

**ORANGE COUNTY WATER
CONTROL AND IMPROVEMENT
DISTRICT NO. 2**

**ANNUAL
FINANCIAL REPORT
FOR THE YEAR ENDED
APRIL 30, 2022 AND 2021**

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INTRODUCTORY SECTION

ANNUAL FILING AFFIDAVIT

THE STATE OF TEXAS}
COUNTY OF ORANGE}

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ORANGE CO WCID 2

I, Tom Woolley, President of the Orange County Water Control and Improvement District No. 2 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 _____ day of _____ its annual audit report for the fiscal year or period ended April 30, 2022, and that copies of the annual audit have been filed in the district office, located at

2526 WESTERN AVENUE, ORANGE, TEXAS

The annual filing affidavit and the attached copy of the annual audit report are being submitted to the Texas Commission on Environmental Quality satisfaction of all annual filing requirements within Section 49.194 of the Texas Water Code.

Date: _____

By:

Tom Woolley, President

Sworn to and subscribed to before me this _____ day of August 2022.

(SEAL)

(Signature of Notary)

My Commission Expires on: _____, Notary Public in and for the State of Texas.

FINANCIAL SECTION

ORANGE COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 2

MANAGEMENT'S DISCUSSION AND ANALYSIS

APRIL 30, 2022 AND 2021

Our discussion and analysis of Orange County Water Control and Improvement District No. 2's (District) financial performance provides an overview of the District's financial activities for the year ended April 30, 2022. Please read it in conjunction with the basic financial statements and the accompanying notes to the financial statements.

FINANCIAL HIGHLIGHTS

As a result of the year's operations, assets exceeded liabilities by \$8,926,490 (net position) for the fiscal year 2022. This compares to the previous year when assets exceeded liabilities by \$8,567,546. The net position increased by \$358,944 or 4.19%.

Total net position is comprised of the following:

- 1) Capital assets, net of related debt, of \$7,238,578 included in property and equipment, net of accumulated depreciation, net of long-term debt.
- 2) Net position of \$325,977 are restricted by debt covenants and future water security.

Net Position Unrestricted:

- a) Unassigned net position of \$1,361,935 which represents the portion available to maintain current and on-going obligations other than debt and construction.

Total spending for all District activities was \$1,250,278 for the year, which is \$508,199 less than the revenue from operations. Operating revenues for the year decreased by \$65,859 and operating expenses decreased by \$48,737 compared to the prior year. The majority of the decrease in operating expenses is attributed to significant decrease in maintenance and repairs.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual financial report consists of three parts: Management's Discussion and Analysis (MD&A): The Financial Section (basic financial statements); and Texas Required Supplemental Information. The financial section includes notes that disclose in more detail the financial operations and position of the District than is presented in the financial statements. The Comparative Statement of Net Position and the Comparative Statements of Revenues, Expenses and Change in Net Position (Activity) provide both long range and short-term information about the District's overall financial status. The Comparative Statements of Net Position include all assets and liabilities and provide information about the District's overall financial status. The Comparative Statements of Net Position include all assets and liabilities and provide information about the nature and amounts of investments in resources (assets) and the obligations to creditors (liabilities). This financial section reports net position and how they have changed.

FINANCIAL ANALYSIS AS A WHOLE

As stated previously, net position increased by \$358,944 as a result of this year's operations. Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, legislation and regulation, or contractual obligations decreased by \$151,257. The restricted fund balance of \$325,977 represents funds held to service debt and customer security deposits. The balance in net position represents the accumulated results of all past years' operations. It means that if the District paid off all of its bills today, including all of the non-capital assets, there would be \$8,926,490 left for the year ended April 30, 2022.

ORANGE COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 2**MANAGEMENT'S DISCUSSION AND ANALYSIS****APRIL 30, 2022 AND 2021****Condensed Statement of Net Position****Table 1**

	2022	2021 Restated	Change
ASSETS			
Current Assets	\$ 1,460,367	\$ 1,606,024	\$ (145,657)
Capital Assets	7,338,578	6,809,065	529,513
Other Assets	6,364,456	6,483,476	(119,020)
Total Assets	<u>15,163,401</u>	<u>14,898,565</u>	<u>264,836</u>
LIABILITIES			
Other Liabilities	356,911	351,019	5,892
Long-Term Debt	5,880,000	5,980,000	(100,000)
Total Liabilities	<u>6,236,911</u>	<u>6,331,019</u>	<u>(94,108)</u>
NET POSITION			
Net Investment in Capital Assets	7,238,578	6,709,065	529,513
Restricted	325,977	345,289	(19,312)
Unrestricted (Deficit)	1,361,935	1,513,192	(151,257)
Total Net Position	<u>\$ 8,926,490</u>	<u>\$ 8,567,546</u>	<u>\$ 358,944</u>

Condensed Statement of Revenues, Expenses, and Changes in Net Position**Table 2**

	2022	2021 Restated	Change
Operating Income	\$ 1,758,477	\$ 1,824,336	\$ (65,859)
Non-Operating Income	404,664	39,176	365,488
TOTAL REVENUES	<u>2,163,141</u>	<u>1,863,512</u>	<u>299,629</u>
Depreciation	462,906	326,890	136,016
Operating Expenses	1,250,278	1,299,015	(48,737)
Non-Operating Expenses	91,013	269,982	(178,969)
TOTAL EXPENSES	<u>1,804,197</u>	<u>1,895,887</u>	<u>(91,690)</u>
Increase (Decrease) in Net Position	358,944	(32,375)	391,319
Net Position, Beginning of Year	8,567,546	8,599,921	(32,375)
Net Position, End of Year	<u>\$ 8,926,490</u>	<u>\$ 8,567,546</u>	<u>\$ 358,944</u>

ORANGE COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 2**MANAGEMENT'S DISCUSSION AND ANALYSIS****APRIL 30, 2022 AND 2021****BUDGETARY HIGHLIGHTS**

As required by state statute the District adopts an annual budget to include operating, debt and capital expenditures.

Budgetary Highlights

	Budget	Actual	Variance Favorable (Unfavorable)
Operating Income	\$ 1,776,000	\$ 1,758,477	\$ (17,523)
Non-Operating Income	3,600	404,664	401,064
Total Revenues	<u>1,779,600</u>	<u>2,163,141</u>	<u>383,541</u>
Depreciation	-	462,906	(462,906)
Operating Expenses	1,317,845	1,250,278	67,567
Non-Operating Expenses	393,203	91,013	302,190
Total Expenses	<u>1,711,048</u>	<u>1,804,197</u>	<u>(93,149)</u>
Increase (Decrease) in Net Position	68,552	358,944	(290,392)
Net Position, Beginning of Year	8,567,546	8,567,546	-
Net Position, End of Year	<u>\$ 8,636,098</u>	<u>\$ 8,926,490</u>	<u>\$ (290,392)</u>

CAPITAL ASSET AND DEBT ADMINISTRATION**CAPITAL ASSETS**

The cost of property, plant and equipment, net of accumulated depreciation as of April 30, 2022 and 2021 was \$7,338,578 and \$6,809,065 respectively. The acquisitions for the year consisted of system improvements and other construction.

LONG-TERM DEBT

The District applied for a loan from the Texas Water Commission for \$500,000 to finance the construction of an outfall pipeline to carry effluent from the Sewer Plant to the Sabine River for discharge. This loan was issued in June 2013. An amortization schedule of this debt is provided in the notes to the financial statements.

The District has two bonds through the Texas Water Development Board for \$2,000,000 and \$3,980,000 to finance water and sewer projects. Details about these bonds can be found in Note 4.

ORANGE COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 2

MANAGEMENT'S DISCUSSION AND ANALYSIS

APRIL 30, 2022 AND 2021

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The Board of Directors, when setting the Budget for FY 2022, concerned themselves with the narrowing margin of revenues over expenses, doing a renovation to the sewer plant and increasing wages if the anticipated revenues are realized. A modest wage increase was included in the proposed budget for Fiscal Year 2022.

CONTACTING MANAGEMENT

This Annual Financial Report is designed to provide our citizens, customers and others with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Orange County Water Control and Improvement District's Office Manager, April Lombardo, 2526 Western Avenue, Orange, Texas 77630. Phone number (409) 883-4003.

FINANCIAL SECTION

MITCHELL T. FONTENOTE

CERTIFIED PUBLIC ACCOUNTANT, INC.

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Management
Orange County Water Control and Improvement District No. 2
Orange, Texas

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and the aggregate remaining fund information of Orange County Water Control and Improvement District No. 2 (the "District") as of and for the year ended April 30, 2022 and 2021, 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 business-type activities, and the aggregate remaining fund information of the District, as of April 30, 2022 and 2021, 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. 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 generally accepted 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.

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In performing an audit in accordance with generally accepted 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 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 and budgetary comparison information be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The Texas supplementary information is presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Texas supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Mitchell T. Fontenote CPA, Inc.

Port Neches, Texas
September 7, 2022

ORANGE COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 2**STATEMENT NET POSITION****APRIL 30, 2022 AND 2021**

	2022	2021 Restated
<u>ASSETS</u>		
<u>Current Assets:</u>		
Cash	\$ 903,466	\$ 1,382,211
Accounts Receivable, net	211,213	208,680
Due from Other Governments	300,369	-
Inventory	35,181	5,325
Prepaid Insurance	10,138	9,808
Total Current Assets	<u>1,460,367</u>	<u>1,606,024</u>
<u>Capital Assets:</u>		
Land	321,042	321,042
Other Capital Assets	15,121,050	14,651,524
Accumulated Depreciation	(9,298,046)	(8,835,140)
Construction in Progress	1,194,532	671,639
Total Capital Assets	<u>7,338,578</u>	<u>6,809,065</u>
<u>Other Assets:</u>		
Loan Proceeds Receivable	258,479	258,187
Cash and Certificates of Deposits, Restricted	6,105,977	6,225,289
Total Other Assets	<u>6,364,456</u>	<u>6,483,476</u>
 TOTAL ASSETS	 <u>\$ 15,163,401</u>	 <u>\$ 14,898,565</u>
 <u>LIABILITIES</u>		
<u>Current Liabilities:</u>		
Accounts Payable	\$ -	\$ 16,781
Payroll Liabilities Payable	35,630	29,132
Future Water Security and Other Held Deposits	221,281	205,106
Current Portion of Bonds Payable	100,000	100,000
Total Current Liabilities	<u>356,911</u>	<u>351,019</u>
<u>Long-Term Liabilities</u>		
Bonds Payable	<u>5,880,000</u>	<u>5,980,000</u>
Total Long-Term Liabilities	<u>5,880,000</u>	<u>5,980,000</u>
 TOTAL LIABILITIES	 <u>6,236,911</u>	 <u>6,331,019</u>
 <u>NET POSITION</u>		
Net Investment in Capital Assets	7,238,578	6,709,065
Restricted	325,977	345,289
Unrestricted	<u>1,361,935</u>	<u>1,513,192</u>
 TOTAL NET POSITION	 <u>\$ 8,926,490</u>	 <u>\$ 8,567,546</u>

The accompanying notes are integral to the financial statements.

ORANGE COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 2
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN NET POSITION
FOR THE FISCAL YEARS ENDED APRIL 30, 2022 AND 2021

	2022	2021 Restated
<u>Revenue from Operations</u>		
Water	\$ 933,473	\$ 942,117
Sewer	755,280	768,793
Reconnection and Other Fees	19,035	22,610
Tapping Fees	4,639	13,070
Late Charges	37,595	27,421
Services Charges & Misc	8,455	50,325
Total Revenue from Operations	<u>1,758,477</u>	<u>1,824,336</u>
<u>Operating Expenses</u>		
Water	247,299	296,604
Sewer	478,884	446,267
General and Administration	524,095	556,144
Total Operating Expenses	<u>1,250,278</u>	<u>1,299,015</u>
Excess of Revenues before Depreciation	<u>508,199</u>	<u>525,321</u>
<u>Depreciation</u>	462,906	326,890
Net Income (Loss) from Operations	<u>45,293</u>	<u>198,431</u>
<u>Non-Operating Revenues (Expenses)</u>		
Interest Income	2,228	6,080
Other Misc Income	102,067	33,096
Grant Income	300,369	-
Bond Issuance Cost	-	(260,883)
Interest Expense	(91,013)	(9,099)
Total Non-Operating Revenues (Expense)	<u>313,651</u>	<u>(230,806)</u>
Change in Net Position	358,944	(32,375)
Net Position, Beginning of Year	<u>8,567,546</u>	<u>8,599,921</u>
Net Position, End of Year	<u>\$ 8,926,490</u>	<u>\$ 8,567,546</u>

The accompanying notes are integral to the financial statements.

ORANGE COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 2**STATEMENT OF CASH FLOWS
FOR THE FISCAL YEARS ENDED APRIL 30, 2022 AND 2021**

	2022	2021 Restated
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Cash received from customers	\$ 1,455,575	\$ 1,827,766
Cash paid to suppliers for goods and services	(908,586)	(891,600)
Cash paid to employees	(382,161)	(372,595)
Net Cash Provided (Used) by Operating Activities	164,828	563,571
<u>CASH FLOWS FROM NON-CAPITAL AND RELATED ACTIVITIES</u>		
Other income	402,436	33,096
Increase (Decrease) in Future Water Security	16,175	10,597
Net Cash Provided (Used) by Non-Capital and Related Activities	418,611	43,693
<u>CASH FLOWS FROM CAPITAL AND RELATED ACTIVITIES</u>		
Principal paid on bond	(100,000)	(50,000)
Issuance of bonds	-	5,960,000
Bond Issuance costs	-	(260,883)
Interest paid on bonded debt	(91,013)	(9,099)
Acquisition of fixed assets	(992,419)	(252,655)
Net Cash Provided (Used) by Capital and Related Activities	(1,183,432)	5,387,363
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Interest earned on investments	1,936	2,363
Net Cash Provided (Used) by Investing Activities	1,936	2,363
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(598,057)	5,996,990
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	7,607,500	1,610,510
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 7,009,443	\$ 7,607,500
<u>RECONCILIATION TO STATEMENT OF NET POSITION</u>		
Operating Cash	\$ 903,466	\$ 1,382,211
Restricted Cash	6,105,977	6,225,289
Total Cash and Cash Equivalents	\$ 7,009,443	\$ 7,607,500

The accompanying notes are integral to the financial statements.

ORANGE COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 2

**STATEMENT OF CASH FLOWS
FOR THE FISCAL YEARS ENDED APRIL 30, 2022 AND 2021**

RECONCILIATION OF CHANGE IN NET POSITION TO CASH FLOWS FROM OPERATING ACTIVITIES

Net Operating Income (Loss)	45,293	198,431
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	462,906	326,890
Changes in assets and liabilities		
(Increase) Decrease in accounts receivable	(302,902)	3,430
(Increase) Decrease in inventory	(29,856)	16,637
(Increase) Decrease in prepaid insurance	(330)	(737)
Increase (Decrease) in accounts payable	(16,781)	16,414
Increase (Decrease) in payroll liabilities	6,498	2,506
	<u>\$ 164,828</u>	<u>\$ 563,571</u>

Disclosures of Accounting Policy:

For purposes of the statement of cash flows, the district considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

The accompanying notes are integral to the financial statements.

ORANGE COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 2

NOTES TO THE FINANCIAL STATEMENTS

APRIL 30, 2022 AND 2021

GENERAL DESCRIPTION OF DISTRICT

The District is a self-governing body with an elected board of five members. The District was created October 12, 1952 after a petition was made to the State Board of Engineers, who then approved a public election to create the District. The District was created under Title 29, Article 7880, and Sections 1 through 148z of Vernon’s Annotated Statutes. The District is required to operate under Chapters 49 and 51 of the Texas Water Code. The Board of Directors held their first meeting on June 22, 1953 and the first bond issue was dated April 1, 1954. Additionally, the District is responsible to the Texas Commission on Environmental Quality (formerly the Texas Natural Resource Conservation Commission, Texas Water Commission and previously its forerunners) for the sale of potable water and the collection, treatment and safe discharge of waste water within the District’s boundaries as prescribed in accordance with the Texas Water Code. The District is a primary reporting entity as set forth in the Governmental Accounting Standards Board (GASB) Statement Number 14. The District has an elected governing board, is a legally separate entity under the laws of the State of Texas, has complete and discrete financial accountability for its own affairs, is not dependent upon any other body and has sole authority to hire and fire its employees. Additionally, the District has no component units as defined by GASB 14 referred to above. The District’s geographic boundaries coincide with the City of West Orange, Texas but also include small areas that are outside of the City, but contiguous to the City.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Retroactive to May 1, 2002 the District adopted the provisions of Statement No. 34 of Governmental Accounting Standards Board – *“Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments.”* Statement 34 established standards for external financial reporting for all state and local governmental entities that includes a statement of net position, a statement of revenues, expenses, and changes in net position, and a statement of cash flows. For Orange County Water Control and Improvement District No. 2, the adoption of Statement 34 had no effect on the basic financial statements except for the classification of net position in accordance with the statement and the reflection of capital contributions as a change (increase) in net position.

The District’s accounting records are maintained and its statements are prepared, using the Business Type of accounting as established by the General Accounting Standards Board (GASB). The District keeps its accounts and presents its financial statements as would a privately owned, for profit water and sewer Company. As a result, the following accounting practices are observed:

- A. The accrual method of recording income and expenditures is used. Income is recognized when earned and expenditures are recognized when the obligation to pay is incurred.
- B. Fixed assets are stated at their cost, or if contributed, at their fair market value. Depreciation is charged over the useful life of an asset using the straight-line method of value allocation. Interest is capitalized as appropriate on short term borrowing for construction.

The estimated useful lives are as follows:

Buildings	25 – 50 years
Improvements other than buildings	40 – 50 years
Equipment	3 – 10 years

ORANGE COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 2

NOTES TO THE FINANCIAL STATEMENTS

APRIL 30, 2022 AND 2021

NOTE 1 – SUMMARY OF ACCOUNTING POLICIES CONT'D

- C. Accounts receivable are written off (when applicable) using the direct write off method. There is no provision for doubtful accounts. Accounts are classified as bad debt after sixty days of non-payment.
- D. The District only invests in certificates of deposit and does not have or intend to have any other form of investment.
- E. Although Business Type Activities are not required to present a budgetary comparison per generally accepted governmental accounting principles, the District does adopt a budget each year and public notices of a hearing and public consideration of the budget are done prior to the adoption of the budget each year. The budget can be amended by a simple majority vote of the Board of Directors without any restriction. The budget is required by state statute and the District must comply with state law regarding performance in accordance with that budget.
- F. Inventory is valued at cost. Acquisition of individual items is recorded in an inventory account and expended when consumed.
- G. The District does not accumulate sick pay. Vacation days are earned each year based on the years of service of each employee. District policy allows an employee to sell their unused vacation with the Superintendent's approval and the Superintendent can sell his unused vacation with the approval of the Board of Directors. Vacation time is budgeted as regular wages and is recorded as such when taken during the year. Normally, vacation in excess of the annual amount is insignificant and the amount is not recorded as an accrued liability.
- H. The District does not use encumbrance accounting and reporting.
- I. Cash presented in the statement of cash flows consists of unrestricted cash.
- J. The District uses estimates in the preparation of its financial statements and the reader should be advised that the estimates may vary from actual.
- K. The District considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

NOTE 2 – CASH AND CERTIFICATES OF DEPOSIT

- A. Cash deposits and certificates of deposit deposited by the District with its fiscal depository can be categorized according to three levels of risk. Based upon these three levels of risk, all the District's cash deposits are classified as Category 1. Currently, the District does not have any investments

The District's policy is to have all cash and certificates of deposits fully collateralized by direct instruments of the US Treasury. The pledged collateral is held by an independent third party and the third party agrees to obtain written authorization from the District before releasing any of the underlying securities pledged as collateral. Each hand receipt names the District as a pledgee.

ORANGE COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 2**NOTES TO THE FINANCIAL STATEMENTS****APRIL 30, 2022 AND 2021****NOTE 2 – CASH AND CERTIFICATES OF DEPOSIT CONT'D**

Cash was fully collateralized as of April 30, 2022 and 2021. The pledged securities at April 30, 2022 and 2021 had market values of \$1,945,377 and \$1,382,611 respectively. The actual balances to be collateralized were \$1,983,397 and \$1,633,364. These pledged securities were held by US Federal Reserve Bank, Dallas, Texas. For both years these collateral securities were in addition to the FDIC coverage standard to all governmental depositors of \$250,000 in deposits. As a result, the District met its statutory requirement to have 105% of cash deposits collateralized.

- B. The District uses general ledger segregation of restricted cash and pooled cash bank accounts and certificates of deposit unless legally required to maintain a separate bank account.

The restricted cash accounts at April 30, 2022 and 2021 were:

	2022		2021 Restated	
	Cash	Total	Cash	Total
Future Water Security	288,098	288,098	262,327	262,327
PAD Reserve Series 2013	50,605	50,605	103,224	103,224
Reserve Fund 2021	306,404	306,404	306,061	306,061
Sinking & Interest 2021	139,769	139,769	139,612	139,612
Construction Escrow 2021	5,321,101	5,321,101	5,414,065	5,414,065
Total	<u>\$ 6,105,977</u>	<u>\$ 6,105,977</u>	<u>\$ 6,225,289</u>	<u>\$ 6,225,289</u>

NOTE 3 – FIXED ASSETS

The changes in fixed assets as of April 30, 2022 and 2021 were as follows:

	Balance 05/01/2021	Additions	Deletions	Balance 04/30/2022
Capital Assets				
Land	321,042	-	-	321,042
Construction in Progress				
Projects	220,389	522,893	-	743,282
Local Match for CDBG	112,730	-	-	112,730
WIP CDBG	338,520	-	-	338,520
Total Capital Assets Not Depreciated	992,681	522,893	-	1,515,574
Buildings	403,143	-	-	403,143
Systems	13,676,082	463,150	-	14,139,232
Equipment and Furniture	572,299	6,376	-	578,675
Total Capital Assets Being Depreciated	14,651,524	469,526	-	15,121,050
Accumulated Depreciation	(8,835,140)	(462,906)	-	(9,298,046)
Capital Assets, Net	<u>\$ 6,809,065</u>	<u>\$ 529,513</u>	<u>\$ -</u>	<u>\$ 7,338,578</u>

ORANGE COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 2**NOTES TO THE FINANCIAL STATEMENTS****APRIL 30, 2022 AND 2021****NOTE 3 – FIXED ASSETS CONTINUED**

	Balance 05/01/2020	Additions	Deletions	Balance 04/30/2021
Capital Assets				
Land	321,042	-	-	321,042
Construction in Progress				
Sewer upgrade	20,375	200,014	-	220,389
Local Match for CDBG	66,897	45,833	-	112,730
PAD	363,978	-	25,458	338,520
Total Capital Assets Not Depreciated	<u>772,292</u>	<u>245,847</u>	<u>25,458</u>	<u>992,681</u>
Buildings	403,143	-	-	403,143
Systems	13,676,082	-	-	13,676,082
Equipment and Furniture	520,033	52,266	-	572,299
Total Capital Assets Being Depreciated	<u>14,599,258</u>	<u>52,266</u>	<u>-</u>	<u>14,651,524</u>
Accumulated Depreciation	<u>(8,508,250)</u>	<u>(326,890)</u>	<u>-</u>	<u>(8,835,140)</u>
Capital Assets, Net	<u>\$ 6,863,300</u>	<u>\$ (28,777)</u>	<u>\$ 25,458</u>	<u>\$ 6,809,065</u>

NOTE 4 – LONG TERM DEBT

The District has sufficient revenue from operations to meet its present and future debt service requirements. A summary of change in long-term debt follows. The District has pledged its revenues as security for the payment of its current bonded debt. The District has no authorized unissued bonds.

TWDB 2013 Bond Issuance

The District borrowed \$500,000 dollars on June 20, 2013 to finance the first phase of an outfall line of sewer effluent to the Sabine River. Below are the remaining years of obligation and the total balance to be paid. The average net interest cost is 1.57% and is paid semi-annually on March 1st and September 1st each year.

During the fiscal year ended April 30, 2021, the District issued two new bonds to finance future water and sewer projects in the amount of \$2,000,000 and \$3,980,000 through the Texas Water Development Board. Interest payments are due semi-annually on March 1st and September 1st at rates of 1.1% - 2.45%.

Bond activity for the years ended April 30, 2022 and 2021 was as follows:

	Rate	Original Issue	May 1, 2021	Increases	Decreases	April 30, 2022	Due In One Year
Revenue Bond	1.57%	\$ 500,000	\$ 100,000	\$ -	\$ 50,000	\$ 50,000	\$ 50,000
Series 2021A	1.1-2.4%	200,000	2,000,000	-	25,000	1,975,000	25,000
Series 2021B	1.1-2.45%	3,980,000	3,980,000	-	25,000	3,955,000	25,000
			<u>\$ 6,080,000</u>	<u>\$ -</u>	<u>\$ 100,000</u>	<u>\$ 5,980,000</u>	<u>\$ 100,000</u>

ORANGE COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 2**NOTES TO THE FINANCIAL STATEMENTS****APRIL 30, 2022 AND 2021****NOTE 4 – LONG TERM DEBT CONTINUED**

Future debt service requirements are as follows:

Fiscal Year Ending	Principal	Interest	Total
2023	100,000	100,423	200,423
2024	220,000	98,773	318,773
2025	225,000	96,353	321,353
2026	225,000	93,878	318,878
2027	225,000	91,403	316,403
Thereafter	4,985,000	1,070,516	6,055,516
Total	<u>\$ 5,980,000</u>	<u>\$ 1,551,346</u>	<u>\$ 7,531,346</u>

NOTE 5 – RETIREMENT

The District has purchased a money purchase annuity for each employee. The District contributes six (6) percent of each individual's gross earnings to each employees' annuity. The District has no further obligation to safeguard the previous contributions or to make further contributions. Each year the District's Board makes an annual decision to budget for the next year. The expenses for retirement for the year ended April 30, 2022 and 2021 respectively \$22,919 and \$22,419. The District's employees are covered by federal social security and the District has made payment directly to the Internal Revenue Service since 1987. The District has no agreements or obligations to the Texas Municipal Employees Retirement System or any other state sponsored system. The District is not obligated for any post-employment benefits to its employees.

NOTE 6 – ECONOMIC DEPENDENCE

The District derives all of its operating revenue from the water and sewer users (customers) that reside within its geographic boundaries. These boundaries significantly correspond but are not identical with the boundaries of the City of West Orange, Texas. Accordingly, it should be concluded that any events affecting the City of West Orange's residents would impact the District's operations directly.

ORANGE COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 2**NOTES TO THE FINANCIAL STATEMENTS****APRIL 30, 2022 AND 2021****NOTE 7 – WATER AND SEWER FEES**

The District had in effect at April 30, 2022 the following rates:

Gallons	Water		Sewer	
	Residential	Commercial	Residential	Commercial
1,000	25.03	26.80	22.82	22.82
2,000	29.54	35.33	27.49	27.49
3,000	34.05	43.86	32.16	32.16
4,000	38.56	52.39	36.83	36.83
5,000	43.07	60.92	41.50	41.50
6,000	47.58	69.45	46.17	46.17
7,000	52.09	77.98	50.84	50.84
8,000	56.60	86.51	55.51	55.51
9,000	61.11	95.04	60.18	60.18
10,000	65.62	103.57	64.85	64.85
15,000	88.17	147.87	90.85	90.85
20,000	110.72	194.11	120.10	120.10

THIS IS NOT A COMPLETE PRESENTATION OF ALL THE RATES

The District collects a surcharge of \$3.18 per thousand for certain commercial customers with more solids than an average residential customer. There is no surcharge, other than shown above, or winter averaging for wastewater.

NOTE 8 – PROPERTY TAXES

The District does not collect or receive property taxes.

NOTE 9 – RISK MANAGEMENT

The Districts' Risk Management Policy is to carry adequate insurance to cover casualties, property, plant, equipment and liability.

NOTE 10 – RESTRICTED AND UNRESTRICTED NET POSITION

	2022	2021
Restricted		
Initial Water Security Deposit	221,281	262,237
Debt Service	104,696	83,052
Total	<u>\$ 325,977</u>	<u>\$ 345,289</u>
Unrestricted		
Unassigned	1,361,935	1,513,192
Total	<u>\$ 1,361,935</u>	<u>\$ 1,513,192</u>

ORANGE COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 2

NOTES TO THE FINANCIAL STATEMENTS

APRIL 30, 2022 AND 2021

NOTE 11 – PLEDGE OF REVENUES

Water and Sewer revenues are pledged for payment of outstanding bonds. There are no bond redemption provisions.

NOTE 12 – GRANT REVENUE

During the fiscal year ending 2022, the District recorded a receivable in the amount of \$300,369 for grant reimbursement from the City of Orange to complete a generator project.

NOTE 13 – LITIGATION

None.

NOTE 14 – PRIOR PERIOD RESTATEMENT

The prior period year was restated in the amount of \$16,804 to correct the beginning balance of the escrow accounts. These accounts were opened during the 2021 fiscal year, therefore we restated the prior year balances to account for the changes.

NOTE 15 – SUBSEQUENT EVENTS

The District's Management and Board of Directors have reviewed events and conditions from April 30, 2022 to the release of these financial statements, which is September 7, 2022. There are no other conditions, developments or any other matter that should be disclosed to make these statements free of any material misstatement.

REQUIRED SUPPLEMENTARY INFORMATION

ORANGE COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 2**COMPARATIVE STATEMENT OF REVENUE AND EXPENDITURES
FOR THE FIVE YEARS ENDED APRIL 30, 2022**

	Budget	Actual	Variance Favorable (Unfavorable)
<u>Revenue from Operations</u>			
Water	\$ 915,000	\$ 933,473	\$ 18,473
Sewer	760,000	755,280	(4,720)
Reconnection and Other Fees	22,000	19,035	(2,965)
Tapping Fees	5,000	4,639	(361)
Late Charges	34,000	37,595	3,595
Misc Service Charges	40,000	8,455	(31,545)
Total Revenue from Operations	<u>1,776,000</u>	<u>1,758,477</u>	<u>(17,523)</u>
<u>Operating Expenses</u>			
Water	221,820	247,299	(25,479)
Sewer	433,843	478,884	(45,041)
General and Administration	662,182	524,095	138,087
Total Operating Expenses	<u>1,317,845</u>	<u>1,250,278</u>	<u>67,567</u>
Excess of Revenues before Depreciation	<u>458,155</u>	<u>508,199</u>	<u>50,044</u>
<u>Depreciation</u>	<u>-</u>	<u>462,906</u>	<u>(462,906)</u>
Net Income (Loss) from Operations	<u>458,155</u>	<u>45,293</u>	<u>(412,862)</u>
<u>Non-Operating Revenues (Expenses)</u>			
Interest Income	3,600	2,228	(1,372)
Other Misc Income	-	102,067	102,067
Grant Income	-	300,369	300,369
Interest Expense	(91,713)	(91,013)	(700)
Other Capital	(301,490)	-	(301,490)
Total Non-Operating Revenues (Expense)	<u>(389,603)</u>	<u>313,651</u>	<u>98,874</u>
Change in Net Position	68,552	358,944	290,392
Net Position, Beginning of Year	<u>8,567,546</u>	<u>8,567,546</u>	<u>-</u>
Net Position, End of Year	<u>\$ 8,636,098</u>	<u>\$ 8,926,490</u>	<u>\$ 290,392</u>

TEXAS REQUIRED SUPPLEMENTARY INFORMATION

ORANGE COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 2**SCHEDULE OF OPERATING EXPENSES
FOR THE YEAR ENDED APRIL 30, 2022 AND 2021**

	<u>2022</u>	<u>2021</u>
<u>Water Service Expenses</u>		
Salaries and Wages	\$ 98,287	\$ 97,223
Testing	2,128	6,504
TCEQ Compliance	14,176	5,049
Chemicals	21,869	27,568
Small Tools	2,656	2,432
Utilities	25,666	22,716
Repairs and Maintenance Materials	82,517	135,111
Total Water Service Expenses	<u>247,299</u>	<u>296,604</u>
 <u>Sewer Service Expenses</u>		
Salaries and Wages	162,570	153,966
Chemicals	26,246	24,174
Sludge Removal	39,761	45,099
Small Tools	2,952	2,900
Repairs and Maintenance	158,793	149,760
Testing Samples	22,369	22,222
Compliance Costs	9,657	-
Equipment Rental	5,886	3,385
Utilities	50,650	44,761
Total Sewer Service Expenses	<u>478,884</u>	<u>446,267</u>

ORANGE COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 2**SCHEDULE OF OPERATING EXPENSES
FOR THE YEAR ENDED APRIL 30, 2022 AND 2021**

<u>General and Administrative</u>	<u>2022</u>	<u>2021</u>
Director's Fees	9,277	7,450
TCEQ Fee	-	11,141
Annual Employee Recognition Day	2,682	3,419
Bad Debt Expense	6,039	23,892
Office Salaries and Wages	127,802	123,912
Group Insurance	149,686	123,578
Payroll Taxes	30,610	30,691
Professional Fees	4,045	275
Legal Counsel	15,699	19,696
Accounting and Auditing	17,353	20,163
Engineering	11,405	23,193
Office Expense and Other	24,528	49,262
Software Support	9,683	9,810
Postage	8,347	8,786
Internet	2,981	2,719
Telephone	11,307	11,523
Utilities	7,970	7,122
Insurance	30,531	33,404
Uniforms	6,223	5,338
Gasoline	20,782	16,204
Retirement	22,919	22,419
Training and Certification	3,926	1,547
Fiscal Agent Fee	300	600
Total General and Administrative Expenses	<u>524,095</u>	<u>556,144</u>
TOTAL OPERATING EXPENSES	<u>\$ 1,250,278</u>	<u>\$ 1,299,015</u>

ORANGE COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 2

**SCHEDULE OF TEMPORARY INVESTMENTS
FOR THE YEAR ENDED APRIL 30, 2022 AND 2021**

April 30, 2022				
<u>Number</u>	<u>Amount</u>	<u>Date Purchased</u>	<u>Interest Rate</u>	<u>Accrued Interest</u>
N/A	<u>0</u>	N/A	N/A	N/A
Total	<u>0</u>			

April 30, 2021				
<u>Number</u>	<u>Amount</u>	<u>Date Purchased</u>	<u>Interest Rate</u>	<u>Accrued Interest</u>
N/A	<u>0</u>	N/A	N/A	N/A
Total	<u>0</u>			

ORANGE COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 2**ANALYSIS OF CHANGES IN FIXED ASSETS
FOR THE YEAR ENDED APRIL 30, 2022 AND 2021**

	Balance 05/01/2021	Additions	Deletions	Balance 04/30/2022
Capital Assets				
Land	321,042	-	-	321,042
Construction in Progress				
Projects	220,389	522,893	-	743,282
Local Match for CDBG	112,730	-	-	112,730
WIP CDBG	338,520	-	-	338,520
Total Capital Assets Not Depreciated	<u>992,681</u>	<u>522,893</u>	<u>-</u>	<u>1,515,574</u>
Buildings	403,143	-	-	403,143
Systems	13,676,082	463,150	-	14,139,232
Equipment and Furniture	572,299	6,376	-	578,675
Total Capital Assets Being Depreciated	<u>14,651,524</u>	<u>469,526</u>	<u>-</u>	<u>15,121,050</u>
Accumulated Depreciation	<u>(8,835,140)</u>	<u>(462,906)</u>	<u>-</u>	<u>(9,298,046)</u>
Capital Assets, Net	<u>\$ 6,809,065</u>	<u>\$ 529,513</u>	<u>\$ -</u>	<u>\$ 7,338,578</u>

	Balance 05/01/2020	Additions	Deletions	Balance 04/30/2021
Capital Assets				
Land	321,042	-	-	321,042
Construction in Progress				
Sewer upgrade	20,375	200,014	-	220,389
Local Match for CDBG	66,897	45,833	-	112,730
PAD	363,978	-	25,458	338,520
Total Capital Assets Not Depreciated	<u>772,292</u>	<u>245,847</u>	<u>25,458</u>	<u>992,681</u>
Buildings	403,143	-	-	403,143
Systems	13,676,082	-	-	13,676,082
Equipment and Furniture	520,033	52,266	-	572,299
Total Capital Assets Being Depreciated	<u>14,599,258</u>	<u>52,266</u>	<u>-</u>	<u>14,651,524</u>
Accumulated Depreciation	<u>(8,508,250)</u>	<u>(326,890)</u>	<u>-</u>	<u>(8,835,140)</u>
Capital Assets, Net	<u>\$ 6,863,300</u>	<u>\$ (28,777)</u>	<u>\$ 25,458</u>	<u>\$ 6,809,065</u>

ORANGE COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 2**GENERAL LONG-TERM DEBT****APRIL 30, 2022****SERIES 2013 TWDB REVENUE BOND**

<u>Due During Fiscal Year Ending</u>	<u>Principal Due 3/1</u>	<u>Interest Due 3/1 & 9/1</u>	<u>Total</u>
2023	50,000	1,100	51,100
	<u>\$ 50,000</u>	<u>\$ 1,100</u>	<u>\$ 51,100</u>

SERIES 2021A

<u>Due During Fiscal Year Ending</u>	<u>Principal Due 3/1</u>	<u>Interest Due 3/1 & 9/1</u>	<u>Total</u>
2023	25,000	32,583	57,583
2024	75,000	32,308	107,308
2025	75,000	31,483	106,483
2026	75,000	30,658	105,658
2027	75,000	29,833	104,833
2028	75,000	29,008	104,008
2029	75,000	28,183	103,183
2030	80,000	27,358	107,358
2031	80,000	26,478	106,478
2032	80,000	25,598	105,598
2033	80,000	24,718	104,718
2034	80,000	23,790	103,790
2035	80,000	22,702	102,702
2036	85,000	21,486	106,486
2037	85,000	20,075	105,075
2038	85,000	18,570	103,570
2039	90,000	16,972	106,972
2040	90,000	15,199	105,199
2041	90,000	13,354	103,354
2042	95,000	11,437	106,437
2043	95,000	9,347	104,347
2044	100,000	7,200	107,200
2045	100,000	4,880	104,880
2046	105,000	2,520	107,520
	<u>\$ 1,975,000</u>	<u>\$ 505,733</u>	<u>\$ 2,480,733</u>

ORANGE COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 2**GENERAL LONG-TERM DEBT****APRIL 30, 2022****SERIES 2021B**

<u>Due During Fiscal Year Ending</u>	<u>Principal Due 3/1</u>	<u>Interest Due 3/1 & 9/1</u>	<u>Total</u>
2023	25,000	66,741	91,741
2024	145,000	66,466	211,466
2025	150,000	64,871	214,871
2026	150,000	63,221	213,221
2027	150,000	61,571	211,571
2028	155,000	59,921	214,921
2029	155,000	58,216	213,216
2030	155,000	56,511	211,511
2031	160,000	54,806	214,806
2032	160,000	53,046	213,046
2033	160,000	51,286	211,286
2034	165,000	49,350	214,350
2035	165,000	47,023	212,023
2036	170,000	44,433	214,433
2037	170,000	41,526	211,526
2038	175,000	38,432	213,432
2039	180,000	35,054	215,054
2040	180,000	31,418	211,418
2041	185,000	27,638	212,638
2042	190,000	23,605	213,605
2043	195,000	19,330	214,330
2044	200,000	14,826	214,826
2045	205,000	10,086	215,086
2046	210,000	5,145	215,145
	<u>\$ 3,955,000</u>	<u>\$ 1,044,514</u>	<u>\$ 4,999,514</u>

ORANGE COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 2

**ANALYSIS OF CHANGES IN GENERAL LONG-TERM DEBT
FOR THE YEAR ENDED APRIL 30, 2022**

	Series 2013
Interest Rate	1.57%
Dates Interest Payable	3/1 & 9/1
Maturity Dates	3/1/2023
Beginning Bonds Outstanding	100,000
Bonds sold during the fiscal year	-
Bonds retired during the fiscal year	50,000
Ending Bonds Outstanding	<u>\$ 50,000</u>
Interest paid during the fiscal year	<u>\$ 2,105</u>

Paying agents name and city:

Series 2013

Bank of Texas Financial, Austin Texas

	<u>Other Bonds</u>	<u>Refunding Bonds</u>
Amount Authorized	\$500,000	-
Amount Issued	\$500,000	-
Remaining to be Issued	-	-

	Series 2021A
Interest Rate	1.1%-2.4%
Dates Interest Payable	3/1 & 9/1
Maturity Dates	3/1/2046
Beginning Bonds Outstanding	2,000,000
Bonds sold during the fiscal year	-
Bonds retired during the fiscal year	25,000
Ending Bonds Outstanding	<u>\$ 1,975,000</u>
Interest paid during the fiscal year	<u>\$ 29,480</u>

Paying agents name and city:

Series 2021A

Bank of Texas Financial, Austin Texas

	<u>Other Bonds</u>	<u>Refunding Bonds</u>
Amount Authorized	\$2,000,000	-
Amount Issued	\$2,000,000	-
Remaining to be Issued	-	-

ORANGE COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 2

**ANALYSIS OF CHANGES IN GENERAL LONG-TERM DEBT
FOR THE YEAR ENDED APRIL 30, 2022**

	Series 2021B
Interest Rate	1.1%-2.45%
Dates Interest Payable	3/1 & 9/1
Maturity Dates	3/1/2046
Beginning Bonds Outstanding	3,980,000
Bonds sold during the fiscal year	-
Bonds retired during the fiscal year	25,000
Ending Bonds Outstanding	<u>\$ 3,955,000</u>
Interest paid during the fiscal year	<u>\$ 59,428</u>

Paying agents name and city:

Series 2021B

Bank of Texas Financial, Austin Texas

	<u>Other Bonds</u>	<u>Refunding Bonds</u>
Amount Authorized	\$3,980,000	-
Amount Issued	\$3,980,000	-
Remaining to be Issued	-	-

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

2022 through 2046 \$315,935

ORANGE COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 2**COMPARATIVE STATEMENT OF REVENUE AND EXPENDITURES
FOR THE FIVE YEARS ENDED APRIL 30, 2022**

	CHANGES IN REVENUES AND EXPENDITURES				
	2022	2021	2020	2019	2018
<u>Operating Revenues</u>					
Service Revenues	\$ 1,688,753	\$ 1,710,910	\$ 1,571,480	\$ 1,582,920	\$ 1,639,496
Tap Connection Revenues	23,674	35,680	18,060	23,855	1,500
Penalty and Interest Revenues	46,050	77,746	56,237	66,862	35,560
Total Operating Revenues	<u>1,758,477</u>	<u>1,824,336</u>	<u>1,645,777</u>	<u>1,673,637</u>	<u>1,676,556</u>
<u>Operating Expenses</u>					
Payroll Expense	601,151	559,240	580,798	583,443	393,984
Professional Fees	48,502	63,327	88,308	75,504	64,904
Purchased and Contracted Services	281,071	329,970	197,591	201,391	210,847
Consumable Supplies and Materials	53,723	57,075	34,154	48,969	49,392
Recurring Operating Expenses	265,831	289,404	213,778	288,281	446,046
Depreciation	462,906	326,890	313,938	282,209	287,072
Total Operating Expenses	<u>1,713,184</u>	<u>1,625,905</u>	<u>1,428,567</u>	<u>1,479,797</u>	<u>1,452,245</u>
Income from Operations	45,293	198,431	217,210	193,840	224,311
<u>Non-Operating Revenues</u>					
Interest Income	2,228	6,080	13,064	13,014	10,873
Contributions and Misc	402,436	33,096	2,552	40,556	48,847
Total Non-Operating Revenues	<u>404,664</u>	<u>39,176</u>	<u>15,616</u>	<u>53,570</u>	<u>59,720</u>
Income before Non-Operating Expenses	449,957	237,607	232,826	247,410	284,031
<u>Non-Operating Expenses</u>					
Debt Service and Related	91,013	269,982	4,179	4,480	5,320
Total Non-Operating Expenses	<u>91,013</u>	<u>269,982</u>	<u>4,179</u>	<u>4,480</u>	<u>5,320</u>
Net Income (Loss)	<u>\$358,944</u>	<u>(\$32,375)</u>	<u>\$228,647</u>	<u>\$242,930</u>	<u>\$278,711</u>
Active Retail Water Customers	1,547	1,561	1,584	1,565	1,565

ORANGE COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 2**COMPARATIVE STATEMENT OF REVENUE AND EXPENDITURES
FOR THE FIVE YEARS ENDED APRIL 30, 2022**

	PERCENTAGE OF TOTAL REVENUE				
	2022	2021	2020	2019	2018
<u>Operating Revenues</u>					
Service Revenues	96.03%	93.78%	95.49%	94.58%	97.79%
Tap Connection Revenues	1.35%	1.96%	1.10%	1.43%	0.09%
Penalty and Interest Revenues	2.62%	4.26%	3.42%	4.00%	2.12%
Total Operating Revenues	100.00%	100.00%	100.00%	100.00%	100.00%
<u>Operating Expenses</u>					
Payroll Expense	34.19%	30.65%	35.29%	34.86%	23.50%
Professional Fees	2.76%	3.47%	5.37%	4.51%	3.87%
Purchased and Contracted Services	15.98%	18.09%	12.01%	12.03%	12.58%
Consumable Supplies and Materials	3.06%	3.13%	2.08%	2.93%	2.95%
Recurring Operating Expenses	15.12%	15.86%	12.99%	17.22%	26.60%
Depreciation	26.32%	17.92%	19.08%	16.86%	17.12%
Total Operating Expenses	97.42%	89.12%	86.80%	88.42%	86.62%
Income from Operations	2.58%	10.88%	13.20%	11.58%	13.38%
<u>Non-Operating Revenues</u>					
Interest Income	0.13%	0.33%	0.79%	0.78%	0.65%
Contributions and Miscellaneous	22.89%	1.81%	0.16%	2.42%	2.91%
Total Non-Operating Revenues	23.01%	2.15%	0.95%	3.20%	3.56%
Income before Non-Operating Expenses	25.59%	13.02%	14.15%	14.78%	16.94%
<u>Non-Operating Expenses</u>					
Debt Service and Related	5.18%	14.80%	0.25%	0.27%	0.32%
Total Non-Operating Expenses	5.18%	14.80%	0.25%	0.27%	0.32%
Net Income (Loss)	20.41%	-1.77%	13.89%	14.52%	16.62%

ORANGE COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 2**INSURANCE COVERAGE
FOR THE YEAR ENDED APRIL 30, 2022**

<u>Type of Coverage</u>	<u>Policy Period</u>		<u>Amount of Coverage</u>	<u>Insurer</u>	<u>Type of Corporate</u>	<u>Policy Clause Co-Insurance</u>
	<u>From</u>	<u>To</u>				
Property and Casualty	10/1/2021	10/1/2022	\$ 11,033,914	TML	N/A	No
Liability	10/1/2021	10/1/2022	\$ 500,000	TML	N/A	No
Automobile	10/1/2021	10/1/2022	\$ 500,000	TML	N/A	No
Cyber Liability	10/1/2021	10/1/2022	\$ 1,000,000	TML	N/A	No

ORANGE COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 2**SCHEDULE OF REVENUE AND EXPENDITURES – BUDGET TO ACTUAL
FOR THE FISCAL YEAR ENDED APRIL 30, 2022**

Mailing Address: 2526 Western Ave., PO Box 278, Orange, TX 77631-0278

Direct Phone Number: (409) 883-4003

Name and Address	Term of Office	Fees	Title	Resident of the District
Thomas Woolley 707 Sherrill Orange, Texas	05/2022 - 05/2026	\$1,800	President	Yes
Linda Premeaux 700 Westbury Orange, Texas	05/2020 - 05/2024	\$1,800	Secretary	Yes
Glenn Curran 702 Westbury Orange, Texas	05/2022 - 05/2026	\$1,800	Vice President	Yes
Lisa Bukowsky 3923 B Kathleen Orange, Texas	05/2022 - 05/2026	\$1,800	Director	Yes
Jerry Foreman Foreman Rd Orange, Texas	05/2020 - 05/2024	\$1,800	Director	No

ORANGE COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 2**SCHEDULE OF REVENUE AND EXPENDITURES – BUDGET TO ACTUAL
FOR THE FISCAL YEAR ENDED APRIL 30, 2022**

Key Administrative Personnel	Hire Date	Fees	Title	Resident of the District
Russell Love 7477 Circle 6 Orange, Texas 77630	June 2016	\$70,304	Superintendent	No
April Lombardo 2630 E. Norman Circle Orange, Texas 77630	Nov 2014	\$54,827	Office Manager	No
Consultants				
Jeff Beaver, PE Schaumburg & Polk 8865 College St. S-100 Beaumont, Texas 77707	Nov 1987	\$53,955	Engineer	No
Mitchell Fontenote Mitchell T Fontenote CPA, Inc. 2428 Nall Street Port Neches, Texas 77651	June 2017	\$12,900	Auditor	No
Kate Leverett Germer PLLC Beaumont, Texas 77701	April 2020	\$10,547	Attorney	No
Jeremy Triska Wathen, DeShong & Juncker, LLP 4140 Gladys Ave Ste 101 Beaumont, Texas 77706	March 2017	\$3,953	CPA	No
Investment Officer				
April Lombardo 2630 E. Norman Circle Orange, Texas 77630				