

PORT O'CONNOR IMPROVEMENT DISTRICT

CALHOUN COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

SEPTEMBER 30, 2021

PORT O'CONNOR IMPROVEMENT DISTRICT

CALHOUN COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

SEPTEMBER 30, 2021

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	14-27
REQUIRED SUPPLEMENTARY INFORMATION	
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-BUDGET AND ACTUAL-GENERAL FUND	29
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-BUDGET AND ACTUAL-SPECIAL REVENUE FUND	30
SUPPLEMENTARY INFORMATION REQUIRED BY THE WATER DISTRICT FINANCIAL MANAGEMENT GUIDE	
NOTES REQUIRED BY THE TEXAS COMMISSION ON ENVIRONMENTAL QUALITY AS PUBLISHED IN THE WATER DISTRICT FINANCIAL MANAGEMENT GUIDE (Included in the notes to the financial statements)	
SERVICES AND RATES	32-34
GENERAL FUND EXPENDITURES	35-36
INVESTMENTS	37
TAXES LEVIED AND RECEIVABLE	38-39
LONG-TERM DEBT SERVICE REQUIREMENTS	40-43
CHANGES IN LONG-TERM BOND DEBT	44-45
COMPARATIVE SCHEDULES OF REVENUES AND EXPENDITURES GENERAL FUND AND DEBT SERVICE FUND - FIVE YEARS	46-49
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS	50-51

McCALL GIBSON SWEDLUND BARFOOT PLLC
Certified Public Accountants

13100 Wortham Center Drive
Suite 235
Houston, Texas 77065-5610
(713) 462-0341
Fax (713) 462-2708

PO Box 29584
Austin, TX 78755-5126
(512) 610-2209
www.mgsbpllc.com
E-Mail: mgsb@mgsbpllc.com

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, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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.

Board of Directors
Port O'Connor Improvement District

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, 2021, 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.

Correction

As described in Note 15 to the financial statements, the District's General Fund financial statements as of and for the year ended September 30, 2020, have been restated to reclassify certain balances. Our opinions are not modified with respect to this matter.

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 and Special Revenue 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 10, 2022

**PORT O’CONNOR IMPROVEMENT DISTRICT
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

Management’s discussion and analysis of the financial performance of Port O’Connor Improvement District (the “District”) provides an overview of the District’s financial activities for the fiscal year ended September 30, 2021. 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 four governmental fund types. The General Fund accounts for resources not accounted for in another fund, customer service revenues, operating costs, and administrative expenditures. The Special Revenue Fund accounts for the revenues and expenditures associated with 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, 2021**

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”) and other supplementary information. Budgetary comparison schedules are included as RSI for the General Fund and the Special Revenue 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 \$18,696,662 as of September 30, 2021. 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).

**PORT O’CONNOR IMPROVEMENT DISTRICT
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

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

	Summary of Changes in the Statement of Net Position		
	2021	2020	Change Positive (Negative)
Current and Other Assets	\$ 10,863,397	\$ 13,195,674	\$ (2,332,277)
Capital Assets (Net of Accumulated Depreciation)	17,875,789	14,879,172	2,996,617
Total Assets	\$ 28,739,186	\$ 28,074,846	\$ 664,340
Bonds Payable	\$ 8,685,000	\$ 9,265,000	\$ 580,000
Other Liabilities	1,357,524	1,003,145	(354,379)
Total Liabilities	\$ 10,042,524	\$ 10,268,145	\$ 225,621
Net Position:			
Net Investment in Capital Assets	\$ 12,792,547	\$ 10,050,278	\$ 2,742,269
Restricted	884,522	477,387	407,135
Unrestricted	5,019,593	7,279,036	(2,259,443)
Total Net Position	\$ 18,696,662	\$ 17,806,701	\$ 889,961

The following table provides a summary of the District’s operations for the years ended September 30, 2021, and September 30, 2020.

	Summary of Changes in the Statement of Activities		
	2021	2020	Change Positive (Negative)
Revenues:			
Property Taxes	\$ 2,102,613	\$ 1,960,321	\$ 142,292
Charges for Services	2,738,335	2,671,627	66,708
Other Revenues	424,169	560,669	(136,500)
Total Revenues	\$ 5,265,117	\$ 5,192,617	\$ 72,500
Expenses for Services	4,375,156	3,372,155	(1,003,001)
Change in Net Position	\$ 889,961	\$ 1,820,462	\$ (930,501)
Net Position, Beginning of Year	17,806,701	15,986,239	1,820,462
Net Position, End of Year	\$ 18,696,662	\$ 17,806,701	\$ 889,961

**PORT O’CONNOR IMPROVEMENT DISTRICT
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

FINANCIAL ANALYSIS OF THE DISTRICT’S GOVERNMENTAL FUNDS

The District’s combined fund balances as of September 30, 2021, were \$9,480,448, a decrease of \$2,689,927 from the prior year.

The General Fund fund balance decreased by \$378,194 primarily due to operating and capital expenditures exceeding property tax revenues, service revenues and sales tax revenues.

The Special Revenue Fund fund balance increased by \$33,135. Property tax collections levied on the Defined Area No. 1 exceeded operating and administrative costs.

The Debt Service Fund fund balance increased by \$290,179, primarily due to the structure of the District’s debt service requirements.

The Capital Projects Fund fund balance decreased by \$2,635,047, primarily due to capital outlay paid from bond proceeds received in a prior year.

BUDGETARY HIGHLIGHTS

The Board of Directors adopted budgets for both the General Fund and the Special Revenue Fund for the current fiscal year. For the General Fund, actual revenues were \$425,634 more than budgeted revenues and actual expenditures were \$338,383 more than budgeted expenditures. After taking into account a Capital Projects Fund transfer of \$601,511, the result was a negative variance of \$514,260. The Special Revenue Fund budget to actual comparison reflects a positive variance of \$77,385. See the budget comparison schedules for more detailed information.

LONG-TERM DEBT ACTIVITY

At the end of the current fiscal year, the District had total long-term debt payable of \$8,685,000. The changes in the debt position of the District during the fiscal year ended September 30, 2021, are summarized as follows:

Bond Debt Payable, October 1, 2020	\$ 9,265,000
Less: Bond Principal Paid	<u>580,000</u>
Bond Debt Payable, September 30, 2021	<u>\$ 8,685,000</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.

**PORT O’CONNOR IMPROVEMENT DISTRICT
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

CAPITAL ASSETS

Capital assets as of September 30, 2021, total \$17,875,789 (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 of land, equipment, water distribution system improvements, sewer collection system improvements, and force main improvements. See Note 6 for additional information.

Capital Assets At Year-End, Net of Accumulated Depreciation			
	2021	2020	Change Positive (Negative)
Capital Assets Not Being Depreciated:			
Land and Land Improvements	\$ 661,569	\$ 487,907	\$ 173,662
Construction in Progress	1,171,186	4,274,789	(3,103,603)
Capital Assets, Net of Accumulated Depreciation:			
Water System	8,399,573	4,034,985	4,364,588
Wastewater System	6,378,101	4,655,593	1,722,508
Buildings, Equipment and Other	1,265,360	1,425,898	(160,538)
Total Net Capital Assets	\$ 17,875,789	\$ 14,879,172	\$ 2,996,617

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, 2021

	General Fund	Special Revenue Fund
ASSETS		
Cash	\$ 1,480,386	\$ 116,328
Investments	6,437,986	
Receivables:		
Property Taxes	28,416	
Service Accounts (Net of Allowance of \$24,320)	247,378	
Accrued Interest	18,296	
Due from Other Funds	125,365	
Due from Other Governments	66,047	
Inventory (Net of Allowance of \$12,185)	109,670	
Land		
Construction in Progress		
Capital Assets (Net of Accumulated Depreciation)		
TOTAL ASSETS	\$ 8,513,544	\$ 116,328
LIABILITIES		
Accounts Payable	\$ 708,839	\$ 2,044
La Salle WCID No. 1A Merger Deposit	145,882	
Accrued Interest Payable		
Due to Other Funds	308,738	
Security Deposits	335,366	
Long-Term Liabilities:		
Bonds Payable, Due Within One Year		
Bonds Payable, Due After One Year		
TOTAL LIABILITIES	\$ 1,498,825	\$ 2,044
DEFERRED INFLOWS OF RESOURCES		
Property Taxes	\$ 28,416	\$ -0-
FUND BALANCES		
Nonspendable: Inventory	\$ 109,670	
Restricted for Authorized Construction		
Restricted for Debt Service	194,427	
Committed for Authorized Construction	1,800,699	
Restricted for Defined Area No. 1 Operations		114,284
Unassigned	4,881,507	
TOTAL FUND BALANCES	\$ 6,986,303	\$ 114,284
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 8,513,544	\$ 116,328
NET POSITION		
Net Investment in Capital Assets		
Restricted for Debt Service		
Restricted for Defined Area No. 1 Operations		
Unrestricted		
TOTAL NET POSITION		

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

Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Net Position
\$ 381,795	\$ 1,762,109 187,500	\$ 3,740,618 6,625,486	\$	\$ 3,740,618 6,625,486
27,486		55,902 247,378 18,296		55,902 247,378 18,296
197,007	111,731	434,103 66,047 109,670	(434,103)	66,047 109,670
			661,569 1,171,186 16,043,034	661,569 1,171,186 16,043,034
<u>\$ 606,288</u>	<u>\$ 2,061,340</u>	<u>\$ 11,297,500</u>	<u>\$ 17,441,686</u>	<u>\$ 28,739,186</u>
\$	\$ 134,916	\$ 845,799 145,882	\$	\$ 845,799 145,882
	125,365	434,103 335,366	30,477 (434,103)	30,477 335,366
			600,000 8,085,000	600,000 8,085,000
<u>\$ -0-</u>	<u>\$ 260,281</u>	<u>\$ 1,761,150</u>	<u>\$ 8,281,374</u>	<u>\$ 10,042,524</u>
<u>\$ 27,486</u>	<u>\$ -0-</u>	<u>\$ 55,902</u>	<u>\$ (55,902)</u>	<u>\$ -0-</u>
\$	\$	\$ 109,670 1,801,059 773,229 1,800,699 114,284 4,881,507	\$ (109,670) (1,801,059) (773,229) (1,800,699) (114,284) (4,881,507)	\$
578,802	1,801,059	9,480,448	(9,480,448)	-0-
<u>\$ 578,802</u>	<u>\$ 1,801,059</u>	<u>\$ 9,480,448</u>	<u>\$ (9,480,448)</u>	<u>\$ -0-</u>
<u>\$ 606,288</u>	<u>\$ 2,061,340</u>	<u>\$ 11,297,500</u>		
			\$ 12,792,547 770,238 114,284 5,019,593	\$ 12,792,547 770,238 114,284 5,019,593
			<u>\$ 18,696,662</u>	<u>\$ 18,696,662</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, 2021

Total Fund Balances - Governmental Funds	\$	9,480,448
<p>Amounts reported for governmental activities in the Statement of Net Position are different because:</p>		
<p>Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in the governmental funds.</p>		17,875,789
<p>Deferred inflows of resources related to property tax revenues for the 2020 and prior tax levies became part of recognized revenue in the governmental activities of the District.</p>		55,902
<p>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:</p>		
Accrued Interest Payable	\$ (30,477)	
Bonds Payable	<u>(8,685,000)</u>	<u>(8,715,477)</u>
Total Net Position - Governmental Activities	\$	<u><u>18,696,662</u></u>

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

THIS PAGE INTENTIONALLY LEFT BLANK

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, 2021

	<u>General Fund</u>	<u>Special Revenue Fund</u>
REVENUES		
Property Taxes	\$ 980,052	\$ 71,754
Water Service	1,122,399	
Wastewater Service	622,298	
Penalty and Interest	35,460	
Tap Connection and Inspection Fees	247,388	
Sales and Use Tax Revenues	345,059	
Solid Waste Service	459,149	
Utility Services - La Salle WCID No. 1A	239,930	
Investment and Miscellaneous Revenues	<u>45,629</u>	<u>454</u>
TOTAL REVENUES	<u>\$ 4,097,364</u>	<u>\$ 72,208</u>
EXPENDITURES/EXPENSES		
Service Operations:		
Professional Fees	\$ 432,015	\$ 1,742
Personnel	736,620	
Contracted Services	633,708	3,084
Purchased Water Service	313,109	
Utilities	151,090	
Repairs and Maintenance	679,705	19,913
Depreciation		
Other	286,665	14,334
Capital Outlay	450,578	
Loss on Disposal of Assets		
Debt Service:		
Bond Principal	120,000	
Bond Interest	<u>70,557</u>	
TOTAL EXPENDITURES/EXPENSES	<u>\$ 3,874,047</u>	<u>\$ 39,073</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES/EXPENSES	<u>\$ 223,317</u>	<u>\$ 33,135</u>
OTHER FINANCING SOURCES (USES)		
Transfers In (Out)	<u>\$ (601,511)</u>	<u>\$ -0-</u>
NET CHANGE IN FUND BALANCES	\$ (378,194)	\$ 33,135
CHANGE IN NET POSITION		
FUND BALANCES/NET POSITION - OCTOBER 1, 2020, AS ADJUSTED	<u>7,364,497</u>	<u>81,149</u>
FUND BALANCES/NET POSITION - SEPTEMBER 30, 2021	<u>\$ 6,986,303</u>	<u>\$ 114,284</u>

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

Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Activities
\$ 1,049,124	\$	\$ 2,100,930	\$ 1,683	\$ 2,102,613
		1,122,399		1,122,399
		622,298		622,298
11,711		47,171		47,171
		247,388		247,388
		345,059		345,059
		459,149		459,149
		239,930		239,930
<u>3,569</u>	<u>29,458</u>	<u>79,110</u>		<u>79,110</u>
<u>\$ 1,064,404</u>	<u>\$ 29,458</u>	<u>\$ 5,263,434</u>	<u>\$ 1,683</u>	<u>\$ 5,265,117</u>
\$	\$	\$ 433,757	\$	\$ 433,757
		736,620		736,620
		636,792		636,792
		313,109		313,109
		151,090		151,090
		699,618		699,618
			565,824	565,824
	181	301,180		301,180
	3,265,835	3,716,413	(3,716,413)	
			153,972	153,972
460,000		580,000	(580,000)	
<u>314,225</u>		<u>384,782</u>	<u>(1,588)</u>	<u>383,194</u>
<u>\$ 774,225</u>	<u>\$ 3,266,016</u>	<u>\$ 7,953,361</u>	<u>\$ (3,578,205)</u>	<u>\$ 4,375,156</u>
<u>\$ 290,179</u>	<u>\$ (3,236,558)</u>	<u>\$ (2,689,927)</u>	<u>\$ 3,579,888</u>	<u>\$ 889,961</u>
<u>\$ -0-</u>	<u>\$ 601,511</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>
\$ 290,179	\$ (2,635,047)	\$ (2,689,927)	\$ 2,689,927	\$
			889,961	889,961
<u>288,623</u>	<u>4,436,106</u>	<u>12,170,375</u>	<u>5,636,326</u>	<u>17,806,701</u>
<u>\$ 578,802</u>	<u>\$ 1,801,059</u>	<u>\$ 9,480,448</u>	<u>\$ 9,216,214</u>	<u>\$ 18,696,662</u>

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, 2021**

Net Change in Fund Balances - Governmental Funds	\$ (2,689,927)
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.	1,683
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.	(565,824)
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.	3,562,441
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.	580,000
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>1,588</u>
Change in Net Position - Governmental Activities	<u>\$ 889,961</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, 2021

NOTE 1. CREATION OF DISTRICT

The District was legislatively created in 1977 as a political subdivision of the State of Texas, organized and established in accordance with Article XVI, Section 59 of the Texas Constitution, and operates pursuant to Chapters 49 and 54 of the Texas Water Code, as amended. Effective June 14, 2013, pursuant to the passage of Texas Senate Bill 1822 in the 83rd Regular Session of the Texas Legislature, the District's name was changed from Port O'Connor Municipal Utility District to Port O'Connor Improvement District. 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 requirements of the Texas Commission on Environmental Quality (“TCEQ”) as published in the *Water District Financial Management Guide*.

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, 2021

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.

Fund Financial Statements

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.

PORT O’CONNOR IMPROVEMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Governmental Funds

The District has four 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 and administrative expenditures.

Special Revenue Fund - To account for the revenues and expenditures associated with 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. A transfer of \$601,511 was recorded between the General Fund and Capital Projects Fund to account for capital projects activity paid from the General Fund in the current fiscal year.

PORT O’CONNOR IMPROVEMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting (Continued)

As of September 30, 2021, the General Fund owes the Capital Projects Fund \$111,731 for engineering fees related to general operations and maintenance. The General Fund owes the Debt Service Fund \$197,007 for reimbursement of Series 2015 bond principal and interest payments as well as tax revenues. As of September 30, 2021, the Capital Projects Fund owes the General Fund \$125,365 for construction costs.

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, 2021, was \$109,670.

PORT O’CONNOR IMPROVEMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Budgeting

Annual unappropriated budgets are adopted for both the General Fund and the Special Revenue Fund by the District’s Board of Directors. The budgets are prepared using the same method of accounting as for financial reporting. The Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund and the Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Special Revenue Fund present 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: 10 full-time, 1 part-time and two part-time directors. 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 appropriable 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 \$1,800,699 of its General Fund balance for operations related to future completed capital projects.

PORT O’CONNOR IMPROVEMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

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, 2021	\$ 1,300,000	\$ 2,090,000	\$ 5,295,000
Interest Rates	3.60% - 5.00%	2.02% - 4.02%	4.00% - 5.00%
Maturity Dates – Beginning/Ending	September 1, 2022/2029	September 1, 2022/2035	September 1, 2022/2038
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, 2021

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, 2021:

	October 1, 2020	Additions	Retirements	September 30, 2021
Bonds Payable	\$ 9,265,000	\$ - 0 -	\$ 580,000	\$ 8,685,000
		Amount Due Within One Year		\$ 600,000
		Amount Due After One Year		<u>8,085,000</u>
		Bonds Payable		<u>\$ 8,685,000</u>

As of September 30, 2021, 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, 2021, the debt service requirements on the bonds outstanding were as follows:

Fiscal Year	Principal	Interest	Total
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
2027-2031	2,535,000	1,106,823	3,641,823
2032-2036	2,500,000	556,935	3,056,935
2037-2038	<u>835,000</u>	<u>63,000</u>	<u>898,000</u>
	<u>\$ 8,685,000</u>	<u>\$ 3,343,777</u>	<u>\$ 12,028,777</u>

During the year ended September 30, 2021, the District levied a District-wide ad valorem debt service tax at the rate of \$0.2677 per \$100 of assessed valuation, which resulted in a tax levy of \$1,051,548 on the adjusted taxable valuation of \$399,150,550 for the 2020 tax year. See Note 7 for the maintenance tax levy and Note 8 for the Defined Area 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.

PORT O’CONNOR IMPROVEMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

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, 2021.

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, 2021.

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 \$3,740,618 and the bank balance was \$3,637,486. The District was not exposed to custodial credit risk at year-end.

**PORT O’CONNOR IMPROVEMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021**

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, 2021, as listed below:

	Cash
GENERAL FUND	\$ 1,480,386
SPECIAL REVENUE FUND	116,328
DEBT SERVICE FUND	381,795
CAPITAL PROJECTS FUND	1,762,109
TOTAL DEPOSITS	\$ 3,740,618

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.

**PORT O’CONNOR IMPROVEMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021**

NOTE 5. DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

The District invests in the Bank of New York Mellon Government Money Market Mutual Fund and the Federated Hermes Government Obligations Tax Managed Fund. The District measures its investments in these funds at amortized cost for financial reporting purposes. Both funds are recorded at amortized cost and target a net asset value of \$1.00 per share. There are no limitations or restrictions on withdrawals from these funds.

The District also invests in municipal bonds issued by state and local governments located in the State of Texas with ratings of at least “A” or better. These investments are recorded at fair market value. Net unrealized losses on these investment as of September 30, 2021 totaled \$21,197.

As of September 30, 2021, the District had the following investments and maturities:

<u>Fund and Investment Type</u>	<u>Maturities in Years</u>	
	<u>Fair Market Value</u>	<u>Less Than 1 Year</u>
<u>GENERAL FUND</u>		
Money Market Mutual Fund	\$ 3,597,834	\$ 3,597,834
Municipal Bonds	2,840,152	2,840,152
<u>CAPITAL PROJECTS FUND</u>		
Money Market Mutual Fund	<u>187,500</u>	<u>187,500</u>
TOTAL INVESTMENTS	<u>\$ 6,625,486</u>	<u>\$ 6,625,486</u>

Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. At September 30, 2021, the District’s investments in the money market mutual funds were rated “AAAm” by Standard and Poor’s. 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 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.

Restrictions

All cash of the Special Revenue Fund is restricted for the payment of costs associated with the Defined Area No. 1. All cash of the Debt Service Fund is 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, 2021

NOTE 6. CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2021 is as follows:

	October 1, 2020	Increases	Decreases	September 30, 2021
Capital Assets Not Being Depreciated				
Land and Land Improvements	\$ 487,907	\$ 173,662	\$	\$ 661,569
Construction in Progress	<u>4,274,789</u>	<u>3,542,751</u>	<u>6,646,354</u>	<u>1,171,186</u>
Total Capital Assets Not Being Depreciated	<u>\$ 4,762,696</u>	<u>\$ 3,716,413</u>	<u>\$ 6,646,354</u>	<u>\$ 1,832,755</u>
Capital Assets Subject to Depreciation				
Water System	\$ 6,712,015	\$ 4,608,336	\$ 99,584	\$ 11,220,767
Wastewater System	7,609,055	1,946,684		9,555,739
Buildings, Equipment and Other	<u>2,529,712</u>	<u>91,334</u>	<u>213,168</u>	<u>2,407,878</u>
Total Capital Assets Subject to Depreciation	<u>\$ 16,850,782</u>	<u>\$ 6,646,354</u>	<u>\$ 312,752</u>	<u>\$ 23,184,384</u>
Less Accumulated Depreciation				
Water System	\$ 2,677,030	\$ 224,969	\$ 80,805	\$ 2,821,194
Wastewater System	2,953,462	241,458	17,282	3,177,638
Buildings, Equipment and Other	<u>1,103,814</u>	<u>99,397</u>	<u>60,693</u>	<u>1,142,518</u>
Total Accumulated Depreciation	<u>\$ 6,734,306</u>	<u>\$ 565,824</u>	<u>\$ 158,780</u>	<u>\$ 7,141,350</u>
Total Depreciable Capital Assets, Net of Accumulated Depreciation	<u>\$ 10,116,476</u>	<u>\$ 6,080,530</u>	<u>\$ 153,972</u>	<u>\$ 16,043,034</u>
Total Capital Assets, Net of Accumulated Depreciation	<u><u>\$ 14,879,172</u></u>	<u><u>\$ 9,796,943</u></u>	<u><u>\$ 6,800,326</u></u>	<u><u>\$ 17,875,789</u></u>

NOTE 7. MAINTENANCE TAX

During the fiscal year ended September 30, 2021, the District levied an ad valorem maintenance tax at the rate of \$0.2513 per \$100 of assessed valuation, which resulted in a tax levy of \$987,127 on the adjusted taxable valuation of \$399,150,550 for the 2020 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

PORT O’CONNOR IMPROVEMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 8. DEFINED AREA NO. 1 (Continued)

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. The financial activity of the Defined Area No. 1 is accounted for in the Special Revenue Fund.

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. During the fiscal year ended September 30, 2021, the Defined Area levied an ad valorem maintenance tax rate of \$0.481 per \$100 of assessed valuation, which resulted in a tax levy of \$71,754 on the adjusted taxable valuation of \$14,917,726 for the 2020 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. 1A (formerly La Salle Water Control and Improvement District No. 1 and hereinafter referred to as “La Salle”) on June 14, 2006. On February 7, 2007, La Salle and the District entered into an Interlocal Agreement which has been subsequently amended. 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 \$239,930 in relation to this agreement.

PORT O’CONNOR IMPROVEMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

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.

Hurricanes can cause flooding, particularly in coastal areas such as the area where the District is located. Hurricanes can also cause windstorm and other damage and hurricane induced flooding can submerge roadways connecting coastal areas with inland areas, thus preventing the evacuation of people and/or property. If a hurricane (or other natural disaster) destroyed all or part of the area in which the District operates, the assessed value of property within the District could be substantially reduced, with a corresponding decrease in tax revenues or increase in the tax rate. Further, there can be no assurance that a casualty loss will be covered by insurance (certain casualties, including flood, are usually excluded unless specific insurance is purchased), that any insurance company will fulfill its obligation to provide insurance proceeds or that insurance proceeds will be used to rebuild or repair damaged District property. Even if insurance proceeds are available and the District does repaired/rebuild damaged assets, there could be a lengthy period in which assessed values within the District could be adversely affected. The Gulf Coast region in which the District is located is subject to occasional destructive weather. There can be no assurance the District will not endure damage from future meteorological events.

The District operates in a regulated industry. As a result, various lawsuits, claims, and legal and regulatory proceedings can be instituted or asserted against the District.

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 \$345,059 in sales tax revenue, of which \$64,440 was receivable at year-end.

PORT O’CONNOR IMPROVEMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

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 – MERGER WITH LA SALLE WCID NO. 1A

In August 2021, the District approved action to consolidate operations with La Salle Water Control and Improvement District No. 1A (La Salle WCID No. 1A). On November 2, 2021, an election was held in both Districts that approved the Consolidation. As a result of the election, La Salle WCID No. 1A and Port O’Connor Improvement District are consolidated and will operate under a new district named Port O’Connor Improvement District. As such, the fiscal year ended September 30, 2021, will be La Salle WCID No. 1A’s last full year of operations.

NOTE 14. ECONOMIC UNCERTAINTIES

On March 11, 2020, the World Health Organization declared the COVID-19 virus a global pandemic. Since that time, the District has not experienced any decrease in property values, unusual tax delinquencies, or interruptions to service as a result of COVID-19. The District will continue to carefully monitor the situation and evaluate the financial statement impact, if any, that results from the pandemic.

NOTE 15. PRIOR PERIOD ADJUSTMENT

A portion of the beginning General Fund fund balance totaling \$81,149 was reclassified to the Special Revenue Fund to account for the activities of the Defined Area No. 1.

NOTE 16. TEXAS WATER DEVELOPMENT BOARD FINANCING AGREEMENT

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. The funding is anticipated to close in April or May, 2022.

PORT O'CONNOR IMPROVEMENT DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

SEPTEMBER 30, 2021

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, 2021

	Original and Final Budget	Actual	Variance Positive (Negative)
REVENUES			
Property Taxes	\$ 908,000	\$ 980,052	\$ 72,052
Water Service	955,000	1,122,399	167,399
Wastewater Service	570,000	622,298	52,298
Penalty and Interest	23,330	35,460	12,130
Tap Connection and Inspection Fees	128,000	247,388	119,388
Sales and Use Tax Revenues	250,000	345,059	95,059
Solid Waste Service	500,000	459,149	(40,851)
Utility Services - La Salle WCID No. 1A	225,000	239,930	14,930
Investment and Miscellaneous Revenues	112,400	45,629	(66,771)
TOTAL REVENUES	<u>\$ 3,671,730</u>	<u>\$ 4,097,364</u>	<u>\$ 425,634</u>
EXPENDITURES			
Service Operations:			
Professional Fees	\$ 244,100	\$ 432,015	\$ (187,915)
Personnel	853,000	736,620	116,380
Contracted Services	474,500	633,708	(159,208)
Purchased Water Service	381,200	313,109	68,091
Utilities	125,200	151,090	(25,890)
Repairs and Maintenance	492,500	679,705	(187,205)
Other	229,607	286,665	(57,058)
Capital Outlay	545,000	450,578	94,422
Debt Service:			
Bond Principal	120,000	120,000	
Bond Interest	70,557	70,557	
TOTAL EXPENDITURES	<u>\$ 3,535,664</u>	<u>\$ 3,874,047</u>	<u>\$ (338,383)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ 136,066</u>	<u>\$ 223,317</u>	<u>\$ 87,251</u>
OTHER FINANCING SOURCES (USES)			
Transfers In (Out)	<u>\$ -0-</u>	<u>\$ (601,511)</u>	<u>\$ (601,511)</u>
NET CHANGE IN FUND BALANCE	\$ 136,066	\$ (378,194)	\$ (514,260)
FUND BALANCE - OCTOBER 1, 2020, AS ADJUSTED	<u>7,364,497</u>	<u>7,364,497</u>	
FUND BALANCE - SEPTEMBER 30, 2021	<u>\$ 7,500,563</u>	<u>\$ 6,986,303</u>	<u>\$ (514,260)</u>

See accompanying independent auditor's report.

PORT O'CONNOR IMPROVEMENT DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - SPECIAL REVENUE FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2021

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
REVENUES			
Property Taxes	\$ 56,000	\$ 71,754	\$ 15,754
Investment and Miscellaneous Revenues	<u>450</u>	<u>454</u>	<u>4</u>
TOTAL REVENUES	<u>\$ 56,450</u>	<u>\$ 72,208</u>	<u>\$ 15,758</u>
EXPENDITURES			
Service Operations:			
Professional Fees	\$ 4,500	\$ 1,742	\$ 2,758
Contracted Services	2,700	3,084	(384)
Repairs and Maintenance	28,400	19,913	8,487
Other	<u>65,100</u>	<u>14,334</u>	<u>50,766</u>
TOTAL EXPENDITURES	<u>\$ 100,700</u>	<u>\$ 39,073</u>	<u>\$ 61,627</u>
NET CHANGE IN FUND BALANCE	\$ (44,250)	\$ 33,135	\$ 77,385
FUND BALANCE - OCTOBER 1, 2020, AS ADJUSTED	<u>81,149</u>	<u>81,149</u>	<u></u>
FUND BALANCE - SEPTEMBER 30, 2021	<u>\$ 36,899</u>	<u>\$ 114,284</u>	<u>\$ 77,385</u>

See accompanying independent auditor's report.

THIS PAGE INTENTIONALLY LEFT BLANK

PORT O'CONNOR IMPROVEMENT DISTRICT
SUPPLEMENTARY INFORMATION REQUIRED BY THE
TEXAS COMMISSION ON ENVIRONMENTAL QUALITY AS PUBLISHED IN THE
WATER DISTRICT FINANCIAL MANAGEMENT GUIDE

SEPTEMBER 30, 2021

**PORT O'CONNOR IMPROVEMENT DISTRICT
SERVICES AND RATES
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

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: \$47.30 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, 2021**

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			x 1.0	
≤ ³ / ₄ "	<u>1,698</u>	<u>1,681</u>	x 1.0	<u>1,681</u>
1"	<u>28</u>	<u>28</u>	x 2.5	<u>70</u>
1½"	<u>2</u>	<u>2</u>	x 5.0	<u>10</u>
2"	<u>20</u>	<u>20</u>	x 8.0	<u>160</u>
3"			x 15.0	
4"			x 25.0	
6"	<u>1</u>	<u>1</u>	x 50.0	<u>50</u>
8"			x 80.0	
10"			x 115.0	
Total Water Connections	<u><u>1,749</u></u>	<u><u>1,732</u></u>		<u><u>1,971</u></u>
Total Wastewater Connections	<u><u>1,594</u></u>	<u><u>1,578</u></u>	x 1.0	<u><u>1,578</u></u>

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

Gallons pumped into system:	93,566,000	Water Accountability Ratio: 102.9 % (Gallons billed and sold/Gallons pumped and purchased)
Gallons billed to customers:	76,478,000	
Gallons Sold:	19,751,000	<u>To: La Salle Water Control and Improvement District No. 1A</u>

See accompanying independent auditor's report.

**PORT O'CONNOR IMPROVEMENT DISTRICT
SERVICES AND RATES
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

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, 2021

PERSONNEL EXPENDITURES (Including Benefits)	<u>\$ 736,620</u>
PROFESSIONAL FEES:	
Auditing	\$ 28,500
Engineering	182,030
Delinquent Tax Attorney	9,289
Legal	<u>212,196</u>
TOTAL PROFESSIONAL FEES	<u>\$ 432,015</u>
PURCHASED WATER SERVICE	<u>\$ 313,109</u>
CONTRACTED SERVICES:	
Appraisal District	\$ 36,785
Bookkeeping	94,131
Operations	82,623
Solid Waste Disposal	<u>420,169</u>
TOTAL CONTRACTED SERVICES	<u>\$ 633,708</u>
UTILITIES	<u>\$ 151,090</u>
REPAIRS AND MAINTENANCE	<u>\$ 679,705</u>
ADMINISTRATIVE EXPENDITURES:	
Billing Software	\$ 60,697
Insurance	72,265
Office Supplies and Postage	41,295
Travel, Training, Dues, Meals, Lodging	<u>38,650</u>
TOTAL ADMINISTRATIVE EXPENDITURES	<u>\$ 212,907</u>

See accompanying independent auditor's report.

PORT O’CONNOR IMPROVEMENT DISTRICT
GENERAL FUND EXPENDITURES
FOR THE YEAR ENDED SEPTEMBER 30, 2021

CAPITAL OUTLAY		\$ <u>450,578</u>
OTHER EXPENDITURES:		
Chemicals and Laboratory Fees		\$ 45,236
Permit Fees		10,503
Other		<u>18,019</u>
TOTAL OTHER EXPENDITURES		\$ <u>73,758</u>
DEBT SERVICE:		
Bond Principal		\$ 120,000
Bond Interest		<u>70,557</u>
TOTAL DEBT SERVICE		\$ <u>190,557</u>
TOTAL EXPENDITURES		\$ <u>3,874,047</u>

Number of persons employed by the District 10 Full-Time 3 Part-Time

See accompanying independent auditor’s report.

PORT O'CONNOR IMPROVEMENT DISTRICT
INVESTMENTS
SEPTEMBER 30, 2021

Fund	Interest Rate	Maturity Date	Fair Market Value at End of Year	Accrued Interest Receivable at End of Year
<u>GENERAL FUND</u>				
Money Market Mutual Fund	Varies	Daily	\$ 3,597,834	\$ 18,296
Municipal Bond	1.00%	02/01/22	190,475	
Municipal Bond	4.00%	02/15/22	608,484	
Municipal Bond	2.00%	03/01/22	120,864	
Municipal Bond	4.00%	02/15/22	456,345	
Municipal Bond	4.00%	02/15/22	278,858	
Municipal Bond	2.00%	02/15/22	100,672	
Municipal Bond	4.00%	02/15/22	157,117	
Municipal Bond	5.00%	02/15/22	101,733	
Municipal Bond	4.00%	02/01/22	506,185	
Municipal Bond	4.00%	02/15/22	319,419	
TOTAL GENERAL FUND			<u>\$ 6,437,986</u>	<u>\$ 18,296</u>
<u>CAPITAL PROJECTS FUND</u>				
Money Market Mutual Fund	Varies	Daily	<u>\$ 187,500</u>	<u>\$ - 0 -</u>
TOTAL - ALL FUNDS			<u>\$ 6,625,486</u>	<u>\$ 18,296</u>

See accompanying independent auditor's report.

PORT O'CONNOR IMPROVEMENT DISTRICT
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED SEPTEMBER 30, 2021

	Maintenance Taxes		Debt Service Taxes		Defined Area No. 1
TAXES RECEIVABLE -					
October 1, 2020	\$ 27,006		\$ 26,402		\$ 811
Adjustments to Beginning					
Balance	<u>(1,128)</u>	\$ 25,878	<u>(1,340)</u>	\$ 25,062	<u>(811)</u> \$ -0-
Original 2020 Tax Levy	\$ 809,940		\$ 862,798		\$ 71,754
Adjustment to 2020 Tax Levy	<u>177,187</u>	<u>987,127</u>	<u>188,750</u>	<u>1,051,548</u>	<u>71,754</u>
TOTAL TO BE					
ACCOUNTED FOR		\$ 1,013,005		\$ 1,076,610	\$ 71,754
TAX COLLECTIONS:					
Prior Years	\$ 10,650		\$ 11,625		\$
Current Year	<u>973,939</u>	<u>984,589</u>	<u>1,037,499</u>	<u>1,049,124</u>	<u>71,754</u> <u>71,754</u>
TAXES RECEIVABLE -					
SEPTEMBER 30, 2021		<u>\$ 28,416</u>		<u>\$ 27,486</u>	<u>\$ -0-</u>
TAXES RECEIVABLE BY					
YEAR:					
2020		\$ 13,188		\$ 14,049	\$
2019		6,554		6,709	
2018		2,251		2,600	
2017		1,919		2,503	
2016		874		1,140	
2015		379		231	
2014		177		96	
2013		284		158	
2012		324			
2011 and Prior		<u>2,466</u>			
TOTAL		<u>\$ 28,416</u>		<u>\$ 27,486</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, 2021

	2020	2019	2018	2017
DISTRICT WIDE:				
Land	\$ 195,548,078	\$ 183,231,316	\$ 172,974,506	\$ 171,683,380
Improvements	253,546,420	224,001,195	202,248,192	199,791,688
Personal Property	8,572,510	7,993,140	8,283,150	8,636,970
Exemptions	<u>(58,516,458)</u>	<u>(53,530,538)</u>	<u>(48,085,947)</u>	<u>(47,159,604)</u>
TOTAL PROPERTY VALUATIONS	<u><u>\$ 399,150,550</u></u>	<u><u>\$ 361,695,113</u></u>	<u><u>\$ 335,419,901</u></u>	<u><u>\$ 332,952,434</u></u>
TAX RATES PER \$100 VALUATION:				
Debt Service	\$ 0.2677	\$ 0.2733	\$ 0.2841	\$ 0.30
Maintenance **	<u>0.2513</u>	<u>0.2567</u>	<u>0.2459</u>	<u>0.23</u>
TOTAL TAX RATES PER \$100 VALUATION	<u><u>\$ 0.5190</u></u>	<u><u>\$ 0.5300</u></u>	<u><u>\$ 0.5300</u></u>	<u><u>\$ 0.53</u></u>
ADJUSTED TAX LEVY*	<u><u>\$ 2,038,675</u></u>	<u><u>\$ 1,893,652</u></u>	<u><u>\$ 1,749,912</u></u>	<u><u>\$ 1,740,472</u></u>
DEFINED AREA:				
PROPERTY VALUATIONS	<u><u>\$ 14,917,726</u></u>	<u><u>\$ 13,985,532</u></u>	<u><u>\$ 12,032,554</u></u>	<u><u>\$ 10,576,790</u></u>
TAX RATES PER \$100 VALUATION:				
Debt Service	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
Maintenance**	<u>0.481</u>	<u>0.47</u>	<u>0.47</u>	<u>0.47</u>
TOTAL TAX RATES PER \$100 VALUATION	<u><u>\$ 0.481</u></u>	<u><u>\$ 0.47</u></u>	<u><u>\$ 0.47</u></u>	<u><u>\$ 0.47</u></u>
ADJUSTED TAX LEVY*	<u><u>\$ 71,754</u></u>	<u><u>\$ 65,732</u></u>	<u><u>\$ 56,553</u></u>	<u><u>\$ 49,711</u></u>
PERCENTAGE OF TOTAL TAXES COLLECTED TO TOTAL TAXES LEVIED				
	<u><u>98.71 %</u></u>	<u><u>99.30 %</u></u>	<u><u>99.72 %</u></u>	<u><u>99.75 %</u></u>

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

** 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, 2021

SERIES - 2013 REFUNDING

Due During Fiscal Years Ending September 30	Principal Due September 1	Interest Due March 1/ September 1	Total
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>\$ 1,300,000</u>	<u>\$ 216,140</u>	<u>\$ 1,516,140</u>

See accompanying independent auditor's report.

PORT O'CONNOR IMPROVEMENT DISTRICT
LONG-TERM DEBT SERVICE REQUIREMENTS
SEPTEMBER 30, 2021

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
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>\$ 2,090,000</u>	<u>\$ 601,837</u>	<u>\$ 2,691,837</u>

See accompanying independent auditor's report.

PORT O’CONNOR IMPROVEMENT DISTRICT
LONG-TERM DEBT SERVICE REQUIREMENTS
SEPTEMBER 30, 2021

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
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
	<u>\$ 5,295,000</u>	<u>\$ 2,525,800</u>	<u>\$ 7,820,800</u>

See accompanying independent auditor’s report.

THIS PAGE INTENTIONALLY LEFT BLANK

PORT O’CONNOR IMPROVEMENT DISTRICT
LONG-TERM DEBT SERVICE REQUIREMENTS
SEPTEMBER 30, 2021

ANNUAL REQUIREMENTS
FOR ALL SERIES

Due During Fiscal Years Ending September 30	Total Principal Due	Total Interest Due	Total Principal and Interest Due
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>\$ 8,685,000</u>	<u>\$ 3,343,777</u>	<u>\$ 12,028,777</u>

See accompanying independent auditor’s report.

PORT O'CONNOR IMPROVEMENT DISTRICT
CHANGES IN LONG-TERM BOND DEBT
FOR THE YEAR ENDED SEPTEMBER 30, 2021

Description	Original Bonds Issued	Bonds Outstanding October 1, 2020
Port O'Connor Improvement District Unlimited Tax Refunding Bonds - Series 2013	\$ 4,700,000	\$ 1,540,000
Port O'Connor Improvement District Water and Sewer System Revenue Bonds - Series 2015	2,815,000	2,210,000
Port O'Connor Improvement District Unlimited Tax Bonds - Series 2018	<u>6,000,000</u>	<u>5,515,000</u>
TOTAL	<u><u>\$ 13,515,000</u></u>	<u><u>\$ 9,265,000</u></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><u>\$ 6,000,000</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, 2021: \$ 381,795

Average annual debt service payment (principal and interest) for remaining term of all debt: \$ 707,575

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, 2021</u>	<u>Paying Agent</u>
	<u>Principal</u>	<u>Interest</u>		
\$	\$ 240,000	\$ 62,750	\$ 1,300,000	The Bank of New York Mellon Trust Company, N.A. Dallas, TX
	120,000	70,557	2,090,000	The Bank of New York Mellon Trust Company, N.A. Dallas, TX
	<u>220,000</u>	<u>251,475</u>	<u>5,295,000</u>	The Bank of New York Mellon Trust Company, N.A. Dallas, TX
<u>\$ - 0 -</u>	<u>\$ 580,000</u>	<u>\$ 384,782</u>	<u>\$ 8,685,000</u>	

See accompanying independent auditor's report.

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

	Amounts		
	2021	2020	2019
REVENUES			
Property Taxes	\$ 980,052	\$ 976,880	\$ 867,283
Water Service	1,122,399	1,018,835	931,455
Wastewater Service	622,298	618,966	568,367
Penalty and Interest	35,460	29,888	25,655
Tap Connection and Inspection Fees	247,388	128,200	160,750
Sales and Use Tax Revenues	345,059	301,536	263,517
Solid Waste Service	459,149	448,352	429,495
Utility Services - La Salle WCID No. 1A	239,930	417,130	244,835
Investment and Miscellaneous Revenues	45,629	186,202	176,935
TOTAL REVENUES	\$ 4,097,364	\$ 4,125,989	\$ 3,668,292
EXPENDITURES			
Professional Fees	\$ 432,015	\$ 253,452	\$ 410,350
Personnel	736,620	672,693	615,633
Contracted Services	633,708	538,428	509,644
Purchased Water Service	313,109	323,208	384,825
Utilities	151,090	110,617	145,525
Repairs and Maintenance	679,705	168,088	465,218
Other	286,665	375,234	440,045
Capital Outlay	450,578	570,430	538,479
Debt Service:			
Bond Principal	120,000	120,000	120,000
Bond Interest	70,557	72,297	73,677
TOTAL EXPENDITURES	\$ 3,874,047	\$ 3,204,447	\$ 3,703,396
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ 223,317	\$ 921,542	\$ (35,104)
OTHER FINANCING SOURCES (USES)			
Transfers In (Out)	\$ (601,511)	\$ - 0 -	\$ - 0 -
NET CHANGE IN FUND BALANCE	\$ (378,194)	\$ 921,542	\$ (35,104)
BEGINNING FUND BALANCE	7,364,497	6,524,104	6,559,208
ENDING FUND BALANCE	\$ 6,986,303	\$ 7,445,646	\$ 6,524,104

Note: The FYE 2021 beginning balance has been adjusted to remove the Defined Area No. 1 activity.

** The 2017 column has been restated for comparison purposes from its original presentation as an Enterprise Fund.

See accompanying independent auditor's report.

		Percentage of Total Revenues				
2018	2017	2021	2020	2019	2018	2017
\$ 808,150	\$ 779,252	23.9 %	23.7 %	23.6 %	24.2 %	22.6 %
950,181	977,502	27.4	24.7	25.4	28.3	28.5
547,737	547,490	15.2	15.0	15.5	16.3	16.0
29,374	22,725	0.9	0.7	0.7	0.9	0.7
114,500	56,165	6.0	3.1	4.4	3.4	1.6
251,311	213,107	8.4	7.3	7.2	7.5	6.2
406,117	410,210	11.2	10.9	11.7	12.1	12.0
184,249	304,659	5.9	10.1	6.7	5.5	8.9
60,834	118,378	1.1	4.5	4.8	1.8	3.5
<u>\$ 3,352,453</u>	<u>\$ 3,429,488</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>
\$ 432,641	\$ 480,173	10.5 %	6.1 %	11.2 %	12.9 %	14.0 %
223,933	674,555	18.0	16.3	16.8	6.7	19.7
741,617	20,480	15.5	13.0	13.9	22.1	0.6
404,719	678,015	7.6	7.8	10.5	12.1	19.8
104,082	115,993	3.7	2.7	4.0	3.1	3.4
182,337	517,782	16.6	4.1	12.7	5.4	15.1
179,499	163,014	7.0	9.1	12.0	5.4	4.8
126,514		11.0	13.8	14.7	3.8	
115,000	115,000	2.9	2.9	3.3	3.4	3.4
68,423	81,449	1.7	1.8	2.0	2.0	2.4
<u>\$ 2,578,765</u>	<u>\$ 2,846,461</u>	<u>94.5 %</u>	<u>77.6 %</u>	<u>101.1 %</u>	<u>76.9 %</u>	<u>83.2 %</u>
<u>\$ 773,688</u>	<u>\$ 583,027</u>	<u>5.5 %</u>	<u>22.4 %</u>	<u>(1.1) %</u>	<u>23.1 %</u>	<u>16.8 %</u>
<u>\$ - 0 -</u>	<u>\$ - 0 -</u>					
\$ 773,688	\$ 583,027					
<u>5,785,520</u>	<u>5,202,493</u>					
<u>\$ 6,559,208</u>	<u>\$ 5,785,520</u>					

**

See accompanying independent auditor's report.

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

	Amounts		
	2021	2020	2019
REVENUES			
Property Taxes	\$ 1,049,124	\$ 964,421	\$ 937,602
Penalty, Interest and Other Revenues	<u>11,711</u>	<u>21,308</u>	<u>18,284</u>
TOTAL REVENUES	<u>\$ 1,064,404</u>	<u>\$ 985,729</u>	<u>\$ 955,886</u>
EXPENDITURES			
Debt Service Principal	\$ 460,000	\$ 990,000	\$ 1,600,000
Debt Service Interest, Fees and Other	<u>314,225</u>	<u>358,527</u>	<u>357,172</u>
TOTAL EXPENDITURES	<u>\$ 774,225</u>	<u>\$ 1,348,527</u>	<u>\$ 1,957,172</u>
NET CHANGE IN FUND BALANCE	\$ 290,179	\$ (362,798)	\$ (1,001,286)
BEGINNING FUND BALANCE	<u>288,623</u>	<u>651,421</u>	<u>1,652,707</u>
ENDING FUND BALANCE	<u><u>\$ 578,802</u></u>	<u><u>\$ 288,623</u></u>	<u><u>\$ 651,421</u></u>
TOTAL ACTIVE RETAIL WATER CONNECTIONS	<u>1,732</u>	<u>1,734</u>	<u>1,686</u>
TOTAL ACTIVE RETAIL WASTEWATER CONNECTIONS	<u>1,578</u>	<u>1,525</u>	<u>1,471</u>

See accompanying independent auditor's report.

		Percentage of Total Revenues				
2018	2017	2021	2020	2019	2018	2017
\$ 984,987	\$ 937,323	98.6 %	97.8 %	98.1 %	98.5 %	99.8 %
<u>15,212</u>	<u>2,256</u>	<u>1.1</u>	<u>2.2</u>	<u>1.9</u>	<u>1.5</u>	<u>0.2</u>
\$ <u>1,000,199</u>	\$ <u>939,579</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>
\$ 215,000	\$ 210,000	43.2 %	100.4 %	167.4 %	21.5 %	22.4 %
<u>154,166</u>	<u>173,853</u>	<u>29.5</u>	<u>36.4</u>	<u>37.4</u>	<u>15.4</u>	<u>18.5</u>
\$ <u>369,166</u>	\$ <u>383,853</u>	<u>72.7 %</u>	<u>136.8 %</u>	<u>204.8 %</u>	<u>36.9 %</u>	<u>40.9 %</u>
\$ 631,033	\$ 555,726	<u>27.3 %</u>	<u>(36.8) %</u>	<u>(104.8) %</u>	<u>63.1 %</u>	<u>59.1 %</u>
<u>1,021,674</u>	<u>465,948</u>					
\$ <u>1,652,707</u>	\$ <u>1,021,674</u>					
<u>1,653</u>	<u>1,704</u>					
<u>1,496</u>	<u>1,445</u>					

See accompanying independent auditor's report.

**PORT O’CONNOR IMPROVEMENT DISTRICT
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
SEPTEMBER 30, 2021**

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 <u>Appointed</u>)	Fees of Office for the year ended <u>September 30, 2021</u>	Expense Reimbursements for the year ended <u>September 30, 2021</u>	<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)	\$ 2,200	\$ -0-	Director
John Childers	11/20 11/24 (Elected)	\$ 1,600	\$ -0-	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 January 31, 2022. 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, 2021

	<u>Date Hired</u>	<u>Fees for the year ended September 30, 2021</u>	<u>Title</u>
Key Personnel:			
Oscar Pena	07/29/19	\$ 79,968	District Manager
Wade Cheek	08/09/18	\$ 57,449	Operations Manager
Kim Stafford	03/11/08	\$ 60,732	Office Manager
Consultants:			
Walker Keeling LLP	02/04/19	\$ 169,723 \$ 44,804	General Counsel Merger
Orrick, Herrington & Sutcliffe LLP		\$ -0-	Bond Counsel
Allen Boone Humphries Robinson LLP	06/17/13	\$ 42,472 \$ 33,364 \$ -0-	Special Counsel Merger Bond Counsel
McCall Gibson Swedlund Barfoot PLLC	09/20/18	\$ 28,500	Audit Related
Goldman, Hunt, & Notz, L.L.P.	12/10/20	\$ 43,939	Bookkeeper
Superior Water Management of Texas LLC	07/17/19	\$ 80,853	General Management Services
Hilltop Securities Inc.	01/28/04	\$ -0-	Financial Advisor
John D. Mercer & Associates, Inc.	09/20/18	\$ 395,182	Engineer
BGE, Inc		\$ 139,210	Engineer
Calhoun County		\$ 36,785	Tax Assessor/ Collector

See accompanying independent auditor's report.

