

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

**ANNUAL  
FINANCIAL REPORT  
FOR THE YEAR ENDED  
APRIL 30, 2023**

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**INTRODUCTORY SECTION**

ANNUAL FILING AFFIDAVIT

THE STATE OF TEXAS}  
COUNTY OF ORANGE}

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ORANGE CO WCID 2

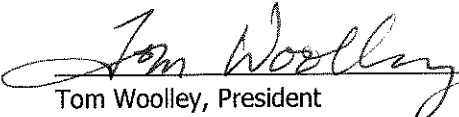
I, Tom Woolley, President of the Orange County Water Control and Improvement District No. 2 hereby swear, or affirm, that the district named above has reviewed and approved at a meeting of the Board of Directors of the District on the 11 day of September its annual audit report for the fiscal year or period ended April 30, 2023, 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.

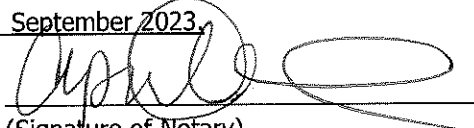
Date: 9-11-23

By:

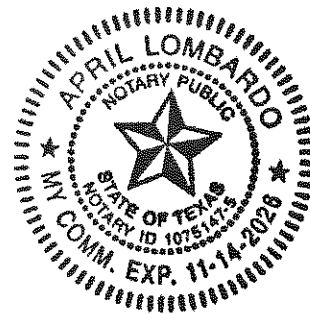
  
Tom Woolley, President

Sworn to and subscribed to before me this 11<sup>th</sup> day of September 2023.

(SEAL)

  
(Signature of Notary)

My Commission Expires on: 11-14-2026, 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, 2023 AND 2022**

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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, 2023. 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 \$9,162,034 (net position) for the fiscal year 2023. This compares to the previous year when assets exceeded liabilities by \$8,926,490. The net position increased by \$235,544 or 0.52%.

Total net position is comprised of the following:

- 1) Capital assets, net of related debt, of \$7,358,782 included in property and equipment, net of accumulated depreciation, net of long-term debt.
- 2) Net position of \$482,367 are restricted by debt covenants and future water security.

Net Position Unrestricted:

- a) Unassigned net position of \$1,320,885 which represents the portion available to maintain current and on-going obligations other than debt and construction.

Total spending for all District activities was \$1,632,938 for the year, which is \$152,745 less than the revenue from operations. Operating revenues for the year increased by \$27,206 and operating expenses increased by \$382,660 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 increased by \$235,544 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 \$41,050. The restricted fund balance of \$482,367 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 \$9,162,034 left for the year ended April 30, 2023.

**ORANGE COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 2**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**APRIL 30, 2023 AND 2022**

**Condensed Statement of Net Position**

**Table 1**

<u>ASSETS</u>	<u>2023</u>	<u>2022</u>	<u>Change</u>
Current Assets	\$ 1,720,829	\$ 1,460,367	\$ 260,462
Capital Assets	7,458,782	7,338,578	120,204
Other Assets	6,182,590	6,364,456	(181,866)
Total Assets	<u>15,362,201</u>	<u>15,163,401</u>	<u>198,800</u>
<u>LIABILITIES</u>			
Other Liabilities	540,167	356,911	183,256
Long-Term Debt	5,660,000	5,880,000	(220,000)
Total Liabilities	<u>6,200,167</u>	<u>6,236,911</u>	<u>(36,744)</u>
<u>NET POSITION</u>			
Net Investment in Capital Assets	7,358,782	7,238,578	120,204
Restricted	482,367	325,977	156,390
Unrestricted (Deficit)	1,320,885	1,361,935	(41,050)
Total Net Position	<u>\$ 9,162,034</u>	<u>\$ 8,926,490</u>	<u>\$ 235,544</u>

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

**Table 2**

	<u>2023</u>	<u>2022</u>	<u>Change</u>
Operating Income	\$ 1,785,683	\$ 1,758,477	\$ 27,206
Non-Operating Income	660,768	404,664	256,104
TOTAL REVENUES	<u>2,446,451</u>	<u>2,163,141</u>	<u>283,310</u>
Depreciation	477,546	462,906	14,640
Operating Expenses	1,632,938	1,250,278	382,660
Non-Operating Expenses	100,423	91,013	9,410
TOTAL EXPENSES	<u>2,210,907</u>	<u>1,804,197</u>	<u>406,710</u>
Increase (Decrease) in Net Position	235,544	358,944	(123,400)
Net Position, Beginning of Year	8,926,490	8,567,546	358,944
Net Position, End of Year	<u>\$ 9,162,034</u>	<u>\$ 8,926,490</u>	<u>\$ 235,544</u>

**ORANGE COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 2**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**APRIL 30, 2023 AND 2022**

**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	\$ 1,767,996	\$ 1,785,683	\$ 17,687
Non-Operating Income	3,600	660,768	657,168
Total Revenues	1,771,596	2,446,451	674,855
Depreciation	-	477,546	(477,546)
Operating Expenses	1,360,145	1,632,938	(272,793)
Non-Operating Expenses	100,428	100,423	5
Total Expenses	1,460,573	2,210,907	(750,334)
Increase (Decrease) in Net Position	311,023	235,544	75,479
Net Position, Beginning of Year	8,926,490	8,926,490	-
Net Position, End of Year	\$ 9,237,513	\$ 9,162,034	\$ 75,479

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**CAPITAL ASSETS**

The cost of property, plant and equipment, net of accumulated depreciation as of April 30, 2023 and 2022 was \$7,458,782 and \$7,338,578 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. As of April 30, 2023 this loan was paid off.

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, 2023 AND 2022**

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**ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES**

The Board of Directors, when setting the Budget for fiscal year 2023, 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 2023.

**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 CPA, INC.

*Certified Public Accountants*

## **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 years ended April 30, 2023 and 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and the aggregate remaining fund information of the District, as of April 30, 2023 and 2022, and the respective changes in financial position and, where applicable, cash flows thereof for the years 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.

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 combining and individual nonmajor fund financial statements are 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 combining and individual nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

*Mitchell T. Fontenot CPA, Inc.*

Port Neches, Texas  
September 8, 2023

**ORANGE COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 2****STATEMENT NET POSITION****APRIL 30, 2023 AND 2022**

<b>ASSETS</b>	<u>2023</u>	<u>2022</u>
<b><u>Current Assets:</u></b>		
Cash	\$ 1,283,442	\$ 903,466
Accounts Receivable, net	197,343	211,213
Due from Other Governments	189,364	300,369
Inventory	38,984	35,181
Prepaid Insurance	11,696	10,138
Total Current Assets	<u>1,720,829</u>	<u>1,460,367</u>
<b><u>Capital Assets:</u></b>		
Land	321,042	321,042
Other Capital Assets	15,481,907	15,121,050
Accumulated Depreciation	(9,775,592)	(9,298,046)
Construction in Progress	1,431,425	1,194,532
Total Capital Assets	<u>7,458,782</u>	<u>7,338,578</u>
<b><u>Other Assets:</u></b>		
Loan Proceeds Receivable	260,223	258,479
Cash and Certificates of Deposits, Restricted	5,922,367	6,105,977
Total Other Assets	<u>6,182,590</u>	<u>6,364,456</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 15,362,201</u></b>	<b><u>\$ 15,163,401</u></b>
<b><u>LIABILITIES</u></b>		
<b><u>Current Liabilities:</u></b>		
Accounts Payable	\$ 69,500	\$ -
Payroll Liabilities Payable	29,777	35,630
Future Water Security and Other Held Deposits	220,890	221,281
Current Portion of Bonds Payable	220,000	100,000
Total Current Liabilities	<u>540,167</u>	<u>356,911</u>
<b><u>Long-Term Liabilities</u></b>		
Bonds Payable	<u>5,660,000</u>	<u>5,880,000</u>
Total Long-Term Liabilities	<u>5,660,000</u>	<u>5,880,000</u>
<b>TOTAL LIABILITIES</b>	<b><u>6,200,167</u></b>	<b><u>6,236,911</u></b>
<b><u>NET POSITION</u></b>		
Net Investment in Capital Assets	7,358,782	7,238,578
Restricted	482,367	325,977
Unrestricted	1,320,885	1,361,935
<b>TOTAL NET POSITION</b>	<b><u>\$ 9,162,034</u></b>	<b><u>\$ 8,926,490</u></b>

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, 2023 AND 2022**

	<u>2023</u>	<u>2022</u>
<u>Revenue from Operations</u>		
Water	\$ 952,615	\$ 933,473
Sewer	749,202	755,280
Reconnection and Other Fees	20,425	19,035
Tapping Fees	9,732	4,639
Late Charges	42,455	37,595
Services Charges & Misc	11,254	8,455
Total Revenue from Operations	<u>1,785,683</u>	<u>1,758,477</u>
 <u>Operating Expenses</u>		
Water	295,431	247,299
Sewer	686,948	478,884
General and Administration	650,559	524,095
Total Operating Expenses	<u>1,632,938</u>	<u>1,250,278</u>
 Excess of Revenues before Depreciation	<u>152,745</u>	<u>508,199</u>
 <u>Depreciation</u>	<u>477,546</u>	<u>462,906</u>
Net Income (Loss) from Operations	(324,801)	45,293
 <u>Non-Operating Revenues (Expenses)</u>		
Interest Income	76,485	2,228
Other Misc Income	194,200	102,067
Grant Income	390,083	300,369
Interest Expense	(100,423)	(91,013)
Total Non-Operating Revenues (Expense)	<u>560,345</u>	<u>313,651</u>
 Change in Net Position	235,544	358,944
Net Position, Beginning of Year	<u>8,926,490</u>	<u>8,567,546</u>
Net Position, End of Year	<u>\$ 9,162,034</u>	<u>\$ 8,926,490</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, 2023 AND 2022**

	<u>2023</u>	<u>2022</u>
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES</u></b>		
Cash received from customers	\$ 1,910,558	\$ 1,455,575
Cash paid to suppliers for goods and services	(1,141,685)	(908,586)
Cash paid to employees	(432,967)	(382,161)
Net Cash Provided (Used) by Operating Activities	<u>335,906</u>	<u>164,828</u>
<b><u>CASH FLOWS FROM NON-CAPITAL AND RELATED ACTIVITIES</u></b>		
Other income	584,283	402,436
Increase (Decrease) in Future Water Security	(391)	16,175
Net Cash Provided (Used) by Non-Capital and Related Activities	<u>583,892</u>	<u>418,611</u>
<b><u>CASH FLOWS FROM CAPITAL AND RELATED ACTIVITIES</u></b>		
Principal paid on bond	(100,000)	(100,000)
Interest paid on bonded debt	(100,423)	(91,013)
Acquisition of fixed assets	(597,750)	(992,419)
Net Cash Provided (Used) by Capital and Related Activities	<u>(798,173)</u>	<u>(1,183,432)</u>
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES</u></b>		
Interest earned on investments	74,741	1,936
Net Cash Provided (Used) by Investing Activities	<u>74,741</u>	<u>1,936</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	196,366	(598,057)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>7,009,443</u>	<u>7,607,500</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 7,205,809</u>	<u>\$ 7,009,443</u>
<b><u>RECONCILIATION TO STATEMENT OF NET POSITION</u></b>		
Operating Cash	\$ 1,283,442	\$ 903,466
Restricted Cash	5,922,367	6,105,977
Total Cash and Cash Equivalents	<u>\$ 7,205,809</u>	<u>\$ 7,009,443</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, 2023 AND 2022**

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

Net Operating Income (Loss)	(324,801)	45,293
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	477,546	462,906
Changes in assets and liabilities		
(Increase) Decrease in accounts receivable	124,875	(302,902)
(Increase) Decrease in inventory	(3,803)	(29,856)
(Increase) Decrease in prepaid insurance	(1,558)	(330)
Increase (Decrease) in accounts payable	69,500	(16,781)
Increase (Decrease) in payroll liabilities	(5,853)	6,498
	<u>\$ 335,906</u>	<u>\$ 164,828</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, 2023 AND 2022**

**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, 2023 AND 2022**

**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, 2023 AND 2022****NOTE 2 – CASH AND CERTIFICATES OF DEPOSIT CONT'D**

Cash was fully collateralized as of April 30, 2023 and 2022. The pledged securities at April 30, 2023 and 2022 had market values of \$2,241,971 and \$1,283,442 respectively. The actual balances to be collateralized were \$2,327,551 and \$1,270,560. 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, 2023 and 2022 were:

	2023		2022	
	Cash	Total	Cash	Total
Future Water Security	302,848	302,848	288,098	288,098
PAD Reserve Series 2013	-	-	50,605	50,605
Reserve Fund 2021	311,663	311,663	306,404	306,404
Sinking & Interest 2021	142,167	142,167	139,769	139,769
Construction Escrow 2021	5,165,689	5,165,689	5,321,101	5,321,101
Total	<u>\$ 5,922,367</u>	<u>\$ 5,922,367</u>	<u>\$ 6,105,977</u>	<u>\$ 6,105,977</u>

**NOTE 3 – FIXED ASSETS**

The changes in fixed assets as of April 30, 2023 and 2022 were as follows:

	Balance 05/01/2022	Additions	Deletions	Balance 04/30/2023
Capital Assets				
Land	321,042	-	-	321,042
Construction in Progress				
Projects	743,282	236,893	-	980,175
Local Match for CDBG	112,730	-	-	112,730
WIP CDBG	338,520	-	-	338,520
Total Capital Assets Not Depreciated	<u>1,515,574</u>	<u>236,893</u>	<u>-</u>	<u>1,752,467</u>
Buildings	403,143	-	-	403,143
Systems	14,139,232	237,287	-	14,376,519
Equipment and Furniture	578,675	123,570	-	702,245
Total Capital Assets Being Depreciated	<u>15,121,050</u>	<u>360,857</u>	<u>-</u>	<u>15,481,907</u>
Accumulated Depreciation	<u>(9,298,046)</u>	<u>(477,546)</u>	<u>-</u>	<u>(9,775,592)</u>
Capital Assets, Net	<u>\$ 7,338,578</u>	<u>\$ 120,204</u>	<u>\$ -</u>	<u>\$ 7,458,782</u>

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

**NOTES TO THE FINANCIAL STATEMENTS  
APRIL 30, 2023 AND 2022**

**NOTE 3 – FIXED ASSETS CONTINUED**

	Balance 05/01/2021	Additions	Deletions	Balance 04/30/2022
Capital Assets				
Land	321,042	-	-	321,042
Construction in Progress				
Sewer upgrade	220,389	522,893	-	743,282
Local Match for CDBG	112,730	-	-	112,730
PAD	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>

**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 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 1<sup>st</sup> and September 1<sup>st</sup> each year. As of April 30, 2023 the bond has been paid off fully.

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 1<sup>st</sup> and September 1<sup>st</sup> at rates of 1.1% - 2.45%.

Bond activity for the years ended April 30, 2023 and 2022 was as follows:

	Rate	Original Issue	May 1, 2022	Increases	Decreases	April 30, 2023	Due In One Year
Revenue Bond	1.57%	\$ 500,000	\$ 50,000	\$ -	\$ 50,000	\$ -	\$ -
Series 2021A	1.1-2.4%	200,000	1,975,000	-	25,000	1,950,000	75,000
Series 2021B	1.1-2.45%	3,980,000	3,955,000	-	25,000	3,930,000	145,000
			<u>\$ 5,980,000</u>	<u>\$ -</u>	<u>\$ 100,000</u>	<u>\$ 5,880,000</u>	<u>\$ 220,000</u>

**ORANGE COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 2**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**APRIL 30, 2023 AND 2022**

**NOTE 4 – LONG TERM DEBT CONTINUED**

Future debt service requirements are as follows:

Fiscal Year Ending	Principal	Interest	Total
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
2028	230,000	88,928	318,928
Thereafter	4,755,000	981,588	5,736,588
Total	<u>\$ 5,880,000</u>	<u>\$ 1,450,923</u>	<u>\$ 7,330,923</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, 2023 and 2022 respectively \$16,376 and \$22,919. 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, 2023 AND 2022**

**NOTE 7 – WATER AND SEWER FEES**

The District had in effect at April 30, 2023 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**

	2023	2022
Restricted		
Initial Water Security Deposit	220,890	221,281
Debt Service	261,477	104,696
Total	<u>\$ 482,367</u>	<u>\$ 325,977</u>
Unrestricted		
Unassigned	1,320,885	1,361,935
Total	<u>\$ 1,320,885</u>	<u>\$ 1,361,935</u>

**ORANGE COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 2**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**APRIL 30, 2023 AND 2022**

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**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 2023, the District recorded a receivable in the amount of \$390,083 for grant reimbursement from the City of Orange to complete a generator project.

**NOTE 13 – LITIGATION**

None.

**NOTE 14 – SUBSEQUENT EVENTS**

The District's Management and Board of Directors have reviewed events and conditions from April 30, 2023 to the release of these financial statements, which is September 8, 2023. 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**  
**SCHEDULE OF REVENUE AND EXPENDITURES – BUDGET TO ACTUAL**  
**FOR THE FISCAL YEAR ENDED APRIL 30, 2023**

	Budget	Actual	Variance Favorable (Unfavorable)
<u>Revenue from Operations</u>			
Water	\$ 920,004	\$ 952,615	\$ 32,611
Sewer	759,996	749,202	(10,794)
Reconnection and Other Fees	21,996	20,425	(1,571)
Tapping Fees	6,996	9,732	2,736
Late Charges	39,000	42,455	3,455
Misc Service Charges	20,004	11,254	(8,750)
Total Revenue from Operations	<u>1,767,996</u>	<u>1,785,683</u>	<u>17,687</u>
<u>Operating Expenses</u>			
Water	282,204	295,431	(13,227)
Sewer	456,996	686,948	(229,952)
General and Administration	620,945	650,559	(29,614)
Total Operating Expenses	<u>1,360,145</u>	<u>1,632,938</u>	<u>(272,793)</u>
Excess of Revenues before Depreciation	<u>407,851</u>	<u>152,745</u>	<u>(255,106)</u>
Depreciation	-	477,546	(477,546)
Net Income (Loss) from Operations	<u>407,851</u>	<u>(324,801)</u>	<u>(732,652)</u>
<u>Non-Operating Revenues (Expenses)</u>			
Interest Income	3,600	76,485	72,885
Other Misc Income	-	194,200	194,200
Interest Expense	(100,428)	(100,423)	5
Total Non-Operating Revenues (Expense)	<u>(96,828)</u>	<u>560,345</u>	<u>657,173</u>
Change in Net Position	311,023	235,544	(75,479)
Net Position, Beginning of Year	<u>8,926,490</u>	<u>8,926,490</u>	<u>-</u>
Net Position, End of Year	<u>\$ 9,237,513</u>	<u>\$ 9,162,034</u>	<u>\$ (75,479)</u>

**TEXAS REQUIRED SUPPLEMENTARY INFORMATION**

**ORANGE COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 2**  
**SCHEDULE OF SERVICES AND RATES**  
**APRIL 30, 2023**

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	150,529
Gallons sold	87,102

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

<u>Connections</u>	<u>Active</u>	<u>Inactive</u>
Single Family	1398	105
Multi-Family	5	0
Commercial	125	26
Institutional	4	0
Total	1532	131

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

Revenues from water and sewer fees	<u>\$ 1,785,683</u>
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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**  
**FOR THE YEAR ENDED APRIL 30, 2023 AND 2022**

	<u>2023</u>	<u>2022</u>
<u>Water Service Expenses</u>		
Salaries and Wages	\$ 110,892	\$ 98,288
Testing	2,294	2,128
TCEQ Compliance	14,247	14,176
Chemicals	16,116	21,869
Small Tools	3,023	2,656
Utilities	39,373	25,666
Repairs and Maintenance Materials	109,486	82,517
Total Water Service Expenses	<u>295,431</u>	<u>247,299</u>
 <u>Sewer Service Expenses</u>		
Salaries and Wages	171,792	162,570
Chemicals	60,303	26,246
Sludge Removal	79,638	39,761
Small Tools	2,073	2,952
Repairs and Maintenance	280,387	158,793
Testing Samples	27,827	22,369
Compliance Costs	-	9,657
Equipment Rental	12,330	5,886
Utilities	52,598	50,650
Total Sewer Service Expenses	<u>686,948</u>	<u>478,884</u>

**ORANGE COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 2**  
**SCHEDULE OF OPERATING EXPENSES**  
**FOR THE YEAR ENDED APRIL 30, 2023 AND 2022**

<u>General and Administrative</u>	<u>2023</u>	<u>2022</u>
Director's Fees	9,000	9,277
Annual Employee Recognition Day	3,968	2,682
Bad Debt Expense	11,874	6,039
Office Salaries and Wages	144,430	127,803
Group Insurance	184,691	149,686
Payroll Taxes	33,202	30,610
Professional Fees	3,035	4,045
Legal Counsel	20,508	15,699
Accounting and Auditing	17,966	17,353
Engineering	37,542	11,405
Office Expense and Other	43,047	24,528
Software Support	28,529	9,683
Postage	9,762	8,347
Internet	2,279	2,981
Telephone	12,375	11,307
Utilities	8,643	7,970
Insurance	25,881	30,531
Uniforms	5,267	6,223
Gasoline	29,869	20,782
Retirement	16,376	22,919
Training and Certification	1,515	3,926
Fiscal Agent Fee	800	300
Total General and Administrative Expenses	<u>650,559</u>	<u>524,095</u>
<b>TOTAL OPERATING EXPENSES</b>	<u><u>\$ 1,632,938</u></u>	<u><u>\$ 1,250,278</u></u>

**ORANGE COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 2**  
**SCHEDULE OF TEMPORARY INVESTMENTS**  
**FOR THE YEAR ENDED APRIL 30, 2023 AND 2022**

April 30, 2023				
Number	Amount	Date Purchased	Interest Rate	Accrued Interest
N/A	0	N/A	N/A	N/A
Total	0			

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

**ORANGE COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 2****ANALYSIS OF CHANGES IN FIXED ASSETS  
FOR THE YEAR ENDED APRIL 30, 2023 AND 2022**

	Balance 05/01/2022	Additions	Deletions	Balance 04/30/2023
Capital Assets				
Land	321,042	-	-	321,042
Construction in Progress				
Projects	743,282	236,893	-	980,175
Local Match for CDBG	112,730	-	-	112,730
WIP CDBG	338,520	-	-	338,520
Total Capital Assets Not Depreciated	1,515,574	236,893	-	1,752,467
Buildings	403,143	-	-	403,143
Systems	14,139,232	237,287	-	14,376,519
Equipment and Furniture	578,675	123,570	-	702,245
Total Capital Assets Being Depreciated	15,121,050	360,857	-	15,481,907
Accumulated Depreciation	(9,298,046)	(477,546)	-	(9,775,592)
Capital Assets, Net	<u>\$ 7,338,578</u>	<u>\$ 120,204</u>	<u>\$ -</u>	<u>\$ 7,458,782</u>

	Balance 05/01/2021	Additions	Deletions	Balance 04/30/2022
Capital Assets				
Land	321,042	-	-	321,042
Construction in Progress				
Sewer upgrade	220,389	522,893	-	743,282
Local Match for CDBG	112,730	-	-	112,730
PAD	338,520	-	-	338,520
Total Capital Assets Not Depreciated	992,681	522,893	-	1,515,574
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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**

**GENERAL LONG-TERM DEBT**

**APRIL 30, 2023**

**SERIES 2021A**

<u>Due During Fiscal Year Ending</u>	<u>Principal Due 3/1</u>	<u>Interest Due 3/1 &amp; 9/1</u>	<u>Total</u>
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>\$ 1,950,000</u>	<u>\$ 473,150</u>	<u>\$ 2,423,150</u>



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

**GENERAL LONG-TERM DEBT**

**APRIL 30, 2023**

**SERIES 2021B**

<u>Due During Fiscal Year Ending</u>	<u>Principal Due 3/1</u>	<u>Interest Due 3/1 &amp; 9/1</u>	<u>Total</u>
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>\$ 3,930,000</u>	<u>\$ 977,773</u>	<u>\$ 4,907,773</u>

**ORANGE COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 2**  
**ANALYSIS OF CHANGES IN GENERAL LONG-TERM DEBT**  
**FOR THE YEAR ENDED APRIL 30, 2023**

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

	<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	1,975,000
Bonds sold during the fiscal year	-
Bonds retired during the fiscal year	25,000
Ending Bonds Outstanding	<u>\$ 1,950,000</u>
Interest paid during the fiscal year	<u>\$ 32,583</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, 2023**

	<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	3,955,000
Bonds sold during the fiscal year	-
Bonds retired during the fiscal year	<u>25,000</u>
Ending Bonds Outstanding	<u>\$ 3,930,000</u>
Interest paid during the fiscal year	<u>\$ 66,741</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:

2023 through 2046 \$318,736

**ORANGE COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 2**  
**COMPARATIVE STATEMENT OF REVENUE AND EXPENDITURES**  
**FOR THE FIVE YEARS ENDED APRIL 30, 2023**

	<b>CHANGES IN REVENUES AND EXPENDITURES</b>				
	<b>2023</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>
<b>Operating Revenues</b>					
Service Revenues	\$ 1,701,817	\$ 1,688,753	\$ 1,710,910	\$ 1,571,480	\$ 1,582,920
Tap Connection Revenues	30,157	23,674	35,680	18,060	23,855
Penalty and Interest Revenues	53,709	46,050	77,746	56,237	66,862
Total Operating Revenues	<u>1,785,683</u>	<u>1,758,477</u>	<u>1,824,336</u>	<u>1,645,777</u>	<u>1,673,637</u>
<b>Operating Expenses</b>					
Payroll Expense	670,383	601,153	559,240	580,798	583,443
Professional Fees	79,051	48,502	63,327	88,308	75,504
Purchased and Contracted Service	469,511	281,071	329,970	197,591	201,391
Consumable Supplies and Material	81,515	53,722	57,075	34,154	48,969
Recurring Operating Expenses	332,478	265,830	289,404	213,778	288,281
Depreciation	477,546	462,906	326,890	313,938	282,209
Total Operating Expenses	<u>2,110,484</u>	<u>1,713,184</u>	<u>1,625,906</u>	<u>1,428,567</u>	<u>1,479,797</u>
Income from Operations	(324,801)	45,293	198,430	217,210	193,840
<b>Non-Operating Revenues</b>					
Interest Income	76,485	2,228	6,080	13,064	13,014
Contributions and Misc	584,283	402,436	33,096	2,552	40,556
Total Non-Operating Revenues	<u>660,768</u>	<u>404,664</u>	<u>39,176</u>	<u>15,616</u>	<u>53,570</u>
Income before Non-Operating Exp	335,967	449,957	237,606	232,826	247,410
<b>Non-Operating Expenses</b>					
Debt Service and Related	100,423	91,013	269,982	4,179	4,480
Total Non-Operating Expenses	<u>100,423</u>	<u>91,013</u>	<u>269,982</u>	<u>4,179</u>	<u>4,480</u>
Net Income (Loss)	<u>\$235,544</u>	<u>\$358,944</u>	<u>(\$32,376)</u>	<u>\$228,647</u>	<u>\$242,930</u>
Active Retail Water Customers	1,532	1,547	1,561	1,584	1,565

**ORANGE COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 2**  
**COMPARATIVE STATEMENT OF REVENUE AND EXPENDITURES**  
**FOR THE FIVE YEARS ENDED APRIL 30, 2023**

	PERCENTAGE OF TOTAL REVENUE				
	2023	2022	2021	2020	2019
<u>Operating Revenues</u>					
Service Revenues	95.30%	96.03%	93.78%	95.49%	94.58%
Tap Connection Revenues	1.69%	1.35%	1.96%	1.10%	1.43%
Penalty and Interest Revenues	3.01%	2.62%	4.26%	3.42%	4.00%
Total Operating Revenues	100.00%	100.00%	100.00%	100.00%	100.00%
<u>Operating Expenses</u>					
Payroll Expense	37.54%	34.19%	30.65%	35.29%	34.86%
Professional Fees	4.43%	2.76%	3.47%	5.37%	4.51%
Purchased and Contracted Service	26.29%	15.98%	18.09%	12.01%	12.03%
Consumable Supplies and Material	4.56%	3.06%	3.13%	2.08%	2.93%
Recurring Operating Expenses	18.62%	15.12%	15.86%	12.99%	17.22%
Depreciation	26.74%	26.32%	17.92%	19.08%	16.86%
Total Operating Expenses	118.19%	97.42%	89.12%	86.80%	88.42%
Income from Operations	-18.19%	2.58%	10.88%	13.20%	11.58%
<u>Non-Operating Revenues</u>					
Interest Income	4.28%	0.13%	0.33%	0.79%	0.78%
Contributions and Misc	32.72%	22.89%	1.81%	0.16%	2.42%
Total Non-Operating Revenues	37.00%	23.01%	2.15%	0.95%	3.20%
Income before Non-Operating Exp	18.81%	25.59%	13.02%	14.15%	14.78%
<u>Non-Operating Expenses</u>					
Debt Service and Related	5.62%	5.18%	14.80%	0.25%	0.27%
Total Non-Operating Expenses	5.62%	5.18%	14.80%	0.25%	0.27%
Net Income (Loss)	13.19%	20.41%	-1.77%	13.89%	14.52%

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

**INSURANCE COVERAGE  
FOR THE YEAR ENDED APRIL 30, 2023**

Type of Coverage	Policy Period		Amount of Coverage	Insurer	Type of Corporate	Policy Clause Co-Insurance
	From	To				
Property and Casualty	10/1/2022	10/1/2023	\$ 11,033,914	TML	N/A	No
Liability	10/1/2022	10/1/2023	\$ 500,000	TML	N/A	No
Automobile	10/1/2022	10/1/2023	\$ 500,000	TML	N/A	No
Cyber Liability	10/1/2022	10/1/2023	\$ 1,000,000	TML	N/A	No

**ORANGE COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 2**  
**BOARD MEMBERS, KEY PERSONNEL, AND CONSULTANTS**  
**FOR THE FISCAL YEAR ENDED APRIL 30, 2023**

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 the District</u>
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**  
**BOARD MEMBERS, KEY PERSONNEL, AND CONSULTANTS**  
**FOR THE FISCAL YEAR ENDED APRIL 30, 2023**

<u>Key Administrative Personnel</u>	<u>Hire Date</u>	<u>Fees</u>	<u>Title</u>	<u>Resident of the District</u>
Russell Love 7477 Circle 6 Orange, Texas 77630	June 2016	\$71,582	Superintendent	No
April Lombardo 2630 E. Norman Circle Orange, Texas 77630	Nov 2014	\$60,166	Office Manager	No
<b><u>Consultants</u></b>				
Jeff Beaver, PE Schaumburg & Polk 8865 College St. S-100 Beaumont, Texas 77707	Nov 1987	\$263,734	Engineer	No
Mitchell Fontenote Mitchell T Fontenote CPA, Inc. 2428 Nail Street Port Neches, Texas 77651	June 2017	\$12,900	Auditor	No
Kate Leverett Germer PLLC Beaumont, Texas 77701	April 2020	\$30,173	Attorney	No
Jeremy Triska Wathen, DeShong & Juncker, LLP 4140 Gladys Ave Ste 101 Beaumont, Texas 77706	March 2017	\$5,066	CPA	No
<b><u>Investment Officer</u></b>				
April Lombardo 2630 E. Norman Circle Orange, Texas 77630				