679</u>	6.1%
Expenses			
General Governmental	<u>9,818,293</u>	<u>10,375,210</u>	-5.4%
Total Expenses	<u>9,818,293</u>	<u>10,375,210</u>	-5.4%
Increase (decrease) in Net Position	3,780,397	2,440,469	54.9%
Beginning Net Position	<u>15,603,147</u>	<u>13,162,678</u>	18.5%
Ending Net Position	<u>\$ 19,383,544</u>	<u>\$ 15,603,147</u>	24.2%

The District's total revenues were \$13,598,690. The total cost of all governmental activities this year was \$9,818,293. The amount of revenue utilized for these activities through property taxes (including Penalty and Interest) was \$11,523,316 or 84.7% of total revenue.

THE DISTRICT FUNDS

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

As of the end of the current fiscal year, the District's governmental fund reported an ending fund balance of \$13,194,349. 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, 2024, actual revenues were \$1,768,181 above budgeted amounts due to the receipt of grants and increased investment earnings.

Actual expenditures were \$352,997 below final budget amounts. The most significant variances were Employee benefits were under budget by \$395,874 and Supplies were under budget by \$249,381.

DEBT ADMINISTRATION AND CAPITAL ASSETS

Debt

At year-end, the District remains debt free.

Capital Assets

At the end of fiscal year 2024, the District had \$11.99 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 \$399,329 or 3.4% above last year.

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

	<u>Governmental Activities</u>		<u>Total % Change</u>
	<u>2024</u>	<u>2023</u>	
Land and/or Right-of-Ways	\$ 1,039,498	\$ 1,039,498	0.0%
Buildings and Improvements	1,498,939	1,478,164	1.4%
Furniture and Equipment	7,232,092	6,800,924	6.3%
Vehicles	1,979,478	2,028,340	-2.4%
Infrastructure	206,500	206,500	0.0%
Subscription Assets	<u>37,406</u>	<u>41,158</u>	-9.1%
Totals at Historical Cost	11,993,913	11,594,584	3.4%
Total Accumulated Depreciation	<u>(7,159,803)</u>	<u>(6,906,717)</u>	3.7%
Net Capital Assets	<u>\$ 4,834,110</u>	<u>\$ 4,687,867</u>	3.1%

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The District's elected and appointed officials considered many factors when setting the fiscal year 2024/2025 budget tax rate. On September 10, 2024, the Board adopted a tax rate of \$0.13410 per \$100 valuation. Revenues are budgeted at \$12,067,285 and expenditures are budgeted at \$11,007,717 for the fiscal year 2024/2025 resulting in a projected increase of \$1,059,568 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 funds 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 87th 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, 2024, the GCPD provided the District the total sum of \$445,000, all of which was obtained by the GCPD from the legislative appropriation to the GLO in Senate Bill 1, 87th 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, 2024

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 347,534
Investments	12,847,242
Other receivable	284,390
Property taxes receivable	1,143,359
Allowance for uncollectible taxes	(114,336)
Restricted investment - TWDB grant	1,355,859
Restricted investment - Orange County Levee Project	387,768
Pension asset	703,382
Capital assets:	
Land improvements	1,039,498
Buildings, net	988,594
Furniture and equipment, net	2,165,119
Vehicles, net	617,195
SBITA asset, net	23,704
Total assets	<u>21,789,308</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to TCDRS pension	905,005
Deferred outflows related to TCDRS OPEB	26,949
Total deferred outflows of resources	<u>931,954</u>
LIABILITIES	
Accounts payable and other current liabilities	300,221
OPEB liability	153,125
SBITA liability	25,914
Compensated absences	582,545
Unearned revenue	1,743,628
Total liabilities	<u>2,805,433</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows related to TCDRS pension	489,803
Deferred inflows related to OPEB	42,482
Total deferred inflows of resources	<u>532,285</u>
NET POSITION	
Invested in capital assets, net of related debt	4,834,110
Unrestricted net position	14,549,434
Total net position	<u>\$ 19,383,544</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, 2024

Functions / Programs	Expenses	Program Revenues		Net (Expense)
		Charges for Services	Operating Grants and Contributions	Revenue and Change in Net Position
Governmental Activities:				Primary Governmental Activities
Personnel	\$ 4,514,951	\$ -	\$ -	\$ (4,514,951)
Employee benefits	1,535,144	-	-	(1,535,144)
Supplies	422,619	-	-	(422,619)
Maintenance	226,091	-	-	(226,091)
Fees for tax appraisal and collection	160,061	-	-	(160,061)
Professional fees	244,460	-	-	(244,460)
Outside services	94,530	-	-	(94,530)
Administrative expenses	321,900	-	-	(321,900)
Orange County levee project	507,158	-	566,729	59,571
Depreciation and amortization	1,180,691	-	-	(1,180,691)
HMGP Bessie Heights Project	12,688	-	17,569	4,881
TWDB Relief Ditch	598,000	-	388,413	(209,587)
Total primary government	<u>\$ 9,818,293</u>	<u>\$ -</u>	<u>\$ 972,711</u>	<u>(8,845,582)</u>
Taxes:				
Property taxes, levied for general purposes				11,523,316
Miscellaneous revenue				47,704
Gain on disposal of capital assets				313,703
Investment earnings				741,256
Total general revenues				<u>12,625,979</u>
Change in net position				3,780,397
Net position - beginning				<u>15,603,147</u>
Net position - ending				<u>\$ 19,383,544</u>

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

GOVERNMENTAL FUND FINANCIAL STATEMENTS

ORANGE COUNTY DRAINAGE DISTRICT

BALANCE SHEET GOVERNMENTAL FUNDS SEPTEMBER 30, 2024

	<u>General Fund</u>
ASSETS	
Cash and cash equivalents	\$ 347,534
Investments - current - Texpool and CDs	12,847,242
Other receivable	284,390
Taxes receivable	1,143,359
Allowance for Uncollectible Taxes	(114,336)
Restricted investment - TWDB grant	1,355,859
Restricted investment - Orange County Levee Project	<u>387,768</u>
Total assets	<u>\$ 16,251,816</u>
LIABILITIES	
Accounts payable	\$ 132,139
Wages and salaries payable	168,082
Unearned revenue - TWDB grant	1,355,859
Unearned revenue - Orange County Levee Project	<u>387,769</u>
Total liabilities	<u>2,043,849</u>
DEFERRED INFLOWS OF RESOURCES	
Unavailable revenue - property taxes	<u>1,013,618</u>
FUND BALANCES	
Assigned fund balance - drainage projects	4,100,000
Assigned fund balance - administrative building	1,000,000
Unassigned fund balance	<u>8,094,349</u>
Total fund balances	<u>13,194,349</u>
Total liabilities, deferred inflows, and fund balances	<u>\$ 16,251,816</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, 2024

Total Fund Balance - Governmental Funds Balance Sheet	\$ 13,194,349
Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds.	4,834,110
Property taxes receivable are not available to pay for current period expenditures and, therefore, are shown as unearned in the funds.	1,013,618
Included in the asset section is the recognition of the District's proportionate share of a net pension asset required by GASB 68 in the amount of \$703,382.	703,382
Other long-term liabilities which are not due and payable in the current period and, therefore, are not reported in the funds. (Compensated absences)	(582,545)
SBITA obligations are not due and payable in the current period and, therefore, are not reported in the funds.	(25,914)
Included in the liability section is the recognition of a Deferred Resource Outflow and Inflow related to TCDRS in the amounts of \$905,005 and \$489,803, respectively. These balances represent an increase in Net Position.	415,202
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 \$153,125, a Deferred Resource Outflow and Inflow related to TCDRS in the amounts of \$26,949 and \$42,482, respectively. These balances represent a decrease in Net Position.	<u>(168,658)</u>
Net Position of Governmental Activities - Statement of Net Position	<u>\$ 19,383,544</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, 2024

	<u>General Fund</u>
REVENUES:	
Property taxes	\$ 11,358,631
Miscellaneous	47,704
Proceeds from disposal of capital assets	315,774
Investment earnings	741,256
Grant revenue	<u>972,711</u>
Total revenue	<u>13,436,076</u>
EXPENDITURES:	
Current	
General government	
Personnel	4,480,590
Employee benefits	2,140,778
Supplies	422,619
Maintenance	226,091
Fees for tax appraisal and collection	160,061
Professional fees	244,460
Outside services	94,530
Administrative expenses	329,724
Orange County Levee Project	507,158
HMGP Bessie Heights Project	12,688
TWDB Relief Ditch	598,000
Capital outlay	<u>1,338,227</u>
Total expenditures	<u>10,554,926</u>
NET CHANGE IN FUND BALANCE	2,881,150
FUND BALANCE - BEGINNING OF YEAR	<u>10,313,199</u>
FUND BALANCE - END OF YEAR	<u><u>\$ 13,194,349</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, 2024

Total Net Change in Fund Balances - Governmental Funds		\$ 2,881,150
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	\$ 1,338,227	155,464
Depreciation expense	(1,180,691)	
Loss on disposal of capital assets	(2,072)	
Property tax revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
		164,685
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)		
		(34,361)
Changes to net pension liability/asset 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.		
		609,427
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.		
		(3,792)
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>7,824</u>
Change in Net Position of Governmental Activities - Statement of Activities		<u>\$ 3,780,397</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, 2024

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, 2024

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, 2024

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, 2024.

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, 2024

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, 2024, 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, 2024, 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, 2024

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 10, 2024, the date on which the financial statements were available for issue.

13. *Subscription-Based Information Technology Arrangements (SBITA)*

The District entered into contracts that conveys control of the right to use another party's information technology (IT) software. The District recognizes a SBITA liability and an intangible right-to-use SBITA asset in the government-wide financial statements. The SBITA liability is initially measured at the present value of payments expected to be made during the lease term. Subsequently, the SBITA liability is reduced by the principal portion of payments made. The SBITA asset is measured as the initial amount of the SBITA liability, adjusted for payments made at or before the subscription term, plus capitalizable implementation costs, less any incentives received. The SBITA asset is amortized on a straight-line basis over its useful life.

ORANGE COUNTY DRAINAGE DISTRICT

NOTES TO THE FINANCIAL STATEMENTS AT AND FOR THE YEAR ENDED SEPTEMBER 30, 2024

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. OTHER ACCOUNTING POLICIES (CONTINUED)

13. *Subscription-Based Information Technology Arrangements (SBITA)*(continued)

The District used its estimated incremental borrowing rate as the discount rate. The SBITA term includes the noncancellable period of the lease. Lease payments included in the measurement of the SBITA liability are the fixed payments and purchase option price that the District is reasonably certain to exercise.

The District monitors changes in circumstances that would require a remeasurement of its SBITAs and will remeasure the SBITA assets and liabilities if certain changes occur that are expected to significantly affect the amount of the SBITA liabilities. SBITA assets are reported with other capital assets and SBITA liabilities are reported with long-term debt on the statement of net position.

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, 2024, the carrying amount of the District's deposits (cash, certificates of deposits and interest-bearing savings accounts included in temporary investments) was \$347,534 in cash, \$11,364,735 in TexPool and \$3,226,134 in UBS – Financial Services.

ORANGE COUNTY DRAINAGE DISTRICT

NOTES TO THE FINANCIAL STATEMENTS AT AND FOR THE YEAR ENDED SEPTEMBER 30, 2024

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

A. DEPOSITS AND INVESTMENTS (CONTINUED)

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

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

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

Based on these three levels of risk, all of the District's investments are classified as Category 1. The District's investments at September 30, 2024 are shown below:

Name	Carrying Amount	Market Value	Category
UBS - Financial Services	\$ 3,226,134	\$ 3,226,134	1
TexPool Accounts	11,364,735	11,364,735	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 \$8,519,850,254 and levied property taxes in the amount of \$11,435,651 from a tax rate of \$0.13410 / \$100 valuation. As of September 30, 2024, property taxes receivable, net of estimated uncollectible taxes of \$114,336, totaled \$1,029,023.

ORANGE COUNTY DRAINAGE DISTRICT

NOTES TO THE FINANCIAL STATEMENTS AT AND FOR THE YEAR ENDED SEPTEMBER 30, 2024

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

B. PROPERTY TAXES (CONTINUED)

Property taxes receivable as of September 30, 2024, were comprised of the following:

Year of Levy	General Fund
2023	\$ 349,638
2022	210,936
2021	135,895
2020	91,110
2019	73,987
Before 2019	<u>281,793</u>
	<u><u>\$ 1,143,359</u></u>

C. CAPITAL ASSET ACTIVITY

Capital asset activity for the District for the year ended September 30, 2024 was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental activities:				
Land and/or Right-of-Ways	\$ 1,039,498	\$ -	\$ -	\$ 1,039,498
Buildings and Improvements	1,478,164	20,775	-	1,498,939
Furniture and Equipment	6,800,924	1,251,612	(820,444)	7,232,092
Vehicles	2,028,340	65,840	(114,702)	1,979,478
Infrastructure	206,500	-	-	206,500
Subscription Assets	41,158	-	(3,752)	37,406
	<u>11,594,584</u>	<u>1,338,227</u>	<u>(938,898)</u>	<u>11,993,913</u>
Total capital assets being depreciated				
Less accumulated depreciation				
Buildings and Improvements	(471,342)	(39,003)	-	(510,345)
Furniture and Equipment	(4,980,192)	(906,113)	819,332	(5,066,973)
Vehicles	(1,248,683)	(227,342)	113,742	(1,362,283)
Infrastructure	(206,500)	-	-	(206,500)
Subscription Assets	(9,221)	(8,233)	3,752	(13,702)
	<u>(6,915,938)</u>	<u>(1,180,691)</u>	<u>936,826</u>	<u>(7,159,803)</u>
Total accumulated depreciation				
Total capital assets, being depreciated, net	<u><u>\$ 4,678,646</u></u>	<u><u>\$ 157,536</u></u>	<u><u>\$ (2,072)</u></u>	<u><u>\$ 4,834,110</u></u>

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

Business-type Activities	
General	<u>\$ 1,180,691</u>
Total Depreciation Expense	<u><u>\$ 1,180,691</u></u>

ORANGE COUNTY DRAINAGE DISTRICT

NOTES TO THE FINANCIAL STATEMENTS AT AND FOR THE YEAR ENDED SEPTEMBER 30, 2024

NOTE 3. DEFINED BENEFIT PENSION PLAN

Plan Description. The District provides retirement, disability and death benefits for all of its full-time and part-time non-temporary employees through a nontraditional defined benefit pension plan in the statewide Texas County and District Retirement System (TCDRS). The Board of Trustees of TCDRS is responsible for the administration of the statewide agent multiple-employer public employee retirement's system consisting of 869 nontraditional defined benefit pension plans. TCDRS in the aggregate issues an annual comprehensive financial report (ACFR) on a calendar year basis. The ACFR is available upon written request from TCDRS Board of Trustees at PO Box 2034, Austin, Texas 78768-2034.

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

At December 31, 2023, 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	20
Active employees	<u>62</u>
	<u>122</u>

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

- The deposit rate for employees is 4%, 5%, 6%, or 7% of compensation, as adopted by the employer's governing body.
- Participating employers are required to contribute at actuarially determined rates to ensure adequate funding for each employer's plan. Employer contribution rates are determined annually and approved by the TCDRS Board of Trustees.
- Investment income funds a large part of the benefits employees earn.

Pursuant to state law, employers participating in the system must pay 100% of their actuarially determined required contributions on an annual basis.

Each employer has the opportunity to make additional contributions in excess of its annual required contribution rate either by adopting an elected rate that is higher than the required rate or by making additional contributions on an ad hoc basis. Employers may make additional contributions to pay down their liabilities faster, pre-fund benefit enhancements and/or buffer against future adverse experience.

ORANGE COUNTY DRAINAGE DISTRICT

NOTES TO THE FINANCIAL STATEMENTS AT AND FOR THE YEAR ENDED SEPTEMBER 30, 2024

NOTE 3. DEFINED BENEFIT PENSION PLAN (CONTINUED)

Funding Policy (Continued)

The employer contributed using the actuarially determined rate of 13.5% for the months of the accounting year 2024 and 2023. The contribution rate payable by the employee members for the calendar years 2024 and 2023 is the rate of 7.0% as adopted by the governing body of the employer. The employee contribution rate and the employer contribution rate may be changed by the governing body of the employer within the options available in the TCDRS Act.

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

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

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

Annual Pension Cost. For the employer's accounting year ended September 30, 2024, the annual pension cost for the TCDRS plan for its employees was \$297,571. The actual contribution was \$551,582. On December 31, 2023, the district made an additional contribution of \$345,075 for a 3% COLA for retirees that was approved by the board.

ORANGE COUNTY DRAINAGE DISTRICT

NOTES TO THE FINANCIAL STATEMENTS AT AND FOR THE YEAR ENDED SEPTEMBER 30, 2024

NOTE 3. DEFINED BENEFIT PENSION PLAN (CONTINUED)

Net Pension Liability / (Asset)

	December 31, 2023	December 31, 2022
Total pension liability	\$ 22,331,540	\$ 21,350,045
Fiduciary net position	23,034,922	20,785,189
Net pension liability / (asset)	\$ (703,382)	\$ 564,856
Fiduciary net position as a % of total pension liability	103.15%	97.35%
Pensionable covered payroll ⁽¹⁾	\$ 3,921,591	\$ 3,761,610
Net pension liability / (asset) as a % of covered payroll	-17.94%	15.02%

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

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

Discount Rate

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

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

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

Other Key Actuarial Assumptions

The demographic assumptions were developed from an actuarial experience investigation of TCDRS over the years 2017-2020. They were recommended by Milliman and adopted by the TCDRS Board of Trustees in December of 2021. All economic assumptions were recommended by Milliman and adopted by the TCDRS Board of Trustees in March of 2021. These assumptions, except where required to be different by GASB 68, are used to determine the total pension liability as of December 31, 2023. The assumptions are reviewed annually for continued compliance with the relevant actuarial standards of practice.

	<u>Beginning Date</u>	<u>Ending Date</u>
Valuation Date	December 31, 2022	December 31, 2023
Measurement Date	December 31, 2022	December 31, 2023
Employer's Fiscal year	October 1, 2023	September 30, 2024

ORANGE COUNTY DRAINAGE DISTRICT

NOTES TO THE FINANCIAL STATEMENTS AT AND FOR THE YEAR ENDED SEPTEMBER 30, 2024

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) ¹
Amortization Method	
Recognition of economic/ demographic gains or losses	Straight-Line amortization over Expected Working Life
Recognition of assumptions changes or inputs	Straight-Line amortization over Expected Working Life
Asset Valuation Method	
Smoothing Period	5 Years
Recognition Method	Non-asymptotic
Corridor	None
Inflation	2.50%
Salary Increases	4.7%
Investment Rate of Return	7.60% (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 Amount-Weighted Mortality Tables for males and 120% of the Pub-2010 General Amount-Weighted Mortality Tables for females, both projected with 100% of the MP-2021 Ultimate scale after 2010.

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

ORANGE COUNTY DRAINAGE DISTRICT

NOTES TO THE FINANCIAL STATEMENTS AT AND FOR THE YEAR ENDED SEPTEMBER 30, 2024

NOTE 3. DEFINED BENEFIT PENSION PLAN (CONTINUED)

Actuarial Methods and Assumptions Used for Funding Valuation

Economic Assumptions

TCDRS system-wide economic assumptions:

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

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 2024 information for a 10-year time horizon.

Note that 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 long term 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, 2024

NOTE 3. DEFINED BENEFIT PENSION PLAN (CONTINUED)

Long-term Expected Rate of Return (Continued)

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

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

⁽²⁾ Geometric real rates of return equal the expected return for the asset class minus the assumed inflation rate of 2.23%, per Cliffwater's 2024 capital market assumptions.

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

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

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

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, 2024

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.

The funding requirements under the employer's funding policy and the legal requirements under the TCDRS Act are such that a depletion is not projected to occur. To illustrate this, we have shown the projection of the Fiduciary Net Position in the following exhibit ("Projection of Fiduciary Net Position").

Since the 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. For GASB 68 this long-term assumed rate of return is net of investment expenses, but gross of administrative expenses. Therefore, we have used a discount rate of 7.60% which 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.

Changes in Net Pension Liability / (Asset)

	Total Pension Liability (a)	Increase (Decrease) Fiduciary Net Position (b)	Net Pension Liabilities (Asset) (a) - (b)
Balances as of December 31, 2022	\$ 21,350,045	\$ 20,785,188	\$ 564,857
Changes for the year:			
Service cost	545,719	-	545,719
Interest on total pension liability ⁽¹⁾	1,620,128	-	1,620,128
Effect on plan changes ⁽²⁾	298,844	-	298,844
Effect of economic/demographic gains or losses	(305,053)	-	(305,053)
Effect of assumptions changes or inputs	-	-	-
Refund of contributions	(46,226)	(46,226)	-
Benefit payments	(1,131,918)	(1,131,918)	-
Administrative expenses	-	(12,028)	12,028
Member contributions	-	274,511	(274,511)
Net investment income	-	2,284,026	(2,284,026)
Employer contributions	-	874,489	(874,489)
Other ⁽³⁾	-	6,879	(6,879)
Balances as of December 31, 2023	<u>\$ 22,331,539</u>	<u>\$ 23,034,921</u>	<u>\$ (703,382)</u>

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

⁽²⁾ Reflects plan changes adopted effective in 2024.

⁽³⁾ Relates to allocation of system-wide items

ORANGE COUNTY DRAINAGE DISTRICT

NOTES TO THE FINANCIAL STATEMENTS AT AND FOR THE YEAR ENDED SEPTEMBER 30, 2024

NOTE 3. DEFINED BENEFIT PENSION PLAN (CONTINUED)

Sensitivity Analysis

The following presents the net pension liability of the 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	\$ 25,092,710	\$ 22,331,540	\$ 20,011,021
Fiduciary net position	23,034,922	23,034,922	23,034,922
Net pension liability / (asset)	<u>\$ 2,057,788</u>	<u>\$ (703,382)</u>	<u>\$ (3,023,901)</u>

	January 1, 2023 to December 31, 2023
Pension Expense / (Income)	
Service cost	\$ 545,719
Interest on total pension liability ⁽¹⁾	1,620,128
Effect on plan changes	298,844
Administrative expenses	12,028
Member contributions	(274,511)
Expected investment return net of investment expenses	(1,578,395)
Recognition of deferred inflows/outflows of resources	
Recognition of economic/demographic gains or losses	(80,790)
Recognition of assumption changes or inputs	171,566
Recognition of investment gains or losses	(420,480)
Other ⁽²⁾	<u>(6,878)</u>
Pension expense / (income)	<u>\$ 287,231</u>

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

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

ORANGE COUNTY DRAINAGE DISTRICT

NOTES TO THE FINANCIAL STATEMENTS AT AND FOR THE YEAR ENDED SEPTEMBER 30, 2024

NOTE 3. DEFINED BENEFIT PENSION PLAN (CONTINUED)

Deferred inflows and outflows of resources are as follows as of December 31, 2023:

	Deferred Inflows of Resources	Deferred Outflows of Resources
Differences between expected and actual experience	\$ 479,333	\$ 51,756
Changes of assumption	10,470	353,599
Net difference between projected and actual earnings	-	71,853
	<u>489,803</u>	<u>477,208</u>
Contributions made subsequent to measurement date	<u>N/A</u>	<u>427,797</u>
	<u>\$ 489,803</u>	<u>\$ 905,005</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:	
2024	\$ (105,938)
2025	(24,184)
2026	319,663
2027	(202,136)
Thereafter	-

Payable to the Pension Plan

At September 30, 2024, the District reported a payable of \$62,785 for the outstanding amount of contributions to the pension plan required for the year ended September 30, 2024.

NOTE 4. RETIREE GROUP TERM LIFE PROGRAM

Plan Description. The District participates in the retiree Group Term Life Program for the Texas County & District Retirement System (TCDRS), 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.

ORANGE COUNTY DRAINAGE DISTRICT

NOTES TO THE FINANCIAL STATEMENTS AT AND FOR THE YEAR ENDED SEPTEMBER 30, 2024

NOTE 4. RETIREE GROUP TERM LIFE PROGRAM (CONTINUED)

Plan Description (Continued)

At December 31, 2023, the following employees were covered by the benefit terms:

Number benefit recipients ⁽¹⁾ :	34
Number of inactive employees entitled to but not yet receiving benefits ⁽¹⁾ :	6
Number of active employees:	<u>62</u>
	<u>102</u>

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

Contributions made to the retiree GTL Program are held in the GTL Fund. The GTL fund does not meet the requirements of a trust under Paragraph 4b of GASB 75, as the assets of the GTL fund can be used to pay active GTL benefits which are not part of the OPEB plan.

Benefit terms are established under the TCDRS Act. Participation in the retiree GTL program is optional and the employer may elect to opt out of (or opt into) coverage as of Jan. 1 each year. 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, 2024, the annual OPEB cost for the TCDRS plan for its employees was \$7,564 and the actual contribution was \$3,770.

Total OPEB Liability

	December 31, 2023	December 31, 2022
Total OPEB liability	\$ 153,125	\$ 143,067

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, 2023	December 31, 2022
Discount rate ⁽¹⁾	3.26%	3.72%
Long-term expected rate of return, net of investment expenses ⁽¹⁾	Does not apply	Does not apply
Municipal bond rate ⁽¹⁾	3.26%	3.72%

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

ORANGE COUNTY DRAINAGE DISTRICT

NOTES TO THE FINANCIAL STATEMENTS AT AND FOR THE YEAR ENDED SEPTEMBER 30, 2024

NOTE 4. RETIREE GROUP TERM LIFE PROGRAM (CONTINUED)

Other Key Actuarial Assumptions

All actuarial assumptions that determined the total OPEB liability as of December 31, 2023 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, 2022	December 31, 2023
Measurement Date	December 31, 2022	December 31, 2023
Employer's Fiscal year	October 1, 2023	September 30, 2024

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 3.26% based on the 20 Year Bond GO Index published by bondbuyer.com is used as of the measurement date of December 31, 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
Salary Increases	Does not apply
Investment Rate of Return	3.26% 20 Year Bond GO Index published by bondbuyer.com as of December 28, 2023
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.

ORANGE COUNTY DRAINAGE DISTRICT

NOTES TO THE FINANCIAL STATEMENTS AT AND FOR THE YEAR ENDED SEPTEMBER 30, 2024

NOTE 4. RETIREE GROUP TERM LIFE PROGRAM (CONTINUED)

Actuarial Methods and Assumptions Used for GASB Calculations (Continued)

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.

Changes in Total OPEB Liability / (Asset)

	Changes in Total OPEB Liability
Balances as of December 31, 2022	\$ 143,067
Changes for the year:	
Service cost	3,830
Interest on total OPEB liability ⁽¹⁾	5,392
Changes in benefit terms ⁽²⁾	-
Effect of economic/demographic experience	(6,047)
Effect of assumptions changes or inputs ⁽³⁾	10,805
Benefit payments	(3,922)
Other	-
	<u>\$ 153,125</u>
Balances as of December 31, 2023	

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

⁽²⁾No plan changes valued.

⁽³⁾Reflects change in discount rate.

ORANGE COUNTY DRAINAGE DISTRICT

NOTES TO THE FINANCIAL STATEMENTS AT AND FOR THE YEAR ENDED SEPTEMBER 30, 2024

NOTE 4. RETIREE GROUP TERM LIFE PROGRAM (CONTINUED)

Sensitivity Analysis

The following table shows the Total OPEB Liability of the employer, calculated using the discount rate of 3.26%, 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 (2.26%) or 1 percentage point higher (4.26%) 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 2.26%	Current Discount Rate 3.26%	1% Increase 4.26%
Total OPEB liability	\$ 181,290	\$ 153,125	\$ 131,052
			January 1, 2023 to December 31, 2023
<i>OPEB Expense / (Income)</i>			
Service cost			\$ 3,830
Interest on total OPEB liability ⁽¹⁾			5,392
Effect on plan changes			-
Recognition of deferred inflows/outflows of resources			
Recognition of economic/demographic gains or losses			(2,248)
Recognition of assumption changes or inputs			590
Other			-
OPEB expense / (income)			<u>\$ 7,564</u>

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

Deferred inflows and outflows of resources are as follows as of December 31, 2023:

	Deferred Inflows of Resources	Deferred Outflows of Resources
Differences between expected and actual experience	\$ 12,552	\$ -
Changes of assumption	29,930	24,096
	42,482	24,096
Contributions made subsequent to measurement date	N/A	2,853
	<u>\$ 42,482</u>	<u>\$ 26,949</u>

ORANGE COUNTY DRAINAGE DISTRICT

NOTES TO THE FINANCIAL STATEMENTS AT AND FOR THE YEAR ENDED SEPTEMBER 30, 2024

NOTE 4. RETIREE GROUP TERM LIFE PROGRAM (CONTINUED)

Deferred inflows and outflows of resources are as follows as of December 31, 2023 (Continued):

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:

2024	\$ (270)
2025	(5,410)
2026	(5,410)
2027	(8,089)
2028	793
Thereafter	-

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 \$4,100,000 classified as assigned for drainage projects and \$1,000,000 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 \$8,094,349 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, 2024

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 \$1,355,859 is shown as restricted investment and unearned revenue at September 30, 2024. Project activity for the year ended September 30, 2024 is shown below:

Escrow balance 10/01/2023	\$1,611,637
Interest Income	78,782
Additional funds received	-
Project milestones transferred to the District	<u>(334,560)</u>
	<u>\$1,355,859</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, 2024, was as follows:

	Terms In Months	Total Asset Amount	Accumulated Amortization	Remaining Value
Governmental Funds:				
Administrative	21-55	\$ 37,406	\$ (13,702)	\$ 23,704

ORANGE COUNTY DRAINAGE DISTRICT

NOTES TO THE FINANCIAL STATEMENTS AT AND FOR THE YEAR ENDED SEPTEMBER 30, 2024

NOTE 8. SUBSCRIPTION-BASED INFORMATION TECHNOLOGY ARRANGEMENTS (CONTINUED)

SBITA liability activity for the year ended September 30, 2024 was as follows:

	Terms In Months	Interest Rate	Beginning Liability	Additions	Reductions	Endng Liability	Due Within One Year
Governmental Funds:							
Administrative	21-55	7%	\$ 33,738	\$ -	\$ (7,824)	\$ 25,914	\$ 6,855

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

Year Ended September 30	SBITA Liabilities		
	Principal	Interest	Total
2025	\$ 6,855	\$ 1,548	\$ 8,403
2026	6,712	1,060	7,772
2027	5,215	665	5,880
2028	5,592	288	5,880
2029	1,540	15	1,555
	<u>\$ 25,914</u>	<u>\$ 3,576</u>	<u>\$ 29,490</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, 2024 were \$21,571.

Taxes were abated on ten commercial facilities during 2024, in the total amount of \$324,166.

On July 14, 2020, the District executed a Tax Abatement Agreement with Chevron Phillips Chemical Company LP ("CP Chem"), now called "Golden Triangle Polymers Company, LLC", whereby the District agreed that it shall provide a ten-year tax abatement to CP Chem provided that CP Chem commences construction of a world scale ethylene cracker, and other facilities described in the Tax Abatement Agreement. The term of the Tax Abatement will expire ten years following the first Tax Year of the Abatement Period, or following January 1, 2024, whichever date is earliest.

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, 2024

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Property taxes	\$ 11,292,895	\$ 11,292,895	\$ 11,358,631	\$ 65,736
Investment earnings	250,000	250,000	741,256	491,256
Proceeds from disposal of capital assets	100,000	100,000	315,774	215,774
Grant revenue	-	-	972,711	972,711
Other revenue	25,000	25,000	47,704	22,704
Total revenues	11,667,895	11,667,895	13,436,076	1,768,181
EXPENDITURES				
Current				
Personnel	4,633,998	4,661,773	4,480,590	181,183
Employee benefits	2,191,577	2,536,652	2,140,778	395,874
Supplies	672,000	672,000	422,619	249,381
Maintenance	319,000	351,000	226,091	124,909
Fees for tax appraisal and collection	150,000	160,500	160,061	439
Professional fees	384,600	386,600	244,460	142,140
Outside services	139,500	129,000	94,530	34,470
Administrative expenses	521,850	518,560	329,724	188,836
Orange County levee project	n/a	n/a	507,158	n/a
HMGP Bessie Heights Project	n/a	n/a	12,688	n/a
Capital outlay	1,636,323	1,491,838	1,338,227	153,611
TWDB Relief Ditch	n/a	n/a	598,000	n/a
Total operations	10,648,848	10,907,923	10,554,926	1,470,843
Excess of revenues over (under) expenditures	1,019,047	759,972	2,881,150	2,121,178
Fund Balance, beginning of year	10,313,199	10,313,199	10,313,199	-
Fund Balance, end of year	\$ 11,332,246	\$ 11,073,171	\$ 13,194,349	\$ 2,121,178

ORANGE COUNTY DRAINAGE DISTRICT

SCHEDULE OF CHANGES IN EMPLOYER'S NET PENSION LIABILITY AND RELATED RATIOS FOR THE YEAR ENDED SEPTEMBER 30, 2024

	Year-Ended December 31, <u>2023</u>	Year-Ended December 31, <u>2022</u>	Year-Ended December 31, <u>2021</u>
Total Pension Liability			
Service cost	\$ 545,719	\$ 545,263	\$ 517,789
Interest on total pension liability	1,620,128	1,577,548	1,501,614
Effect of plan changes	298,844	-	-
Effect of assumption changes or inputs	-	-	(26,175)
Effect of economic/demographic (gains) or losses	(305,053)	(372,621)	129,387
Benefit payments/refunds of contributions	<u>(1,178,143)</u>	<u>(1,202,186)</u>	<u>(1,101,550)</u>
Net changes in total pension liability	981,495	548,004	1,021,065
Total pension liability, beginning	<u>21,350,045</u>	<u>20,802,041</u>	<u>19,780,976</u>
Total pension liability, ending (a)	<u><u>\$ 22,331,540</u></u>	<u><u>\$ 21,350,045</u></u>	<u><u>\$ 20,802,041</u></u>
Fiduciary Net Position			
Employer contributions	\$ 874,489	\$ 507,895	\$ 504,870
Member contributions	274,511	263,313	261,784
Investment income net of investment expenses	2,284,026	(1,285,495)	4,093,850
Benefit payments/refunds of contributions	(1,178,143)	(1,202,186)	(1,101,550)
Administrative expenses	(12,028)	(12,181)	(12,203)
Other	<u>6,879</u>	<u>(41,829)</u>	<u>(4,307)</u>
Net change in fiduciary net position	2,249,734	(1,770,483)	3,742,444
Fiduciary net position, beginning	<u>20,785,188</u>	<u>22,555,671</u>	<u>18,813,227</u>
Fiduciary net position, ending (b)	<u><u>\$ 23,034,922</u></u>	<u><u>\$ 20,785,188</u></u>	<u><u>\$ 22,555,671</u></u>
Net pension liability / (asset), ending = (a) - (b)	<u><u>\$ (703,382)</u></u>	<u><u>\$ 564,857</u></u>	<u><u>\$ (1,753,630)</u></u>
Fiduciary net position as a % of total pension liability	103.15%	97.35%	108.43%
Pensionable covered payroll	\$ 3,921,591	\$ 3,761,610	\$ 3,739,776
Net pension liability as a % of covered payroll	-17.94%	15.02%	-46.89%

Year-Ended December 31, 2020	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
\$ 440,865	\$ 384,709	\$ 373,363	\$ 391,633	\$ 320,710	\$ 330,642	\$ 307,661
1,448,532	1,373,557	1,304,065	1,256,717	1,164,286	1,119,478	1,041,498
-	-	-	-	-	(37,534)	-
1,060,803	-	-	(234)	-	99,760	-
(35,150)	173,630	124,216	(223,294)	129,171	(251,976)	152,325
<u>(1,130,627)</u>	<u>(996,857)</u>	<u>(914,865)</u>	<u>(732,685)</u>	<u>(683,175)</u>	<u>(660,868)</u>	<u>(503,296)</u>
1,784,423	935,039	886,779	692,136	930,991	599,501	998,188
<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>	<u>12,953,918</u>
<u><u>\$ 19,780,976</u></u>	<u><u>\$ 17,996,553</u></u>	<u><u>\$ 17,061,514</u></u>	<u><u>\$ 16,174,735</u></u>	<u><u>\$ 15,482,598</u></u>	<u><u>\$ 14,551,607</u></u>	<u><u>\$ 13,952,106</u></u>
\$ 438,848	\$ 426,073	\$ 395,824	\$ 385,725	\$ 344,666	\$ 295,751	\$ 388,022
227,550	220,927	205,242	200,006	178,702	153,126	154,851
1,806,573	2,520,885	(301,277)	2,054,159	980,589	(109,631)	857,458
(1,130,627)	(996,857)	(914,865)	(732,685)	(683,175)	(660,868)	(503,296)
(13,766)	(13,333)	(12,328)	(10,630)	(10,641)	(9,649)	(10,123)
<u>(12,003)</u>	<u>(9,541)</u>	<u>(7,743)</u>	<u>(2,070)</u>	<u>44,876</u>	<u>(18,839)</u>	<u>13,342</u>
1,316,575	2,148,154	(635,147)	1,894,505	855,017	(350,110)	900,253
<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>12,683,978</u>
<u><u>\$ 18,813,227</u></u>	<u><u>\$ 17,496,652</u></u>	<u><u>\$ 15,348,498</u></u>	<u><u>\$ 15,983,645</u></u>	<u><u>\$ 14,089,140</u></u>	<u><u>\$ 13,234,122</u></u>	<u><u>\$ 13,584,232</u></u>
<u><u>\$ 967,749</u></u>	<u><u>\$ 499,901</u></u>	<u><u>\$ 1,713,016</u></u>	<u><u>\$ 191,090</u></u>	<u><u>\$ 1,393,459</u></u>	<u><u>\$ 1,317,485</u></u>	<u><u>\$ 367,874</u></u>
95.11%	97.22%	89.96%	98.82%	91.00%	90.95%	97.36%
\$ 3,250,720	\$ 3,156,096	\$ 2,932,033	\$ 2,857,224	\$ 2,552,892	\$ 2,187,517	\$ 2,212,160
29.77%	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, 2024

Year Ending December 31,	Actuarially Determined Contribution ⁽¹⁾	Actual Employer Contribution ⁽¹⁾	Contribution Deficiency (Excess)	Pensionable Covered Payroll ⁽²⁾	Actual Contribution as a % of Covered Payroll
2014	\$ 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%
2023 ⁽³⁾	459,610	874,489	(414,879)	3,921,591	22.3%

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

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

⁽³⁾ In December 2023, the district approved a 3% COLA retirement payment in the amount of \$345,075.

ORANGE COUNTY DRAINAGE DISTRICT

SCHEDULE OF EMPLOYER CONTRIBUTIONS AT AND FOR THE YEAR ENDED SEPTEMBER 30, 2024 (CONTINUED)

Notes to Schedule of Employer Contributions

Valuation Date Actuarially determined contribution rates are calculated each December 31, two years prior to the end of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates (Dec. 31, 2021 valuation for 2023 contributions)

Actuarial Cost Method	Entry Age (level percentage of pay)
Method Amortization Method	Level percentage of payroll, closed
Remaining Amortization Period	4.4 years (based on contribution rate calculated in 12/31/2023 valuation)
Asset Valuation Method	5-year smoothed market
Inflation	2.50%
Salary Increases	Varies by age and service. 4.7% average over career including inflation.
Investment Rate of Return	7.50%, net of administrative and investment expenses, including inflation
Retirement Age	Members who are eligible for service retirement are assumed to commence receiving benefit payments based on age. The average age at service retirement for recent retirees is 61.
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.
Changes in Assumptions and Methods Reflected in the Schedule of Employer	2015: New inflation, mortality and other assumptions were reflected. 2017: New mortality assumptions were reflected. 2019: New inflation, mortality and other assumptions were reflected. 2022: New investment return and inflation assumptions were reflected.
Changes in Plan Provisions Reflected in the Schedule of Employer	2015: Employer contributions reflect that a 2% flat COLA was adopted. 2016: No changes in plan provisions were reflected in the Schedule. 2017: New Annuity Purchase Rates were reflected for benefits earned after 2017. 2018: No changes in plan provisions were reflected in the Schedule. 2019: No changes in plan provisions were reflected in the Schedule. 2020: No changes in plan provisions were reflected in the Schedule. 2021: No changes in plan provisions were reflected in the Schedule. 2022: No changes in plan provisions were reflected in the Schedule. 2023: No changes in plan provisions were reflected in the Schedule.

*Only changes that affect the benefit amount and that are effective 2015 and later are shown in the Notes to Schedule.

ORANGE COUNTY DRAINAGE DISTRICT

SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS FOR THE YEAR ENDED SEPTEMBER 30, 2024

	Year-Ended December 31, 2023	Year-Ended December 31, 2022	Year-Ended December 31, 2021
Total OPEB Liability			
Service cost	\$ 3,830	\$ 6,072	\$ 5,573
Interest on total OPEB liability	5,392	4,013	4,002
Effect of plan changes	-	-	-
Effect of assumption changes or inputs	10,805	(44,894)	3,417
Effect of economic/demographic (gains) or losses	(6,047)	(8,393)	(2,587)
Benefit payments/refunds of contributions	<u>(3,922)</u>	<u>(4,890)</u>	<u>(4,862)</u>
Net changes in total OPEB liability	10,058	(48,092)	5,543
Total OPEB liability, beginning	<u>143,067</u>	<u>191,159</u>	<u>185,616</u>
Total OPEB liability, ending	<u><u>\$ 153,125</u></u>	<u><u>\$ 143,067</u></u>	<u><u>\$ 191,159</u></u>
Pensionable covered payroll	\$ 3,921,591	\$ 3,761,610	\$ 3,739,776
Net OPEB liability as a % of covered payroll	3.90%	3.80%	5.11%

Year-Ended December 31, 2020	Year-Ended December 31, 2019	Year-Ended December 31, 2018	Year-Ended December 31, 2017
\$ 4,395	\$ 2,830	\$ 3,546	\$ 3,241
4,542	5,310	4,608	4,604
-	-	-	-
18,635	32,403	(14,182)	5,934
(858)	(1,543)	5,815	1,674
<u>(4,876)</u>	<u>(3,787)</u>	<u>(3,225)</u>	<u>(4,000)</u>
21,838	35,213	(3,438)	11,453
<u>163,778</u>	<u>128,565</u>	<u>132,003</u>	<u>120,550</u>
<u>\$ 185,616</u>	<u>\$ 163,778</u>	<u>\$ 128,565</u>	<u>\$ 132,003</u>
\$ 3,250,720	\$ 3,156,096	\$ 2,932,033	\$ 2,857,224
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, 2024

Personnel expenditures (including benefits)*	\$ 6,557,593
Professional fees	
Auditing	16,750
Bookkeeping	18,000
Consultant	4,000
Legal	65,840
Engineering	120,999
Contracted services	
Tax collector	170,619
Other contracted services	86,411
Utilities	24,256
Repairs and maintenance	226,091
Administrative expenditures	
Directors fees	63,975
Supplies	422,619
Insurance	149,096
Office equipment	15,061
Portable building lease	3,152
Other administrative expenditures	154,391
Capital outlay	
Capital assets	1,338,227
Other expenditures	
Orange County levee project	507,158
HMGP Bessie Heights Project	12,688
TWDB Relief Ditch	<u>598,000</u>
Total expenditures	<u><u>\$ 10,554,926</u></u>

* Number of persons employed by the District: 63 Full-time and -0- Part-time

ORANGE COUNTY DRAINAGE DISTRICT**SCHEDULE OF TEMPORARY INVESTMENTS
SEPTEMBER 30, 2024**

<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	\$ 9,357,022	\$ -
TexPool	449/1813100004	Various	Various	555,975	-
TexPool	449/1813100005	Various	Various	387,768	-
TexPool	449/1813100006	Various	Various	799,884	-
TexPool	449/1813100007	Various	Various	264,086	-
UBS - Financial Services	08141	Various	Various	3,226,134	38,979

ORANGE COUNTY DRAINAGE DISTRICT

SCHEDULE OF TAXES LEVIED AND RECEIVABLE FOR THE YEAR ENDED SEPTEMBER 30, 2024

	Maintenance Taxes
Taxes receivable, beginning of year	\$ 999,253
Adjustments	<u>(52,292)</u>
Adjusted Receivable	<u>946,961</u>
2023 original tax levy	11,435,651
Adjustments	<u>(81,666)</u>
Adjusted 2023 tax levy	<u>11,353,985</u>
Total to be accounted for	<u><u>\$ 12,300,946</u></u>
Tax collections:	
Current year	\$ 11,004,347
Prior years	<u>153,240</u>
Total collections	<u>11,157,587</u>
Taxes receivable, end of year	<u><u>\$ 1,143,359</u></u>
Taxes receivable by year	
2023	\$ 349,638
2022	210,936
2021	135,895
2020	91,110
2019	73,987
Before 2019	<u>281,793</u>
Taxes receivable, end of year	<u><u>\$ 1,143,359</u></u>

	2023	2022	2021	2020
Property valuations				
Land	\$ 909,138,533	\$ 778,821,377	\$ 909,014,626	\$ 898,289,987
Improvements	8,357,124,246	7,340,811,313	6,493,340,361	6,015,620,093
Personal property	1,760,569,531	1,506,952,682	1,316,803,959	1,374,189,542
Less: exemptions	<u>(2,506,982,056)</u>	<u>(2,115,814,456)</u>	<u>(2,086,666,437)</u>	<u>(2,023,728,657)</u>
Total property valuations	<u><u>\$8,519,850,254</u></u>	<u><u>\$7,510,770,916</u></u>	<u><u>\$6,632,492,509</u></u>	<u><u>\$6,264,370,965</u></u>
Tax rate per \$100 valuations:				
Maintenance tax rates †	0.13410	0.13410	0.13410	0.13670
Original tax levy	<u><u>\$ 11,435,651</u></u>	<u><u>\$ 10,071,945</u></u>	<u><u>\$ 8,894,309</u></u>	<u><u>\$ 8,563,713</u></u>
Percent of taxes collected to taxes levied ‡	<u><u>97%</u></u>	<u><u>97%</u></u>	<u><u>97%</u></u>	<u><u>97%</u></u>

† Maximum Tax Rate Approved by Voters: \$0.13410 per \$100 of taxable value on 09/06/2023

‡ 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, 2024

	Amounts				
	2024	2023	2022	2021	2020
GENERAL FUND:					
REVENUES:					
Property taxes	\$ 11,358,631	\$ 10,055,683	\$ 8,997,493	\$ 8,471,211	\$ 7,894,678
Other income	47,704	126,997	72,251	33,328	10,812
Gain on disposal of assets	315,774	91,916	151,924	100,412	108,782
Interest on time deposits	741,256	436,128	30,967	9,312	125,969
Grant revenue	972,711	2,019,649	1,051,408	17,158,823	574,035
Total revenues	13,436,076	12,730,373	10,304,043	25,773,086	8,714,276
EXPENDITURES:					
Administrative expense	329,724	361,157	354,551	390,650	340,650
Professional fees	244,460	337,294	253,938	311,491	375,848
Outside services	94,530	93,295	104,987	98,678	161,011
Payroll	6,621,368	5,789,482	5,628,294	5,676,420	4,987,373
Material and supplies	422,619	517,841	572,131	366,349	321,719
Repairs and maintenance	226,091	233,669	249,159	263,140	257,513
Fees for tax appraisal and collection	160,061	145,087	140,104	127,968	116,324
NRCS Project	-	-	-	1,277,871	548,048
Capital outlay	1,338,227	1,141,981	918,543	1,148,623	1,567,883
Orange County Levee Project	507,158	1,055,834	1,016,679	15,782,601	-
HMGP Bessie Heights Project	12,688	-	-	-	-
TWDB Relief Ditch	598,000	810,993	-	-	-
Total expenditures	10,554,926	10,486,633	9,238,386	25,443,791	8,676,369
EXCESS REVENUES OVER (UNDER) EXPENDITURES	<u>\$ 2,881,150</u>	<u>\$ 2,243,740</u>	<u>\$ 1,065,657</u>	<u>\$ 329,295</u>	<u>\$ 37,907</u>

Percent of Total Fund Revenues				
<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
84.5%	79.0%	87.3%	32.9%	90.6%
0.4%	1.0%	0.7%	0.1%	0.1%
2.5%	0.8%	1.6%	0.5%	1.3%
5.5%	3.4%	0.3%	0.0%	1.4%
<u>7.2%</u>	<u>15.9%</u>	<u>10.2%</u>	<u>66.6%</u>	<u>6.6%</u>
<u>100.1%</u>	<u>100.1%</u>	<u>100.1%</u>	<u>100.1%</u>	<u>100.0%</u>
2.5%	2.8%	3.4%	1.5%	3.9%
1.8%	2.6%	2.5%	1.2%	4.3%
0.7%	0.7%	1.0%	0.4%	1.8%
49.3%	45.5%	54.6%	22.0%	57.2%
3.1%	4.1%	5.6%	1.4%	3.7%
1.7%	1.8%	2.4%	1.0%	3.0%
1.2%	1.1%	1.4%	0.5%	1.3%
0.0%	0.0%	0.0%	5.0%	6.3%
10.0%	9.0%	8.9%	4.5%	18.0%
3.8%	8.3%	9.9%	61.2%	0.0%
0.1%	0.0%	0.0%	0.0%	0.0%
<u>4.5%</u>	<u>6.4%</u>	<u>0.0%</u>	<u>0.0%</u>	<u>0.0%</u>
<u>78.7%</u>	<u>82.3%</u>	<u>89.7%</u>	<u>98.7%</u>	<u>99.5%</u>
<u><u>21.4%</u></u>	<u><u>17.8%</u></u>	<u><u>10.4%</u></u>	<u><u>1.4%</u></u>	<u><u>0.5%</u></u>

ORANGE COUNTY DRAINAGE DISTRICT

SCHEDULE OF BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS FOR THE YEAR ENDED SEPTEMBER 30, 2024

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: November 4, 2024
(TWC Section 36.054):

Limit on Fees of Office that a Director may receive during a fiscal year: \$ 13,260
(Set by Board Resolution - TWC Section 49.060)

Name	Term of Office (Elected or Appointed) or Date Hired	Fees of Office Paid * 09/30/2024	Expense Reimbursements 09/30/2024	Title at Year-End
Board Members				
Brent Peveto	Elected 05/14 - 04/26	\$ 12,755	\$ -	Director
Hal LaPray	Elected 05/14 - 04/26	12,755	-	Director
Russell Covington	Elected 06/18 - 04/26	12,755	-	Secretary/Treasurer Director
Larry Ancelot, Jr.	Elected 11/20 - 04/28	12,755	-	Vice President / Director
James Scales	Elected 11/20 - 04/28	12,755	2,291	President / Director
Key Administrative Personnel				
Don Carona	08/01/16	140,794	2,474	Exec Manager Spec Proj
Neal Ford	09/01/90	105,098	1,937	General Manager
Doug Manning	03/17/21	89,788	1,002	Asst GM
Consultants				
		<u>Retainer/ Agreement</u>	<u>Other Fees and Expenses</u>	
Dies Law Firm	**	20,000	143,946	Attorney
Don Carona, Attorney, PLLC	**	10,000	73,356	Attorney
Keri Michutka, CPA	**	18,000	-	Accountant
UBS Financial Services, Inc.	**	-	Various	Finance Manager
Wathen, Deshong & Juncker, LLP	**	-	16,750	Auditor
J.S. Edwards & Sherlock	**	-	4,000	Insurance Consultant
Arceneaux, Wilson and Cole	**	-	99,050	Engineer
LJA Engineer	**	-	659,010	Engineer
Tidewater Professionnal Services, LLP	**	-	214,313	Engineer
Tidal Basin	**	-	3,053	Grant Administrator
Traylor and Associates	**	-	2,728	Grant Administrator
Ron Lewis	**	-	42,000	Consultant
Ray Russo	**	-	173,406	Consultant
Orange County Treasurer	Annually	-	10,558	Treasurer
Orange County Appraisal District	Annually	-	160,061	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 10, 2024

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

To the Board of Directors
Orange County 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, 2024, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 10, 2024.

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) as a basis for designing 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 district'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.

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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District'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 District'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