

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

**ANNUAL
FINANCIAL REPORT
FOR THE YEAR ENDED
APRIL 30, 2021 AND 2020**

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INTRODUCTORY SECTION

ANNUAL FILING AFFIDAVIT

THE STATE OF TEXAS}
COUNTY OF ORANGE}

6240000
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, 2021, 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 5 day of August, 2021

(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, 2021 AND 2020

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, 2021. 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 \$8,550,742 (net position) for the fiscal year 2021. This compares to the previous year when assets exceeded liabilities by \$8,599,921. The net position decreased by \$49,179 or 0.57%.

Total net position is comprised of the following:

- 1) Capital assets, net of related debt, of \$6,709,065 included in property and equipment, net of accumulated depreciation, net of long-term debt.
- 2) Net position of \$328,485 are restricted by debt covenants and future water security.

Net Position Unrestricted:

- a) Unassigned net position of \$1,513,192 which represents the portion available to maintain current and on-going obligations other than debt and construction.

Total spending for all District activities was \$1,299,015 for the year, which is \$525,321 less than the revenue from operations. Operating revenues for the year increased by \$178,559 and operating expenses increased by \$184,386 compared to the prior year. The majority of the increase in operating expenses is attributed to significant increase 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 decreased by \$49,179 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 increased \$60,270. The restricted fund balance of \$328,485 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 \$8,550,742 left for the year ended April 30, 2021.

ORANGE COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 2
MANAGEMENT'S DISCUSSION AND ANALYSIS
APRIL 30, 2021 AND 2020

Condensed Statement of Net Position

Table 1

<u>ASSETS</u>	2021	2020	Change
Current Assets	\$ 1,606,024	\$ 1,419,954	\$ 186,070
Capital Assets	6,809,065	6,863,300	(54,235)
Other Assets	6,466,672	688,169	5,778,503
Total Assets	<u>14,881,761</u>	<u>8,971,423</u>	<u>5,910,338</u>
<u>LIABILITIES</u>			
Other Liabilities	351,019	271,502	79,517
Long-Term Debt	5,980,000	100,000	5,880,000
Total Liabilities	<u>6,331,019</u>	<u>371,502</u>	<u>5,959,517</u>
<u>NET POSITION</u>			
Net Investment in Capital Assets	6,709,065	6,713,300	(4,235)
Restricted	328,485	433,699	(105,214)
Unrestricted (Deficit)	1,513,192	1,452,922	60,270
Total Net Position	<u>\$ 8,550,742</u>	<u>\$ 8,599,921</u>	<u>-\$ 49,179</u>

Condensed Statement of Revenues, Expenses, and Changes in Net Position

Table 2

	2021	2020	Change
Operating Income	\$ 1,824,336	\$ 1,645,777	\$ 178,559
Non-Operating Income	39,176	15,616	23,560
TOTAL REVENUES	<u>1,863,512</u>	<u>1,661,393</u>	<u>202,119</u>
Depreciation	326,890	313,938	12,952
Operating Expenses	1,299,015	1,114,629	184,386
Non-Operating Expenses	286,786	4,179	282,607
TOTAL EXPENSES	<u>1,912,691</u>	<u>1,432,746</u>	<u>479,945</u>
Increase (Decrease) in Net Position	(49,179)	228,647	(277,826)
Net Position, Beginning of Year	<u>8,599,921</u>	<u>8,371,274</u>	<u>228,647</u>
Net Position, End of Year	<u>\$ 8,550,742</u>	<u>\$ 8,599,921</u>	<u>\$ (49,179)</u>

ORANGE COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 2

MANAGEMENT'S DISCUSSION AND ANALYSIS

APRIL 30, 2021 AND 2020

BUDGETARY HIGHLIGHTS

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

	Budgetary Highlights		
	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
Operating Income	\$ 1,673,637	\$ 1,824,336	\$ 150,699
Non-Operating Income	53,570	39,176	(14,394)
Total Revenues	<u>1,727,207</u>	<u>1,863,512</u>	<u>136,305</u>
Depreciation	-	326,890	(326,890)
Operating Expenses	1,204,383	1,299,015	(94,632)
Non-Operating Expenses	209,137	286,786	(77,649)
Total Expenses	<u>1,413,520</u>	<u>1,912,691</u>	<u>(499,171)</u>
Increase (Decrease) in Net Position	313,687	(49,179)	362,866
Net Position, Beginning of Year	<u>8,599,921</u>	<u>8,599,921</u>	-
Net Position, End of Year	<u>\$ 8,913,608</u>	<u>\$ 8,550,742</u>	<u>\$ 362,866</u>

CAPITAL ASSET AND DEBT ADMINISTRATION

CAPITAL ASSETS

The cost of property, plant and equipment, net of accumulated depreciation as of April 30, 2021 and 2020 was \$6,809,065 and \$6,863,300 respectively. The acquisitions for the year consisted of new trucks, 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 issued two new bonds through the Texas Water Development Board for \$2,000,000 and \$3,980,000 during the year 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, 2021 AND 2020

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The Board of Directors, when setting the Budget for FY 2021, 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 2021.

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.

August 5, 2021

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Orange County Water Control and Improvement District No. 2

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and the aggregate remaining fund information of the Orange County Water Control and Improvement District No. 2 as of and for the year ended April 30, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and the aggregate remaining fund information Orange County Water Control and Improvement District No.2, as of April 30, 2021 and 2020, 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.

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MITCHELL@MITCHELLTFONTENOTECPA.COM

Other Matters

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 on pages 2–5 and 33 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Orange County Water Control and Improvement District No.2'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.

The Texas Supplementary Information are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such 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.

ORANGE COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 2**STATEMENT NET POSITION****APRIL 30, 2021 AND 2020**

<u>ASSETS</u>	<u>2021</u>	<u>2020</u>
<u>Current Assets:</u>		
Cash	\$ 1,382,211	\$ 1,176,811
Accounts Receivable, net	208,680	212,110
Inventory	5,325	21,962
Prepaid Insurance	9,808	9,071
Total Current Assets	<u>1,606,024</u>	<u>1,419,954</u>
<u>Capital Assets:</u>		
Land	321,042	321,042
Other Capital Assets	14,651,524	14,599,258
Accumulated Depreciation	(8,835,140)	(8,508,250)
Construction in Progress	671,639	451,250
Total Capital Assets	<u>6,809,065</u>	<u>6,863,300</u>
<u>Other Assets:</u>		
Loan Proceeds Receivable	258,187	254,470
Cash and Certificates of Deposits, Restricted	6,208,485	433,699
Total Other Assets	<u>6,466,672</u>	<u>688,169</u>
 TOTAL ASSETS	 <u><u>14,881,761</u></u>	 <u><u>8,971,423</u></u>
 <u>LIABILITIES</u>		
<u>Current Liabilities:</u>		
Accounts Payable	16,781	367
Payroll Liabilities Payable	29,132	26,626
Future Water Security and Other Held Deposits	205,106	194,509
Current Portion of Bonds Payable	100,000	50,000
Total Current Liabilities	<u>351,019</u>	<u>271,502</u>
<u>Long-Term Liabilities</u>		
Bonds Payable	<u>5,980,000</u>	<u>100,000</u>
Total Long-Term Liabilities	<u>5,980,000</u>	<u>100,000</u>
 TOTAL LIABILITIES	 <u><u>6,331,019</u></u>	 <u><u>371,502</u></u>
 <u>NET POSITION</u>		
Net Investment in Capital Assets	6,709,065	6,713,300
Restricted	328,485	433,699
Unrestricted	<u>1,513,192</u>	<u>1,452,922</u>
 TOTAL NET POSITION	 <u><u>\$ 8,550,742</u></u>	 <u><u>\$ 8,599,921</u></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, 2021 AND 2020

	2021	2020
<u>Revenue from Operations</u>		
Water	\$ 942,117	\$ 798,625
Sewer	768,793	772,855
Reconnection and Other Fees	22,610	13,169
Tapping Fees	13,070	4,891
Late Charges	27,421	35,525
Services Charges & Misc	50,325	20,712
Total Revenue from Operations	1,824,336	1,645,777
 <u>Operating Expenses</u>		
Water	296,604	204,070
Sewer	446,267	351,633
General and Administration	556,144	558,926
Total Operating Expenses	1,299,015	1,114,629
 Excess of Revenues before Depreciation	525,321	531,148
 <u>Depreciation</u>	326,890	313,938
Net Income (Loss) from Operations	198,431	217,210
 <u>Non-Operating Revenues (Expenses)</u>		
Interest Income	6,080	13,064
Other Misc Income	33,096	584
FEMA Grant	-	1,968
Bond Issuance Cost	(277,687)	-
Interest Expense	(9,099)	(4,179)
Total Non-Operating Revenues (Expense)	(247,610)	11,437
 Change in Net Position	(49,179)	228,647
Net Position, Beginning of Year	8,599,921	8,371,274
Net Position, End of Year	\$ 8,550,742	\$ 8,599,921

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, 2021 AND 2020**

	<u>2021</u>	<u>2020</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Cash received from customers	\$ 1,827,766	\$ 1,614,944
Cash paid to suppliers for goods and services	(891,600)	(816,651)
Cash paid to employees	(372,595)	(385,445)
Net Cash Provided by Operating Activities	563,571	412,848
<u>CASH FLOWS FROM NON-CAPITAL AND RELATED ACTIVITIES</u>		
(Increase) Decrease in restricted assets	(5,774,786)	(33,517)
Other income	33,096	2,552
Increase (Decrease) in Future Water Security	10,597	4,608
TCEQ Fine	-	-
Net Cash Provided by Non-Capital and Related Activities	(5,731,093)	(26,357)
<u>CASH FLOWS FROM CAPITAL AND RELATED ACTIVITIES</u>		
Principal paid on bond	(50,000)	(50,000)
Issuance of bonds	5,960,000	-
Bond Issuance costs	(277,687)	-
Interest paid on bonded debt	(9,099)	(4,179)
Acquisition of fixed assets	(252,655)	(354,495)
Net Cash Provided by Capital and Related Activities	5,370,559	(408,674)
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Interest earned on investments	2,363	9,677
Net Cash Provided by Investing Activities	2,363	9,677
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	205,400	(12,506)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	1,176,811	1,189,317
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 1,382,211</u>	<u>\$ 1,176,811</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, 2021 AND 2020

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

Net Operating Income (Loss)	198,431	217,210
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	326,890	313,938
Changes in assets and liabilities		
(Increase) Decrease in accounts receivable	3,430	(30,833)
(Increase) Decrease in inventory	16,637	(8,494)
(Increase) Decrease in prepaid insurance	(737)	(443)
Increase (Decrease) in accounts payable	16,414	(78,890)
Increase (Decrease) in payroll liabilities	2,506	360
	<u>\$ 563,571</u>	<u>\$ 412,848</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, 2021 AND 2020

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, 2021 AND 2020

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, 2021 AND 2020

NOTE 2 – CASH AND CERTIFICATES OF DEPOSIT CONT'D

Cash was fully collateralized as of April 30, 2021 and 2020. The pledged securities at April 30, 2021 and 2020 had market values of \$2,217,973 and \$2,793,734 respectively. The actual balances to be collateralized were \$2,081,918 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, 2021 and 2020 were:

	<u>2021</u>	<u>2020</u>
Restricted		
Initial Water Security Deposit	262,237	239,428
Debt Service	5,946,248	194,271
Total	<u>\$ 6,208,485</u>	<u>\$ 433,699</u>

NOTE 3 – FIXED ASSETS

The changes in fixed assets as of April 30, 2021 and 2020 were as follows:

	<u>Balance</u> <u>5/1/2020</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>4/30/2021</u>
Capital Assets				
Land	321,042	-	-	321,042
Construction in Progress				
Projects	20,375	200,014	-	220,389
Local Match for CDBG	66,897	45,833	-	112,730
WIP CDBG	363,978	-	25,458	338,520
Total Capital Assets Not Depreciated	772,292	245,847	25,458	992,681
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	14,599,258	52,266	-	14,651,524
Accumulated Depreciation	(8,508,250)	(326,890)	-	(8,835,140)
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

NOTES TO THE FINANCIAL STATEMENTS

APRIL 30, 2021 AND 2020

NOTE 3 – FIXED ASSETS CONTINUED

	Balance 5/1/2019	Additions	Deletions	Balance 4/30/2020
Capital Assets				
Land	321,042	-	-	321,042
Construction in Progress				
Sewer upgrade	84,263	-	63,888	20,375
Local Match for CDBG	42,222	24,675	-	66,897
PAD	363,978	-	-	363,978
Total Capital Assets Not Depreciated	811,505	24,675	63,888	772,292
Buildings	403,143	-	-	403,143
Systems	13,373,876	302,206	-	13,676,082
Equipment and Furniture	428,099	91,934	-	520,033
Total Capital Assets Being Depreciated	14,205,118	394,140	-	14,599,258
Accumulated Depreciation	(8,193,880)	(314,370)	-	(8,508,250)
Capital Assets, Net	<u>\$ 6,822,743</u>	<u>\$ 104,445</u>	<u>\$ 63,888</u>	<u>\$ 6,863,300</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, 2021 and 2020 was as follows:

	Rate	Original Issue	May 1, 2020	Increases	Decreases	April 30, 2021	Due In One Year
Revenue Bond	1.57%	\$ 500,000	\$ 150,000	-	\$ 50,000	\$ 100,000	\$ 50,000
Series 2021A	1.1-2.4%	200,000	-	2,000,000	-	2,000,000	25,000
Series 2021B	1.1-2.45%	3,980,000	-	3,980,000	-	3,980,000	25,000
			<u>\$ 150,000</u>	<u>\$ 5,980,000</u>	<u>\$ 50,000</u>	<u>\$ 6,080,000</u>	<u>\$ 100,000</u>

ORANGE COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 2

NOTES TO THE FINANCIAL STATEMENTS

APRIL 30, 2021 AND 2020

NOTE 4 – LONG TERM DEBT CONTINUED

Future debt service requirements are as follows:

Fiscal Year Ending	Principal	Interest	Total
2022	100,000	91,623	191,623
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
Thereafter	5,210,000	1,161,919	6,371,919
Total	<u>\$ 6,080,000</u>	<u>\$ 1,642,969</u>	<u>\$ 7,722,969</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, 2021 and 2020 respectively \$22,419 and \$21,406. 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, 2021 AND 2020

NOTE 7 – WATER AND SEWER FEES

The District had in effect at April 30, 2021 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

	2021	2020
Restricted		
Initial Water Security Deposit	262,237	239,428
Debt Service	66,248	194,271
Total	<u>\$ 328,485</u>	<u>\$ 433,699</u>
Unrestricted		
Unassigned	1,513,192	1,452,922
Total	<u>\$ 1,513,192</u>	<u>\$ 1,452,922</u>

ORANGE COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 2

NOTES TO THE FINANCIAL STATEMENTS

APRIL 30, 2021 AND 2020

NOTE 11 – PLEDGE OF REVENUES

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

NOTE 12– SUBSEQUENT EVENTS

The District's Management and Board of Directors have reviewed events and conditions from April 30, 2021 to the release of these financial statements, which is August 5, 2021. There are no other conditions, developments or any other matter that should be disclosed to make these statements free of any material misstatement.

NOTE 13 – LITIGATION

None.

TEXAS REQUIRED SUPPLEMENTARY INFORMATION

ORANGE COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 2

SCHEDULE OF SERVICES AND RATES

APRIL 30, 2021

1. Services provided by the District:

<u> X </u>	Retail Water	<u> </u>	Wholesale Water	<u> </u>	Drainage
<u> X </u>	Retail Sewer	<u> </u>	Wholesale Sewer	<u> </u>	Irrigation
<u> </u>	Parks & Recreation	<u> </u>	Fire Protection	<u> </u>	Security
<u> </u>	Solid Waste/Garbage	<u> </u>	Flood Control	<u> </u>	Roads
<u> </u>	Participants in joint venture, regional system and/or wastewater service (other than emergency interconnect)				
<u> </u>	Other (specify): _____				

2. Retail Service Providers

a. Retail rates for a 5/8" meter (or equivalent):
See Note 6 to the Financial Statements

3. There are no standby fees

4. Total water consumption (rounded to the nearest 1,000 gallons)

Gallons pumped	130,072,000
Gallons sold	89,741,000

5. Number of retail water and waste water connections within the District

<u>Connections</u>	<u>Active</u>	<u>Inactive</u>
Single Family	1430	439
Multi-Family	17	3
Commercial	114	105
Total	1561	547

6. Anticipated sources of funds to pay bond debt held by TWDB

Revenues from water and sewer fees	\$ 1,824,336
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7. The District is located entirely in Orange County, Texas. The District is nearly congruent with the City of West Orange, Texas, except for a small number of customers that are not served by another public water system that reside out of the City's boundaries and have been legally annexed into the District as permitted by law. All five directors are elected by the residents of the District.

ORANGE COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 2**SCHEDULE OF OPERATING EXPENSES****APRIL 30, 2021 AND 2020**

	<u>2021</u>	<u>2020</u>
<u>Water Service Expenses</u>		
Salaries and Wages	97,223	99,956
Testing	6,504	-
TCEQ Compliance	5,049	-
Chemicals	27,568	16,853
Small Tools	2,432	2,501
Utilities	22,716	17,742
Repairs and Maintenance Materials	135,112	67,018
Total Water Service Expenses	<u>296,604</u>	<u>204,070</u>
<u>Sewer Service Expenses</u>		
Salaries and Wages	153,966	150,002
Chemicals	24,174	12,715
Sludge Removal	45,099	58,581
Small Tools	2,900	2,085
Repairs and Maintenance	149,760	71,992
Testing Samples	22,222	11,782
Compliance Costs	-	-
Equipment Rental	3,385	1,783
Utilities	44,761	42,693
Total Sewer Service Expenses	<u>446,267</u>	<u>351,633</u>

ORANGE COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 2**SCHEDULE OF OPERATING EXPENSES****APRIL 30, 2021 AND 2020**

<u>General and Administrative</u>	<u>2021</u>	<u>2020</u>
Director's Fees	7,450	5,900
TCEQ Fee	11,141	5,023
Annual Employee Recognition Day	3,419	2,553
Bad Debt Expense	23,892	-
Office Salaries and Wages	123,912	135,847
Group Insurance	123,578	136,759
Payroll Taxes	30,691	30,928
Professional Fees	275	2,160
Legal Counsel	19,696	22,055
Accounting and Auditing	20,163	22,571
Engineering	23,193	41,522
Office Expense and Other	49,262	51,805
Software Support	9,810	11,103
Postage	8,786	7,535
Internet	2,719	-
Telephone	11,523	12,093
Utilities	7,122	6,468
Insurance	33,404	21,446
Uniforms	5,338	4,567
Gasoline	16,204	13,258
Retirement	22,419	21,406
Training and Certification	1,547	3,627
Fiscal Agent Fee	600	300
Total General and Administrative Expenses	<u>556,144</u>	<u>558,926</u>
TOTAL OPERATING EXPENSES	<u><u>1,299,015</u></u>	<u><u>1,114,629</u></u>

ORANGE COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 2

SCHEDULE OF TEMPORARY INVESTMENTS

APRIL 30, 2021 AND 2020

<u>Number</u>	<u>Amount</u>	<u>April 30, 2021 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>			

<u>Number</u>	<u>Amount</u>	<u>April 30, 2020 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, 2021 AND 2020**

	Balance 5/1/2020	Additions	Deletions	Balance 4/30/2021
Capital Assets				
Land	321,042	-	-	321,042
Construction in Progress				
Projects	20,375	200,014	-	220,389
Local Match for CDBG	66,897	45,833	-	112,730
WIP CDBG	363,978	-	25,458	338,520
Total Capital Assets Not Depreciated	772,292	245,847	25,458	992,681
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	14,599,258	52,266	-	14,651,524
Accumulated Depreciation	(8,508,250)	(326,890)	-	(8,835,140)
Capital Assets, Net	<u>\$ 6,863,300</u>	<u>\$ (28,777)</u>	<u>\$ 25,458</u>	<u>\$ 6,809,065</u>

	Balance 5/1/2019	Additions	Deletions	Balance 4/30/2020
Capital Assets				
Land	321,042	-	-	321,042
Construction in Progress				
Sewer upgrade	84,263	-	63,888	20,375
Local Match for CDBG	42,222	24,675	-	66,897
PAD	363,978	-	-	363,978
Total Capital Assets Not Depreciated	811,505	24,675	63,888	772,292
Buildings	403,143	-	-	403,143
Systems	13,373,876	302,206	-	13,676,082
Equipment and Furniture	428,099	91,934	-	520,033
Total Capital Assets Being Depreciated	14,205,118	394,140	-	14,599,258
Accumulated Depreciation	(8,193,880)	(314,370)	-	(8,508,250)
Capital Assets, Net	<u>\$ 6,822,743</u>	<u>\$ 104,445</u>	<u>\$ 63,888</u>	<u>\$ 6,863,300</u>

ORANGE COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 2**GENERAL LONG-TERM DEBT**

APRIL 30, 2021

SERIES 2013 TWDB REVENUE BOND

Due During Fiscal Year Ending	Principal Due 3/1	Interest Due 3/1 & 9/1	Total
2022	50,000	2,105	52,105
2023	50,000	1,100	51,100
	<u>\$ 100,000</u>	<u>\$ 3,205</u>	<u>\$ 103,205</u>

SERIES 2021A

Due During Fiscal Year Ending	Principal Due 3/1	Interest Due 3/1 & 9/1	Total
2022	25,000	29,480	54,480
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>\$ 2,000,000</u>	<u>\$ 535,213</u>	<u>\$ 2,535,213</u>

ORANGE COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 2

GENERAL LONG-TERM DEBT

APRIL 30, 2021

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>
2022	25,000	60,128	85,128
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>\$ 3,980,000</u>	<u>\$ 1,104,641</u>	<u>\$ 5,084,641</u>

ORANGE COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 2

**ANALYSIS OF CHANGES IN GENERAL LONG-TERM DEBT
FOR THE YEAR ENDED APRIL 30, 2021**

REVENUE BONDS	<u>Series 2013</u>
Interest Rate	1.57%
Dates Interest Payable	3/1 & 9/1
Maturity Dates	3/1/2023
Beginning Bonds Outstanding	200,000
Bonds sold during the fiscal year	-
Bonds retired during the fiscal year	<u>50,000</u>
Ending Bonds Outstanding	<u>\$ 150,000</u>
Interest paid during the fiscal year	<u>\$ 9,099</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	-	-

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

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

2021 through 2046 \$243,200

ORANGE COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 2**COMPARATIVE STATEMENT OF REVENUE AND EXPENDITURES
FOR THE FIVE YEARS ENDED APRIL 30, 2021**

	CHANGES IN REVENUES AND EXPENDITURES					
	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
<u>Operating Revenues</u>						
Service Revenues	1,710,910	1,571,480	1,582,920	1,639,496	1,610,976	1,534,028
Tap Connection Revenues	35,680	18,060	23,855	1,500	-	1,000
Penalty and Interest Revenues	77,746	56,237	66,862	35,560	41,762	73,145
Total Operating Revenues	<u>1,824,336</u>	<u>1,645,777</u>	<u>1,673,637</u>	<u>1,676,556</u>	<u>1,652,738</u>	<u>1,608,173</u>
<u>Operating Expenses</u>						
Payroll Expense	559,239	580,798	583,443	393,984	353,716	345,422
Professional Fees	63,327	88,308	75,504	64,904	64,612	58,062
Purchased and Contracted Services	329,971	197,591	201,391	210,847	164,250	234,059
Consumable Supplies and Materials	57,074	34,154	48,969	49,392	42,349	58,196
Recurring Operating Expenses	289,404	213,778	288,281	446,046	391,993	401,342
Depreciation	326,890	313,938	282,209	287,072	280,940	298,709
Total Operating Expenses	<u>1,625,905</u>	<u>1,428,567</u>	<u>1,479,797</u>	<u>1,452,245</u>	<u>1,297,860</u>	<u>1,395,790</u>
Income from Operations	198,431	217,210	193,840	224,311	354,878	212,383
<u>Non-Operating Revenues</u>						
Interest Income	6,080	13,064	13,014	10,873	6,419	877
Contributions and Misc	33,096	2,552	40,556	48,847	16,548	14,203
Total Non-Operating Revenues	<u>39,176</u>	<u>15,616</u>	<u>53,570</u>	<u>59,720</u>	<u>22,967</u>	<u>15,080</u>
Income before Non-Operating Expenses	237,607	232,826	247,410	284,031	377,845	227,463
<u>Non-Operating Expenses</u>						
Debt Service and Related	286,786	4,179	4,480	5,320	5,450	13,695
Total Non-Operating Expenses	<u>286,786</u>	<u>4,179</u>	<u>4,480</u>	<u>5,320</u>	<u>5,450</u>	<u>13,695</u>
Net Income (Loss)	(49,179)	228,647	242,930	278,711	372,395	213,768
Active Number of Retail Water Customers	1,561	1,584	1,577	1,565	1,620	1,593

ORANGE COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 2
COMPARATIVE STATEMENT OF REVENUE AND EXPENDITURES
FOR THE FIVE YEARS ENDED APRIL 30, 2021

	PERCENTAGE OF TOTAL REVENUE					
	2021	2020	2019	2018	2017	2016
<u>Operating Revenues</u>						
Service Revenues	93.78%	86.14%	94.58%	97.79%	97.47%	95.39%
Tap Connection Revenues	1.96%	0.99%	1.43%	0.09%	0.00%	0.06%
Penalty and Interest Revenues	4.26%	3.08%	4.00%	2.12%	2.53%	4.55%
Total Operating Revenues	100.00%	90.21%	100.00%	100.00%	100.00%	100.00%
<u>Operating Expenses</u>						
Payroll Expense	30.65%	31.84%	34.86%	23.50%	21.40%	21.48%
Professional Fees	3.47%	4.84%	4.51%	3.87%	3.91%	3.61%
Purchased and Contracted Services	18.09%	10.83%	12.03%	12.58%	9.94%	14.55%
Consumable Supplies and Materials	3.13%	1.87%	2.93%	2.95%	2.56%	3.62%
Recurring Operating Expenses	15.86%	11.72%	17.22%	26.60%	23.72%	24.96%
Depreciation	17.92%	17.21%	16.86%	17.12%	17.00%	18.57%
Total Operating Expenses	89.12%	78.31%	88.42%	86.62%	78.53%	86.79%
Income from Operations	10.88%	11.91%	11.58%	13.38%	21.47%	13.21%
<u>Non-Operating Revenues</u>						
Interest Income	0.33%	0.72%	0.78%	0.65%	0.39%	0.05%
Contributions and Misc	1.81%	0.14%	2.42%	2.91%	1.00%	0.88%
Total Non-Operating Revenues	2.15%	0.86%	3.20%	3.56%	1.39%	0.94%
Income before Non-Operating Expenses	13.02%	12.76%	14.78%	16.94%	22.86%	14.14%
<u>Non-Operating Expenses</u>						
Debt Service and Related	15.72%	0.23%	0.27%	0.32%	0.33%	0.85%
Total Non-Operating Expenses	15.72%	0.23%	0.27%	0.32%	0.33%	0.85%
Net Income (Loss)	-2.70%	12.53%	14.52%	16.62%	22.53%	13.29%

ORANGE COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 2**INSURANCE COVERAGE****FOR THE YEAR ENDED APRIL 30, 2021**

<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	10/1/2020	10/1/2021	\$ 9,859,496	TML	N/A	No
Liability	10/1/2020	10/1/2021	\$ 500,000	TML	N/A	No
Automobile	10/1/2020	10/1/2021	\$ 500,000	TML	N/A	No
Cyber Liability	10/1/2020	10/1/2021	\$ 1,000,000	TML	N/A	No

ORANGE COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 2

BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS

APRIL 30, 2021

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

Direct Phone Number: (409) 883-4003

<u>Name and Address</u>	<u>Term of Office</u>	<u>Fees</u>	<u>Title</u>	<u>Resident of District</u>
Thomas Woolley 707 Sherrill Orange, Texas	5/20-5/24	\$1,500	President	Yes
Linda Premeaux 700 Westbury Orange, Texas	5/18-5/22	\$1,500	Secretary/Treasurer	Yes
Glenn Curran 702 Westbury Orange, Texas	5/20-5/24	\$1,500	Vice President	Yes
Lisa Bukowsky 3923 B Kathleen Orange, Texas	5/20-5/24	\$1,500	Director	Yes
Jerry Foreman Foreman Rd Orange, Texas	5/18-5/22	\$1,450	Director	No

ORANGE COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 2

BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS

APRIL 30, 2021

<u>Key Administrative Personnel</u>	<u>Hire Date</u>	<u>Fees</u>	<u>Title</u>	<u>Resident of District</u>
Russell Love 2526 Western Ave Orange, Texas	June 2006	\$68,417	Superintendent	No
April Lombardo 2526 Western Ave Orange, Texas	Nov 2014	\$52,952	Office Manager	No
<u>Consultants</u>				
Jeff Beaver, PE Schaumburg & Polk 8865 College St. S-100 Beaumont, Texas 77707	Nov 1987	\$23,193	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 2017	\$19,696	Attorney	No
Jeremy Triska Wathen, DeShong & Jundker, LLP 4140 Gladys Ave Ste 101 Beaumont, Texas 77706	March 2017	\$7,263	CPA	No
<u>Investment Officer</u>				
April Lombardo 2526 Western Ave Orange, Texas 77630				

ORANGE COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 2**SCHEDULE OF REVENUE AND EXPENDITURES – BUDGET TO ACTUAL
FOR THE FISCAL YEAR ENDED APRIL 30, 2021**

	Budget	Actual	Variance Favorable (Unfavorable)
<u>Revenue from Operations</u>			
Water	\$ 818,805	\$ 942,117	\$ 123,312
Sewer	764,115	768,793	4,678
Reconnection and Other Fees	22,355	22,610	255
Tapping Fees	1,500	13,070	11,570
Late Charges	31,500	27,421	(4,079)
Misc Service Charges	35,362	50,325	14,963
Total Revenue from Operations	<u>1,673,637</u>	<u>1,824,336</u>	<u>150,699</u>
<u>Operating Expenses</u>			
Water	192,573	296,604	(104,031)
Sewer	383,217	446,267	(63,050)
General and Administration	628,593	556,144	72,449
Total Operating Expenses	<u>1,204,383</u>	<u>1,299,015</u>	<u>(94,632)</u>
Excess of Revenues before Depreciation	<u>469,254</u>	<u>525,321</u>	<u>56,067</u>
<u>Depreciation</u>	<u>-</u>	<u>326,890</u>	<u>(326,890)</u>
Net Income (Loss) from Operations	469,254	198,431	(270,823)
<u>Non-Operating Revenues (Expenses)</u>			
Interest Income	13,014	6,080	(6,934)
Other Misc Income	13,519	33,096	19,577
FEMA Grant	27,037	-	(27,037)
Interest Expense	(4,480)	(9,099)	4,619
Other Capital	(204,657)	(277,687)	73,030
Total Non-Operating Revenues (Expense)	<u>(155,567)</u>	<u>(247,610)</u>	<u>63,255</u>
Change in Net Position	313,687	(49,179)	(362,866)
<u>Net Position, Beginning of Year</u>	<u>8,599,921</u>	<u>8,599,921</u>	<u>-</u>
Net Position, End of Year	<u>\$ 8,913,608</u>	<u>\$ 8,550,742</u>	<u>\$ (362,866)</u>