

PORT O'CONNOR IMPROVEMENT DISTRICT

CALHOUN COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

SEPTEMBER 30, 2018

PORT O'CONNOR IMPROVEMENT DISTRICT
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ANNUAL FINANCIAL REPORT
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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, 2018, 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, 2018, 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
Certified Public Accountants
Houston, Texas

February 12, 2019

**PORT O’CONNOR IMPROVEMENT DISTRICT
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

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, 2018. 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, costs, general 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, 2018**

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, 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 \$15,659,727 as of September 30, 2018.

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, 2018**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

	Summary of Changes in the Statement of Net Position		
	2018	2017	Change Positive (Negative)
Current and Other Assets	\$ 10,357,871	\$ 9,464,205	\$ 893,666
Capital Assets (Net of Accumulated Depreciation)	12,261,790	12,292,548	(30,758)
Total Assets	\$ 22,619,661	\$ 21,756,753	\$ 862,908
Bonds Payable	\$ 6,095,000	\$ 6,425,000	\$ 330,000
Other Liabilities	864,934	802,723	(62,211)
Total Liabilities	\$ 6,959,934	\$ 7,227,723	\$ 267,789
Net Position:			
Net Investment in Capital Assets	\$ 7,433,278	\$ 7,710,117	\$ (276,839)
Restricted	1,844,417	1,233,769	610,648
Unrestricted	6,382,032	5,585,144	796,888
Total Net Position	\$ 15,659,727	\$ 14,529,030	\$ 1,130,697

The following table provides a summary of the District’s operations for the years ended September 30, 2018, and September 30, 2017.

	Summary of Changes in the Statement of Activities		
	2018	2017	Change Positive (Negative)
Revenues:			
Property Taxes	\$ 1,809,562	\$ 1,940,409	\$ (130,847)
Charges for Services	2,496,100	2,411,252	84,848
Other Revenues	68,969	28,133	40,836
Total Revenues	\$ 4,374,631	\$ 4,379,794	\$ (5,163)
Expenses for Services	(3,243,934)	(3,398,000)	154,066
Change in Net Position	\$ 1,130,697	\$ 981,794	\$ 148,903
Net Position, Beginning of Year	14,529,030	13,547,236	981,794
Net Position, End of Year	\$ 15,659,727	\$ 14,529,030	\$ 1,130,697

**PORT O’CONNOR IMPROVEMENT DISTRICT
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

FINANCIAL ANALYSIS OF THE DISTRICT’S GOVERNMENTAL FUNDS

The District’s combined fund balances as of September 30, 2018, were \$9,478,403, an increase of \$828,640 from the prior year.

The General Fund fund balance increased by \$773,688 primarily due to property tax and service revenues exceeding operating expenditures and capital outlay.

The Debt Service Fund fund balance increased by \$631,033, primarily due to the structure of the District’s debt service requirements.

The Capital Projects Fund fund balance decreased by \$576,081, primarily due to capital outlay paid from bond proceeds received in a prior year.

GENERAL FUND BUDGETARY HIGHLIGHTS

The Board of Directors did not amend the budget during the fiscal year. Actual revenues were \$33,150 more than budgeted revenues. Actual expenditures were \$443,231 less than budgeted expenditures. See budget to actual comparison for additional analysis.

CAPITAL ASSETS

Capital assets as of September 30, 2018, total \$12,261,790 (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 parking lot improvements at the District’s offices. Construction in progress consisted of costs related to water distribution system improvements. Additional information on the District’s capital assets can be found in Note 6.

Capital Assets At Year-End, Net of Accumulated Depreciation			
	2018	2017	Change Positive (Negative)
Capital Assets Not Being Depreciated:			
Land and Land Improvements	\$ 487,907	\$ 487,907	\$
Construction in Progress	1,650,252	1,330,592	319,660
Capital Assets, Net of Accumulated Depreciation:			
Water System	4,347,637	4,563,385	(215,748)
Wastewater System	4,463,136	4,638,788	(175,652)
Buildings, Equipment and Other	1,312,858	1,271,876	40,982
Total Net Capital Assets	\$ 12,261,790	\$ 12,292,548	\$ (30,758)

**PORT O’CONNOR IMPROVEMENT DISTRICT
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

LONG-TERM DEBT ACTIVITY

At the end of the current fiscal year, the District had total long-term debt payable of \$6,095,000. The changes in the debt position of the District during the fiscal year ended September 30, 2018, are summarized as follows:

Bond Debt Payable, October 1, 2017	\$ 6,425,000
Less: Bond Principal Paid	<u>330,000</u>
Bond Debt Payable, September 30, 2018	<u>\$ 6,095,000</u>

The District does not carry an underlying rating and the Series 2013 Refunding and Series 2015 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, 2018

	General Fund	Debt Service Fund
ASSETS		
Cash	\$ 4,135,504	\$ 1,649,856
Investments	2,542,889	
Receivables:		
Property Taxes	17,251	16,842
Service Accounts	206,561	
Due from Other Funds	47,971	2,851
Due from Other Governments	81,563	
Inventory	129,977	
Land		
Construction in Progress		
Capital Assets (Net of Accumulated Depreciation)		
TOTAL ASSETS	\$ 7,161,716	\$ 1,669,549
LIABILITIES		
Accounts Payable	\$ 284,256	\$
Accrued Interest Payable		
Due to Other Funds	2,851	
Security Deposits	298,150	
Long-Term Liabilities:		
Due Within One Year		
Due After One Year		
TOTAL LIABILITIES	\$ 585,257	\$ -0-
DEFERRED INFLOWS OF RESOURCES		
Property Taxes	\$ 17,251	\$ 16,842
FUND BALANCES		
Nonspendable: Inventory	\$ 129,977	\$
Restricted for Authorized Construction		
Restricted for Debt Service	194,427	1,652,707
Committed for Defined Area No. 1	95,478	
Unassigned	6,139,326	
TOTAL FUND BALANCES	\$ 6,559,208	\$ 1,652,707
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 7,161,716	\$ 1,669,549
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
\$ 1,389,928	\$ 7,175,288	\$	\$ 7,175,288
187,500	2,730,389		2,730,389
	34,093		34,093
	206,561		206,561
	50,822	(50,822)	
	81,563		81,563
	129,977		129,977
		487,907	487,907
		1,650,252	1,650,252
		10,123,631	10,123,631
<u>\$ 1,577,428</u>	<u>\$ 10,408,693</u>	<u>\$ 12,210,968</u>	<u>\$ 22,619,661</u>
\$ 262,969	\$ 547,225	\$	\$ 547,225
		19,559	19,559
47,971	50,822	(50,822)	
	298,150		298,150
		345,000	345,000
		5,750,000	5,750,000
<u>\$ 310,940</u>	<u>\$ 896,197</u>	<u>\$ 6,063,737</u>	<u>\$ 6,959,934</u>
<u>\$ -0-</u>	<u>\$ 34,093</u>	<u>\$ (34,093)</u>	<u>\$ -0-</u>
\$	\$ 129,977	\$ (129,977)	
1,266,488	1,266,488	(1,266,488)	
	1,847,134	(1,847,134)	
	95,478	(95,478)	
	6,139,326	(6,139,326)	
<u>\$ 1,266,488</u>	<u>\$ 9,478,403</u>	<u>\$ (9,478,403)</u>	<u>\$ -0-</u>
<u>\$ 1,577,428</u>	<u>\$ 10,408,693</u>		
		\$ 7,433,278	\$ 7,433,278
		1,844,417	1,844,417
		6,382,032	6,382,032
		<u>\$ 15,659,727</u>	<u>\$ 15,659,727</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, 2018

Total Fund Balances - Governmental Funds	\$	9,478,403
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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.		12,261,790
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Deferred inflows of resources related to property tax revenues and penalty and interest receivable on delinquent taxes for the 2017 and prior tax levies became part of recognized revenue in the governmental activities of the District.		34,093
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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	\$ (19,559)	
Bonds Payable	<u>(6,095,000)</u>	<u>(6,114,559)</u>

Total Net Position - Governmental Activities	\$	<u>15,659,727</u>
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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, 2018

	General Fund	Debt Service Fund
REVENUES		
Property Taxes	\$ 808,150	\$ 984,987
Water Service	950,181	
Wastewater Service	547,737	
Penalty and Interest	29,374	12,631
Tap Connection and Inspection Fees	114,500	
Sales and Use Tax Revenues	251,311	
Solid Waste Service	406,117	
Utility Services - La Salle WCID No. 1A	184,249	
Investment Revenues	48,158	2,581
Miscellaneous Revenues	12,676	
TOTAL REVENUES	\$ 3,352,453	\$ 1,000,199
EXPENDITURES/EXPENSES		
Service Operations:		
Professional Fees	\$ 432,641	\$
Personnel	223,933	
Contracted Services	741,617	500
Purchased Water Service	404,719	
Utilities	104,082	
Repairs and Maintenance	182,337	
Depreciation		
Other	179,499	144
Capital Outlay	126,514	
Debt Service:		
Bond Principal	115,000	215,000
Bond Interest	68,423	153,522
TOTAL EXPENDITURES/EXPENSES	\$ 2,578,765	\$ 369,166
NET CHANGE IN FUND BALANCES	\$ 773,688	\$ 631,033
CHANGE IN NET POSITION		
FUND BALANCES/NET POSITION -		
OCTOBER 1, 2017	5,785,520	1,021,674
FUND BALANCES/NET POSITION -		
SEPTEMBER 30, 2018	\$ 6,559,208	\$ 1,652,707

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

Capital Projects Fund	Total	Adjustments	Statement of Activities
\$	\$ 1,793,137	\$ 16,425	\$ 1,809,562
	950,181		950,181
	547,737		547,737
	42,005		42,005
	114,500		114,500
	251,311		251,311
	406,117		406,117
	184,249		184,249
5,554	56,293		56,293
	12,676		12,676
\$ 5,554	\$ 4,358,206	\$ 16,425	\$ 4,374,631
\$	\$ 432,641	\$	\$ 432,641
	223,933		223,933
	742,117		742,117
	404,719		404,719
	104,082		104,082
	182,337	265,773	448,110
		472,592	472,592
542	180,185	(5,949)	174,236
581,093	707,607	(707,607)	
	330,000	(330,000)	
	221,945	19,559	241,504
\$ 581,635	\$ 3,529,566	\$ (285,632)	\$ 3,243,934
\$ (576,081)	\$ 828,640	\$ (828,640)	\$
		1,130,697	1,130,697
1,842,569	8,649,763	5,879,267	14,529,030
\$ 1,266,488	\$ 9,478,403	\$ 6,181,324	\$ 15,659,727

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, 2018**

Net Change in Fund Balances - Governmental Funds	\$	828,640
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.		16,425
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.		(472,592)
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.		447,783
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.		330,000
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.		(19,559)
Change in Net Position - Governmental Activities	\$	<u>1,130,697</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, 2018

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, 2018

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Statement Presentation (Continued)

It requires the classification of net position into three components: Net Investment in Capital Assets; Restricted; and Unrestricted. These classifications are defined as follows:

- 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, 2018

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, costs, general 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, 2018**

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting (Continued)

As of September 30, 2018, the General Fund recorded a receivable from the Capital Projects Fund in the amount of \$47,971 for bond issuance costs paid in a prior year. The General Fund also recorded a payable to the Debt Service Fund in the amount of \$2,851 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, 2018, was \$129,977.

PORT O’CONNOR IMPROVEMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Budgeting

In compliance with governmental accounting principles, the Board of Directors annually adopts an unappropriated budget for the General Fund. The budget was not amended during the current fiscal year.

Pensions

A pension plan has not been established. The District has 8 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 \$95,478 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, 2018**

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
Amount Outstanding – September 30, 2018	\$3,645,000	\$2,450,000
Interest Rates	3.00% - 5.20%	1.15% - 4.02%
Maturity Dates – Beginning/Ending	September 1, 2019/2039	September 1, 2019/2035
Interest Payment Dates	March 1/September 1	March 1/September 1
Callable Dates	September 1, 2020*	March 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, September 1, 2033, September 1, 2035, and September 1, 2039, are subject to mandatory redemption by lot or other customary random selection method beginning September 1, 2025, September 1, 2028, September 1, 2034, and September 1, 2036, respectively. The Series 2015 bonds are callable in inverse order of maturity.

PORT O'CONNOR IMPROVEMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

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, 2018:

	October 1, 2017	Additions	Retirements	September 30, 2018
Bonds Payable	\$ 6,425,000	\$ - 0 -	\$ 330,000	\$ 6,095,000
		Amount Due Within One Year		\$ 345,000
		Amount Due After One Year		5,750,000
		Bonds Payable, Net		\$ 6,095,000

As of September 30, 2018, the District had authorized but unissued unlimited tax bonds in the amount of \$12,000,000 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, 2018, the debt service requirements on the bonds outstanding were as follows:

Fiscal Year	Principal	Interest	Total
2019	\$ 345,000	\$ 234,705	\$ 579,705
2020	355,000	226,575	581,575
2021	360,000	217,432	577,432
2022	375,000	207,184	582,184
2023	380,000	195,659	575,659
2024-2028	1,355,000	811,629	2,166,629
2029-2033	1,460,000	552,067	2,012,067
2034-2038	1,255,000	220,598	1,475,598
2039	210,000	10,920	220,920
	\$ 6,095,000	\$ 2,676,769	\$ 8,771,769

During the year ended September 30, 2018, the District levied a District-wide ad valorem debt service tax at the rate of \$0.30 per \$100 of assessed valuation, which resulted in a tax levy of \$984,647 on the adjusted taxable valuation of \$332,952,434 for the 2017 tax year. See Note 7 for the maintenance tax levy. The District's tax calendar is as follows:

- Levy Date - October 1, as soon thereafter as practicable.
- Lien Date - January 1.
- Due Date - Not later than January 31.
- Delinquent Date - February 1, at which time the taxpayer is liable for penalty and interest.

PORT O’CONNOR IMPROVEMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

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 is sufficient to meet debt service requirements through the fiscal year ended September 30, 2018.

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 is sufficient to meet debt requirements through the fiscal year ended September 30, 2018.

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 \$7,175,288 and the bank balance was \$7,232,253. Of the bank balance, \$1,000,000 was covered by Federal depository insurance and \$1,573,281 was covered by collateral pledged in the name of the District and held in a third-party depository.

**PORT O’CONNOR IMPROVEMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2018**

NOTE 5. DEPOSITS AND INVESTMENTS (Continued)

Deposits (Continued)

As of September 30, 2018, the District had a balance of \$4,658,972 which exceeded federal depository insurance and was not covered by collateral. Subsequent to year-end, the District transferred funds into the Texas CLASS to bring the bank balances under federal depository insurance limits and into compliance. The carrying values of the deposits are included in the Governmental Funds Balance Sheet and the Statement of Net Position at September 30, 2018, as listed below:

	Cash
GENERAL FUND	\$ 4,135,504
DEBT SERVICE FUND	1,649,856
CAPITAL PROJECTS FUND	1,389,928
TOTAL DEPOSITS	\$ 7,175,288

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, 2018

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.

As of September 30, 2018, the District had the following investments and maturities:

Fund and Investment Type	Maturities in Years	
	Fair Value	Less Than 1 Year
<u>GENERAL FUND</u>		
Texas CLASS	\$ 2,542,889	\$ 2,542,889
<u>CAPITAL PROJECTS FUND</u>		
Money Market Mutual Funds	187,500	187,500
TOTAL INVESTMENTS	\$ 2,730,389	\$ 2,730,389

Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. At September 30, 2018, the District’s investments in Texas CLASS and BNY were rated “AAAm” and “A-1+” by Standard and Poor’s, respectively.

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 BNY 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.

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, 2018

NOTE 6. CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2018:

	October 1, 2017	Increases	Decreases	September 30, 2018
Capital Assets Not Being Depreciated				
Land and Land Improvements	\$ 487,907	\$	\$	\$ 487,907
Construction in Progress	<u>1,330,592</u>	<u>707,607</u>	<u>387,947</u>	<u>1,650,252</u>
Total Capital Assets Not Being Depreciated	<u>\$ 1,818,499</u>	<u>\$ 707,607</u>	<u>\$ 387,947</u>	<u>\$ 2,138,159</u>
Capital Assets Subject to Depreciation				
Water System	\$ 6,596,421	\$	\$	\$ 6,596,421
Wastewater System	7,060,803			7,060,803
Buildings, Equipment and Other	<u>2,106,581</u>	<u>122,174</u>	<u></u>	<u>2,228,755</u>
Total Capital Assets Subject to Depreciation	<u>\$ 15,763,805</u>	<u>\$ 122,174</u>	<u>\$ - 0 -</u>	<u>\$ 15,885,979</u>
Less Accumulated Depreciation				
Water System	\$ 2,033,036	\$ 215,748	\$	\$ 2,248,784
Wastewater System	2,422,015	175,652		2,597,667
Buildings, Equipment and Other	<u>834,705</u>	<u>81,192</u>	<u></u>	<u>915,897</u>
Total Accumulated Depreciation	<u>\$ 5,289,756</u>	<u>\$ 472,592</u>	<u>\$ - 0 -</u>	<u>\$ 5,762,348</u>
Total Depreciable Capital Assets, Net of Accumulated Depreciation	<u>\$ 10,474,049</u>	<u>\$ (350,418)</u>	<u>\$ - 0 -</u>	<u>\$ 10,123,631</u>
Total Capital Assets, Net of Accumulated Depreciation	<u>\$ 12,292,548</u>	<u>\$ 357,189</u>	<u>\$ 387,947</u>	<u>\$ 12,261,790</u>

NOTE 7. MAINTENANCE TAX

During the fiscal year ended September 30, 2018, the District levied an ad valorem maintenance tax at the rate of \$0.23 per \$100 of assessed valuation, which resulted in a tax levy of \$755,825 on the adjusted taxable valuation of \$332,952,434 for the 2017 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.

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

PORT O’CONNOR IMPROVEMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE 7. MAINTENANCE TAX (Continued)

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, 2018, 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 \$49,711 on the adjusted taxable valuation of \$10,576,790 for the 2017 tax year.

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 (subsequent to year end), 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. 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.

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, 2018. 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 \$184,249 in relation to this agreement.

PORT O’CONNOR IMPROVEMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE 10. PENDING LITIGATION

U.S. Water Serv. Corp. d/b/a USW Util. Group ("USW"), a water and wastewater system operator that had previously contracted with the District for operations and management services, filed a lawsuit against the District on March 5, 2018, Cause No. 2018-CV-3268-DC (24th Jud. Dist. Ct., Calhoun County, Texas), as amended by USW's First Amended Original Petition filed on July 27, 2018, claiming that \$141,593 is allegedly due from the District under the contract and requesting attorneys' fees and related declaratory relief. Subsequent to year-end, on February 12, 2019, the District and USW entered into a settlement agreement in the amount of \$128,276.

NOTE 11. 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 12. 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 \$251,311 in sales tax revenue, of which, \$43,483 was receivable at year-end.

NOTE 13. 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 Bonds sold subsequent to year-end will also be used to continue water and wastewater system upgrades to address TCEQ compliance requirements. See Note 14.

PORT O’CONNOR IMPROVEMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE 14. SUBSEQUENT EVENTS – BOND SALE AND BOND REDEMPTION

Subsequent to year-end, on December 27, 2018, the District issued its \$6,000,000 Unlimited Tax Bonds, Series 2018. The District will use the proceeds for wastewater collection improvements, Phase I; water distribution improvements, Phase II; force main; meter upgrade project; and related engineering. Additional proceeds were used to pay issuance costs of the bonds.

Subsequent to year-end, on January 22, 2019, the District used available General Fund and Debt Service Fund monies to defease \$1,100,000 of its Series 2013 Refunding Bonds. The Series 2013 Refunding bonds had maturity dates of September 1, 2034 - 2039 and interest rates of 5.10% - 5.20%.

PORT O'CONNOR IMPROVEMENT DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

SEPTEMBER 30, 2018

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, 2018

	Original and Final Budget	Actual	Variance Positive (Negative)
REVENUES			
Property Taxes	\$ 1,002,734	\$ 808,150	\$ (194,584)
Water Service	940,000	950,181	10,181
Wastewater Service	470,000	547,737	77,737
Penalty and Interest	26,100	29,374	3,274
Tap Connection and Inspection Fees	50,000	114,500	64,500
Sales and Use Tax Revenues	205,000	251,311	46,311
Solid Waste Service	400,000	406,117	6,117
Utility Services - La Salle WCID No. 1A	164,469	184,249	19,780
Investment Revenues	30,000	48,158	18,158
Miscellaneous Revenues	31,000	12,676	(18,324)
TOTAL REVENUES	\$ 3,319,303	\$ 3,352,453	\$ 33,150
EXPENDITURES			
Services Operations:			
Professional Fees	\$ 541,360	\$ 432,641	\$ 108,719
Personnel		223,933	(223,933)
Contracted Services	1,250,652	741,617	509,035
Purchased Water Service	360,726	404,719	(43,993)
Utilities	117,694	104,082	13,612
Repairs and Maintenance	98,790	182,337	(83,547)
Other	403,131	179,499	223,632
Capital Outlay	60,000	126,514	(66,514)
Debt Service:			
Bond Principal	115,000	115,000	
Bond Interest	74,643	68,423	6,220
TOTAL EXPENDITURES	\$ 3,021,996	\$ 2,578,765	\$ 443,231
NET CHANGE IN FUND BALANCE	\$ 297,307	\$ 773,688	\$ 476,381
FUND BALANCE - OCTOBER 1, 2017	5,785,520	5,785,520	
FUND BALANCE - SEPTEMBER 30, 2018	\$ 6,082,827	\$ 6,559,208	\$ 476,381

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, 2018**

**PORT O'CONNOR IMPROVEMENT DISTRICT
SERVICES AND RATES
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

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 September 28, 2017.

	<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> Yes <u> </u> No

Total monthly charges per 10,000 gallons usage:
Water: \$57.55 Wastewater: \$47.30 Surcharge: \$0.64 Base Fee: \$23.50 Total: \$128.99

See accompanying independent auditor's report.

**PORT O'CONNOR IMPROVEMENT DISTRICT
SERVICES AND RATES
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

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>31</u>	<u>30</u>	x 1.0	<u>30</u>
≤ ³ / ₄ "	<u>1,580</u>	<u>1,570</u>	x 1.0	<u>1,570</u>
1"	<u>33</u>	<u>33</u>	x 2.5	<u>83</u>
1½"	<u>2</u>	<u>2</u>	x 5.0	<u>10</u>
2"	<u>17</u>	<u>17</u>	x 8.0	<u>136</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>1</u>	x 50.0	<u>50</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>1,664</u></u>	<u><u>1,653</u></u>		<u><u>1,879</u></u>
Total Wastewater Connections	<u><u>1,496</u></u>	<u><u>1,496</u></u>	x 1.0	<u><u>1,496</u></u>

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

Gallons pumped into system:	122,200,000	Water Accountability Ratio: 97.8% (Gallons billed and sold/Gallons pumped and purchased)
Gallons billed to customers:	102,081,000	
Gallons Sold:	17,421,000	<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, 2018**

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, 2018

PERSONNEL EXPENDITURES (Including Benefits)	\$ <u>223,933</u>
PROFESSIONAL FEES:	
Auditing	\$ 37,229
Engineering	111,309
Delinquent Tax Attorney	10,466
Legal	<u>273,637</u>
TOTAL PROFESSIONAL FEES	\$ <u>432,641</u>
PURCHASED SERVICES FOR RESALE:	
Purchased Water Service	\$ <u>404,719</u>
CONTRACTED SERVICES:	
Appraisal District	\$ 32,673
Bookkeeping	37,157
Operations	308,867
Fiscal Agent Fees	<u>1,500</u>
TOTAL CONTRACTED SERVICES	\$ <u>380,197</u>
UTILITIES	\$ <u>104,082</u>
REPAIRS AND MAINTENANCE	\$ <u>182,337</u>
ADMINISTRATIVE EXPENDITURES:	
Billing Software	\$ 20,262
Director Fees	900
Insurance	34,600
Legal Notices	891
Office Supplies and Postage	19,060
Travel and Meetings	<u>2,843</u>
TOTAL ADMINISTRATIVE EXPENDITURES	\$ <u>78,556</u>

See accompanying independent auditor's report.

PORT O'CONNOR IMPROVEMENT DISTRICT
GENERAL FUND EXPENDITURES
FOR THE YEAR ENDED SEPTEMBER 30, 2018

CAPITAL OUTLAY		\$	<u>126,514</u>
SOLID WASTE DISPOSAL		\$	<u>361,420</u>
OTHER EXPENDITURES:			
Supplies		\$	30,868
Laboratory Fees			18,853
Permit Fees			15,984
TCEQ Regulatory Assessment			7,563
Other			<u>27,675</u>
TOTAL OTHER EXPENDITURES		\$	<u>100,943</u>
DEBT SERVICE:			
Bond Principal		\$	115,000
Bond Interest			<u>68,423</u>
TOTAL DEBT SERVICE		\$	<u>183,423</u>
TOTAL EXPENDITURES		\$	<u><u>2,578,765</u></u>
Number of persons employed by the District	<u>8</u>	Full-Time	<u>-0-</u> Part-Time

See accompanying independent auditor's report.

PORT O'CONNOR IMPROVEMENT DISTRICT
INVESTMENTS
SEPTEMBER 30, 2018

<u>Fund</u>	<u>Identification or Certificate Number</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Balance at End of Year</u>	<u>Accrued Interest Receivable at End of Year</u>
<u>GENERAL FUND</u>					
Texas CLASS	XXXX0001	Varies	Daily	\$ 2,542,889	\$ - 0 -
<u>CAPITAL PROJECTS FUND</u>					
Money Market Mutual Fund	XXXX8958	Varies	Daily	\$ 187,500	\$ - 0 -
TOTAL - ALL FUNDS				<u>\$ 2,730,389</u>	<u>\$ - 0 -</u>

See accompanying independent auditor's report.

PORT O'CONNOR IMPROVEMENT DISTRICT
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	Maintenance Taxes	Debt Service Taxes	
TAXES RECEIVABLE -			
October 1, 2017	\$ 20,581		\$ 17,668
Adjustments to Beginning			
Balance	<u>(716)</u>	\$ 19,865	<u>(486)</u> \$ 17,182
Original 2017 Tax Levy	\$ 818,327		\$ 1,001,425
Adjustment to 2017 Tax Levy	<u>(12,791)</u>	<u>805,536</u>	<u>(16,778)</u> <u>984,647</u>
TOTAL TO BE			
ACCOUNTED FOR		\$ 825,401	\$ 1,001,829
 TAX COLLECTIONS:			
Prior Years	\$ 12,278		\$ 12,615
Current Year	<u>795,872</u>	<u>808,150</u>	<u>972,372</u> <u>984,987</u>
 TAXES RECEIVABLE -			
SEPTEMBER 30, 2018		<u>\$ 17,251</u>	<u>\$ 16,842</u>
 TAXES RECEIVABLE BY			
YEAR:			
2017		\$ 9,664	\$ 12,275
2016		3,012	3,832
2015		720	416
2014		275	139
2013		351	180
2012		389	
2011		307	
2010		549	
2009		615	
2008 and Prior		<u>1,369</u>	
TOTAL		<u>\$ 17,251</u>	<u>\$ 16,842</u>

See accompanying independent auditor's report.

PORT O'CONNOR IMPROVEMENT DISTRICT
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	2017	2016	2015	2014
DISTRICT WIDE:				
Land	\$ 171,683,380	\$ 162,000,834	\$ 161,711,340	\$ 156,121,478
Improvements	199,791,688	191,871,890	184,933,586	181,081,509
Personal Property	8,636,970	7,415,985	6,364,449	6,227,002
Exemptions	(47,159,604)	(43,805,882)	(42,601,568)	(42,715,386)
TOTAL PROPERTY VALUATIONS	\$ 332,952,434	\$ 317,482,827	\$ 310,407,807	\$ 300,714,603
TAX RATES PER \$100 VALUATION:				
Debt Service	\$ 0.30	\$ 0.30	\$ 0.14	\$ 0.13
Maintenance **	0.23	0.23	0.23	0.24
TOTAL TAX RATES PER \$100 VALUATION	\$ 0.53	\$ 0.53	\$ 0.37	\$ 0.37
ADJUSTED TAX LEVY*	\$ 1,740,472	\$ 1,683,063	\$ 1,148,510	\$ 1,112,644
DEFINED AREA:				
PROPERTY VALUATIONS	\$ 10,576,790	\$ 11,621,760	\$ 11,387,830	\$ 11,681,030
TAX RATES PER \$100 VALUATION:				
Debt Service	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
Maintenance**	0.47	0.47	0.63	0.63
TOTAL TAX RATES PER \$100 VALUATION	\$ 0.47	\$ 0.47	\$ 0.63	\$ 0.63
ADJUSTED TAX LEVY*	\$ 49,711	\$ 54,622	\$ 71,743	\$ 73,590
PERCENTAGE OF TOTAL TAXES COLLECTED TO TOTAL TAXES LEVIED				
	98.77 %	99.61 %	99.90 %	99.96 %

* 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, 2018

SERIES - 2013 REFUNDING

Due During Fiscal Years Ending September 30	Principal Due September 1	Interest Due March 1/ September 1	Total
2019	\$ 225,000	\$ 161,028	\$ 386,028
2020	235,000	154,278	389,278
2021	240,000	146,875	386,875
2022	250,000	138,715	388,715
2023	255,000	129,715	384,715
2024	265,000	120,025	385,025
2025	95,000	109,425	204,425
2026	100,000	105,055	205,055
2027	105,000	100,455	205,455
2028	110,000	95,625	205,625
2029	120,000	90,125	210,125
2030	125,000	84,125	209,125
2031	130,000	77,875	207,875
2032	140,000	71,375	211,375
2033	150,000	64,375	214,375
2034	160,000	56,875	216,875
2035	165,000	48,715	213,715
2036	175,000	40,300	215,300
2037	190,000	31,200	221,200
2038	200,000	21,320	221,320
2039	210,000	10,920	220,920
	<u>\$ 3,645,000</u>	<u>\$ 1,858,401</u>	<u>\$ 5,503,401</u>

See accompanying independent auditor's report.

PORT O’CONNOR IMPROVEMENT DISTRICT
LONG-TERM DEBT SERVICE REQUIREMENTS
SEPTEMBER 30, 2018

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
2019	\$ 120,000	\$ 73,677	\$ 193,677
2020	120,000	72,297	192,297
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			
2039			
	<u>\$ 2,450,000</u>	<u>\$ 818,368</u>	<u>\$ 3,268,368</u>

See accompanying independent auditor’s report.

PORT O'CONNOR IMPROVEMENT DISTRICT
LONG-TERM DEBT SERVICE REQUIREMENTS
SEPTEMBER 30, 2018

ANNUAL REQUIREMENTS
FOR ALL SERIES

Due During Fiscal Years Ending September 30	Total Principal Due	Total Interest Due	Total Principal and Interest Due
2019	\$ 345,000	\$ 234,705	\$ 579,705
2020	355,000	226,575	581,575
2021	360,000	217,432	577,432
2022	375,000	207,184	582,184
2023	380,000	195,659	575,659
2024	395,000	183,156	578,156
2025	225,000	169,384	394,384
2026	235,000	161,686	396,686
2027	245,000	153,265	398,265
2028	255,000	144,138	399,138
2029	270,000	133,910	403,910
2030	275,000	122,765	397,765
2031	290,000	111,145	401,145
2032	305,000	98,742	403,742
2033	320,000	85,505	405,505
2034	335,000	71,425	406,425
2035	355,000	56,353	411,353
2036	175,000	40,300	215,300
2037	190,000	31,200	221,200
2038	200,000	21,320	221,320
2039	210,000	10,920	220,920
	<u>\$ 6,095,000</u>	<u>\$ 2,676,769</u>	<u>\$ 8,771,769</u>

See accompanying independent auditor's report.

PORT O'CONNOR IMPROVEMENT DISTRICT
CHANGES IN LONG-TERM BOND DEBT
FOR THE YEAR ENDED SEPTEMBER 30, 2018

Description	Original Bonds Issued	Bonds Outstanding October 1, 2017	
Port O'Connor Improvement District Unlimited Tax Refunding Bonds - Series 2013	\$ 4,700,000	\$ 3,860,000	
Port O'Connor Improvement District Water and Sewer System Revenue Bonds - Series 2015	<u>2,815,000</u>	<u>2,565,000</u>	
TOTAL	<u><u>\$ 7,515,000</u></u>	<u><u>\$ 6,425,000</u></u>	
District Wide:			
	Unlimited Tax Bonds	Defined Area No. 1 Unlimited Tax Bonds	Refunding Bonds
Bond Authority:			
Authorized by Voters	\$ 12,000,000	\$ 20,000,000	\$ 10,000,000
Amount Issued	<u> </u>	<u> </u>	<u>4,700,000</u>
Remaining to be Issued	<u><u>\$ 12,000,000</u></u>	<u><u>\$ 20,000,000</u></u>	<u><u>\$ 5,300,000</u></u>
Debt Service Fund cash and investment balances as of September 30, 2018:		<u>\$ 1,649,856</u>	
Average annual debt service payment (principal and interest) for remaining term of all debt:		<u><u>\$ 417,703</u></u>	

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, 2018</u>	<u>Paying Agent</u>
	<u>Principal</u>	<u>Interest</u>		
\$	\$ 215,000	\$ 153,522	\$ 3,645,000	The Bank of New York Mellon Trust Company, N.A. Dallas, TX
	<u>115,000</u>	<u>68,423</u>	<u>2,450,000</u>	The Bank of New York Mellon Trust Company, N.A. Dallas, TX
<u>\$ - 0 -</u>	<u>\$ 330,000</u>	<u>\$ 221,945</u>	<u>\$ 6,095,000</u>	

See accompanying independent auditor's report.

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

	Amounts		
	2018	2017	2016
REVENUES			
Property Taxes	\$ 808,150	\$ 779,252	\$ 799,071
Water Service	950,181	977,502	1,224,439
Wastewater Service	547,737	547,490	883,905
Penalty and Interest	29,374	22,725	20,371
Tap Connection and Inspection Fees	114,500	56,165	111,250
Sales and Use Tax Revenues	251,311	213,107	207,232
Solid Waste Service	406,117	410,210	402,657
Utility Services - La Salle WCID No. 1A	184,249	304,659	199,351
Investment Revenues	48,158	25,877	27,792
Miscellaneous Revenues	12,676	92,501	117,391
TOTAL REVENUES	\$ 3,352,453	\$ 3,429,488	\$ 3,993,459
EXPENDITURES			
Professional Fees	\$ 432,641	\$ 480,173	\$ 406,924
Personnel	223,933	674,555	520,392
Contracted Services	741,617	20,480	18,758
Purchased Water Service	404,719	678,015	557,616
Utilities	104,082	115,993	118,481
Repairs and Maintenance	182,337	517,782	422,407
Other	179,499	163,014	436,791
Capital Outlay:	126,514		
Debt Service:			
Bond Principal	115,000	115,000	135,000
Bond Interest	68,423	81,449	56,698
TOTAL EXPENDITURES	\$ 2,578,765	\$ 2,846,461	\$ 2,673,067
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ 773,688	\$ 583,027	\$ 1,320,392
OTHER FINANCING SOURCES (USES)			
Transfers In (Out)	\$ - 0 -	\$ - 0 -	\$ - 0 -
NET CHANGE IN FUND BALANCE	\$ 773,688	\$ 583,027	\$ 1,320,392
BEGINNING FUND BALANCE	5,785,520	5,202,493	3,882,101
ENDING FUND BALANCE	\$ 6,559,208	\$ 5,785,520	\$ 5,202,493
		**	**

* For the 9-month period ending September 30, 2014

** These fiscal years were presented in prior year financial statements as an Enterprise Fund and have been restated in the current year.

See accompanying independent auditor's report.

		Percentage of Total Revenues				
2015	2014*	2018	2017	2016	2015	2014*
\$ 792,957	\$ 1,398	24.1 %	22.6 %	20.0 %	19.3 %	0.1 %
1,341,421	1,029,964	28.3	28.5	30.7	32.6	42.2
965,036	703,718	16.3	16.0	22.1	23.5	28.9
21,409	15,718	0.9	0.7	0.5	0.5	0.6
78,989	130,986	3.4	1.6	2.8	1.9	5.4
168,330		7.5	6.2	5.2	4.1	
393,542	292,043	12.1	12.0	10.1	9.6	12.0
300,952	228,178	5.5	8.9	5.0	7.3	9.4
18,017	9,867	1.4	0.8	0.7	0.4	0.4
32,079	24,444	0.5	2.7	2.9	0.8	1.0
<u>\$ 4,112,732</u>	<u>\$ 2,436,316</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>
\$ 400,292	\$ 437,140	12.9 %	14.0 %	10.2 %	9.7 %	17.9 %
387,492	263,021	6.7	19.7	13.0	9.4	10.8
20,009	10,256	22.1	0.6	0.5	0.5	0.4
568,483	486,913	12.1	19.8	14.0	13.8	20.0
135,508	90,142	3.1	3.4	3.0	3.3	3.7
369,593	261,008	5.4	15.1	10.6	9.0	10.7
230,114	150,282	5.4	4.8	10.9	5.6	6.2
		3.8				
		3.4	3.4	3.4		
		2.0	2.4	1.4		
<u>\$ 2,111,491</u>	<u>\$ 1,698,762</u>	<u>76.9 %</u>	<u>83.2 %</u>	<u>67.0 %</u>	<u>51.3 %</u>	<u>69.7 %</u>
<u>\$ 2,001,241</u>	<u>\$ 737,554</u>	<u>23.1 %</u>	<u>16.8 %</u>	<u>33.0 %</u>	<u>48.7 %</u>	<u>30.3 %</u>
<u>\$ - 0 -</u>	<u>\$ 112,685</u>					
\$ 2,001,241	\$ 850,239					
<u>1,880,860</u>	<u>1,030,621</u>					
<u>\$ 3,882,101</u>	<u>\$ 1,880,860</u>					
**	**					

See accompanying independent auditor's report.

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

	Amounts		
	2018	2017	2016
REVENUES			
Property Taxes	\$ 984,987	\$ 937,323	\$ 433,365
Penalty, Interest and Other Revenues	<u>15,212</u>	<u>2,256</u>	<u>2,101</u>
TOTAL REVENUES	<u>\$ 1,000,199</u>	<u>\$ 939,579</u>	<u>\$ 435,466</u>
EXPENDITURES			
Other Expenditures	\$ 144	\$ 600	\$ 746
Debt Service Principal	215,000	210,000	200,000
Debt Service Interest and Fees	<u>154,022</u>	<u>173,253</u>	<u>178,358</u>
TOTAL EXPENDITURES	<u>\$ 369,166</u>	<u>\$ 383,853</u>	<u>\$ 379,104</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ 631,033</u>	<u>\$ 555,726</u>	<u>\$ 56,362</u>
OTHER FINANCING SOURCES (USES)			
Transfer In (Out)	<u>\$ - 0 -</u>	<u>\$ - 0 -</u>	<u>\$ - 0 -</u>
NET CHANGE IN FUND BALANCE	\$ 631,033	\$ 555,726	\$ 56,362
BEGINNING FUND BALANCE	<u>1,021,674</u>	<u>465,948</u>	<u>409,586</u>
ENDING FUND BALANCE	<u><u>\$ 1,652,707</u></u>	<u><u>\$ 1,021,674</u></u>	<u><u>\$ 465,948</u></u>
TOTAL ACTIVE RETAIL WATER CONNECTIONS	<u>1,653</u>	<u>1,704</u>	<u>1,832</u>
TOTAL ACTIVE RETAIL WASTEWATER CONNECTIONS	<u>1,496</u>	<u>1,445</u>	<u>1,420</u>

* For the 9-month period ending September 30, 2014

See accompanying independent auditor's report.

		Percentage of Total Revenues				
<u>2015</u>	<u>2014*</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014*</u>
\$ 386,748	\$ 28,385	98.5 %	99.8 %	99.5 %	99.5 %	93.2 %
<u>2,025</u>	<u>2,081</u>	<u>1.5</u>	<u>0.2</u>	<u>0.5</u>	<u>0.5</u>	<u>6.8</u>
\$ 388,773	\$ 30,466	<u>100.0</u> %	<u>100.0</u> %	<u>100.0</u> %	<u>100.0</u> %	<u>100.0</u> %
\$ 1,502	\$ 500	%	0.1 %	0.2 %	0.4 %	1.6 %
195,000	235,000	21.5	22.4	45.9	50.2	771.4
<u>183,246</u>	<u>140,873</u>	<u>15.4</u>	<u>18.4</u>	<u>41.0</u>	<u>47.1</u>	<u>462.4</u>
\$ 379,748	\$ 376,373	<u>36.9</u> %	<u>40.9</u> %	<u>87.1</u> %	<u>97.7</u> %	<u>1,235.4</u> %
\$ 9,025	\$ (345,907)	<u>63.1</u> %	<u>59.1</u> %	<u>12.9</u> %	<u>2.3</u> %	<u>(1,135.4)</u> %
\$ - 0 -	\$ (112,685)					
\$ 9,025	\$ (458,592)					
<u>400,561</u>	<u>859,153</u>					
\$ <u>409,586</u>	\$ <u>400,561</u>					
<u>1,770</u>	<u>1,770</u>					
<u>1,302</u>	<u>1,302</u>					

See accompanying independent auditor's report.

**PORT O’CONNOR IMPROVEMENT DISTRICT
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
SEPTEMBER 30, 2018**

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, 2018	Expense Reimbursements for the year ended September 30, 2018	<u>Title</u>
Ernest “Erny” McDonough	08/18 11/20 (Appointed)	\$ -0-	\$ -0-	President
David Randolph	01/18 11/20 (Appointed)	\$ -0-	\$ -0-	Vice President
Maria Denney	08/18 11/20 (Appointed)	\$ -0-	\$ -0-	Secretary/ Treasurer
Daniel McGuire	11/18 11/22 (Elected)	\$ -0-	\$ -0-	Director
Michael Clifton	11/18 11/22 (Elected)	\$ -0-	\$ -0-	Director
Leon Brown, Jr.	11/14 11/18 (Elected)	\$ -0-	\$ -0-	Prior President
Marshall Bradford	11/14 11/18 (Elected)	\$ -0-	\$ -0-	Prior Vice President

Notes: No Director has any business or family relationships (as defined by the Texas Water Code) 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 (TWC Sections 36.054 and 49.054) November 8, 2018. 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, 2018

Key Personnel:	<u>Date Hired</u>	<u>Fees for the year ended September 30, 2018</u>	<u>Title</u>
Alex Valle		\$ 1,997	Interim District Manager
Evangelina Trevino		\$ 22,533	Office Manager
Wade Cheek		\$ 7,898	Operations Manager
Consultants:			
Bojorquez Law Firm, PC		\$ 243,562	General Counsel
The AL Law Group, PLLC	03/15/18	\$ 15,779	Litigation Counsel
Allen Boone Humphries Robinson LLP	06/17/13	\$ 29,482	Special Counsel
McCall Gibson Swedlund Barfoot PLLC	09/20/18	\$ -0-	Auditor
Goldman, Hunt & Notz, L.L.P.		\$ 33,750	Prior Auditor
Municipal Accounts & Consulting, L.P.	03/01/14	\$ 39,975	Bookkeeper
Hilltop Securities Inc.	01/28/04	\$ -0-	Financial Advisor
John D. Mercer & Associates, Inc.	09/20/18	\$ -0-	Engineer
CP&Y, Inc.	10/11/17	\$ 94,259	Prior Engineer
USW Utility Group	03/31/16	\$ 299,260	Prior Operator
Calhoun County		\$ 32,673	Tax Assessor/ Collector

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