

PORT O'CONNOR IMPROVEMENT DISTRICT

CALHOUN COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

SEPTEMBER 30, 2020

PORT O'CONNOR IMPROVEMENT DISTRICT

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ANNUAL FINANCIAL REPORT

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TABLE OF CONTENTS

	<u>PAGE</u>
INDEPENDENT AUDITOR'S REPORT	1-2
MANAGEMENT'S DISCUSSION AND ANALYSIS	3-7
BASIC FINANCIAL STATEMENTS	
STATEMENT OF NET POSITION AND GOVERNMENTAL FUNDS BALANCE SHEET	8-9
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION	10
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES	11-12
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES	13
NOTES TO FINANCIAL STATEMENTS	14-26
REQUIRED SUPPLEMENTARY INFORMATION	
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-BUDGET AND ACTUAL-GENERAL FUND	28
SUPPLEMENTARY INFORMATION REQUIRED BY THE WATER DISTRICT FINANCIAL MANAGEMENT GUIDE	
NOTES REQUIRED BY THE WATER DISTRICT FINANCIAL MANAGEMENT GUIDE (Included in the notes to the financial statements)	
SERVICES AND RATES	30-32
GENERAL FUND EXPENDITURES	33-34
INVESTMENTS	35
TAXES LEVIED AND RECEIVABLE	36-37
LONG-TERM DEBT SERVICE REQUIREMENTS	38-41
CHANGES IN LONG-TERM BOND DEBT	42-43
COMPARATIVE SCHEDULES OF REVENUES AND EXPENDITURES GENERAL FUND AND DEBT SERVICE FUND - FIVE YEARS	44-47
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS	48-49

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Port O'Connor Improvement District
Calhoun County, Texas

We have audited the accompanying financial statements of the governmental activities and each major fund of Port O'Connor Improvement District (the "District"), as of and for the year ended September 30, 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 and each major fund of the District as of September 30, 2020, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the Schedules of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund 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 District's basic financial statements. The supplementary information required by the Texas Commission on Environmental Quality as published in the *Water District Financial Management Guide* is presented for purposes of additional analysis and is 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 supplementary information, excluding that portion marked "Unaudited" on which we express no opinion or provide any assurance, 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 information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

McCall Gibson Swedlund Barfoot PLLC

McCall Gibson Swedlund Barfoot PLLC
Certified Public Accountants
Houston, Texas

February 11, 2021

**PORT O’CONNOR IMPROVEMENT DISTRICT
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

Management’s discussion and analysis of Port O’Connor Improvement District’s (the “District”) financial performance provides an overview of the District’s financial activities for the fiscal year ended September 30, 2020. Please read it in conjunction with the District’s financial statements.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The basic financial statements include: (1) combined fund financial statements and government-wide financial statements and (2) notes to financial statements. The combined fund financial statements and government-wide financial statements combine both: (1) the Statement of Net Position and Governmental Funds Balance Sheet and (2) the Statement of Activities and Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances. This report also includes required and other supplementary information in addition to the basic financial statements.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The District’s annual report includes two financial statements combining the government-wide financial statements and the fund financial statements. The government-wide financial statements provide both long-term and short-term information about the District’s overall status. Financial reporting at this level uses a perspective like that found in the private sector with its basis in full accrual accounting and elimination or reclassification of internal activities.

The Statement of Net Position includes all the District’s assets, liabilities and, if applicable, deferred inflows and outflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating. Evaluation of the overall health of the District would extend to other non-financial factors.

The Statement of Activities reports how the District’s net position changed during the current fiscal year. All current year revenues and expenses are included regardless of when cash is received or paid.

The combined statements also include fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District has three governmental fund types. The General Fund accounts for resources not accounted for in another fund, customer service revenues, operating costs, administrative expenditures and activity related to the Defined Area No. 1. The Debt Service Fund accounts for ad valorem taxes and financial resources restricted, committed or assigned for servicing bond debt and the cost of assessing and collecting taxes. The Capital Projects Fund accounts for financial resources restricted, committed or assigned for acquisition or construction of facilities and related costs.

**PORT O’CONNOR IMPROVEMENT DISTRICT
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

FUND FINANCIAL STATEMENTS

Governmental funds are reported in each of the financial statements. The focus in the fund financial statements provides a distinctive view of the District’s governmental funds. These statements report short-term fiscal accountability focusing on the use of spendable resources and balances of spendable resources available at the end of the year. They are useful in evaluating annual financing requirements of the District and the commitment of spendable resources for the near-term.

Since the government-wide focus includes the long-term view, comparisons between these two perspectives may provide insight into the long-term impact of short-term financing decisions. The adjustments columns, the Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position and the Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities explain the differences between the two presentations and assist in understanding the differences between these two perspectives.

NOTES TO FINANCIAL STATEMENTS

The accompanying notes to financial statements provide information essential to a full understanding of the government-wide and fund financial statements.

OTHER INFORMATION

In addition to the financial statements and accompanying notes, this report also presents certain required supplementary information (“RSI”). A budgetary comparison schedule is included as RSI for the General Fund.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of the District’s financial position. In the case of the District, assets exceeded liabilities by \$17,806,701 as of September 30, 2020.

A portion of the District’s net position reflects its net investment in capital assets (land, buildings and equipment as well as water and wastewater systems less any debt used to acquire those assets that is still outstanding).

The following is a comparative analysis of government-wide changes in net position:

**PORT O’CONNOR IMPROVEMENT DISTRICT
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

	Summary of Changes in the Statement of Net Position		
	2020	2019	Change Positive (Negative)
Current and Other Assets	\$ 13,195,674	\$ 14,675,800	\$ (1,480,126)
Capital Assets (Net of Accumulated Depreciation)	14,879,172	12,884,379	1,994,793
Total Assets	\$ 28,074,846	\$ 27,560,179	\$ 514,667
Bonds Payable	\$ 9,265,000	\$ 10,375,000	\$ 1,110,000
Other Liabilities	1,003,145	1,198,940	195,795
Total Liabilities	\$ 10,268,145	\$ 11,573,940	\$ 1,305,795
Net Position:			
Net Investment in Capital Assets	\$ 10,050,278	\$ 8,811,313	\$ 1,238,965
Restricted	477,387	826,897	(349,510)
Unrestricted	7,279,036	6,348,029	931,007
Total Net Position	\$ 17,806,701	\$ 15,986,239	\$ 1,820,462

The following table provides a summary of the District’s operations for the years ended September 30, 2020, and September 30, 2019.

	Summary of Changes in the Statement of Activities		
	2020	2019	Change Positive (Negative)
Revenues:			
Property Taxes	\$ 1,960,321	\$ 1,805,991	\$ 154,330
Charges for Services	2,973,163	2,635,413	337,750
Other Revenues	259,133	240,150	18,983
Total Revenues	\$ 5,192,617	\$ 4,681,554	\$ 511,063
Expenses for Services	3,372,155	4,355,042	982,887
Change in Net Position	\$ 1,820,462	\$ 326,512	\$ 1,493,950
Net Position, Beginning of Year	15,986,239	15,659,727	326,512
Net Position, End of Year	\$ 17,806,701	\$ 15,986,239	\$ 1,820,462

**PORT O’CONNOR IMPROVEMENT DISTRICT
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

FINANCIAL ANALYSIS OF THE DISTRICT’S GOVERNMENTAL FUNDS

The District’s combined fund balances as of September 30, 2020, were \$12,170,375, a decrease of \$1,307,084 from the prior year.

The General Fund fund balance increased by \$921,542 primarily due to property tax revenues, service revenues and investment revenues exceeding operating expenditures and capital outlay.

The Debt Service Fund fund balance decreased by \$362,798, primarily due to the structure of the District’s debt service requirements and the defeasement of a portion of the outstanding Series 2013 Refunding Bonds in advance of the scheduled maturities.

The Capital Projects Fund fund balance decreased by \$1,865,828, primarily due to the use of proceeds received from the sale of bonds in a prior year.

GENERAL FUND BUDGETARY HIGHLIGHTS

The Board of Directors did not amend the budget during the fiscal year. Actual revenues were \$371,069 more than budgeted revenues and actual expenditures were \$272,216 less than budgeted expenditures which resulted in a positive variance of \$643,285. See the budget to actual comparison for more information.

CAPITAL ASSETS

Capital assets as of September 30, 2020, total \$14,879,172 (net of accumulated depreciation) and include land, buildings and equipment as well as the water and wastewater systems. Significant capital asset activity during the current year consisted of the purchase and installation of emergency generator, 2021 Chevy Colorado pickup truck, 2019 Polaris, 2019 John Deere Gator, Motor starter control panel and vacuum station #2 force main. Construction in progress consisted of costs related to water distribution system improvements, sewer collection system improvements, and force main improvements. Additional information on the District’s capital assets can be found in Note 6.

Capital Assets At Year-End, Net of Accumulated Depreciation

	<u>2020</u>	<u>2019</u>	<u>Change Positive (Negative)</u>
Capital Assets Not Being Depreciated:			
Land and Land Improvements	\$ 487,907	\$ 487,907	\$
Construction in Progress	4,274,789	2,658,005	1,616,784
Capital Assets, Net of Accumulated Depreciation:			
Water System	4,034,985	4,131,891	(96,906)
Wastewater System	4,655,593	4,306,414	349,179
Buildings, Equipment and Other	<u>1,425,898</u>	<u>1,300,162</u>	<u>125,736</u>
Total Net Capital Assets	<u>\$ 14,879,172</u>	<u>\$ 12,884,379</u>	<u>\$ 1,994,793</u>

**PORT O’CONNOR IMPROVEMENT DISTRICT
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

LONG-TERM DEBT ACTIVITY

At the end of the current fiscal year, the District had total long-term debt payable of \$9,265,000. The changes in the debt position of the District during the fiscal year ended September 30, 2020, are summarized as follows:

Bond Debt Payable, October 1, 2019	\$ 10,375,000
Less: Bond Principal Paid	<u>1,110,000</u>
Bond Debt Payable, September 30, 2020	<u><u>\$ 9,265,000</u></u>

The District does not carry an underlying rating and the Series 2013 Refunding, Series 2015 and Series 2018 bonds did not have insured ratings.

CONTACTING THE DISTRICT’S MANAGEMENT

This financial report is designed to provide a general overview of the District’s finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Port O’Connor Improvement District, P.O. Box 375, Port O’Connor, TX 77982.

PORT O'CONNOR IMPROVEMENT DISTRICT
STATEMENT OF NET POSITION AND
GOVERNMENTAL FUNDS BALANCE SHEET
SEPTEMBER 30, 2020

	General Fund	Debt Service Fund
ASSETS		
Cash	\$ 2,332,020	\$ 276,057
Investments	5,233,186	
Receivables:		
Property Taxes	27,817	26,402
Service Accounts	197,483	
Accrued Interest	1,047	
Due from Other Funds		12,566
Due from Other Governments	210,335	
Inventory (Net of Allowance of \$19,504)	175,536	
Land		
Construction in Progress		
Capital Assets (Net of Accumulated Depreciation)		
TOTAL ASSETS	\$ 8,177,424	\$ 315,025
LIABILITIES		
Accounts Payable	\$ 370,345	\$
Accrued Interest Payable		
Due to Other Funds	12,566	
Security Deposits	321,050	
Long-Term Liabilities:		
Due Within One Year		
Due After One Year		
TOTAL LIABILITIES	\$ 703,961	\$ -0-
DEFERRED INFLOWS OF RESOURCES		
Property Taxes	\$ 27,817	\$ 26,402
FUND BALANCES		
Nonspendable: Inventory	\$ 175,536	\$
Restricted for Authorized Construction		
Restricted for Debt Service	194,427	288,623
Committed for Defined Area No. 1	81,148	
Unassigned	6,994,535	
TOTAL FUND BALANCES	\$ 7,445,646	\$ 288,623
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 8,177,424	\$ 315,025
NET POSITION		
Net Investment in Capital Assets		
Restricted for Debt Service		
Unrestricted		
TOTAL NET POSITION		

The accompanying notes to financial
statements are an integral part of this report.

Capital Projects Fund	Total	Adjustments	Statement of Net Position
\$ 4,528,291	\$ 7,136,368	\$	\$ 7,136,368
187,500	5,420,686		5,420,686
	54,219		54,219
	197,483		197,483
	1,047		1,047
	12,566	(12,566)	
	210,335		210,335
	175,536		175,536
		487,907	487,907
		4,274,789	4,274,789
		10,116,476	10,116,476
<u>\$ 4,715,791</u>	<u>\$ 13,208,240</u>	<u>\$ 14,866,606</u>	<u>\$ 28,074,846</u>
\$ 279,685	\$ 650,030	\$	\$ 650,030
		32,065	32,065
	12,566	(12,566)	
	321,050		321,050
		580,000	580,000
		8,685,000	8,685,000
<u>\$ 279,685</u>	<u>\$ 983,646</u>	<u>\$ 9,284,499</u>	<u>\$ 10,268,145</u>
<u>\$ -0-</u>	<u>\$ 54,219</u>	<u>\$ (54,219)</u>	<u>\$ -0-</u>
\$	\$ 175,536	\$ (175,536)	\$
4,436,106	4,436,106	(4,436,106)	
	483,050	(483,050)	
	81,148	(81,148)	
	6,994,535	(6,994,535)	
<u>\$ 4,436,106</u>	<u>\$ 12,170,375</u>	<u>\$ (12,170,375)</u>	<u>\$ -0-</u>
<u>\$ 4,715,791</u>	<u>\$ 13,208,240</u>		
		\$ 10,050,278	\$ 10,050,278
		477,387	477,387
		7,279,036	7,279,036
		<u>\$ 17,806,701</u>	<u>\$ 17,806,701</u>

The accompanying notes to financial statements are an integral part of this report.

PORT O’CONNOR IMPROVEMENT DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2020

Total Fund Balances - Governmental Funds \$ 12,170,375

Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in the governmental funds. 14,879,172

Deferred inflows of resources related to property tax revenues for the 2019 and prior tax levies became part of recognized revenue in the governmental activities of the District. 54,219

Certain liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. These liabilities at year end consist of:

Accrued Interest Payable	\$ (32,065)	
Bonds Payable	<u>(9,265,000)</u>	<u>(9,297,065)</u>

Total Net Position - Governmental Activities \$ 17,806,701

The accompanying notes to financial statements are an integral part of this report.

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PORT O'CONNOR IMPROVEMENT DISTRICT
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED SEPTEMBER 30, 2020

	General Fund	Debt Service Fund
REVENUES		
Property Taxes	\$ 976,880	\$ 964,421
Water Service	1,018,835	
Wastewater Service	618,966	
Penalty and Interest	29,888	10,256
Tap Connection and Inspection Fees	128,200	
Sales and Use Tax Revenues	301,536	
Solid Waste Service	448,352	
Utility Services - La Salle WCID No. 1A	417,130	
Investment Revenues	93,222	11,052
Miscellaneous Revenues	92,980	
TOTAL REVENUES	\$ 4,125,989	\$ 985,729
EXPENDITURES/EXPENSES		
Service Operations:		
Professional Fees	\$ 253,452	\$
Personnel	672,693	
Contracted Services	538,428	1,250
Purchased Water Service	323,208	
Utilities	110,617	
Repairs and Maintenance	168,088	
Depreciation		
Other	375,234	
Capital Outlay	570,430	
Debt Service:		
Bond Principal	120,000	990,000
Bond Interest	72,297	357,277
TOTAL EXPENDITURES/EXPENSES	\$ 3,204,447	\$ 1,348,527
NET CHANGE IN FUND BALANCES	\$ 921,542	\$ (362,798)
CHANGE IN NET POSITION		
FUND BALANCES/NET POSITION -		
OCTOBER 1, 2019	6,524,104	651,421
FUND BALANCES/NET POSITION -		
SEPTEMBER 30, 2020	\$ 7,445,646	\$ 288,623

The accompanying notes to financial
statements are an integral part of this report.

Capital Projects Fund	Total	Adjustments	Statement of Activities
\$	\$ 1,941,301	\$ 19,020	\$ 1,960,321
	1,018,835		1,018,835
	618,966		618,966
	40,144		40,144
	128,200		128,200
	301,536		301,536
	448,352		448,352
	417,130		417,130
61,879	166,153		166,153
	92,980		92,980
\$ 61,879	\$ 5,173,597	\$ 19,020	\$ 5,192,617
\$	\$ 253,452	\$	\$ 253,452
	672,693		672,693
	539,678		539,678
	323,208		323,208
	110,617		110,617
	168,088		168,088
		503,344	503,344
	375,234		375,234
1,927,707	2,498,137	(2,498,137)	
	1,110,000	(1,110,000)	
	429,574	(3,733)	425,841
\$ 1,927,707	\$ 6,480,681	\$ (3,108,526)	\$ 3,372,155
\$ (1,865,828)	\$ (1,307,084)	\$ 1,307,084	\$
		1,820,462	1,820,462
6,301,934	13,477,459	2,508,780	15,986,239
\$ 4,436,106	\$ 12,170,375	\$ 5,636,326	\$ 17,806,701

The accompanying notes to financial
statements are an integral part of this report.

**PORT O'CONNOR IMPROVEMENT DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

Net Change in Fund Balances - Governmental Funds	\$ (1,307,084)
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report tax revenues when collected. However, in the Statement of Activities, revenue is recorded in the accounting period for which the taxes are levied.	19,020
Governmental funds do not account for depreciation. However, in the Statement of Net Position, capital assets are depreciated and depreciation expense is recorded in the Statement of Activities.	(503,344)
Governmental funds report capital expenditures as expenditures in the period purchased. However, in the Statement of Net Position, capital assets are increased by new purchases and the Statement of Activities is not affected.	2,498,137
Governmental funds report principal payments on long-term debt as expenditures. However, in the government-wide financial statements, principal payments decrease long-term liabilities and the Statement of Activities is not affected.	1,110,000
Governmental funds report interest expenditures on long-term debt as expenditures in the year paid. However, in the Statement of Net Position, interest is accrued on the long-term debt through fiscal year-end.	<u>3,733</u>
Change in Net Position - Governmental Activities	<u><u>\$ 1,820,462</u></u>

The accompanying notes to financial statements are an integral part of this report.

PORT O’CONNOR IMPROVEMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

NOTE 1. CREATION OF DISTRICT

The District is an improvement district organized and established in accordance with Article XVI, Section 59 of the Texas Constitution. The rights, powers, privileges, authority and functions of the District are established by special legislation approved by the Texas Legislature in 1977, as amended and now codified as Chapter 8409, Special District Local Laws Code. The District has the rights, powers, privileges and functions contained and imposed by general law applicable to a municipal utility district created under Section 59, Article XVI, Texas Constitution, including Chapters 49 and 54 of the Water Code. The District is empowered, among other things, to purchase, construct, operate and maintain all works, improvements, facilities and plans necessary for the supply and distribution of water; the collection, transportation, and treatment of wastewater; the control and diversion of storm water; and the navigation of its inland and coastal water. The District may issue bonds and other forms of indebtedness to purchase or construct such facilities. The District is also authorized to develop parks and recreation facilities from operating revenue only. The District is authorized to collect a sales and use tax within the District. The District is also empowered to establish, operate, and maintain fire-fighting facilities, independently or to contract with an entity providing such services. Fire protection in the District is provided by the Port O’Connor VFD.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America as promulgated by the Governmental Accounting Standards Board (“GASB”). In addition, the accounting records of the District are maintained generally in accordance with the *Water District Financial Management Guide* published by the Commission.

The District is a political subdivision of the State of Texas governed by an elected board. GASB has established the criteria for determining whether an entity is a primary government or a component unit of a primary government. The primary criteria are that it has a separately elected governing body, it is legally separate, and it is fiscally independent of other state and local governments. Under these criteria, the District is considered a primary government and is not a component unit of any other government. Additionally, no other entities meet the criteria for inclusion in the District’s financial statement as component units.

Financial Statement Presentation

These financial statements have been prepared in accordance with GASB Codification of Governmental Accounting and Financial Reporting Standards Part II, Financial Reporting (“GASB Codification”). The GASB Codification sets forth standards for external financial reporting for all state and local government entities, which include a requirement for a Statement of Net Position and a Statement of Activities.

PORT O’CONNOR IMPROVEMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Statement Presentation (Continued)

- * Net Investment in Capital Assets – This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.
- * Restricted Net Position – This component of net position consists of external constraints placed on the use of assets imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulation of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- * Unrestricted Net Position – This component of net position consists of assets that do not meet the definition of Restricted or Net Investment in Capital Assets.

When both restricted and unrestricted resources are available for use, generally it is the District’s policy to use restricted resources first.

Government-Wide Financial Statements

The Statement of Net Position and the Statement of Activities display information about the District as a whole. The District’s Statement of Net Position and Statement of Activities are combined with the governmental fund financial statements. The District is viewed as a special-purpose government and has the option of combining these financial statements.

The Statement of Net Position is reported by adjusting the governmental fund types to report on the full accrual basis, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. Any amounts recorded due to and due from other funds are eliminated in the Statement of Net Position.

The Statement of Activities is reported by adjusting the governmental fund types to report only items related to current year revenues and expenditures. Items such as capital outlay are allocated over their estimated useful lives as depreciation expense. Internal activities between governmental funds, if any, are eliminated by adjustment to obtain net total revenues and expenses in the government-wide Statement of Activities.

PORT O’CONNOR IMPROVEMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Statement Presentation (Continued)

Fund Financial Statements

As discussed above, the District’s fund financial statements are combined with the government-wide financial statements. The fund financial statements include a Governmental Funds Balance Sheet and a Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances.

Governmental Funds

The District has three governmental funds and considers these funds to be major funds.

General Fund - To account for resources not required to be accounted for in another fund, customer service revenues, operating costs, administrative expenditures and activity related to the Defined Area No. 1.

Debt Service Fund - To account for ad valorem taxes and financial resources restricted, committed or assigned for servicing bond debt and the cost of assessing and collecting taxes.

Capital Projects Fund - To account for financial resources restricted, committed or assigned for acquisition or construction of facilities and related costs.

Basis of Accounting

The District uses the modified accrual basis of accounting for governmental fund types. The modified accrual basis of accounting recognizes revenues when both “measurable and available.” Measurable means the amount can be determined. Available means collectable within the current period or soon enough thereafter to pay current liabilities. The District considers revenues reported in governmental funds to be available if they are collectable within 60 days after year-end. Also, under the modified accrual basis of accounting, expenditures are recorded when the related fund liability is incurred, except for principal and interest on long-term debt, which are recognized as expenditures when payment is due.

Property taxes considered available by the District and included in revenue include taxes collected during the year and taxes collected after year-end, which were considered available to defray the expenditures of the current year. Deferred inflows of resources related to property tax revenues are those taxes which the District does not reasonably expect to be collected soon enough in the subsequent period to finance current expenditures.

Amounts transferred from one fund to another fund are reported as other financing sources or uses. Loans by one fund to another fund and amounts paid by one fund for another fund are reported as interfund receivables and payables in the Governmental Funds Balance Sheet if there is intent to repay the amount and if the debtor fund has the ability to repay the advance on a timely basis.

**PORT O’CONNOR IMPROVEMENT DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 SEPTEMBER 30, 2020**

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting (Continued)

As of September 30, 2020, the General Fund recorded a payable to the Debt Service Fund in the amount of \$12,566 for the over-transfer of taxes.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the government-wide Statement of Net Position. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated assets are valued at their fair market value on the date donated. Repairs and maintenance are recorded as an expenditure in the governmental fund incurred and as an expense in the government-wide Statement of Activities. Capital asset additions, improvements and preservation costs that extend the life of an asset are capitalized and depreciated over the estimated useful life of the asset. Developer interest, engineering fees and certain other costs are capitalized as part of the asset. Assets are capitalized, including infrastructure assets, if they have an original cost above the amounts listed below and a useful life of at least one year.

- 1) Land;
- 2) Land Improvements and Infrastructure, Line Extensions, and System Upgrades costing \$10,000 or more;
- 3) Buildings costing \$2,000 or more;
- 4) Equipment (other than computer or software) costing \$2,000 or more;
- 5) Computer and Computer Software Equipment costing \$5,000 or more;
- 6) Construction/Development in progress costing \$5,000 or more;
- 7) Intangible assets costing/valued at \$5,000 or more.

Depreciation is calculated on each class of depreciable property using no salvage value and the straight-line method of depreciation. Estimated useful lives are as follows:

	Years
Buildings	10-50
Water System	15-50
Wastewater System	5-50
Other Assets	5-40

Inventory

Inventory is recorded on the average cost basis. Average cost is calculated on the average cost of each specific item during the fiscal year. The District’s inventory balance as of September 30, 2020, was \$175,536.

PORT O’CONNOR IMPROVEMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Budgeting

An annual unappropriated budget is adopted for the General Fund by the District’s Board of Directors. The budget is prepared using the same method of accounting as for financial reporting. The original General Fund budget for the current year was not amended. The Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund presents the original budget amounts compared to the actual amounts of revenues and expenditures for the current year.

Pensions

A pension plan has not been established. The District has 13 employees. The Internal Revenue Service has determined that directors are considered employees for federal payroll tax purposes only.

Measurement Focus

Measurement focus is a term used to describe which transactions are recognized within the various financial statements. In the government-wide Statement of Net Position and Statement of Activities, the governmental activities are presented using the economic resources measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position, financial position, and cash flows. All assets, liabilities, and deferred inflows and outflows of resources associated with the activities are reported. Fund equity is classified as net position.

Governmental fund types are accounted for on a spending or financial flow measurement focus. Accordingly, only current assets and current liabilities are included on the Governmental Funds Balance Sheet, and the reported fund balances provide an indication of available spendable or appropriate resources. Operating statements of governmental fund types report increases and decreases in available spendable resources. Fund balances in governmental funds are classified using the following hierarchy:

Nonspendable: amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted: amounts that can be spent only for specific purposes because of constitutional provisions, or enabling legislation, or because of constraints that are imposed externally.

Committed: amounts that can be spent only for purposes determined by a formal action of the Board of Directors. The Board is the highest level of decision-making authority for the District. This action must be made no later than the end of the fiscal year. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the Board. The District has committed \$81,148 of its General Fund fund balance for operations related to the Defined Area No. 1.

**PORT O’CONNOR IMPROVEMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020**

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus (Continued)

Assigned: amounts that do not meet the criteria to be classified as restricted or committed, but that are intended to be used for specific purposes. The District has not adopted a formal policy regarding the assignment of fund balances and does not have any assigned fund balances.

Unassigned: all other spendable amounts in the General Fund.

When expenditures are incurred for which restricted, committed, assigned or unassigned fund balances are available, the District considers amounts to have been spent first out of restricted funds, then committed funds, then assigned funds, and finally unassigned funds.

Accounting Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

NOTE 3. LONG-TERM DEBT

	Series 2013 Refunding	Series 2015	Series 2018
Amount Outstanding – September 30, 2020	\$1,540,000	\$2,210,000	\$5,515,000
Interest Rates	3.40% - 5.00%	1.74% - 4.02%	4.00% - 5.00%
Maturity Dates – Beginning/Ending	September 1, 2021/2029	September 1, 2021/2035	September 1, 2021/2038
Interest Payment Dates	March 1/September 1	March 1/September 1	March 1/September 1
Callable Dates	September 1, 2020*	March 1, 2026*	September 1, 2026*

* On any date thereafter, at a price equal to the principal amount thereof plus accrued interest to the date fixed for redemption, in whole or in part, at the option of the District, in such manner as the District may determine. The Series 2013 term bonds maturing on September 1, 2027 are subject to mandatory redemption by lot or other customary random selection method beginning September 1, 2025. The Series 2015 bonds are callable in inverse order of maturity. The Series 2018 term bonds maturing on September 1, 2031 and September 1, 2038 are subject to mandatory redemption by lot or other customary random selection method beginning September 1, 2029 and September 1, 2032, respectively.

PORT O’CONNOR IMPROVEMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

NOTE 3. LONG-TERM DEBT (Continued)

The following is a summary of transactions regarding the changes in the long-term liabilities for the year ended September 30, 2020:

	October 1, 2019	Additions	Retirements	September 30, 2020
Bonds Payable	\$ 10,375,000	\$ - 0 -	\$ 1,110,000	\$ 9,265,000
		Amount Due Within One Year		\$ 580,000
		Amount Due After One Year		8,685,000
		Bonds Payable		\$ 9,265,000

As of September 30, 2020, the District had authorized but unissued unlimited tax bonds in the amount of \$6,000,000 and refunding bonds in the amount of \$5,300,000. The Defined Area No. 1 has authorized but unissued tax bonds in the amount of \$20,000,000.

As of September 30, 2020, the debt service requirements on the bonds outstanding were as follows:

Fiscal Year	Principal	Interest	Total
2021	\$ 580,000	\$ 384,782	\$ 964,782
2022	600,000	365,734	965,734
2023	610,000	345,209	955,209
2024	635,000	323,506	958,506
2025	475,000	300,134	775,134
2026-2030	2,555,000	1,210,064	3,765,064
2031-2035	2,585,000	674,880	3,259,880
2036-2038	1,225,000	124,250	1,349,250
	\$ 9,265,000	\$ 3,728,559	\$ 12,993,559

During the year ended September 30, 2020, the District levied a District-wide ad valorem debt service tax at the rate of \$0.2733 per \$100 of assessed valuation, which resulted in a tax levy of \$973,603 on the adjusted taxable valuation of \$361,695,113 for the 2019 tax year. See Note 7 for the maintenance tax levy.

All property values and exempt status, if any, are determined by the appraisal district. Assessed values are determined as of January 1 of each year, at which time a tax lien attaches to the related property. Taxes levied around October/November, are due upon receipt and are delinquent the following February 1. Penalty and interest attach thereafter.

On August 31, 2020, the District used available Debt Service Fund monies to defease \$545,000 of its Series 2013 Refunding Bonds. The Series 2013 Refunding bonds had maturity dates of September 1, 2030 – 2033, interest rate of 5.00% and a redemption date of September 1, 2020.

PORT O’CONNOR IMPROVEMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

NOTE 4. SIGNIFICANT BOND RESOLUTION AND LEGAL REQUIREMENTS

The 2013 bond resolution requires that the District levy and collect an ad valorem debt service tax sufficient to pay interest and principal on bonds when due and cover the cost of assessing and collecting taxes. These provisions have been met, and the cash allocated for these purposes was sufficient to meet debt service requirements through the fiscal year ended September 30, 2020.

The Series 2015 bond resolution requires the Series 2015 bonds to be secured by and payable solely from the net revenues of the District’s water, sewer and drainage system and are not secured by District tax revenues. The Series 2015 bond resolution requires the District to establish a Reserve Fund in the amount of \$194,427. These provisions have been met, and the cash allocated for these purposes were sufficient to meet debt requirements through the fiscal year ended September 30, 2020.

The bond resolutions state that the District is required by the Securities and Exchange Commission to provide annual continuing disclosure of certain general financial information and operating data to the Municipal Securities Rulemaking Board through its Electronic Municipal Market Access system. This information, along with the audited annual financial statements, is to be provided within six months after the end of each fiscal year.

The District has covenanted that it will take all necessary steps to comply with the requirement that rebatable arbitrage earnings on the investment of the gross proceeds of the bonds, within the meaning of section 148(f) of the Internal Revenue Code, be rebated to the federal government. The minimum requirement for determination of the rebatable amount is on each 5th year anniversary of each issue.

NOTE 5. DEPOSITS AND INVESTMENTS

Deposits

Custodial credit risk is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The District’s deposit policy for custodial credit risk requires compliance with the provisions of Texas statutes.

Texas statutes require that any cash balance in any fund shall, to the extent not insured by the Federal Deposit Insurance Corporation or its successor, be continuously secured by a valid pledge to the District of securities eligible under the laws of Texas to secure the funds of the District, having an aggregate market value, including accrued interest, at all times equal to the uninsured cash balance in the fund to which such securities are pledged. At fiscal year-end, the carrying amount of the District’s bank deposits was \$9,296,368 and the bank balance was \$9,278,046. The District was not exposed to custodial credit risk at year-end.

**PORT O’CONNOR IMPROVEMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020**

NOTE 5. DEPOSITS AND INVESTMENTS (Continued)

Deposits (Continued)

The carrying values of the deposits are included in the Governmental Funds Balance Sheet and the Statement of Net Position at September 30, 2020, as listed below:

	Cash	Certificates of Deposit	Total
GENERAL FUND	\$ 2,332,020	\$ 2,160,000	\$ 4,492,020
DEBT SERVICE FUND	276,057		276,057
CAPITAL PROJECTS FUND	4,528,291		4,528,291
TOTAL DEPOSITS	\$ 7,136,368	\$ 2,160,000	\$ 9,296,368

Investments

Under Texas law, the District is required to invest its funds under written investment policies that primarily emphasize safety of principal and liquidity and that address investment diversification, yield, maturity, and the quality and capability of investment management, and all District funds must be invested in accordance with the following investment objectives: understanding the suitability of the investment to the District’s financial requirements, first; preservation and safety of principal, second; liquidity, third; marketability of the investments if the need arises to liquidate the investment before maturity, fourth; diversification of the investment portfolio, fifth; and yield, sixth. The District’s investments must be made “with judgment and care, under prevailing circumstances, that a person of prudence, discretion, and intelligence would exercise in the management of the person’s own affairs, not for speculation, but for investment, considering the probable safety of capital and the probable income to be derived.” No person may invest District funds without express written authority from the Board of Directors.

Texas statutes include specifications for and limitations applicable to the District and its authority to purchase investments as defined in the Public Funds Investment Act. The District has adopted a written investment policy to establish the guidelines by which it may invest. This policy is reviewed annually. The District’s investment policy may be more restrictive than the Public Funds Investment Act.

The District invests in Texas Cooperative Liquid Assets Securities System Trust (“Texas CLASS”), an external public funds investment pool that is not SEC-registered. Public Trust Advisors, LLC serves as the pool’s administrator and investment advisor. The pool is subject to the general supervision of the Board of Trustees and its Advisory Board. Wells Fargo Bank, N.A. serves as custodian for the pool. Investments held by Texas CLASS are priced to market on a weekly basis. The investments are considered Level I investments because their fair value is measured by quoted prices in active markets. The fair value of the District’s position in the pool is the same as the value of the pool shares. There are no limitations or restrictions on withdrawals from Texas CLASS.

**PORT O’CONNOR IMPROVEMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020**

NOTE 5. DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

The District invests in the Bank of New York Mellon Government Money Market Fund (“BNY”), a money market mutual fund which is SEC-registered. The District measures its investment in BNY at amortized cost for financial reporting purposes. There are no limitations or restrictions on withdrawals from BNY.

Certificates of deposit are recorded at their acquisition cost. As of September 30, 2020, the District had the following investments and maturities:

<u>Fund and Investment Type</u>	Maturities in Years	
	Fair Value	Less Than 1 Year
<u>GENERAL FUND</u>		
Certificates of Deposit	\$ 2,160,000	\$ 2,160,000
Texas CLASS	3,073,186	3,073,186
<u>CAPITAL PROJECTS FUND</u>		
Money Market Mutual Fund	187,500	187,500
TOTAL INVESTMENTS	\$ 5,420,686	\$ 5,420,686

Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. At September 30, 2020, the District’s investments in Texas CLASS and the money market mutual fund were rated “AAAm” and “A-1+” by Standard and Poor’s, respectively. The District also manages credit risk by investing in certificates of deposit insured by the FDIC.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District considers the investments in Texas CLASS and the money market mutual fund to have maturities of less than one year due to the fact the share positions can usually be redeemed each day at the discretion of the District. The District also manages interest rate risk by investing in certificates of deposit with maturities of one-year or less.

Restrictions

All cash and investments of the Debt Service Fund are restricted for the payment of debt service and the cost of assessing and collecting taxes. All cash and investments of the Capital Projects Fund are restricted for the purchase or construction of capital assets.

PORT O'CONNOR IMPROVEMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

NOTE 6. CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2020 is as follows:

	October 1, 2019	Increases	Decreases	September 30, 2020
Capital Assets Not Being Depreciated				
Land and Land Improvements	\$ 487,907	\$	\$	\$ 487,907
Construction in Progress	2,658,005	2,498,137	881,353	4,274,789
Total Capital Assets Not Being Depreciated	<u>\$ 3,145,912</u>	<u>\$ 2,498,137</u>	<u>\$ 881,353</u>	<u>\$ 4,762,696</u>
Capital Assets Subject to Depreciation				
Water System	\$ 6,596,421	\$ 115,594	\$	\$ 6,712,015
Wastewater System	7,080,729	528,326		7,609,055
Buildings, Equipment and Other	2,307,984	237,433	15,705	2,529,712
Total Capital Assets Subject to Depreciation	<u>\$ 15,985,134</u>	<u>\$ 881,353</u>	<u>\$ 15,705</u>	<u>\$ 16,850,782</u>
Less Accumulated Depreciation				
Water System	\$ 2,464,530	\$ 212,500	\$	\$ 2,677,030
Wastewater System	2,774,315	179,147		2,953,462
Buildings, Equipment and Other	1,007,822	111,697	15,705	1,103,814
Total Accumulated Depreciation	<u>\$ 6,246,667</u>	<u>\$ 503,344</u>	<u>\$ 15,705</u>	<u>\$ 6,734,306</u>
Total Depreciable Capital Assets, Net of Accumulated Depreciation	<u>\$ 9,738,467</u>	<u>\$ 378,009</u>	<u>\$ - 0 -</u>	<u>\$ 10,116,476</u>
Total Capital Assets, Net of Accumulated Depreciation	<u>\$ 12,884,379</u>	<u>\$ 2,876,146</u>	<u>\$ 881,353</u>	<u>\$ 14,879,172</u>

NOTE 7. MAINTENANCE TAX

During the fiscal year ended September 30, 2020, the District levied an ad valorem maintenance tax at the rate of \$0.2567 per \$100 of assessed valuation, which resulted in a tax levy of \$920,049 on the adjusted taxable valuation of \$361,695,113 for the 2019 tax year. This maintenance tax is to be used by the General Fund to pay expenditures of operating the District's waterworks and wastewater system.

NOTE 8. DEFINED AREA NO. 1

Pursuant to a resolution adopted by the District's Board of Directors on February 11, 2008 and an election held on May 10, 2008, approximately 41 acres within the boundaries of the District were designated as Defined Area No. 1 and are being developed as "Caracol". Pursuant to an Agreement for Maintenance and Operation for Port O'Connor Defined Area No. 1 Facilities entered into between the District and Caracol Community Association, Inc. ("Caracol Community") on October 23, 2018, the District is responsible for operating and maintaining the water and wastewater facilities within Defined Area No. 1. The District collects and retains all District-wide maintenance tax and all tap fees and monthly water and wastewater revenue within Defined Area No. 1 to use in connection with the District's operation and maintenance costs.

PORT O’CONNOR IMPROVEMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

NOTE 8. DEFINED AREA NO. 1 (Continued)

Caracol Community manages the maintenance and operations needed for improvements within Defined Area No. 1 and is reimbursed by the District for its costs related to such operations and maintenance solely from the Defined Area No. 1 operations and maintenance tax.

Pursuant to an election held within the Defined Area No. 1 on May 20, 2008 the Board is authorized to levy a maintenance and operation tax within the Defined Area No. 1 at a rate of \$0.80 per \$100. The February 11, 2008 Taxation Plan for Defined Area No. 1 Within Port O’Connor Municipal Utility District provided for the levy of both a debt service tax and an operation and maintenance tax on property within the boundaries of the defined area, such taxes being in addition to the taxes levied by the District over all property in the District. Therefore, property owners in Defined Area No. 1 are subject to the District wide tax rate in addition to an operation and maintenance tax levied exclusively on property within the Defined Area No. 1. As of this date, the District has not levied an additional Defined Area No. 1 debt service tax. The purpose of the Defined Area tax is to pay for the improvements contemplated by the Plan of Improvements that was approved by voters in the election for the creation of the Defined Area No. 1. The improvements included in this plan are navigable canals and certain water, sanitary sewer, and drainage improvements, as well as related land acquisition and environmental costs and expenses related to all of these improvements. The portion of the ad valorem tax levied within the Defined Area for operation and maintenance purposes of the Defined Area is not pledged to or available for payment of debt service on the Bonds; however, the District wide debt service ad valorem tax levied on all property within the District, including the Defined Area, is pledged to the Bonds. During the fiscal year ended September 30, 2020, the Defined Area levied an ad valorem maintenance tax at a rate of \$0.47 per \$100 of assessed valuation, which resulted in a tax levy of \$65,732 on the adjusted taxable valuation of \$13,985,532 for the 2019 tax year.

NOTE 9. INTERLOCAL AGREEMENT

Northern Star Investors V, LLC (“Northern Star”) entered into a Shared Cost and Expense Agreement (the “Agreement”) with the District on April 19, 2005. The Agreement was assigned by Northern Star to La Salle Water Control and Improvement District No. 1 (“La Salle”) on June 14, 2006. La Salle and the District entered into an interlocal Agreement on February 7, 2007 and the parties have since entered into twenty-three amendments to the original agreement as of September 30, 2020. Under the twenty-third amendment, the District commits to provide La Salle the number of gallons per minute required by TCEQ 290.45 multiplied by a safety factor of 1.15, rounded up to the nearest gallon, up to a maximum of 100 gallons per minute until a new regional facilities agreement or a water sales contract is executed between the parties. La Salle pays the District for water and wastewater service at the District’s actual cost paid to the Guadalupe Blanco River Authority (“GBRA”), including La Salle’s proportionate share of any GBRA end of year assessments, fees and billings, plus 10%. During the current year, the District received \$417,130 in relation to this agreement.

PORT O’CONNOR IMPROVEMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

NOTE 10. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets, errors and omissions, and natural disasters. The District participates in the Texas Municipal League Intergovernmental Risk Pool (“TML”) to provide automobile liability, automobile physical damage coverage and workers compensation coverage. The District, along with other participating entities, contributes annual amounts determined by TML’s management. As claims arise they are submitted and paid by TML. The District purchased commercial insurance for all other coverage.

NOTE 11. SALES AND USE TAX

The Texas Legislature, in 2013, authorized the District to levy, upon voter approval, a sales and use tax. Pursuant to an election on November 5, 2013, the District voters approved a sales and use tax which, the District collects at the rate of 1.5% within its boundaries. Proceeds from sales and use taxes are not pledged to the payment of the District’s outstanding bonds or any other debts of the District. The Board is, however, authorized by law to pledge such sales and use tax revenue to the payment of bonds, notes or other obligations. During the current year, the District recorded \$301,536 in sales tax revenue, of which, \$61,483 was receivable at year-end.

NOTE 12. TCEQ COMPLIANCE

The District has been working with the TCEQ to bring its water and wastewater systems into compliance and has (i) contracted with licensed operators and (ii) used funds on hand as well as a portion of the proceeds from the Series 2015 Revenue Bonds to upgrade some of its water and wastewater systems. Additionally, a portion of the proceeds of the Series 2018 Bonds will also be used to continue water and wastewater system upgrades to address TCEQ compliance requirements.

NOTE 13. SUBSEQUENT EVENT – FINANCING AGREEMENT WITH TEXAS WATER DEVELOPMENT BOARD

Subsequent to year-end, on November 5, 2020, the District’s application for \$6,000,000 in financing from the Texas Water Development Board’s Drinking Water State Revolving Fund was approved for planning, design and construction of a water system expansion project.

NOTE 14. ECONOMIC UNCERTAINTIES

On March 11, 2020, the World Health Organization declared the COVID-19 virus a global pandemic. As a result, economic uncertainties have arisen which could have an impact on the operations of the District. The District is carefully monitoring the situation and evaluating its options during this time. No adjustments have been made to these financial statements as a result of this uncertainty, as the potential financial impact of this pandemic is unknown at this time.

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PORT O'CONNOR IMPROVEMENT DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

SEPTEMBER 30, 2020

PORT O'CONNOR IMPROVEMENT DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2020

	Original and Final Budget	Actual	Variance Positive (Negative)
REVENUES			
Property Taxes	\$ 841,000	\$ 976,880	\$ 135,880
Water Service	940,000	1,018,835	78,835
Wastewater Service	570,000	618,966	48,966
Penalty and Interest	27,895	29,888	1,993
Tap Connection and Inspection Fees	306,800	128,200	(178,600)
Sales and Use Tax Revenues	250,000	301,536	51,536
Solid Waste Service	500,000	448,352	(51,648)
Utility Services - La Salle WCID No. 1A	190,000	417,130	227,130
Investment Revenues	100,725	93,222	(7,503)
Miscellaneous Revenues	28,500	92,980	64,480
TOTAL REVENUES	<u>\$ 3,754,920</u>	<u>\$ 4,125,989</u>	<u>\$ 371,069</u>
EXPENDITURES			
Service Operations:			
Professional Fees	\$ 376,500	\$ 253,452	\$ 123,048
Personnel	724,000	672,693	51,307
Contracted Services	448,600	538,428	(89,828)
Purchased Water Service	381,200	323,208	57,992
Utilities	136,500	110,617	25,883
Repairs and Maintenance	401,940	168,088	233,852
Other	685,606	375,234	310,372
Capital Outlay	130,020	570,430	(440,410)
Debt Service:			
Bond Principal	120,000	120,000	
Bond Interest	72,297	72,297	
TOTAL EXPENDITURES	<u>\$ 3,476,663</u>	<u>\$ 3,204,447</u>	<u>\$ 272,216</u>
NET CHANGE IN FUND BALANCE	\$ 278,257	\$ 921,542	\$ 643,285
FUND BALANCE - OCTOBER 1, 2019	<u>6,524,104</u>	<u>6,524,104</u>	
FUND BALANCE - SEPTEMBER 30, 2020	<u>\$ 6,802,361</u>	<u>\$ 7,445,646</u>	<u>\$ 643,285</u>

See accompanying independent auditor's report.

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**PORT O'CONNOR IMPROVEMENT DISTRICT
SUPPLEMENTARY INFORMATION REQUIRED BY THE
WATER DISTRICT FINANCIAL MANAGEMENT GUIDE
SEPTEMBER 30, 2020**

**PORT O'CONNOR IMPROVEMENT DISTRICT
SERVICES AND RATES
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

1. SERVICES PROVIDED BY THE DISTRICT DURING THE FISCAL YEAR:

<u> X </u>	Retail Water	<u> X </u>	Wholesale Water	<u> </u>	Drainage
<u> X </u>	Retail Wastewater	<u> X </u>	Wholesale Wastewater	<u> </u>	Irrigation
<u> </u>	Parks/Recreation	<u> </u>	Fire Protection	<u> </u>	Security
<u> X </u>	Solid Waste/Garbage	<u> </u>	Flood Control	<u> </u>	Roads
<u> </u>	Participates 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):

Based on the rate order approved July 21, 2020.

	<u>Minimum Charge</u>	<u>Minimum Usage</u>	<u>Flat Rate Y/N</u>	<u>Rate per 1,000 Gallons over Minimum Use</u>	<u>Usage Levels</u>
BASE FEE:	\$ 23.50	none	Y	N/A	N/A
WATER:	\$ 33.05	none	N	\$ 2.25	0,001 to 6,000
				\$ 2.75	6,001 to 10,000
				\$ 3.50	10,001 to 15,000
				\$ 4.50	15,001 to 35,000
				\$ 5.50	35,001 to 50,000
				\$ 7.50	50,001 to 60,000
				\$ 9.50	60,001 and over
WASTEWATER:	\$ 22.80	none	N	\$ 2.25	0,001 to 6,000
				\$ 2.75	6,001 to 10,000
				\$ 3.50	10,001 to 15,000
				\$ 4.50	15,001 to 35,000
				\$ 5.50	35,001 to 50,000
				\$ 7.50	50,001 to 60,000
				\$ 9.50	60,001 and over
SURCHARGE:					
Commission Regulatory Assessments			N	0.5% of water and wastewater charges	
District employs winter averaging for wastewater usage?				<u> X </u>	<u> </u>
				Yes	No

Total monthly charges per 10,000 gallons usage: Water: \$57.55 Wastewater: \$34.05 Surcharge: \$0.58 Base Fee: \$23.50

See accompanying independent auditor's report.

**PORT O'CONNOR IMPROVEMENT DISTRICT
SERVICES AND RATES
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

2. RETAIL SERVICE PROVIDERS (Continued)

b. WATER AND WASTEWATER RETAIL CONNECTIONS: (Unaudited)

<u>Meter Size</u>	<u>Total Connections</u>	<u>Active Connections</u>	<u>ESFC Factor</u>	<u>Active ESFCs</u>
Unmetered	<u>6</u>	<u>6</u>	x 1.0	<u>6</u>
≤ ³ / ₄ "	<u>1,688</u>	<u>1,675</u>	x 1.0	<u>1,675</u>
1"	<u>32</u>	<u>32</u>	x 2.5	<u>80</u>
1½"	<u>2</u>	<u>2</u>	x 5.0	<u>10</u>
2"	<u>19</u>	<u>19</u>	x 8.0	<u>152</u>
3"	<u> </u>	<u> </u>	x 15.0	<u> </u>
4"	<u> </u>	<u> </u>	x 25.0	<u> </u>
6"	<u>1</u>	<u> </u>	x 50.0	<u> </u>
8"	<u> </u>	<u> </u>	x 80.0	<u> </u>
10"	<u> </u>	<u> </u>	x 115.0	<u> </u>
Total Water Connections	<u><u>1,748</u></u>	<u><u>1,734</u></u>		<u><u>1,923</u></u>
Total Wastewater Connections	<u><u>1,533</u></u>	<u><u>1,525</u></u>	x 1.0	<u><u>1,525</u></u>

3. TOTAL WATER CONSUMPTION DURING THE FISCAL YEAR ROUNDED TO THE NEAREST THOUSAND: (Unaudited)

Gallons pumped into system:	105,738,000	Water Accountability Ratio: 103.6% (Gallons billed and sold/Gallons pumped and purchased)
Gallons billed to customers:	86,621,000	
Gallons Sold:	22,938,000	<u>To: La Salle Water Control and Improvement District No. 1</u>

See accompanying independent auditor's report.

**PORT O'CONNOR IMPROVEMENT DISTRICT
SERVICES AND RATES
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

4. STANDBY FEES (authorized only under TWC Section 49.231):

Does the District have Debt Service standby fees? Yes No

Does the District have Operation and Maintenance standby fees? Yes No

5. LOCATION OF DISTRICT:

Is the District located entirely within one county?

Yes No

County in which District is located:

Calhoun County, Texas

Is the District located within a city?

Entirely Partly Not at all

Is the District located within a city's extraterritorial jurisdiction (ETJ)?

Entirely Partly Not at all

Are Board Members appointed by an office outside the District?

Yes No

See accompanying independent auditor's report.

PORT O'CONNOR IMPROVEMENT DISTRICT
GENERAL FUND EXPENDITURES
FOR THE YEAR ENDED SEPTEMBER 30, 2020

PERSONNEL EXPENDITURES (Including Benefits)	<u>\$ 672,693</u>
PROFESSIONAL FEES:	
Auditing	\$ 27,500
Engineering	36,643
Delinquent Tax Attorney	8,253
Legal	168,520
Financial Advisor	<u>12,536</u>
TOTAL PROFESSIONAL FEES	<u>\$ 253,452</u>
PURCHASED SERVICES FOR RESALE:	
Purchased Water Service	<u>\$ 323,208</u>
CONTRACTED SERVICES:	
Appraisal District	\$ 36,056
Bookkeeping	49,029
Operations	60,965
Solid Waste Disposal	390,578
Other Contracted Services	<u>1,800</u>
TOTAL CONTRACTED SERVICES	<u>\$ 538,428</u>
UTILITIES	<u>\$ 110,617</u>
REPAIRS AND MAINTENANCE	<u>\$ 168,088</u>
ADMINISTRATIVE EXPENDITURES:	
Billing Software	\$ 35,401
Director Fees	2,650
Insurance	112,178
Office Supplies and Postage	25,399
Travel, Training, Dues, Meals, Lodging	<u>39,715</u>
TOTAL ADMINISTRATIVE EXPENDITURES	<u>\$ 215,343</u>

See accompanying independent auditor's report.

PORT O'CONNOR IMPROVEMENT DISTRICT
GENERAL FUND EXPENDITURES
FOR THE YEAR ENDED SEPTEMBER 30, 2020

CAPITAL OUTLAY	\$ <u>570,430</u>
OTHER EXPENDITURES:	
Supplies	\$ 99,586
Laboratory Fees	15,578
Permit Fees	8,620
TCEQ Regulatory Assessment	8,005
Other	<u>28,102</u>
TOTAL OTHER EXPENDITURES	<u>\$ 159,891</u>
DEBT SERVICE:	
Bond Principal	\$ 120,000
Bond Interest	<u>72,297</u>
TOTAL DEBT SERVICE	<u>\$ 192,297</u>
TOTAL EXPENDITURES	<u>\$ 3,204,447</u>

Number of persons employed by the District 13 Full-Time -0- Part-Time

See accompanying independent auditor's report.

PORT O'CONNOR IMPROVEMENT DISTRICT
INVESTMENTS
SEPTEMBER 30, 2020

Fund	Identification or Certificate Number	Interest Rate	Maturity Date	Balance at End of Year	Accrued Interest Receivable at End of Year
<u>GENERAL FUND</u>					
Texas CLASS	XXXX0001	Varies	Daily	\$ 3,073,186	\$
Certificate of Deposit	XXXX2766	0.70%	09/25/21	240,000	23
Certificate of Deposit	XXXX2422	0.60%	09/25/21	240,000	20
Certificate of Deposit	XXXX0964	0.49%	08/11/21	240,000	161
Certificate of Deposit	XXXX1253	0.60%	08/11/21	240,000	197
Certificate of Deposit	XXXX0200	0.60%	09/25/21	240,000	20
Certificate of Deposit	XXXX0773	0.55%	09/25/21	240,000	18
Certificate of Deposit	XXXX1034	0.45%	08/11/21	240,000	148
Certificate of Deposit	XXXX5804	0.75%	08/11/21	240,000	246
Certificate of Deposit	XXXX0840	0.65%	08/11/21	240,000	214
TOTAL GENERAL FUND				<u>\$ 5,233,186</u>	<u>\$ 1,047</u>
<u>CAPITAL PROJECTS FUND</u>					
Money Market Mutual Fund	XXXX8958	Varies	Daily	<u>\$ 187,500</u>	<u>\$ - 0 -</u>
TOTAL - ALL FUNDS				<u><u>\$ 5,420,686</u></u>	<u><u>\$ 1,047</u></u>

See accompanying independent auditor's report.

PORT O'CONNOR IMPROVEMENT DISTRICT
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED SEPTEMBER 30, 2020

	Maintenance Taxes		Debt Service Taxes		Defined Area No. 1	
TAXES RECEIVABLE -						
October 1, 2019	\$ 17,541		\$ 16,847		\$ 811	
Adjustments to Beginning						
Balance	<u>564</u>	\$ 18,105	<u>373</u>	\$ 17,220	<u> </u>	\$ 811
Original 2019 Tax Levy	\$ 931,680		\$ 991,929		\$ 65,732	
Adjustment to 2019 Tax Levy	<u>(11,631)</u>	<u>920,049</u>	<u>(18,326)</u>	<u>973,603</u>	<u> </u>	<u>65,732</u>
TOTAL TO BE						
ACCOUNTED FOR		\$ 938,154		\$ 990,823		\$ 66,543
TAX COLLECTIONS:						
Prior Years	\$ 6,817		\$ 7,552		\$	
Current Year	<u>904,331</u>	<u>911,148</u>	<u>956,869</u>	<u>964,421</u>	<u>65,732</u>	<u>65,732</u>
TAXES RECEIVABLE -						
SEPTEMBER 30, 2020		<u>\$ 27,006</u>		<u>\$ 26,402</u>		<u>\$ 811</u>
TAXES RECEIVABLE BY						
YEAR:						
2019		\$ 15,718		\$ 16,734		\$
2018		4,062		4,693		811
2017		2,357		3,075		
2016		1,182		1,541		
2015		382		232		
2014		180		98		
2013		286		29		
2012		327				
2011		230				
2010 and Prior		<u>2,282</u>		<u> </u>		<u> </u>
TOTAL		<u>\$ 27,006</u>		<u>\$ 26,402</u>		<u>\$ 811</u>

See accompanying independent auditor's report.

PORT O'CONNOR IMPROVEMENT DISTRICT
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED SEPTEMBER 30, 2020

	2019	2018	2017	2016
DISTRICT WIDE:				
Land	\$ 183,231,316	\$ 172,974,506	\$ 171,683,380	\$ 162,000,834
Improvements	224,001,195	202,248,192	199,791,688	191,871,890
Personal Property	7,993,140	8,283,150	8,636,970	7,415,985
Exemptions	(53,530,538)	(48,085,947)	(47,159,604)	(43,805,882)
TOTAL PROPERTY VALUATIONS	\$ 361,695,113	\$ 335,419,901	\$ 332,952,434	\$ 317,482,827
TAX RATES PER \$100 VALUATION:				
Debt Service	\$ 0.2733	\$ 0.2841	\$ 0.30	\$ 0.30
Maintenance **	0.2567	0.2459	0.23	0.23
TOTAL TAX RATES PER \$100 VALUATION	\$ 0.5300	\$ 0.5300	\$ 0.53	\$ 0.53
ADJUSTED TAX LEVY*	\$ 1,893,652	\$ 1,749,912	\$ 1,740,472	\$ 1,683,063
DEFINED AREA:				
PROPERTY VALUATIONS	\$ 13,985,532	\$ 12,032,554	\$ 10,576,790	\$ 11,621,760
TAX RATES PER \$100 VALUATION:				
Debt Service	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
Maintenance**	0.47	0.47	0.47	0.47
TOTAL TAX RATES PER \$100 VALUATION	\$ 0.47	\$ 0.47	\$ 0.47	\$ 0.47
ADJUSTED TAX LEVY*	\$ 65,732	\$ 56,553	\$ 49,711	\$ 54,622
PERCENTAGE OF TOTAL TAXES COLLECTED TO TOTAL TAXES LEVIED				
	98.34 %	99.50 %	99.69 %	99.84 %

* Based upon the adjusted tax levy at the time of the audit for the fiscal year in which the tax was levied.

** District Wide - Unlimited tax rate approved by voters on January 20, 2001.
Defined Area - Maximum tax rate of \$0.80 per \$100 assessed valuation approved by voters on May 20, 2008.

See accompanying independent auditor's report.

PORT O'CONNOR IMPROVEMENT DISTRICT
LONG-TERM DEBT SERVICE REQUIREMENTS
SEPTEMBER 30, 2020

SERIES - 2013 REFUNDING

Due During Fiscal Years Ending September 30	Principal Due September 1	Interest Due March 1/ September 1	Total
2021	\$ 240,000	\$ 62,750	\$ 302,750
2022	250,000	54,590	304,590
2023	255,000	45,590	300,590
2024	265,000	35,900	300,900
2025	95,000	25,300	120,300
2026	100,000	20,930	120,930
2027	105,000	16,330	121,330
2028	110,000	11,500	121,500
2029	120,000	6,000	126,000
2030			
2031			
2032			
2033			
2034			
2035			
2036			
2037			
2038			
	<u>\$ 1,540,000</u>	<u>\$ 278,890</u>	<u>\$ 1,818,890</u>

See accompanying independent auditor's report.

PORT O'CONNOR IMPROVEMENT DISTRICT
LONG-TERM DEBT SERVICE REQUIREMENTS
SEPTEMBER 30, 2020

S E R I E S - 2 0 1 5

Due During Fiscal Years Ending September 30	Principal Due September 1	Interest Due March 1/ September 1	Total
2021	\$ 120,000	\$ 70,557	\$ 190,557
2022	125,000	68,469	193,469
2023	125,000	65,944	190,944
2024	130,000	63,131	193,131
2025	130,000	59,959	189,959
2026	135,000	56,631	191,631
2027	140,000	52,810	192,810
2028	145,000	48,513	193,513
2029	150,000	43,785	193,785
2030	150,000	38,640	188,640
2031	160,000	33,270	193,270
2032	165,000	27,367	192,367
2033	170,000	21,130	191,130
2034	175,000	14,550	189,550
2035	190,000	7,638	197,638
2036			
2037			
2038			
	<u>\$ 2,210,000</u>	<u>\$ 672,394</u>	<u>\$ 2,882,394</u>

See accompanying independent auditor's report.

PORT O'CONNOR IMPROVEMENT DISTRICT
LONG-TERM DEBT SERVICE REQUIREMENTS
SEPTEMBER 30, 2020

S E R I E S - 2 0 1 8				
Due During Fiscal Years Ending September 30	Principal Due September 1	Interest Due March 1/ September 1	Total	
2021	\$ 220,000	\$ 251,475	\$	471,475
2022	225,000	242,675		467,675
2023	230,000	233,675		463,675
2024	240,000	224,475		464,475
2025	250,000	214,875		464,875
2026	260,000	204,875		464,875
2027	270,000	194,475		464,475
2028	280,000	183,675		463,675
2029	290,000	172,475		462,475
2030	300,000	159,425		459,425
2031	315,000	145,925		460,925
2032	330,000	131,750		461,750
2033	345,000	115,250		460,250
2034	360,000	98,000		458,000
2035	375,000	80,000		455,000
2036	390,000	61,250		451,250
2037	410,000	41,750		451,750
2038	425,000	21,250		446,250
	\$ 5,515,000	\$ 2,777,275	\$	8,292,275

See accompanying independent auditor's report.

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PORT O'CONNOR IMPROVEMENT DISTRICT
LONG-TERM DEBT SERVICE REQUIREMENTS
SEPTEMBER 30, 2020

ANNUAL REQUIREMENTS
FOR ALL SERIES

Due During Fiscal Years Ending September 30	Total Principal Due	Total Interest Due	Total Principal and Interest Due
2021	\$ 580,000	\$ 384,782	\$ 964,782
2022	600,000	365,734	965,734
2023	610,000	345,209	955,209
2024	635,000	323,506	958,506
2025	475,000	300,134	775,134
2026	495,000	282,436	777,436
2027	515,000	263,615	778,615
2028	535,000	243,688	778,688
2029	560,000	222,260	782,260
2030	450,000	198,065	648,065
2031	475,000	179,195	654,195
2032	495,000	159,117	654,117
2033	515,000	136,380	651,380
2034	535,000	112,550	647,550
2035	565,000	87,638	652,638
2036	390,000	61,250	451,250
2037	410,000	41,750	451,750
2038	425,000	21,250	446,250
	<u>\$ 9,265,000</u>	<u>\$ 3,728,559</u>	<u>\$ 12,993,559</u>

See accompanying independent auditor's report.

PORT O'CONNOR IMPROVEMENT DISTRICT
CHANGES IN LONG-TERM BOND DEBT
FOR THE YEAR ENDED SEPTEMBER 30, 2020

Description	Original Bonds Issued	Bonds Outstanding October 1, 2019
Port O'Connor Improvement District Unlimited Tax Refunding Bonds - Series 2013	\$ 4,700,000	\$ 2,320,000
Port O'Connor Improvement District Water and Sewer System Revenue Bonds - Series 2015	2,815,000	2,330,000
Port O'Connor Improvement District Unlimited Tax Bonds - Series 2018	<u>6,000,000</u>	<u>5,725,000</u>
TOTAL	<u>\$ 13,515,000</u>	<u>\$ 10,375,000</u>

Bond Authority:	Unlimited Tax Bonds	Defined Area No. 1 Unlimited Tax Bonds	Refunding Bonds
Authorized by Voters	\$ 12,000,000	\$ 20,000,000	\$ 10,000,000
Amount Issued	<u>6,000,000</u>	<u> </u>	<u>4,700,000</u>
Remaining to be Issued	<u>\$ 6,000,000</u>	<u>\$ 20,000,000</u>	<u>\$ 5,300,000</u>

Debt Service Fund cash and investment balances as of September 30, 2020: \$ 276,057

Average annual debt service payment (principal and interest) for remaining term of all debt: \$ 721,864

See Note 3 for interest rates, interest payment dates and maturity dates.

See accompanying independent auditor's report.

<u>Current Year Transactions</u>				
<u>Bonds Sold</u>	<u>Retirements</u>		<u>Bonds Outstanding September 30, 2020</u>	<u>Paying Agent</u>
	<u>Principal</u>	<u>Interest</u>		
\$	\$ 780,000	\$ 97,402	\$ 1,540,000	The Bank of New York Mellon Trust Company, N.A. Dallas, TX
	120,000	72,297	2,210,000	The Bank of New York Mellon Trust Company, N.A. Dallas, TX
	210,000	259,875	5,515,000	The Bank of New York Mellon Trust Company, N.A. Dallas, TX
<u>\$ - 0 -</u>	<u>\$ 1,110,000</u>	<u>\$ 429,574</u>	<u>\$ 9,265,000</u>	

See accompanying independent auditor's report.

PORT O'CONNOR IMPROVEMENT DISTRICT
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
GENERAL FUND - FIVE YEARS

	Amounts		
	2020	2019	2018
REVENUES			
Property Taxes	\$ 976,880	\$ 867,283	\$ 808,150
Water Service	1,018,835	931,455	950,181
Wastewater Service	618,966	568,367	547,737
Penalty and Interest	29,888	25,655	29,374
Tap Connection and Inspection Fees	128,200	160,750	114,500
Sales and Use Tax Revenues	301,536	263,517	251,311
Solid Waste Service	448,352	429,495	406,117
Utility Services - La Salle WCID No. 1A	417,130	244,835	184,249
Investment Revenues	93,222	108,953	48,158
Miscellaneous Revenues	92,980	42,599	12,676
TOTAL REVENUES	\$ 4,125,989	\$ 3,642,909	\$ 3,352,453
EXPENDITURES			
Professional Fees	\$ 253,452	\$ 410,350	\$ 432,641
Personnel	672,693	615,633	223,933
Contracted Services	538,428	509,644	741,617
Purchased Water Service	323,208	384,825	404,719
Utilities	110,617	145,525	104,082
Repairs and Maintenance	168,088	465,218	182,337
Other	375,234	440,045	179,499
Capital Outlay	570,430	538,479	126,514
Debt Service:			
Bond Principal	120,000	120,000	115,000
Bond Interest	72,297	73,677	68,423
TOTAL EXPENDITURES	\$ 3,204,447	\$ 3,703,396	\$ 2,578,765
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ 921,542	\$ (60,487)	\$ 773,688
OTHER FINANCING SOURCES (USES)			
Proceeds from Issuance of Long-Term Debt	\$ - 0 -	\$ 25,383	\$ - 0 -
NET CHANGE IN FUND BALANCE	\$ 921,542	\$ (35,104)	\$ 773,688
BEGINNING FUND BALANCE	6,524,104	6,559,208	5,785,520
ENDING FUND BALANCE	\$ 7,445,646	\$ 6,524,104	\$ 6,559,208

** These fiscal years were presented in prior year financial statements as an Enterprise Fund and have been restated for the five-year comparison schedule.

See accompanying independent auditor's report.

		Percentage of Total Revenues				
2017	2016	2020	2019	2018	2017	2016
\$ 779,252	\$ 799,071	23.6 %	23.7 %	24.1 %	22.6 %	20.0 %
977,502	1,224,439	24.7	25.6	28.3	28.5	30.7
547,490	883,905	15.0	15.6	16.3	16.0	22.1
22,725	20,371	0.7	0.7	0.9	0.7	0.5
56,165	111,250	3.1	4.4	3.4	1.6	2.8
213,107	207,232	7.3	7.2	7.5	6.2	5.2
410,210	402,657	10.9	11.8	12.1	12.0	10.1
304,659	199,351	10.1	6.7	5.5	8.9	5.0
25,877	27,792	2.3	3.0	1.4	0.8	0.7
92,501	117,391	2.3	1.3	0.5	2.7	2.9
<u>\$ 3,429,488</u>	<u>\$ 3,993,459</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>
\$ 480,173	\$ 406,924	6.1 %	11.3 %	12.9 %	14.0 %	10.2 %
674,555	520,392	16.3	16.9	6.7	19.7	13.0
20,480	18,758	13.0	14.0	22.1	0.6	0.5
678,015	557,616	7.8	10.6	12.1	19.8	14.0
115,993	118,481	2.7	4.0	3.1	3.4	3.0
517,782	422,407	4.1	12.8	5.4	15.1	10.6
163,014	436,791	9.1	12.1	5.4	4.8	10.9
		13.8	14.8	3.8		
115,000	135,000	2.9	3.3	3.4	3.4	3.4
81,449	56,698	1.8	2.0	2.0	2.4	1.4
<u>\$ 2,846,461</u>	<u>\$ 2,673,067</u>	<u>77.6 %</u>	<u>101.8 %</u>	<u>76.9 %</u>	<u>83.2 %</u>	<u>67.0 %</u>
<u>\$ 583,027</u>	<u>\$ 1,320,392</u>	<u>22.4 %</u>	<u>(1.8) %</u>	<u>23.1 %</u>	<u>16.8 %</u>	<u>33.0 %</u>
<u>\$ - 0 -</u>	<u>\$ - 0 -</u>					
\$ 583,027	\$ 1,320,392					
5,202,493	3,882,101					
<u>\$ 5,785,520</u>	<u>\$ 5,202,493</u>					
**	**					

See accompanying independent auditor's report.

PORT O’CONNOR IMPROVEMENT DISTRICT
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
DEBT SERVICE FUND - FIVE YEARS

	Amounts		
	2020	2019	2018
REVENUES			
Property Taxes	\$ 964,421	\$ 937,602	\$ 984,987
Penalty, Interest and Other Revenues	<u>21,308</u>	<u>18,284</u>	<u>15,212</u>
TOTAL REVENUES	<u>\$ 985,729</u>	<u>\$ 955,886</u>	<u>\$ 1,000,199</u>
EXPENDITURES			
Other Expenditures	\$	\$ 179	\$ 144
Debt Service Principal	990,000	1,600,000	215,000
Debt Service Interest and Fees	<u>358,527</u>	<u>356,993</u>	<u>154,022</u>
TOTAL EXPENDITURES	<u>\$ 1,348,527</u>	<u>\$ 1,957,172</u>	<u>\$ 369,166</u>
NET CHANGE IN FUND BALANCE	\$ (362,798)	\$ (1,001,286)	\$ 631,033
BEGINNING FUND BALANCE	<u>651,421</u>	<u>1,652,707</u>	<u>1,021,674</u>
ENDING FUND BALANCE	<u>\$ 288,623</u>	<u>\$ 651,421</u>	<u>\$ 1,652,707</u>
TOTAL ACTIVE RETAIL WATER CONNECTIONS	<u>1,734</u>	<u>1,686</u>	<u>1,653</u>
TOTAL ACTIVE RETAIL WASTEWATER CONNECTIONS	<u>1,525</u>	<u>1,471</u>	<u>1,496</u>

See accompanying independent auditor’s report.

		Percentage of Total Revenues				
2017	2016	2020	2019	2018	2017	2016
\$ 937,323	\$ 433,365	97.8 %	98.1 %	98.5 %	99.8 %	99.5 %
<u>2,256</u>	<u>2,101</u>	<u>2.2</u>	<u>1.9</u>	<u>1.5</u>	<u>0.2</u>	<u>0.5</u>
\$ <u>939,579</u>	\$ <u>435,466</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>
\$ 600	\$ 746	%	%	%	0.1 %	0.2 %
210,000	200,000	100.4	167.4	21.5	22.4	45.9
<u>173,253</u>	<u>178,358</u>	<u>36.4</u>	<u>37.3</u>	<u>15.4</u>	<u>18.4</u>	<u>41.0</u>
\$ <u>383,853</u>	\$ <u>379,104</u>	<u>136.8 %</u>	<u>204.7 %</u>	<u>36.9 %</u>	<u>40.9 %</u>	<u>87.1 %</u>
\$ 555,726	\$ 56,362	<u>(36.8) %</u>	<u>(104.7) %</u>	<u>63.1 %</u>	<u>59.1 %</u>	<u>12.9 %</u>
<u>465,948</u>	<u>409,586</u>					
\$ <u>1,021,674</u>	\$ <u>465,948</u>					
<u>1,704</u>	<u>1,832</u>					
<u>1,445</u>	<u>1,420</u>					

See accompanying independent auditor's report.

**PORT O’CONNOR IMPROVEMENT DISTRICT
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
SEPTEMBER 30, 2020**

District Mailing Address - Port O’Connor Improvement District
P.O. Box 375
Port O’Connor, TX 77982

District Telephone Number - (361) 983-2652

Board Members	Term of Office (Elected or Appointed)	Fees of Office for the year ended September 30, 2020	Expense Reimbursements for the year ended September 30, 2020	<u>Title</u>
Daniel McGuire	11/18 11/22 (Elected)	\$ -0-	\$ -0-	President
Michael Clifton	11/18 11/22 (Elected)	\$ -0-	\$ -0-	Vice President
Nathan O’Neill	11/20 11/24 (Elected)	\$ -0-	\$ -0-	Secretary
David Randolph	11/20 11/24 (Elected)	\$ 1,000	\$ -0-	Director
John Childers	11/20 11/24 (Elected)	\$ -0-	\$ -0-	Director
Maria Denney	08/18 11/20	\$ 1,650	\$ -0-	Former Director
Ernest “Erny” McDonough	08/18 11/20	\$ -0-	\$ -0-	Former Director

Notes: No Director has any business or family relationships with major landowners in the District, with the District’s developers or with any of the District’s consultants. Submission date of most recent District Registration Form November 16, 2020. The limit on Fees of Office that a Director may receive during a fiscal year is \$7,200 as set by Board Resolution. Fees of Office are the amounts paid to a Director during the District’s current fiscal year.

See accompanying independent auditor’s report.

PORT O'CONNOR IMPROVEMENT DISTRICT
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
SEPTEMBER 30, 2020

	<u>Date Hired</u>	<u>Fees for the year ended September 30, 2020</u>	<u>Title</u>
Key Personnel:			
Oscar Pena		\$ 78,158	District Manager
Evangelina Trevino		\$ 44,413	Office Manager
Wade Cheek		\$ 67,318	Operations Manager
Consultants:			
Walker Keeling LLP	02/04/19	\$ 162,946	General Counsel
Orrick, Herrington & Sutcliffe LLP		\$ -0-	Bond Counsel
Allen Boone Humphries Robinson LLP	06/17/13	\$ 5,488	Special Counsel
McCall Gibson Swedlund Barfoot PLLC	09/20/18	\$ 27,500	Audit Related
Municipal Accounts & Consulting, L.P.	03/01/14	\$ 43,847	Bookkeeper
Superior Water Management of Texas LLC	07/17/19	\$ 52,744	General Management Services
Hilltop Securities Inc.	01/28/04	\$ 12,536	Financial Advisor
John D. Mercer & Associates, Inc.	09/20/18	\$ 550,150	Engineer
CP&Y, Inc.	10/11/17	\$ 236,018	Engineer
Calhoun County		\$ 36,056	Tax Assessor/ Collector

See accompanying independent auditor's report.

