

PORT O'CONNOR IMPROVEMENT DISTRICT

CALHOUN COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

SEPTEMBER 30, 2024

McCALL GIBSON SWEDLUND BARFOOT ELLIS PLLC
Certified Public Accountants

TABLE OF CONTENTS

	<u>PAGE</u>
INDEPENDENT AUDITOR'S REPORT	1-3
MANAGEMENT'S DISCUSSION AND ANALYSIS	4-8
BASIC FINANCIAL STATEMENTS	
STATEMENT OF NET POSITION AND GOVERNMENTAL FUNDS BALANCE SHEET	9-10
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION	11
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES	12-13
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES	14
NOTES TO FINANCIAL STATEMENTS	15-29
REQUIRED SUPPLEMENTARY INFORMATION	
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE- BUDGET AND ACTUAL-GENERAL FUND	31
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE- BUDGET AND ACTUAL-SPECIAL REVENUE FUND	32
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	34-36
GENERAL FUND EXPENDITURES	37-38
INVESTMENTS	39
TAXES LEVIED AND RECEIVABLE	40-41
LONG-TERM DEBT SERVICE REQUIREMENTS	42-46
CHANGES IN LONG-TERM BOND DEBT	47-48
COMPARATIVE SCHEDULES OF REVENUES AND EXPENDITURES GENERAL FUND AND DEBT SERVICE FUND - FIVE YEARS	49-52
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS	53-54

McCall Gibson Swedlund Barfoot Ellis PLLC

Certified Public Accountants

*Chris Swedlund
Noel W. Barfoot
Joseph Ellis
Ashlee Martin*

*Mike M. McCall
(retired)
Debbie Gibson
(retired)*

INDEPENDENT AUDITOR'S REPORT

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

Opinions

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, 2024, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District as of September 30, 2024, 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.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and 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 is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Board of Directors
Port O'Connor Improvement District

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The 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 an 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 Ellis PLLC

McCall Gibson Swedlund Barfoot Ellis PLLC
Certified Public Accountants
Houston, Texas

January 16, 2025

**PORT O’CONNOR IMPROVEMENT DISTRICT
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2024**

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, 2024. 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 and liabilities 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.

FUND FINANCIAL STATEMENTS

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.

**PORT O’CONNOR IMPROVEMENT DISTRICT
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2024**

FUND FINANCIAL STATEMENTS (Continued)

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.

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 \$26,211,511 as of September 30, 2024. A portion of the District’s net position reflects its net investment in capital assets which include 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, 2024**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

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

	<u>Summary of Changes in the Statement of Net Position</u>		
	<u>2024</u>	<u>2023</u>	<u>Change Positive (Negative)</u>
Current and Other Assets	\$ 18,575,460	\$ 28,205,474	\$ (9,630,014)
Capital Assets (Net of Accumulated Depreciation)	37,881,184	27,260,636	10,620,548
Total Assets	<u>\$ 56,456,644</u>	<u>\$ 55,466,110</u>	<u>\$ 990,534</u>
Bonds Payable	\$ 27,230,263	\$ 28,013,293	\$ 783,030
Other Liabilities	3,014,870	2,748,600	(266,270)
Total Liabilities	<u>\$ 30,245,133</u>	<u>\$ 30,761,893</u>	<u>\$ 516,760</u>
Net Position:			
Net Investment in Capital Assets	\$ 16,698,308	\$ 15,884,214	\$ 814,094
Restricted	1,718,761	1,762,351	(43,590)
Unrestricted	7,794,442	7,057,652	736,790
Total Net Position	<u>\$ 26,211,511</u>	<u>\$ 24,704,217</u>	<u>\$ 1,507,294</u>

The following table provides a summary of the District’s operations for the years ended September 30, 2024, and September 30, 2023.

	<u>Summary of Changes in the Statement of Activities</u>		
	<u>2024</u>	<u>2023</u>	<u>Change Positive (Negative)</u>
Revenues:			
Property Taxes	\$ 3,390,346	\$ 2,857,639	\$ 532,707
Charges for Services	2,756,375	2,873,679	(117,304)
Other Revenues	1,395,246	905,407	489,839
Total Revenues	<u>\$ 7,541,967</u>	<u>\$ 6,636,725</u>	<u>\$ 905,242</u>
Expenses for Services	6,034,673	6,362,240	327,567
Excess Revenues (Expenses)	\$ 1,507,294	\$ 274,485	1,232,809
Net Position, Beginning of Year	24,704,217	24,429,732	274,485
Net Position, End of Year	<u>\$ 26,211,511</u>	<u>\$ 24,704,217</u>	<u>\$ 1,507,294</u>

**PORT O’CONNOR IMPROVEMENT DISTRICT
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2024**

FINANCIAL ANALYSIS OF THE DISTRICT’S GOVERNMENTAL FUNDS

The District’s combined fund balances as of September 30, 2024, were \$15,561,746, a decrease of \$9,972,117 from the prior year.

The General Fund fund balance increased by \$721,138 primarily due to property tax revenues, service revenues and sales tax revenues exceeding operating and capital expenditures.

The Special Revenue Fund fund balance increased by \$102,048. Property tax collections levied on the Defined Area No. 1 exceeded operating and administrative costs.

The Debt Service Fund fund balance decreased by \$205,819, primarily due to the structure of the District’s debt service requirements.

The Capital Projects Fund fund balance decreased by \$10,589,484, primarily due to capital outlays 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 \$380,391 more than budgeted revenues and actual expenditures were \$641,481 more than budgeted expenditures. After taking into account \$982,228 budgeted for transfers and contingencies that were not realized in the current year, the result was a positive variance of \$721,138. The Special Revenue Fund budget to actual comparison reflects a positive variance of \$102,048. See the budget comparison schedules for more detailed information.

LONG-TERM DEBT ACTIVITY

The District’s Series 2023 Bonds carry an underlying rating of “A3” by Moody’s Investors Service while the other bonds were not rated. At year end, the District recorded bonds payable of \$27,295,000. The changes in the debt position of the District during the fiscal year ended September 30, 2024, are summarized as follows:

Bond Debt Payable, October 1, 2023	\$ 28,080,000
Less: Bond Principal Paid	<u>(785,000)</u>
Bond Debt Payable, September 30, 2024	<u>\$ 27,295,000</u>

**PORT O’CONNOR IMPROVEMENT DISTRICT
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2024**

CAPITAL ASSETS

Capital assets as of September 30, 2024, total \$37,881,184 (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 equipment purchases and the LaSalle water plant rehabilitation. See Note 6 for additional information.

Capital Assets At Year-End			
	2024	2023	Change Positive (Negative)
Capital Assets Not Being Depreciated:			
Land and Land Improvements	\$ 661,569	\$ 661,569	\$
Construction in Progress	13,924,667	3,159,160	10,765,507
Capital Assets Subject to Depreciation:			
Water System	15,540,897	15,037,811	503,086
Wastewater System	15,032,460	15,034,879	(2,419)
Buildings, Equipment and Other	4,315,119	3,973,962	341,157
Less Accumulated Depreciation	<u>(11,593,528)</u>	<u>(10,606,745)</u>	<u>(986,783)</u>
Total Net Capital Assets	<u>\$ 37,881,184</u>	<u>\$ 27,260,636</u>	<u>\$ 10,620,548</u>

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, 2024

	General Fund	Special Revenue Fund
ASSETS		
Cash	\$ 1,875,399	\$ 367,516
Investments	6,122,626	
Receivables:		
Property Taxes	43,377	
Penalty and Interest on Delinquent Taxes		
Service Accounts (Net of Allowance of \$21,790)	264,645	
Accrued Interest and Other	56,423	1,428
Due from Other Funds	313,254	
Prepaid Costs	21,908	
Due from Other Governments	65,476	
Inventory (Net of Allowance of \$14,178)	127,599	
Land		
Construction in Progress		
Capital Assets (Net of Accumulated Depreciation)		
TOTAL ASSETS	<u>\$ 8,890,707</u>	<u>\$ 368,944</u>
LIABILITIES		
Accounts Payable	\$ 497,668	\$ 847
Accrued Interest Payable		
Retainage Payable		
Due to Other Funds	7,403	
Security Deposits	400,250	
Long-Term Liabilities:		
Bonds Payable, Due Within One Year		
Bonds Payable, Due After One Year		
TOTAL LIABILITIES	<u>\$ 905,321</u>	<u>\$ 847</u>
DEFERRED INFLOWS OF RESOURCES		
Property Taxes	\$ 43,377	\$ -0-
FUND BALANCES		
Nonspendable: Inventory and Prepaid Costs	\$ 149,507	
Restricted for Authorized Construction		
Restricted for Debt Service	190,944	
Restricted for Defined Area No. 1 Operations		368,097
Unassigned	7,601,558	
TOTAL FUND BALANCES	<u>\$ 7,942,009</u>	<u>\$ 368,097</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 8,890,707</u>	<u>\$ 368,944</u>
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
\$ 817,702	\$ 8,358,564	\$ 11,419,181	\$	\$ 11,419,181
372,441		6,495,067		6,495,067
33,117		76,494		76,494
			13,314	13,314
		264,645		264,645
6,707	27,218	91,776		91,776
7,403		320,657	(320,657)	
		21,908		21,908
		65,476		65,476
		127,599		127,599
			661,569	661,569
			13,924,667	13,924,667
			23,294,948	23,294,948
<u>\$ 1,237,370</u>	<u>\$ 8,385,782</u>	<u>\$ 18,882,803</u>	<u>\$ 37,573,841</u>	<u>\$ 56,456,644</u>
\$	\$ 889,714	\$ 1,388,229	\$	\$ 1,388,229
			90,964	90,964
	1,135,427	1,135,427		1,135,427
	313,254	320,657	(320,657)	
		400,250		400,250
			580,000	580,000
			26,650,263	26,650,263
<u>\$ -0-</u>	<u>\$ 2,338,395</u>	<u>\$ 3,244,563</u>	<u>\$ 27,000,570</u>	<u>\$ 30,245,133</u>
\$ 33,117	\$ -0-	\$ 76,494	\$ (76,494)	\$ -0-
\$	\$ 6,047,387	\$ 149,507	\$ (149,507)	\$
		6,047,387	(6,047,387)	
1,204,253		1,395,197	(1,395,197)	
		368,097	(368,097)	
		7,601,558	(7,601,558)	
<u>\$ 1,204,253</u>	<u>\$ 6,047,387</u>	<u>\$ 15,561,746</u>	<u>\$ (15,561,746)</u>	<u>\$ -0-</u>
<u>\$ 1,237,370</u>	<u>\$ 8,385,782</u>	<u>\$ 18,882,803</u>		
			\$ 16,698,308	\$ 16,698,308
			1,350,664	1,350,664
			368,097	368,097
			7,794,442	7,794,442
			<u>\$ 26,211,511</u>	<u>\$ 26,211,511</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, 2024

Total Fund Balances - Governmental Funds	\$	15,561,746
--	----	------------

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.		37,881,184
--	--	------------

Deferred inflows of resources related to property tax revenues and penalty and interest receivable on delinquent taxes for the 2023 and prior tax levies became part of recognized revenue in the governmental activities of the District.		89,808
--	--	--------

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	\$	(90,964)	
Bonds Payable		<u>(27,230,263)</u>	<u>(27,321,227)</u>
Total Net Position - Governmental Activities	\$		<u>26,211,511</u>

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

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, 2024

	General Fund	Special Revenue Fund
REVENUES		
Property Taxes	\$ 1,803,164	\$ 94,248
Water Service	1,283,517	
Wastewater Service	725,380	
Penalty and Interest	41,377	
Tap Connection and Inspection Fees	111,553	
Sales and Use Tax Revenues	384,934	
Solid Waste Service	584,175	
Investment and Miscellaneous Revenues	509,679	13,952
TOTAL REVENUES	<u>\$ 5,443,779</u>	<u>\$ 108,200</u>
EXPENDITURES/EXPENSES		
Service Operations:		
Professional Fees	\$ 550,257	\$ 2,329
Personnel	896,548	
Contracted Services	678,494	1,501
Purchased Water Service	622,419	
Utilities	172,256	
Repairs and Maintenance	547,638	
Depreciation		
Other	270,122	2,322
Capital Outlay	791,776	
Loss on Disposal of Assets		
Debt Service:		
Bond Principal	130,000	
Bond Interest	63,131	
Bond Issuance Costs		
TOTAL EXPENDITURES/EXPENSES	<u>\$ 4,722,641</u>	<u>\$ 6,152</u>
NET CHANGE IN FUND BALANCES	\$ 721,138	\$ 102,048
CHANGE IN NET POSITION		
FUND BALANCES/NET POSITION - OCTOBER 1, 2023	<u>7,220,871</u>	<u>266,049</u>
FUND BALANCES/NET POSITION - SEPTEMBER 30, 2024	<u>\$ 7,942,009</u>	<u>\$ 368,097</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
\$ 1,464,523	\$	\$ 3,361,935	\$ 28,411	\$ 3,390,346
		1,283,517		1,283,517
		725,380		725,380
13,349		54,726	(2,976)	51,750
		111,553		111,553
		384,934		384,934
		584,175		584,175
77,833	408,848	1,010,312		1,010,312
<u>\$ 1,555,705</u>	<u>\$ 408,848</u>	<u>\$ 7,516,532</u>	<u>\$ 25,435</u>	<u>\$ 7,541,967</u>
\$	\$	\$ 552,586	\$	\$ 552,586
		896,548		896,548
		679,995		679,995
		622,419		622,419
		172,256		172,256
		547,638		547,638
			1,093,746	1,093,746
26,052	19,276	317,772		317,772
	10,939,056	11,730,832	(11,730,832)	
			16,539	16,539
655,000		785,000	(785,000)	
1,080,472		1,143,603	(48,429)	1,095,174
	40,000	40,000		40,000
<u>\$ 1,761,524</u>	<u>\$ 10,998,332</u>	<u>\$ 17,488,649</u>	<u>\$ (11,453,976)</u>	<u>\$ 6,034,673</u>
\$ (205,819)	\$ (10,589,484)	\$ (9,972,117)	\$ 9,972,117	\$
			1,507,294	1,507,294
1,410,072	16,636,871	25,533,863	(829,646)	24,704,217
<u>\$ 1,204,253</u>	<u>\$ 6,047,387</u>	<u>\$ 15,561,746</u>	<u>\$ 10,649,765</u>	<u>\$ 26,211,511</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, 2024**

Net Change in Fund Balances - Governmental Funds	\$ (9,972,117)
--	----------------

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.	28,411
--	--------

Governmental funds report penalty and interest on delinquent property taxes when collected. However, in the government-wide financial statements, revenues are recorded when the penalty and interest are assessed.	(2,976)
---	---------

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.	(1,093,746)
--	-------------

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.	11,714,293
---	------------

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.	785,000
--	---------

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.	48,429
---	--------

Change in Net Position - Governmental Activities	\$ <u>1,507,294</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, 2024

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 Volunteer Fire Department.

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, 2024

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, 2024

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.

PORT O’CONNOR IMPROVEMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2024

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting (Continued)

As of September 30, 2024, the Capital Project Fund owed the General Fund \$313,254 for 2022 bond change order costs and for 2025 unissued bond costs and the General Fund owed the Debt Service Fund \$7,403 for tax collections.

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. 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. Engineering fees and certain other costs are capitalized as part of the asset. Assets are capitalized 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 \$20,000 or more;
- 3) Buildings (acquisitions, renovations or rehabilitation) costing \$10,000 or more;
- 4) Equipment (other than computer or software) costing \$3,000 or more;
- 5) Computer and Computer Software Equipment costing \$750 or more;
- 6) Construction/Development in progress costing \$7,000 or more;
- 7) Intangible assets costing/valued at \$7,000 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:

	<u>Years</u>
Buildings	10-50
Water/Wastewater Systems	5-50
Other Assets	5-40

Inventory

Inventory is recorded on the average cost basis, less a 10% allowance for loss. Average cost is calculated on the average cost of each specific item purchased during the current fiscal year. The District’s inventory balance as of September 30, 2024, was \$127,599.

PORT O’CONNOR IMPROVEMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2024

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Budgeting

Budgets are adopted each year 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. Neither the General Fund or Special Revenue Fund budgets were amended during the current fiscal year. 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 and amended 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 11 employees consisting of 10 full-time and 1 part-time. 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 does not have any committed funds at this time.

PORT O’CONNOR IMPROVEMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2024

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

	<u>Series 2015</u>
Amount Outstanding – September 30, 2024	\$ 1,710,000
Interest Rates	2.44% - 4.02%
Maturity Dates – Beginning/Ending	September 1, 2025/2035
Interest Payment Dates	March 1/September 1
Callable Dates	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 2015 bonds are callable in inverse order of maturity.

PORT O’CONNOR IMPROVEMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2024

NOTE 3. LONG-TERM DEBT (Continued)

	<u>Series 2018</u>	<u>Series 2022 Private Placement</u>
Amount Outstanding – September 30, 2024	\$ 4,600,000	\$ 5,705,000
Interest Rates	4.00% - 5.00%	1.39% - 2.60%
Maturity Dates – Beginning/Ending	September 1, 2025/2038	September 1, 2025/2052
Interest Payment Dates	March 1/September 1	March 1/September 1
Callable Dates	September 1, 2026*	September 1, 2032*

	<u>Series 2023</u>
Amount Outstanding – September 30, 2024	\$ 15,280,000
Interest Rates	4.375% - 6.875%
Maturity Dates – Beginning/Ending	September 1, 2025/2057
Interest Payment Dates	March 1/September 1
Callable Dates	September 1, 2029*

- * 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 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. The Series 2023 term bonds maturing on September 1, 2039, September 1, 2053 and September 1, 2057 are subject to mandatory redemption by lot or other customary random selection method beginning September 1, 2036, September 1, 2051 and September 1, 2054, respectively.

PORT O’CONNOR IMPROVEMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2024

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, 2024:

	October 1, 2023	Additions	Retirements	September 30, 2024
Bonds Payable	\$ 28,080,000	\$	\$ 785,000	\$ 27,295,000
Unamortized Discounts	(114,031)		(3,368)	(110,663)
Unamortized Premiums	47,324		1,398	45,926
Bonds Payable, Net	<u>\$ 28,013,293</u>	<u>\$ -0-</u>	<u>\$ 783,030</u>	<u>\$ 27,230,263</u>
			Amount Due Within One Year	\$ 580,000
			Amount Due After One Year	<u>26,650,263</u>
			Bonds Payable, Net	<u>\$ 27,230,263</u>

As of September 30, 2024, the District had authorized but unissued unlimited tax bonds of \$24,720,000 and refunding bonds in the amount of \$45,300,000. The Defined Area No. 1 has authorized but unissued tax bonds in the amount of \$20,000,000.

As of September 30, 2024, the debt service requirements on the bonds outstanding were as follows:

Fiscal Year	Principal	Interest	Total
2025	\$ 580,000	\$ 1,091,566	\$ 1,671,566
2026	600,000	1,072,551	1,672,551
2027	615,000	1,052,474	1,667,474
2028	635,000	1,031,335	1,666,335
2029	650,000	1,009,058	1,659,058
2030-2034	3,580,000	4,658,490	8,238,490
2035-2039	3,430,000	3,928,446	7,358,446
2040-2044	3,845,000	3,239,344	7,084,344
2045-2049	4,755,000	2,428,084	7,183,084
2050-2054	5,320,000	1,409,479	6,729,479
2055-2057	3,285,000	300,600	3,585,600
	<u>\$ 27,295,000</u>	<u>\$ 21,221,427</u>	<u>\$ 48,516,427</u>

PORT O’CONNOR IMPROVEMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2024

NOTE 3. LONG-TERM DEBT (Continued)

During the year ended September 30, 2024, the District levied a District-wide ad valorem debt service tax at the rate of \$0.2200 per \$100 of assessed valuation, which resulted in a tax levy of \$1,455,606 on the adjusted taxable valuation of \$671,803,023 for the 2023 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.

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, 2024. The Series 2013 bonds had been paid in full as of fiscal year end.

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 \$190,944. These provisions have been met, and the cash allocated for these purposes was sufficient to meet debt requirements through the fiscal year ended September 30, 2024.

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 the bonds.

PORT O’CONNOR IMPROVEMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2024

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 \$11,791,622 and the bank balance was \$12,252,745. The District was not exposed to custodial credit risk at year-end.

The carrying values of the deposits are included in the Governmental Funds Balance Sheet and the Statement of Net Position at September 30, 2024, as listed below:

	Cash	Certificate of Deposit	Total
GENERAL FUND	\$ 1,875,399		\$ 1,875,399
SPECIAL REVENUE FUND	367,516		367,516
DEBT SERVICE FUND	817,702	372,441	1,190,143
CAPITAL PROJECTS FUND	8,358,564		8,358,564
TOTAL DEPOSITS	<u>\$ 11,419,181</u>	<u>\$ 372,441</u>	<u>\$ 11,791,622</u>

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.”

PORT O’CONNOR IMPROVEMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2024

NOTE 5. DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

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 which is reviewed annually and which may be more restrictive than the Public Funds Investment Act.

The District invests in United States Treasury Notes, United States Treasury Bills, money market mutual funds, and Federal Home Loan Bank bonds. The District measures these investments at fair market value. Net unrealized gains on these investments as of September 30, 2024, totaled \$81,776.

The District measures investment in certificates of deposit at acquisition cost. As of September 30, 2024, the District had the following investments and maturities:

Funds and Investment Type	Fair Market Value	Maturities in Years	
		Less Than 1 Year	1-5
<u>GENERAL FUND</u>			
United States Treasury Notes	\$ 985,500	\$ 495,715	\$ 489,785
Federal Home Loan Bank Bonds	852,793	247,865	604,928
Federal Farm Credit Bank Bond	596,373	496,030	100,343
Federal Agric Mtg Corp Medium Term	501,180		501,180
Money Market Funds	2,686,780	2,686,780	
Certificates of Deposit	500,000	500,000	
<u>DEBT SERVICE FUND</u>			
Certificate of Deposit	372,441	372,441	
TOTAL INVESTMENTS	\$ 6,495,067	\$ 4,798,831	\$ 1,696,236

Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. The District’s investment policy permits the investment in high grade obligations of the United States and certain money market funds. The District also manages credit risk by investing in certificates of deposits insured by the FDIC. Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District’s investments generally have maturities of less than five years to address interest rate risk concerns. The District also manages interest rate risk by investing in certificates of deposit with maturities of approximately one year or less.

PORT O’CONNOR IMPROVEMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2024

NOTE 5. DEPOSITS AND INVESTMENTS (Continued)

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.

NOTE 6. CAPITAL ASSETS

Capital asset activity for the current fiscal year is summarized in the following table:

	October 1, 2023	Increases	Decreases	September 30, 2024
Capital Assets Not Being Depreciated				
Land and Land Improvements	\$ 661,569	\$	\$	\$ 661,569
Construction in Progress	<u>3,159,160</u>	<u>11,730,833</u>	<u>965,326</u>	<u>13,924,667</u>
Total Capital Assets Not Being Depreciated	<u>\$ 3,820,729</u>	<u>\$ 11,730,833</u>	<u>\$ 965,326</u>	<u>\$ 14,586,236</u>
Capital Assets Subject to Depreciation				
Water System	\$ 15,037,811	\$ 504,861	\$ 1,775	\$ 15,540,897
Wastewater System	15,034,879	59,581	62,000	15,032,460
Buildings, Equipment and Other	<u>3,973,962</u>	<u>400,884</u>	<u>59,727</u>	<u>4,315,119</u>
Total Capital Assets Subject to Depreciation	<u>\$ 34,046,652</u>	<u>\$ 965,326</u>	<u>\$ 123,502</u>	<u>\$ 34,888,476</u>
Less Accumulated Depreciation				
Water System	\$ 4,579,123	\$ 604,722	\$ 1,775	\$ 5,182,070
Wastewater System	4,965,387	406,719	62,000	5,310,106
Buildings, Equipment and Other	<u>1,062,235</u>	<u>82,305</u>	<u>43,188</u>	<u>1,101,352</u>
Total Accumulated Depreciation	<u>\$ 10,606,745</u>	<u>\$ 1,093,746</u>	<u>\$ 106,963</u>	<u>\$ 11,593,528</u>
Total Depreciable Capital Assets, Net of Accumulated Depreciation	<u>\$ 23,439,907</u>	<u>\$ (128,420)</u>	<u>\$ 16,539</u>	<u>\$ 23,294,948</u>
Total Capital Assets, Net of Accumulated Depreciation	<u><u>\$ 27,260,636</u></u>	<u><u>\$ 11,602,413</u></u>	<u><u>\$ 981,865</u></u>	<u><u>\$ 37,881,184</u></u>

PORT O’CONNOR IMPROVEMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2024

NOTE 7. MAINTENANCE TAX

During the fiscal year ended September 30, 2024, the District levied an ad valorem maintenance tax rate of \$0.2749 per \$100 of assessed valuation, which resulted in a tax levy of \$1,818,846 on the adjusted taxable valuation of \$671,803,023 for the 2023 tax year. The maintenance tax is to be used by the General Fund to pay expenditures of operating the District’s waterworks and wastewater system and for any other lawful purpose.

NOTE 8. DEFINED AREA NO. 1

Pursuant to a resolution adopted by the District’s Board of Directors on February 11, 2008, and an election held on May 10, 2008, approximately 41 acres within the boundaries of the District were designated as Defined Area No. 1 and are being developed as “Caracol”. Pursuant to an Agreement for Maintenance and Operation for Port O’Connor Defined Area No. 1 Facilities entered into between the District and Caracol Community Association, Inc. ("Caracol Community") on October 23, 2018, the District is responsible for operating and maintaining the water and wastewater facilities within Defined Area No. 1. The District collects and retains all District-wide maintenance tax and all tap fees and monthly water and wastewater revenue within Defined Area No. 1 to use in connection with the District's operation and maintenance costs. 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 not to exceed \$0.80 per \$100 of assessed valuation. 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, 2024, the Defined Area levied an ad valorem maintenance tax rate of \$0.5051 per \$100 of assessed valuation, which resulted in a tax levy of \$94,248 on the adjusted taxable valuation of \$18,671,495 for the 2023 tax year.

PORT O’CONNOR IMPROVEMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2024

NOTE 9. 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 10. 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 provides for the District to collect taxes at the rate of 1.50% 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 \$384,934 in sales tax revenue, of which \$65,476 was receivable at year-end.

PORT O’CONNOR IMPROVEMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2024

NOTE 11. TCEQ COMPLIANCE

The District is currently in compliance with the TCEQ as it relates to its water and wastewater systems. The District is maintaining compliance via the following processes: (i) employed with licensed in-house 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 and 2022 Bonds will also be used to continue water and wastewater system upgrades to address TCEQ compliance requirements. At this time, the District has no outstanding violations with the TCEQ.

NOTE 12. SUBSEQUENT EVENT – PENDING BOND SALE

On or about March 25, 2025, subsequent to the report date, the District anticipates closing on the sale of its Series 2025 Unlimited Tax Bonds in the amount of \$7,390,000. Bond proceeds will be used to pay for construction and engineering costs related to wastewater treatment plant improvements, sanitary sewer system extensions and vacuum valve pit sump replacements. Bond proceeds will also be used to pay for bond issuance costs.

PORT O’CONNOR IMPROVEMENT DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

SEPTEMBER 30, 2024

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, 2024

	Original and Final Budget	Actual	Variance Positive (Negative)
REVENUES			
Property Taxes	\$ 1,791,688	\$ 1,803,164	\$ 11,476
Water Service	1,200,000	1,283,517	83,517
Wastewater Service	772,000	725,380	(46,620)
Penalty and Interest	29,000	41,377	12,377
Tap Connection and Inspection Fees	121,000	111,553	(9,447)
Sales and Use Tax Revenues	350,000	384,934	34,934
Solid Waste Service	551,000	584,175	33,175
Investment and Miscellaneous Revenues	248,700	509,679	260,979
TOTAL REVENUES	<u>\$ 5,063,388</u>	<u>\$ 5,443,779</u>	<u>\$ 380,391</u>
EXPENDITURES			
Service Operations:			
Professional Fees	\$ 416,000	\$ 550,257	\$ (134,257)
Personnel	912,600	896,548	16,052
Contracted Services	645,800	678,494	(32,694)
Purchased Water Service	602,625	622,419	(19,794)
Utilities	211,000	172,256	38,744
Repairs and Maintenance	551,200	547,638	3,562
Other	390,435	270,122	120,313
Capital Outlay	158,000	791,776	(633,776)
Debt Service:			
Bond Principal	130,000	130,000	
Bond Interest	63,500	63,131	369
TOTAL EXPENDITURES	<u>\$ 4,081,160</u>	<u>\$ 4,722,641</u>	<u>\$ (641,481)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ 982,228</u>	<u>\$ 721,138</u>	<u>\$ (261,090)</u>
OTHER FINANCING SOURCES (USES)			
Transfers Out	\$ (75,000)	\$	\$ 75,000
Contingency	(907,228)		907,228
TOTAL OTHER FINANCING SOURCES (USES)	<u>\$ (982,228)</u>	<u>\$ -0-</u>	<u>\$ 982,228</u>
NET CHANGE IN FUND BALANCE	\$ -0-	\$ 721,138	\$ 721,138
FUND BALANCE - OCTOBER 1, 2023	<u>7,220,871</u>	<u>7,220,871</u>	
FUND BALANCE - SEPTEMBER 30, 2024	<u>\$ 7,220,871</u>	<u>\$ 7,942,009</u>	<u>\$ 721,138</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, 2024

	Original and Final Budget	Actual	Variance Positive (Negative)
REVENUES			
Property Taxes	\$ 100,000	\$ 94,248	\$ (5,752)
Investment and Miscellaneous Revenues	<u>1,000</u>	<u>13,952</u>	<u>12,952</u>
TOTAL REVENUES	<u>\$ 101,000</u>	<u>\$ 108,200</u>	<u>\$ 7,200</u>
EXPENDITURES			
Service Operations:			
Professional Fees	\$	\$ 2,329	\$ (2,329)
Contracted Services	1,000	1,501	(501)
Maintenance, Insurance and Other	<u>2,250</u>	<u>2,322</u>	<u>(72)</u>
TOTAL EXPENDITURES	<u>\$ 3,250</u>	<u>\$ 6,152</u>	<u>\$ (2,902)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ 97,750</u>	<u>\$ 102,048</u>	<u>\$ 4,298</u>
OTHER FINANCING SOURCES(USES)			
Transfers Out	<u>\$ (97,750)</u>	<u>\$ -0-</u>	<u>\$ 97,750</u>
NET CHANGE IN FUND BALANCE	\$ -0-	\$ 102,048	\$ 102,048
FUND BALANCE - OCTOBER 1, 2023	<u>266,049</u>	<u>266,049</u>	<u></u>
FUND BALANCE - SEPTEMBER 30, 2024	<u>\$ 266,049</u>	<u>\$ 368,097</u>	<u>\$ 102,048</u>

See accompanying independent auditor’s report.

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, 2024

PORT O’CONNOR IMPROVEMENT DISTRICT
SERVICES AND RATES
FOR THE YEAR ENDED SEPTEMBER 30, 2024

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

<u> X </u>	Retail Water	<u> </u>	Wholesale Water	<u> </u>	Drainage
<u> X </u>	Retail Wastewater	<u> </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				
<u> X </u>	Other (specify): Voluntary Fire Department Donations				

2. RETAIL SERVICE PROVIDERS

a. RETAIL RATES FOR A 5/8” METER (OR EQUIVALENT):

The following rates are based on the rate order effective May 4, 2023.

	<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 No

Total monthly charges per 10,000 gallons usage: Water: \$57.55 Wastewater: \$47.30 Surcharge: \$0.52 Base Fee: \$23.50

See accompanying independent auditor’s report.

PORT O’CONNOR IMPROVEMENT DISTRICT
SERVICES AND RATES
FOR THE YEAR ENDED SEPTEMBER 30, 2024

2. RETAIL SERVICE PROVIDERS (Continued)

b. WATER AND WASTEWATER RETAIL CONNECTIONS: (Unaudited)

Meter Size	Total Connections	Active Connections	ESFC Factor	Active ESFCs
Unmetered			x 1.0	
≤¾"	<u>2,069</u>	<u>2,048</u>	x 1.0	<u>2,048</u>
1"	<u>30</u>	<u>30</u>	x 2.5	<u>75</u>
1½"	<u>3</u>	<u>3</u>	x 5.0	<u>15</u>
2"	<u>24</u>	<u>24</u>	x 8.0	<u>192</u>
3"	<u>2</u>	<u>2</u>	x 15.0	<u>30</u>
4"			x 25.0	
6"			x 50.0	
8"			x 80.0	
10"			x 115.0	
Total Water Connections	<u>2,128</u>	<u>2,107</u>		<u>2,360</u>
Total Wastewater Connections	<u>1,885</u>	<u>1,866</u>	x 1.0	<u>1,866</u>

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

Gallons pumped into system:	15,086,000	Water Accountability Ratio: 87% (Gallons billed/Gallons pumped and purchased)
Gallons billed to customers:	116,051,000	
Gallons purchased:	117,747,000	

See accompanying independent auditor’s report.

PORT O’CONNOR IMPROVEMENT DISTRICT
SERVICES AND RATES
FOR THE YEAR ENDED SEPTEMBER 30, 2024

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, 2024

PERSONNEL EXPENDITURES (Including Benefits)	<u>\$ 896,548</u>
PROFESSIONAL FEES:	
Auditing	\$ 32,500
Engineering	233,715
Legal	242,063
Other Professional Fees	15,606
Paying Agent Fees	<u>26,373</u>
TOTAL PROFESSIONAL FEES	<u>\$ 550,257</u>
PURCHASED WATER SERVICE	<u>\$ 622,419</u>
CONTRACTED SERVICES:	
Appraisal District	\$ 54,890
Bookkeeping	54,507
Operations	50,435
Solid Waste Disposal	<u>518,662</u>
TOTAL CONTRACTED SERVICES	<u>\$ 678,494</u>
UTILITIES	<u>\$ 172,256</u>
REPAIRS AND MAINTENANCE	<u>\$ 547,638</u>
ADMINISTRATIVE EXPENDITURES:	
Billing Software	\$ 7,526
Insurance	112,133
Office Supplies and Postage	32,480
Travel, Training, Dues, Meals, Lodging	<u>18,331</u>
TOTAL ADMINISTRATIVE EXPENDITURES	<u>\$ 170,470</u>

See accompanying independent auditor’s report.

PORT O’CONNOR IMPROVEMENT DISTRICT
GENERAL FUND EXPENDITURES
FOR THE YEAR ENDED SEPTEMBER 30, 2024

CAPITAL OUTLAY				\$	<u>791,776</u>
TAP CONNECTIONS				\$	<u>3,300</u>
OTHER EXPENDITURES:					
Chemicals and Laboratory Fees				\$	45,156
TCEQ Regulatory Assessment and Permit Fees					18,829
Other					<u>32,367</u>
TOTAL OTHER EXPENDITURES				\$	<u>96,352</u>
DEBT SERVICE:					
Bond Principal				\$	130,000
Bond Interest					<u>63,131</u>
TOTAL DEBT SERVICE				\$	<u>193,131</u>
TOTAL EXPENDITURES				\$	<u><u>4,722,641</u></u>
Number of persons employed by the District	<u>10</u>	Full-Time	<u>1</u>	Part-Time	

See accompanying independent auditor’s report.

PORT O'CONNOR IMPROVEMENT DISTRICT
INVESTMENTS
SEPTEMBER 30, 2024

<u>Fund</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Fair Market Value at End of Year</u>	<u>Accrued Interest Receivable at End of Year</u>
<u>GENERAL FUND</u>				
Money Market Fund	Varies	Daily	\$ 2,252,139	\$ 7,679
Money Market Fund	Varies	Daily	434,641	1,768
Certificate of Deposit	5.560%	02/06/25	250,000	911
Certificate of Deposit	5.310%	08/08/25	250,000	870
Federal Home Loan Bank Bond	3.000%	05/12/25	247,865	2,896
Federal Home Loan Bank Bond	5.125%	02/13/26	99,903	683
Federal Farm Credit Bank Bond	3.090%	10/20/25	496,030	6,910
Federal Home Loan Bank Bond	5.000%	04/02/27	505,025	12,222
Federal Farm Credit Bank Bond	5.230%	05/20/26	100,343	1,903
Federal Agric Mtg Corp Medium Term	3.875%	09/03/26	501,180	1,615
United States Treasury Note	2.625%	04/15/25	495,715	6,060
United States Treasury Note	2.750%	04/30/27	489,785	5,754
TOTAL GENERAL FUND			<u>\$ 6,122,626</u>	<u>\$ 49,271</u>
<u>DEBT SERVICE FUND</u>				
Certificate of Deposit	4.210%	01/09/25	<u>\$ 372,441</u>	<u>\$ 6,707</u>
TOTAL - ALL FUNDS			<u><u>\$ 6,495,067</u></u>	<u><u>\$ 55,978</u></u>

See accompanying independent auditor's report.

PORT O'CONNOR IMPROVEMENT DISTRICT
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED SEPTEMBER 30, 2024

	<u>Maintenance Taxes</u>		<u>Debt Service Taxes</u>		<u>Defined Area No. 1</u>	
TAXES RECEIVABLE -						
October 1, 2023	\$	27,725	\$	20,358	\$	
Adjustments to Beginning						
Balance		<u>(30)</u>	\$	27,695	<u>21,676</u>	\$ 42,034
						\$ -0-
Original 2023 Tax Levy	\$	1,872,073	\$	1,498,203	\$	94,248
Adjustment to 2023 Tax Levy		<u>(53,227)</u>		<u>1,818,846</u>	<u>(42,597)</u>	<u>1,455,606</u>
						<u>94,248</u>
TOTAL TO BE						
ACCOUNTED FOR		\$ 1,846,541		\$ 1,497,640		\$ 94,248
TAX COLLECTIONS:						
Prior Years	\$	7,169	\$	27,205	\$	
Current Year		<u>1,795,995</u>		<u>1,803,164</u>	<u>1,437,318</u>	<u>1,464,523</u>
						<u>94,248</u>
						<u>94,248</u>
TAXES RECEIVABLE -						
SEPTEMBER 30, 2024		<u>\$ 43,377</u>		<u>\$ 33,117</u>		<u>\$ -0-</u>
TAXES RECEIVABLE BY						
YEAR:						
2023	\$	22,851	\$	18,288	\$	
2022		5,188		4,918		
2021		2,549		2,678		
2020		1,846		1,966		
2019		1,734		1,846		
2018 and prior		<u>9,209</u>		<u>3,421</u>		
TOTAL	\$	<u>43,377</u>	\$	<u>33,117</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, 2024

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
DISTRICT WIDE:				
Land	\$ 289,811,121	\$ 245,069,612	\$ 205,512,023	\$ 195,548,078
Improvements	469,169,284	362,237,804	272,333,143	253,546,420
Personal Property	9,659,190	8,723,730	8,567,340	8,572,510
Exemptions	<u>(96,836,572)</u>	<u>(66,863,728)</u>	<u>(59,895,519)</u>	<u>(58,516,458)</u>
TOTAL PROPERTY VALUATIONS	<u>\$ 671,803,023</u>	<u>\$ 549,167,418</u>	<u>\$ 426,516,987</u>	<u>\$ 399,150,550</u>
TAX RATES PER \$100 VALUATION:				
Debt Service	\$ 0.2200	\$ 0.2477	\$ 0.2659	\$ 0.2677
Maintenance **	<u>0.2749</u>	<u>0.2613</u>	<u>0.2531</u>	<u>0.2513</u>
TOTAL TAX RATES PER \$100 VALUATION	<u>\$ 0.4949</u>	<u>\$ 0.5090</u>	<u>\$ 0.5190</u>	<u>\$ 0.5190</u>
ADJUSTED TAX LEVY*	<u>\$ 3,274,452</u>	<u>\$ 2,750,186</u>	<u>\$ 2,213,623</u>	<u>\$ 2,038,675</u>
DEFINED AREA:				
PROPERTY VALUATIONS	<u>\$ 18,671,495</u>	<u>\$ 17,665,766</u>	<u>\$ 16,661,331</u>	<u>\$ 14,917,726</u>
TAX RATES PER \$100 VALUATION:				
Debt Service	\$ 0.0000	\$ 0.000	\$ 0.000	\$ 0.000
Maintenance**	<u>0.5051</u>	<u>0.491</u>	<u>0.481</u>	<u>0.481</u>
TOTAL TAX RATES PER \$100 VALUATION	<u>\$ 0.5051</u>	<u>\$ 0.491</u>	<u>\$ 0.481</u>	<u>\$ 0.481</u>
ADJUSTED TAX LEVY*	<u>\$ 94,248</u>	<u>\$ 86,739</u>	<u>\$ 80,141</u>	<u>\$ 71,754</u>
PERCENTAGE OF TOTAL TAXES COLLECTED TO TOTAL TAXES LEVIED	<u>98.78 %</u>	<u>99.64 %</u>	<u>99.77 %</u>	<u>99.82 %</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, 2024

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
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			
2040			
2041			
2042			
2043			
2044			
2045			
2046			
2047			
2048			
2049			
2050			
2051			
2052			
2053			
2054			
2055			
2056			
2057			
	<u>\$ 1,710,000</u>	<u>\$ 404,293</u>	<u>\$ 2,114,293</u>

See accompanying independent auditor’s report.

PORT O’CONNOR IMPROVEMENT DISTRICT
LONG-TERM DEBT SERVICE REQUIREMENTS
SEPTEMBER 30, 2024

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
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
2039			
2040			
2041			
2042			
2043			
2044			
2045			
2046			
2047			
2048			
2049			
2050			
2051			
2052			
2053			
2054			
2055			
2056			
2057			
	<u>\$ 4,600,000</u>	<u>\$ 1,824,975</u>	<u>\$ 6,424,975</u>

See accompanying independent auditor’s report.

PORT O'CONNOR IMPROVEMENT DISTRICT
LONG-TERM DEBT SERVICE REQUIREMENTS
SEPTEMBER 30, 2024

S E R I E S - 2 0 2 2			
Due During Fiscal Years Ending September 30	Principal Due September 1	Interest Due March 1/ September 1	Total
2025	\$ 150,000	\$ 133,257	\$ 283,257
2026	155,000	131,007	286,007
2027	155,000	128,589	283,589
2028	160,000	125,985	285,985
2029	160,000	123,073	283,073
2030	165,000	119,889	284,889
2031	170,000	116,490	286,490
2032	170,000	112,869	282,869
2033	175,000	109,146	284,146
2034	180,000	105,226	285,226
2035	185,000	101,122	286,122
2036	190,000	96,848	286,848
2037	190,000	92,422	282,422
2038	195,000	87,956	282,956
2039	200,000	83,335	283,335
2040	205,000	78,555	283,555
2041	210,000	73,635	283,635
2042	215,000	68,532	283,532
2043	220,000	63,222	283,222
2044	225,000	57,744	282,744
2045	230,000	52,096	282,096
2046	240,000	46,277	286,277
2047	245,000	40,181	285,181
2048	250,000	33,934	283,934
2049	255,000	27,534	282,534
2050	265,000	20,980	285,980
2051	270,000	14,143	284,143
2052	275,000	7,150	282,150
2053			
2054			
2055			
2056			
2057			
	<u>\$ 5,705,000</u>	<u>\$ 2,251,197</u>	<u>\$ 7,956,197</u>

See accompanying independent auditor's report.

PORT O’CONNOR IMPROVEMENT DISTRICT
LONG-TERM DEBT SERVICE REQUIREMENTS
SEPTEMBER 30, 2024

S E R I E S - 2 0 2 3			
Due During Fiscal Years Ending September 30	Principal Due September 1	Interest Due March 1/ September 1	Total
2025	\$ 50,000	\$ 683,475	\$ 733,475
2026	50,000	680,038	730,038
2027	50,000	676,600	726,600
2028	50,000	673,162	723,162
2029	50,000	669,725	719,725
2030	50,000	666,288	716,288
2031	50,000	664,100	714,100
2032	50,000	661,912	711,912
2033	50,000	659,725	709,725
2034	50,000	657,538	707,538
2035	50,000	655,350	705,350
2036	50,000	653,162	703,162
2037	50,000	650,975	700,975
2038	50,000	648,788	698,788
2039	480,000	646,600	1,126,600
2040	500,000	625,600	1,125,600
2041	525,000	603,725	1,128,725
2042	555,000	580,756	1,135,756
2043	580,000	556,475	1,136,475
2044	610,000	531,100	1,141,100
2045	640,000	504,412	1,144,412
2046	670,000	476,412	1,146,412
2047	705,000	447,100	1,152,100
2048	740,000	416,256	1,156,256
2049	780,000	383,882	1,163,882
2050	815,000	349,756	1,164,756
2051	855,000	314,100	1,169,100
2052	900,000	275,625	1,175,625
2053	945,000	235,125	1,180,125
2054	995,000	192,600	1,187,600
2055	1,040,000	147,825	1,187,825
2056	1,095,000	101,025	1,196,025
2057	1,150,000	51,750	1,201,750
	<u>\$ 15,280,000</u>	<u>\$ 16,740,962</u>	<u>\$ 32,020,962</u>

See accompanying independent auditor’s report.

PORT O'CONNOR IMPROVEMENT DISTRICT
LONG-TERM DEBT SERVICE REQUIREMENTS
SEPTEMBER 30, 2024

ANNUAL REQUIREMENTS
FOR ALL SERIES

Due During Fiscal Years Ending September 30	Total Principal Due	Total Interest Due	Total Principal and Interest Due
2025	\$ 580,000	\$ 1,091,566	\$ 1,671,566
2026	600,000	1,072,551	1,672,551
2027	615,000	1,052,474	1,667,474
2028	635,000	1,031,335	1,666,335
2029	650,000	1,009,058	1,659,058
2030	665,000	984,242	1,649,242
2031	695,000	959,785	1,654,785
2032	715,000	933,898	1,648,898
2033	740,000	905,251	1,645,251
2034	765,000	875,314	1,640,314
2035	800,000	844,110	1,644,110
2036	630,000	811,260	1,441,260
2037	650,000	785,147	1,435,147
2038	670,000	757,994	1,427,994
2039	680,000	729,935	1,409,935
2040	705,000	704,155	1,409,155
2041	735,000	677,360	1,412,360
2042	770,000	649,288	1,419,288
2043	800,000	619,697	1,419,697
2044	835,000	588,844	1,423,844
2045	870,000	556,508	1,426,508
2046	910,000	522,689	1,432,689
2047	950,000	487,281	1,437,281
2048	990,000	450,190	1,440,190
2049	1,035,000	411,416	1,446,416
2050	1,080,000	370,736	1,450,736
2051	1,125,000	328,243	1,453,243
2052	1,175,000	282,775	1,457,775
2053	945,000	235,125	1,180,125
2054	995,000	192,600	1,187,600
2055	1,040,000	147,825	1,187,825
2056	1,095,000	101,025	1,196,025
2057	1,150,000	51,750	1,201,750
	<u>\$ 27,295,000</u>	<u>\$ 21,221,427</u>	<u>\$ 48,516,427</u>

See accompanying independent auditor's report.

PORT O'CONNOR IMPROVEMENT DISTRICT
CHANGES IN LONG-TERM BOND DEBT
FOR THE YEAR ENDED SEPTEMBER 30, 2024

Description	Original Bonds Issued	Bonds Outstanding October 1, 2023
Port O'Connor Improvement District Unlimited Tax Refunding Bonds - Series 2013	\$ 4,700,000	\$ 265,000
Port O'Connor Improvement District Water and Sewer System Revenue Bonds - Series 2015	2,815,000	1,840,000
Port O'Connor Improvement District Unlimited Tax Bonds - Series 2018	6,000,000	4,840,000
Port O'Connor Improvement District Unlimited Tax Bonds - Series 2022	6,000,000	5,855,000
Port O'Connor Improvement District Unlimited Tax Bonds - Series 2023	<u>15,280,000</u>	<u>15,280,000</u>
TOTAL	<u>\$ 34,795,000</u>	<u>\$ 28,080,000</u>

	Unlimited Tax Bonds	Defined Area No. 1 Unlimited Tax Bonds	Refunding Bonds
Bond Authority:			
Authorized by Voters	\$ 52,000,000	\$ 20,000,000	\$ 50,000,000
Amount Issued	<u>27,280,000</u>		<u>4,700,000</u>
Remaining to be Issued	<u>\$ 24,720,000</u>	<u>\$ 20,000,000</u>	<u>\$ 45,300,000</u>

See accompanying independent auditor's report.

Current Year Transactions				Bonds Outstanding September 30, 2024	Paying Agent
Bonds Sold	Retirements				
	Principal	Interest			
\$	\$ 265,000	\$ 10,600	\$ -0-	The Bank of New York Mellon Trust Company, N.A. Dallas, TX	
	130,000	63,131	1,710,000	The Bank of New York Mellon Trust Company, N.A. Dallas, TX	
	240,000	224,475	4,600,000	The Bank of New York Mellon Trust Company, N.A. Dallas, TX	
	150,000	135,342	5,705,000	The Bank of New York Mellon Trust Company, N.A. Dallas, TX	
		710,055	15,280,000	The Bank of New York Mellon Trust Company, N.A. Dallas, TX	
\$ - 0 -	\$ 785,000	\$ 1,143,603	\$ 27,295,000		

Cash and investment balances restricted to pay debt as of September 30, 2024: \$ 1,381,087

Average annual debt service payment (principal and interest) for remaining term of all debt: \$ 1,470,195

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

See accompanying independent auditor's report.

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

	Amounts		
	2024	2023	2022
REVENUES			
Property Taxes	\$ 1,803,164	\$ 1,462,407	\$ 1,355,543
Water Service	1,283,517	1,327,526	1,224,024
Wastewater Service	725,380	769,879	694,748
Penalty and Interest	41,377	47,249	48,314
Tap Connection and Inspection Fees	111,553	140,033	145,549
Sales and Use Tax Revenues	384,934	384,321	383,809
Solid Waste Service	584,175	557,569	508,270
La Salle WCID No. 1A Income			163,043
Investment and Miscellaneous Revenues	509,679	470,493	74,066
TOTAL REVENUES	<u>\$ 5,443,779</u>	<u>\$ 5,159,477</u>	<u>\$ 4,597,366</u>
EXPENDITURES			
Professional Fees	\$ 550,257	\$ 530,567	\$ 638,855
Personnel	896,548	822,765	842,963
Contracted Services	678,494	654,990	658,250
Purchased Water Service	622,419	343,717	344,285
Utilities	172,256	185,841	160,363
Repairs and Maintenance	547,638	446,406	644,266
Other	270,122	342,852	332,747
Capital Outlay	791,776	662,945	590,541
Debt Service:			
Bond Principal	130,000	125,000	125,000
Bond Interest	63,131	65,943	68,469
TOTAL EXPENDITURES	<u>\$ 4,722,641</u>	<u>\$ 4,181,026</u>	<u>\$ 4,405,739</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ 721,138</u>	<u>\$ 978,451</u>	<u>\$ 191,627</u>
SPECIAL ITEM			
La Salle Merger	<u>\$ - 0 -</u>	<u>\$ - 0 -</u>	<u>\$ 1,202,043</u>
OTHER FINANCING SOURCES (USES)			
Transfers In (Out)	<u>\$ - 0 -</u>	<u>\$ (72,487)</u>	<u>\$ (2,065,066)</u>
NET CHANGE IN FUND BALANCE	\$ 721,138	\$ 905,964	\$ (671,396)
BEGINNING FUND BALANCE	<u>7,220,871</u>	<u>6,314,907</u>	<u>6,986,303</u>
ENDING FUND BALANCE	<u><u>\$ 7,942,009</u></u>	<u><u>\$ 7,220,871</u></u>	<u><u>\$ 6,314,907</u></u>

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

See accompanying independent auditor's report.

		Percentage of Total Revenues				
2021	2020	2024	2023	2022	2021	2020
\$ 980,052	\$ 976,880	33.1 %	28.5 %	29.5 %	23.9 %	23.7 %
1,122,399	1,018,835	23.6	25.7	26.6	27.4	24.7
622,298	618,966	13.3	14.9	15.1	15.2	15.0
35,460	29,888	0.8	0.9	1.1	0.9	0.7
247,388	128,200	2.0	2.7	3.2	6.0	3.1
345,059	301,536	7.1	7.4	8.3	8.4	7.3
459,149	448,352	10.7	10.8	11.1	11.2	10.9
239,930	417,130			3.5	5.9	10.1
45,629	186,202	9.4	9.1	1.6	1.1	4.5
<u>\$ 4,097,364</u>	<u>\$ 4,125,989</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>
\$ 432,015	\$ 253,452	10.1 %	10.3 %	13.9 %	10.5 %	6.1 %
736,620	672,693	16.5	15.9	18.3	18.0	16.3
633,708	538,428	12.5	12.7	14.3	15.5	13.0
313,109	323,208	11.4	6.7	7.5	7.6	7.8
151,090	110,617	3.2	3.6	3.5	3.7	2.7
679,705	168,088	10.1	8.7	14.0	16.6	4.1
286,665	375,234	5.0	6.6	7.2	7.0	9.1
450,578	570,430	14.5	12.8	12.8	11.0	13.8
120,000	120,000	2.4	2.4	2.7	2.9	2.9
70,557	72,297	1.2	1.3	1.5	1.7	1.8
<u>\$ 3,874,047</u>	<u>\$ 3,204,447</u>	<u>86.9 %</u>	<u>81.0 %</u>	<u>95.7 %</u>	<u>94.5 %</u>	<u>77.6 %</u>
<u>\$ 223,317</u>	<u>\$ 921,542</u>	<u>13.1 %</u>	<u>19.0 %</u>	<u>4.3 %</u>	<u>5.5 %</u>	<u>22.4 %</u>
<u>\$ - 0 -</u>	<u>\$ - 0 -</u>					
<u>\$ (601,511)</u>	<u>\$ - 0 -</u>					
\$ (378,194)	\$ 921,542					
<u>7,364,497</u>	<u>6,524,104</u>					
<u>\$ 6,986,303</u>	<u>\$ 7,445,646</u>					

See accompanying independent auditor's report.

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

	Amounts		
	2024	2023	2022
REVENUES			
Property Taxes	\$ 1,464,523	\$ 1,405,318	\$ 1,088,083
Penalty, Interest and Other Revenues	<u>91,182</u>	<u>29,035</u>	<u>15,456</u>
TOTAL REVENUES	<u>\$ 1,555,705</u>	<u>\$ 1,434,353</u>	<u>\$ 1,103,539</u>
EXPENDITURES			
Debt Service Principal	\$ 655,000	\$ 630,000	\$ 1,005,000
Debt Service Interest, Fees and Other	<u>1,106,524</u>	<u>414,931</u>	<u>340,166</u>
TOTAL EXPENDITURES	<u>\$ 1,761,524</u>	<u>\$ 1,044,931</u>	<u>\$ 1,345,166</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ (205,819)</u>	<u>\$ 389,422</u>	<u>\$ (241,627)</u>
OTHER FINANCING SOURCES (USES)			
Proceeds from Issuance of Long-Term Debt	<u>\$ - 0 -</u>	<u>\$ 683,475</u>	<u>\$ - 0 -</u>
NET CHANGE IN FUND BALANCE	\$ (205,819)	\$ 1,072,897	\$ (241,627)
BEGINNING FUND BALANCE	<u>1,410,072</u>	<u>337,175</u>	<u>578,802</u>
ENDING FUND BALANCE	<u><u>\$ 1,204,253</u></u>	<u><u>\$ 1,410,072</u></u>	<u><u>\$ 337,175</u></u>
TOTAL ACTIVE RETAIL WATER CONNECTIONS	<u><u>2,107</u></u>	<u><u>2,135</u></u>	<u><u>1,911</u></u>
TOTAL ACTIVE RETAIL WASTEWATER CONNECTIONS	<u><u>1,866</u></u>	<u><u>1,729</u></u>	<u><u>1,652</u></u>

See accompanying independent auditor’s report.

		Percentage of Total Revenues				
2021	2020	2024	2023	2022	2021	2020
\$ 1,049,124	\$ 964,421	94.1 %	98.0 %	98.6 %	98.6 %	97.8 %
<u>15,280</u>	<u>21,308</u>	<u>5.9</u>	<u>2.0</u>	<u>1.4</u>	<u>1.4</u>	<u>2.2</u>
\$ 1,064,404	\$ 985,729	<u>100.0</u> %	<u>100.0</u> %	<u>100.0</u> %	<u>100.0</u> %	<u>100.0</u> %
\$ 460,000	\$ 990,000	42.1 %	43.9 %	91.1 %	43.2 %	100.4 %
<u>314,225</u>	<u>358,527</u>	<u>71.1</u>	<u>28.9</u>	<u>30.8</u>	<u>29.5</u>	<u>36.4</u>
\$ 774,225	\$ 1,348,527	<u>113.2</u> %	<u>72.8</u> %	<u>121.9</u> %	<u>72.7</u> %	<u>136.8</u> %
\$ 290,179	\$ (362,798)	<u>(13.2)</u> %	<u>27.2</u> %	<u>(21.9)</u> %	<u>27.3</u> %	<u>(36.8)</u> %
\$ - 0 -	\$ - 0 -					
\$ 290,179	\$ (362,798)					
<u>288,623</u>	<u>651,421</u>					
\$ 578,802	\$ 288,623					
<u>1,732</u>	<u>1,734</u>					
<u>1,578</u>	<u>1,525</u>					

See accompanying independent auditor's report.

PORT O’CONNOR IMPROVEMENT DISTRICT
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
SEPTEMBER 30, 2024

	<u>Date Hired</u>	<u>Fees for the year ended September 30, 2024</u>	<u>Title</u>
Key Personnel:			
Oscar Pena	07/29/19	\$ 103,131	District Manager
Kim Stafford	03/11/08	\$ 65,789	Office Manager
Consultants:			
Walker Keeling LLP	02/04/19	\$ 173,733	General Counsel
Allen Boone Humphries Robinson LLP	06/17/13	\$ 58,124	Special Counsel
McCall Gibson Swedlund Barfoot Ellis PLLC	09/20/18	\$ 32,500	Audit
Goldman, Hunt, & Notz, L.L.P.	12/10/20	\$ 54,507	Bookkeeper
Superior Water Management of Texas LLC	07/17/19	\$ 50,435	General Management Services
Masterson Advisors, LLC	01/19/23	\$ -0-	Financial Advisor
John D. Mercer & Associates, Inc.	09/20/18	\$ -0-	Engineer
BGE, Inc		\$ 229,030	Engineer
Calhoun County		\$ 54,890	Tax Assessor/ Collector

See accompanying independent auditor’s report.