

JEFFERSON COUNTY WATER
CONTROL & IMPROVEMENT
DISTRICT # 10

ANNUAL FINANCIAL REPORTS
FOR THE YEAR ENDED JUNE 30, 2021

JEFFERSON COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 10
NEDERLAND, TEXAS

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IMPROVEMENT DISTRICT NO. 10
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J. R. Edwards & Associates, LLC

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

October 26, 2021

Board of Directors
Jefferson County Water Control and
Improvement District # 10
3707 Central
Nederland, TX 77627

To Those It May Concern:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of Jefferson County Water Control & Improvement District # 10 ("the District"), as of and for the year ended June 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 an opinion 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 and the standards contained in Government Auditing, issued by the Comptroller General of the United States. 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

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of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities and each major fund of Jefferson County Water Control and Improvement District # 10 as of June 30, 2021, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (pages 2 through 7), the budgetary comparison information (page 41), and the pension related schedules (page 43 and 44), 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 other supplementary information beginning on page 47 is presented for the purpose of additional analysis and is not a required part of the basic financial statements.

Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of

America. In our opinion, the other supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated October 26, 2021 on our consideration of Jefferson County Water Control and Improvement District # 10's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements and other matters. The purpose of that report is to solely describe the scope of our testing on internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over the financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Jefferson County Water Control and Improvement District # 10's internal control over financial reporting and compliance.

Sincerely,


J.R. EDWARDS & ASSOCIATES, LLC

ANNUAL FILING AFFIDAVIT

THE STATE OF TEXAS
COUNTY OF JEFFERSON

I, STEPHEN SAVANT, PRESIDENT of the
(Name of duly Authorized District Representative)

JEFFERSON COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 10

hereby swear, or affirm, that the district named above has reviewed and approved at a meeting of the Board of Directors of the District on the 28 day of October, 2021 its annual audit report for the fiscal year or period ended June 30, 2021 and that copies of the annual audit have been filed in the district office, located at

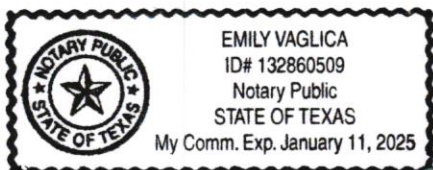
3707 CENTRAL BOULEVARD, NEDERLAND, TX

The annual filing affidavit and the attached copy of the annual audit report are being submitted to the Texas Natural Resource Conservation Commission in satisfaction of all annual filing requirements within Section 49.194 of the Texas Water Code.

Date: October 28, 2021

By: [Signature]
Stephen Savant, President

Sworn to and subscribed to before me this 28 day of October, 2021.



(Seal)

[Signature]
(Signature of Notary)

My commission expires on January 11, 2025, Notary Public in and for the State of Texas.

JEFFERSON COUNTY WATER CONTROL & IMPROVEMENT DISTRICT NO. 10
Management's Discussion and Analysis
June 30, 2021

As management of the Jefferson County Water Control & Improvement District No. 10, we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2021. We encourage readers to consider the information presented here in conjunction with the independent auditor's report and the District's financial statements, which follow.

Financial Highlights

- The assets of the Jefferson County Water Control & Improvement District No. 10 exceeded its liabilities as of June 30, 2021, by \$8,660,652 (net position). Of this amount, \$531,781 (unrestricted net position) may be used to meet the District's ongoing obligations to citizens and creditors.
- The Jefferson County Water Control & Improvement District No. 10 total net position increased by \$852,534. The District had expenses associated with governmental activities totaling \$516,816 and general revenues and grants were \$1,318,239.
- As of June 30, 2021, the Jefferson County Water Control & Improvement District No. 10 water and sewer fund reported ending net position of \$10,062,086, an increase of \$1,004,541 in comparison with the prior year.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Jefferson County Water Control & Improvement District No. 10 basic financial statements. These basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the Jefferson County Water Control & Improvement District No. 10 finances, in a manner similar to a private-sector business.

The Statement of Net Position presents information on all of the Jefferson County Water Control & Improvement District No. 10 assets and liabilities, with the difference between the two 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 Jefferson County Water Control & Improvement District No. 10 is improving or deteriorating.

The Statement of Activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. uncollected taxes and earned but unused vacation and sick leave).

Both of the government-wide financial statements distinguish functions of the District that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees or charges (business-type activities). The governmental activities of the District include fire protection and general administration. The business-type activities of the District include a water and sewer system.

The government-wide financial statements can be found on pages 9-11 of this report.

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 Jefferson County Water Control & Improvement District No. 10, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into two categories: Governmental Funds and Proprietary Funds.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statements of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Jefferson County Water Control & Improvement District No. 10 maintains three governmental funds. Information is presented in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balance for the three funds, which are considered to be major funds.

The basic governmental fund financial statements can be found on pages 12-15 of this report.

Proprietary funds. The District maintains one type of proprietary fund. Enterprise funds are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The District uses enterprise funds to account for its water and sewer operations.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water and sewer operations. The Water and Sewer Fund is considered a major enterprise fund of the District.

The basic proprietary fund financial statements can be found on pages 16-18 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other information. In addition to the basic financial statements and accompanying notes, required supplementary information presents a budgetary comparison schedule for the Special Revenue and Water and Sewer Funds to demonstrate compliance with the budget as well as a schedule of pension plan funding progress.

Government-Wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Jefferson County Water Control & Improvement District No. 10, assets exceeded liabilities \$8,660,652 at the close of the most recent fiscal year.

JEFFERSON COUNTY WATER CONTROL & IMPROVEMENT DISTRICT NO. 10 NET POSITION June 30, 2021

	Governmental Activities		Business Activities		Total	
	2021	2020	2021	2020	2021	2020
Current and other assets	\$ 6,077,759	\$ 6,694,010	\$ 1,744,282	\$ 1,951,536	\$ 7,822,041	\$ 8,645,546
Capital assets, net	1,397,613	1,424,665	9,481,483	8,411,474	10,879,096	9,836,139
Total Assets	<u>7,475,372</u>	<u>8,118,675</u>	<u>11,225,765</u>	<u>10,363,010</u>	<u>18,701,137</u>	<u>18,481,685</u>
Deferred Outflows of Resources	-	-	(48,708)	(8,120)	(48,708)	(8,120)
Total Deferred Outflows of Resources	<u>-</u>	<u>-</u>	<u>(48,708)</u>	<u>(8,120)</u>	<u>(48,708)</u>	<u>(8,120)</u>
Current liabilities	981,695	799,161	375,504	360,436	1,357,199	1,159,597
Long-term liabilities outstanding	7,895,111	8,568,941	539,693	836,758	8,434,804	9,405,699
Total Liabilities	<u>8,876,806</u>	<u>9,368,102</u>	<u>915,197</u>	<u>1,197,194</u>	<u>9,792,003</u>	<u>10,565,296</u>
Deferred Inflows of Resources	-	-	199,774	100,151	199,774	100,151
Total Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>199,774</u>	<u>100,151</u>	<u>199,774</u>	<u>100,151</u>
Net Position:						
Net Investment in Capital Assets	(7,172,498)	(7,754,276)	8,616,483	7,501,474	1,443,985	(252,802)
Restricted	5,756,277	6,532,128	928,609	924,719	6,684,886	7,456,847
Unrestricted	14,787	(27,279)	516,994	631,352	531,781	604,073
Total Net Position	<u>\$ (1,401,434)</u>	<u>\$ (1,249,427)</u>	<u>\$ 10,062,086</u>	<u>\$ 9,057,545</u>	<u>\$ 8,660,652</u>	<u>\$ 7,808,118</u>

The largest portion of the District's net position represents its restricted assets (e.g. debt service and construction funds). The District uses these restricted funds to cover its annual debt payments and construction projects; therefore, these assets are not available for future spending.

An additional portion of the District's net position reflects its net investment in capital assets (e.g. land, buildings, improvements other than buildings, equipment, and infrastructure); less any related debt used to acquire those assets that remain outstanding. The District uses these capital assets to provide services to citizens; therefore, these assets are not available for future spending.

The remaining balance of unrestricted net position \$531,781 may be utilized to meet the government's ongoing obligations to citizens and creditors.

Although the District reports its net investment in capital assets, it should be noted that the resources needed to repay debt must be provided from other sources, since capital assets themselves cannot be used to liquidate these liabilities.

JEFFERSON COUNTY WATER CONTROL & IMPROVEMENT DISTRICT NO. 10
CHANGES IN NET ASSETS
For the year ending June 30, 2021

	Governmental Activities		Business Activities		Total	
	2021	2020	2021	2020	2021	2020
Revenues						
Program revenues						
Charges for services	\$ -	\$ -	\$ 1,487,584	\$ 1,580,576	\$ 1,487,584	\$ 1,580,576
Operating grants	3,027	521,636	-	-	3,027	521,636
General revenues						
Investment income	9,206	95,293	2,048	17,078	11,254	112,371
Taxes	1,159,274	1,008,841	-	-	1,159,274	1,008,841
Other	146,732	10,770	36,188	26,923	182,920	37,693
Transfers	(953,430)	(613,380)	1,446,956	613,380	493,526	-
Total Revenues	364,809	1,023,160	2,972,776	2,237,957	3,337,585	3,261,117
Expenses						
Fire protection	135,795	144,945	-	-	135,795	144,945
Water and sewer	-	-	1,894,454	2,011,233	1,894,454	2,011,233
General and administration	114,568	53,762	-	-	114,568	53,762
Interest	266,453	301,592	15,620	15,706	282,073	317,298
Other	-	-	58,161	-	58,161	-
Total Expenses	516,816	500,299	1,968,235	2,026,939	2,485,051	2,527,238
Contributed Capital	-	-	-	-	-	-
Increase (Decrease) in net assets	(152,007)	522,861	1,004,541	211,018	852,534	733,879
Net position- 7/1	(1,249,427)	(1,763,658)	9,057,545	8,809,832	7,808,118	7,046,174
Prior period adjustment	-	(8,630)	-	36,695	-	28,065
Net position- 6/30	\$ (1,401,434)	\$ (1,249,427)	\$ 10,062,086	\$ 9,057,545	\$ 8,660,652	\$ 7,808,118

The District's total net position was increased by \$852,534 during the current fiscal year. Governmental activities decreased the District's net position by \$152,007. The business-type activities increased net position by \$1,004,541.

Financial Analysis of the Government's Funds

As noted earlier, the Jefferson County Water Control & Improvement District No. 10 uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the Jefferson County Water Control & Improvement District No. 10 governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Jefferson County Water Control & Improvement District No. 10 financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of June 30, 2021, the Jefferson County Water Control & Improvement District No. 10 governmental funds reported an ending fund balance of \$5,815,482, a decrease of \$751,123 in comparison with the prior year. The primary reasons for this decrease include bond issuance costs of \$100,734, refunding bond premium of \$130,019, and transfers totaling \$953,430. The fund balance is reserved to indicate that it is not available for new spending because it has already been committed to pay for future debt service requirements, public safety, and/or capital projects.

Proprietary funds. The District's proprietary fund provides the same information found in the government-wide financial statements, but in more detail.

Capital Asset and Debt Administration

Capital assets. The Jefferson County Water Control & Improvement District No. 10 investment in capital assets for its governmental and business activities as of June 30, 2021, amounts to \$10,879,096 net of accumulated depreciation. This investment in capital assets includes land, buildings, improvements other than buildings, construction in progress and machinery and equipment.

JEFFERSON COUNTY WATER CONTROL & IMPROVEMENT DISTRICT NO. 10 - CAPITAL ASSETS

	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
Land	\$ 166,684	\$ 166,684	\$ 201,389	\$ 201,389	\$ 368,073	\$ 368,073
Construction in Progress	-	-	1,758,170	723,641	1,758,170	723,641
Buildings	1,092,839	1,092,839	399,350	409,132	1,492,189	1,501,971
Other Improvements	-	-	19,549,980	18,966,863	19,549,980	18,966,863
Machinery and Equipment	572,084	559,434	580,335	602,836	1,152,419	1,162,270
Total Capital Assets	1,831,607	1,818,957	22,489,224	20,903,861	24,320,831	22,722,818
Less Accumulated Depreciation	433,994	394,292	13,007,741	12,492,387	13,441,735	12,886,679
Capital Assets net of Depreciation	<u>\$ 1,397,613</u>	<u>\$ 1,424,665</u>	<u>\$ 9,481,483</u>	<u>\$ 8,411,474</u>	<u>\$ 10,879,096</u>	<u>\$ 9,836,139</u>

Additional information on District capital assets can be found in Note 6.

Long-term debt. At June 30, 2021, the District had \$9,435,111 of long-term bonds outstanding. \$8,590,000 represents Unlimited Tax Bonds backed by the full faith and credit of the District. \$865,000 represents a revenue bond to be paid from future water and wastewater revenues.

	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
Certificates of obligations	8,590,000	9,200,000	-	-	8,590,000	9,200,000
Accretion on bonds	(19,889)	(21,059)	-	-	(19,889)	(21,059)
Revenue bonds	-	-	865,000	910,000	865,000	910,000
Total	<u>\$ 8,570,111</u>	<u>\$ 9,178,941</u>	<u>\$ 865,000</u>	<u>\$ 910,000</u>	<u>\$ 9,435,111</u>	<u>\$ 10,088,941</u>

Additional information regarding the District's long-term debt can be found in Note 5.

Economic Factors and Next Year's Budgets and Rates

The Board of Directors increased the water and sewer rates by 20% in the third quarter of 2016. The last rate increase was in the fourth quarter of 2012. The District's expenses have been exceeding revenue for the past few years due to poor raw water quality, higher than anticipated maintenance costs, decreased water sales, and miscellaneous expenses related to Hurricane Harvey in 2017 and Tropical Storm Imelda in 2019. The fiscal year 2021-2022 budgeted expenses were increased by \$1,013 compared to fiscal year 2020-2021.

In 2016, the District signed an Agreed Order with the Texas Commission on Environmental Quality to make necessary improvements at the wastewater treatment plant. The District's wastewater treatment plant, which consists of a pond and rock reed filter system, experienced frequent recurring permit violations. These mandatory improvements were initially financed by a \$1 million revenue bond through the Texas Water Development Board and were to include adding a disinfection chamber and construction of a rock reed filter pilot study. After partial construction of the rock reed filter pilot study, it was determined with the help of consultants that the most economic and long-term solution would be to reroute the effluent to the Neches River. The District will be seeking a general obligation bond in November 2022 to fully fund the remaining amount to construct a pump station and force main and to reroute effluent to the Neches River.

The voters passed a general obligation bond in the amount of \$1.35 million in 2013 for Water Plant Improvements which included a SCADA system and new clarifier. The new clarifier was completed in July 2019. The SCADA system is expected to begin construction in March 2022.

The voters passed a general obligation bond in the amount of \$5.44 million on November 7, 2017 for water and wastewater system repairs and upgrades. Repairs and upgrades funded by this bond include smoke testing, point repairs, filter system rehabilitation, water plant electrical upgrades, replacement of the bolted ground storage tank, rehabilitation of the steel ground storage tank, rehabilitation of the 250,000 gallon elevated storage tank, rehabilitation of the 400,000 gallon elevated storage tank, and a new lift station for the Central Heights subdivision. The District received funding on October 4, 2018. Projects completed include smoke testing (completed November 2018) and the majority of point repairs (completed December 2019). The new clearwell and rehabilitation of the filter system began in January 2020 and are expected to be completed in December 2021. The water plant electrical upgrades will begin after the filter system rehabilitation is completed. The bolted ground storage tank will be replaced in Summer 2022, and the steel ground storage tank will be rehabilitated following the bolted ground storage tank replacement. The 250,000 gallon elevated storage tank will be rehabilitated in Fall 2022, the 400,000 gallon elevated storage tank will be rehabilitated in Spring 2023.

The Texas Water Development Board granted principal forgiveness funds in the amount of \$500,000 to the District in 2019. These funds will be used to build a new control lab building for the water plant employees. The new control lab building will be at a higher elevation to ensure that it will not be affected by flooding from future hurricanes or tropical storms. The contract was awarded in September 2020 and construction is expected to be completed in November 2021.

The District experienced expenditures related to Hurricane Laura, Hurricane Delta and the Texas Winter Storm within fiscal year 2020-2021. The District has continually worked with FEMA as well as the Texas Water Conservation Association to recoup the majority of the expenditures associated with these natural disasters.

Requests for Information

This financial report is designed to provide a general overview of the Jefferson County Water Control & Improvement District No. 10 finances for all those with an interest in the government's finances.

Questions concerning any of the information provided in this report or requests for additional information should be addressed to the General Manager, 3707 Central Blvd, Nederland, Texas 77627.

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BASIC FINANCIAL STATEMENT

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JEFFERSON COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 10
STATEMENT OF NET POSITION
JUNE 30, 2021

	Primary Government		
	Governmental	Business-type	
	Activities	Activities	Total
<u>ASSETS</u>			
Cash and cash equivalents	\$ 237,386	\$ 355,007	\$ 592,393
Accounts receivable, net:			
Taxes (net allowance of \$21,451)	47,756	-	47,756
Accounts	-	109,045	109,045
Other	-	177,822	177,822
Inventory	-	109,560	109,560
Prepaid expense	16,418	54,275	70,693
Restricted assets:			
Debt service	1,516,436	-	1,516,436
Construction	4,249,553	-	4,249,553
Customer deposits	-	179,865	179,865
Revenue	-	748,744	748,744
Due from other funds	10,210	9,964	20,174
Capital assets:			
Land	166,684	201,389	368,073
Construction in progress	-	1,758,170	1,758,170
Other capital assets, net of accumulated depreciation	1,230,929	7,521,924	8,752,853
TOTAL ASSETS	7,475,372	11,225,765	18,701,137
<u>DEFERRED OUTFLOWS OF RESOURCES</u>			
Difference between projected and actual earnings on pension plan	-	(73,871)	(73,871)
Contributions subsequent to the measurement date	-	25,163	25,163
TOTAL DEFERRED OUTFLOWS OF RESOURCES	-	(48,708)	(48,708)
<u>LIABILITIES</u>			
Accounts payable	201,238	47,164	248,402
Accrued liabilities	887	26,162	27,049
Interest payable	92,174	-	92,174
Compensated absences	-	69,535	69,535
Due to other funds	12,396	7,778	20,174
Payable from restricted assets	-	179,865	179,865
Debt payable - current	675,000	45,000	720,000
Debt payable - noncurrent (net)	7,895,111	820,000	8,715,111
Net OPEB liability	-	29,029	29,029
Net pension liability	-	(309,336)	(309,336)
TOTAL LIABILITIES	8,876,806	915,197	9,792,003
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Change of assumptions	-	(83,480)	(83,480)
Differences between expected and actual experience	-	283,254	283,254
TOTAL DEFERRED INFLOWS OF RESOURCES	-	199,774	199,774
NET POSITION			
Net Investment in			
Capital assets	(7,172,498)	8,616,483	1,443,985
Restricted for:			
Debt service	1,516,436	-	1,516,436
Construction	4,239,841	-	4,239,841
Customer deposits	-	179,865	179,865
Revenue bond	-	748,744	748,744
Unrestricted	14,787	516,994	531,781
TOTAL NET POSITION	\$ (1,401,434)	\$ 10,062,086	\$ 8,660,652

The notes to the financial statements are an integral part of this statement.

JEFFERSON COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 10
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges For Services</u>	<u>Operating Grant Contributions</u>	<u>Capital Grant Contributions</u>
Primary government:				
Governmental activities:				
Public safety	\$ 135,795	\$ -	\$ 3,027	\$ -
Administrative and general	114,568	-	-	-
Interest on long term debt	266,453	-	-	-
Total governmental activities	<u>516,816</u>	<u>-</u>	<u>3,027</u>	<u>-</u>
Business-type activities:				
Water and sewer	1,894,454	1,487,584	-	-
Miscellaneous	58,161	-	-	-
Interest on long term debt	15,620	-	-	-
Total business-type activities	<u>1,968,235</u>	<u>1,487,584</u>	<u>-</u>	<u>-</u>
Total primary government	<u>2,485,051</u>	<u>1,487,584</u>	<u>3,027</u>	<u>-</u>

General revenues:

- Property taxes
- Investment earnings
- Refunding Bond Premium
- Miscellaneous
- Total general revenues
- Transfers
- Total general revenues and transfers

Change in net position

Net position, beginning as originally stated

Prior Period Adjustment

Net position, ending

The notes to the financial statements are an integral part of this statement.

Net (Expense) Revenue and Changes in Net Position		
Governmental Activities	Business-type Activities	Total
\$ (132,768)	\$ -	\$ (132,768)
(114,568)	-	(114,568)
(266,453)	-	(266,453)
<u>(513,789)</u>	<u>-</u>	<u>(513,789)</u>
-	(406,870)	(406,870)
-	(58,161)	(58,161)
-	(15,620)	(15,620)
<u>-</u>	<u>(480,651)</u>	<u>(480,651)</u>
<u>(513,789)</u>	<u>(480,651)</u>	<u>(994,440)</u>
1,159,274	-	1,159,274
9,206	2,048	11,254
130,019	-	130,019
16,713	36,188	52,901
<u>1,315,212</u>	<u>38,236</u>	<u>1,353,448</u>
<u>(953,430)</u>	<u>1,446,956</u>	<u>493,526</u>
<u>361,782</u>	<u>1,485,192</u>	<u>1,846,974</u>
(152,007)	1,004,541	852,534
<u>(1,249,427)</u>	<u>9,057,545</u>	<u>7,808,118</u>
-	-	-
<u>\$ (1,401,434)</u>	<u>\$ 10,062,086</u>	<u>\$ 8,660,652</u>

The notes to the financial statements are an integral part of this statement.

JEFFERSON COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 10
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2021

	Special Revenue Fund	Debt Service Fund	Capital Projects Fund	Total Governmental Funds
<u>ASSETS</u>				
Cash and cash equivalents	\$ 237,387	\$ 1,516,435	\$ -	\$ 1,753,822
Investments	-	-	4,249,553	4,249,553
Receivables (net of allowance for uncollectible):				
Taxes (net allowance of \$21,451)	10,718	37,038	-	47,756
Prepaid expenses	16,418	-	-	16,418
Due from other funds	2,432	7,778	-	10,210
TOTAL ASSETS	266,955	1,561,251	4,249,553	6,077,759
<u>LIABILITIES AND FUND BALANCES</u>				
LIABILITIES				
Accounts payable	12,726	-	188,512	201,238
Accrued expenses	887	-	-	887
Due to other funds	252	2,432	9,712	12,396
Deferred revenue	10,717	37,039	-	47,756
TOTAL LIABILITIES	24,582	39,471	198,224	262,277
FUND BALANCES				
Restricted for:				
Debt service	-	1,521,780	-	1,521,780
Fire protection	242,373	-	-	242,373
Capital projects	-	-	4,051,329	4,051,329
TOTAL FUND BALANCE	242,373	1,521,780	4,051,329	5,815,482
TOTAL LIABILITIES AND FUND BALANCES	\$ 266,955	\$ 1,561,251	\$ 4,249,553	\$ 6,077,759

The notes to the financial statements are an integral part of this statement.

**JEFFERSON COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 10
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION FOR GOVERNMENTAL ACTIVITIES
JUNE 30, 2021**

Governmental fund balance as reported on the balance sheet for governmental funds.	\$	5,815,482
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When capital assets that are to be used in governmental funds are purchased, the costs of those assets are reported as expenditures in governmental funds. However, the Statement of Net Position includes those capital assets among the assets of the District as a whole.

Cost of capital assets, net of accumulated depreciation		1,397,611
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Long-term liabilities of the District's governmental activities aren't due and payable in the current period, therefore are not reported as fund liabilities. All liabilities both current and long-term, are reported in the Statement of Net Position.

Accretion on bonds		(1,170)
General obligation bonds payable		(8,568,941)
Accrued interest expense		(92,174)

Deferred property tax revenue is recorded as a liability in the governmental funds. However, that revenue should have been recognized in the prior years when reported using full accrual.

Deferred property tax revenues		47,758
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Total net position as reported on the Statement of Net Position for governmental activities.	\$	<u>(1,401,434)</u>
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The notes to the financial statements are an integral part of this statement.

JEFFERSON COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 10
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2021

	Special Revenue Fund	Debt Service Fund	Capital Projects Fund	Total Governmental Funds
<u>REVENUES</u>				
General property taxes	\$ 247,863	\$ 913,850	\$ -	\$ 1,161,713
Penalties and interest	2,725	13,983	-	16,708
Grants and contributions	3,027	-	-	3,027
Interest	228	1,616	7,367	9,211
TOTAL REVENUES	253,843	929,449	7,367	1,190,659
<u>EXPENDITURES</u>				
Current:				
Fire protection	96,093	-	-	96,093
Capital outlay	12,651	-	-	12,651
Debt service:				
Principal	-	610,000	-	610,000
Interest and fiscal charges	-	298,893	-	298,893
TOTAL EXPENDITURES	108,744	908,893	-	1,017,637
<u>EXCESS OF REVENUES</u>				
<u>OVER (UNDER) EXPENDITURES</u>	<u>145,099</u>	<u>20,556</u>	<u>7,367</u>	<u>173,022</u>
<u>OTHER FINANCING SOURCES (USES)</u>				
Bond Issuance Costs	-	(100,734)	-	(100,734)
Proceeds of Refunding Bonds	-	1,563	-	1,563
Refunding Bond Premium	-	128,456	-	128,456
Transfers	-	-	(953,430)	(953,430)
TOTAL OTHER FINANCING SOURCES (USES)	-	29,285	(953,430)	(924,145)
NET CHANGE IN FUND BALANCES	145,099	49,841	(946,063)	(751,123)
FUND BALANCES - JULY 1	97,274	1,471,939	4,997,392	6,566,605
FUND BALANCES - JUNE 30	\$ 242,373	\$ 1,521,780	\$ 4,051,329	\$ 5,815,482

The notes to the financial statements are an integral part of this statement.

JEFFERSON COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 10
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021

Net change in fund balances for total governmental funds. \$ (751,123)

When capital assets that are to be used in governmental funds are purchased, those costs are reported as expenditures in the governmental funds. However, in the Statement of Activities, the costs of those assets are allocated over their estimated useful lives and reported as depreciation expense.

Current year depreciation expense	(39,702)
Current year asset additions	12,651
Current year asset disposals	-

The issuance of debt provides current resources to governmental funds while, the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net assets.

Accretion of bonds	(1,170)
Principal paid	610,000

Interest expense on long-term liabilities of governmental debt are not due and payable in the current period and accordingly are not reported as current period expenditures. Accrued interest expense on the long-term debt of the governmental activities is reported in the Statement of Activities.

Accrued interest on bonds payable - prior year	111,950
Accrued interest on bonds payable - current year	(92,174)

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.

Prior year deferred revenue	(50,195)
Current year deferred revenue	47,756

When funds are expended for goods and services not used during the fiscal year, those costs are reported as expenditures in the governmental funds. However, in the Statement of Activities, the costs of those services are allocated over the period in which they provide economic benefit.

Prepaid expenses - prior year	-
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Change in net assets of governmental activities	\$ (152,007)
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The notes to the financial statements are an integral part of this statement.

JEFFERSON COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 10
STATEMENT OF NET POSITION
PROPRIETARY FUND
JUNE 30, 2021

	Business-type Activities
	Water & Sewer
	Fund
<u>ASSETS</u>	
CURRENT ASSETS	
Cash and cash equivalents	\$ 355,007
Accounts receivable, net:	
Accounts	109,045
Other	177,822
Due from other funds	9,964
Inventories	109,560
Prepaid Expenses	54,275
TOTAL CURRENT ASSETS	815,673
NONCURRENT ASSETS	
Restricted assets:	
Cash and cash equivalents	179,865
Cash for revenue bond	748,744
Capital assets:	
Construction in progress	1,758,170
Land	201,389
Other capital assets, net of accumulated depreciation	7,521,924
TOTAL NONCURRENT ASSETS	10,410,092
TOTAL ASSETS	11,225,765
<u>DEFERRED OUTFLOWS OF RESOURCES</u>	
Differences between expected and actual experience	(73,871)
Contributions subsequent to the measurement date	25,163
TOTAL DEFERRED OUTFLOWS OF RESOURCES	(48,708)
<u>LIABILITIES</u>	
CURRENT LIABILITIES	
Accounts payable	47,164
Accrued liabilities	26,162
Compensated absences	69,535
Due to other funds	7,778
Payables from restricted assets:	
Interest payable	-
Customer deposits	179,865
TOTAL CURRENT LIABILITIES	330,504
LONG-TERM LIABILITIES	
Net pension liability	(309,336)
Net OPEB liability	29,029
Revenue bond payable	865,000
TOTAL LONG-TERM LIABILITIES	584,693
TOTAL LIABILITIES	915,197
<u>DEFERRED INFLOWS OF RESOURCES</u>	
Change of assumptions	(83,480)
Differences between expected and actual experience	283,254
TOTAL DEFERRED INFLOWS OF RESOURCES	199,774
<u>NET POSITION</u>	
Net Investments in	
Capital Assets	8,616,483
Restricted for:	
Customer Deposits	179,865
Revenue bond	748,744
Unrestricted	516,994
TOTAL NET POSITION	\$ 10,062,086

The notes to the financial statements are an integral part of this statement.

JEFFERSON COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 10
STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN FUND NET POSITION
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2021

	<u>Business-type Activities</u>
	<u>Water and Sewer Fund</u>
<u>OPERATING REVENUES</u>	
Service fees	\$ 1,460,255
Tap connection fees	21,200
Miscellaneous	<u>6,129</u>
TOTAL OPERATING REVENUES	<u>1,487,584</u>
<u>OPERATING EXPENSES</u>	
Personnel	674,218
Professional services	46,435
Purchased and contract services	105,605
Consumables supplies and materials	210,424
Recurring expenses and repairs	270,238
Depreciation	<u>587,534</u>
TOTAL OPERATING EXPENSES	<u>1,894,454</u>
OPERATING INCOME	<u>(406,870)</u>
<u>NON-OPERATING REVENUES (EXPENSES)</u>	
Interest revenue	2,048
Interest expense	(15,620)
Penalties and interest on service accounts	28,493
Other revenue	7,695
Other expense	<u>(58,161)</u>
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>(35,545)</u>
NET INCOME BEFORE CONTRIBUTIONS AND TRANSFERS	(442,415)
<u>CAPITAL CONTRIBUTIONS, GRANTS AND TRANSFERS</u>	
Transfers in	953,430
Capital contributions	<u>493,526</u>
TOTAL CAPITAL CONTRIBUTIONS, GRANTS AND TRANSFERS	<u>1,446,956</u>
CHANGE IN NET POSITION	1,004,541
NET POSITION - JULY 1	<u>9,057,545</u>
PRIOR PERIOD ADJUSTMENT	-
NET POSITION - JUNE 30	<u><u>\$ 10,062,086</u></u>

The notes to the financial statements are an integral part of this statement.

JEFFERSON COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 10
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2021

	Water and Sewer Fund
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>	
Operating income (loss)	\$ (406,870)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation and amortization	587,534
Change in assets and liabilities:	
Decrease in accounts receivable	50,984
Increase in inventories	(17,807)
Increase in accounts payable	13,669
Increase in accrued liabilities	620
Decrease in compensated absences	(9,674)
Increase in prepaid expenses	(5,704)
Increase in customer deposits	2,675
Decrease in due from other funds	8,334
Increase in deferred inflows	99,623
Decrease in deferred outflows	40,588
Net cash provided by operating activities	<u>363,972</u>
<u>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</u>	
Transfers in	<u>1,446,956</u>
Net cash (used) by non-capital financing activities	<u>1,446,956</u>
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u>	
Payment of revenue bond	(45,000)
Increase in OPEB Liability	(370)
Decrease in net pension liability	(251,695)
Payment for capital improvements	(1,657,541)
Expenditures related to natural disasters	<u>(50,466)</u>
Net cash (used) by capital and related financing activities	<u>(2,005,072)</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>	
Interest income	2,048
Interest expense	(15,620)
Penalties and interest	<u>28,493</u>
Net cash provided by investing activities	<u>14,921</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	(179,223)
CASH AND CASH EQUIVALENTS - JULY 1	<u>1,462,839</u>
CASH AND CASH EQUIVALENTS - JUNE 30	<u>\$ 1,283,616</u>

The notes to the financial statements are an integral part of this statement.

NOTES TO THE FINANCIAL STATEMENTS

JEFFERSON COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 10
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

Note 1 - Summary of Significant Accounting Policies

The combined financial statements of the Jefferson County Water Control & Improvement District No. 10 (the “District”) have been prepared in conformity with accounting principles applicable to governmental units which are generally accepted in the United States of America. The Governmental Accounting Standards Board (“GASB”) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

A. Reporting Entity

Creation of the District – Jefferson County Water Control & Improvement District No. 10 (the District) was created April 15, 1955, by Section 59, Article XVI, 54th Legislature of the State of Texas. The Board of Directors held its first meeting on June 2, 1955, and the first bonds were sold on August 15, 1956.

The District has adopted Governmental Accounting Standards Board Statement No. 14, “The Financial Reporting Entity”. In accordance with this statement, a financial reporting entity consists of the primary government, organizations for which the primary government is financially accountable, and other organizations for which the primary government is not accountable, but for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity’s financial statements to be misleading or incomplete.

The District is governed by a Board of Directors consisting of five individuals who are residents or owners of property within the District and are elected by voters within the District. As required by generally accepted accounting principles, these financial statements present the activities of the District which is considered to be the primary government as well as the reporting entity. There are no other organizations which meet the criteria for inclusion herein as part of the financial reporting entity.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Changes in Net Position) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. *Government activities*, which normally are supported by taxes and intergovernmental revenue, are reported separately from *business-like activities*, which rely to a significant extent on fees and charges for funding.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenue. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenue* includes 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenue are reported instead as *general revenue*.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual funds are reported as separate columns in the fund financial statements.

Note 1 - Summary of Significant Accounting Policies (continued)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resource, measurement focus, and the modified accrual basis of accounting*. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available when it is collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenue to be available if it is collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments, are recorded only when payment is due.

Property taxes and all other revenue items are considered to be measurable and available only when cash is received by the District.

The District has the following major governmental funds:

Special Revenue – The District maintains a general governmental fund which assists a volunteer fire department and is funded out of Ad Valorem Taxes. This fund only pays for minor equipment, repairs and the occupancy expenses of the volunteer fire department.

Debt Service Fund – To account for the accumulation of financial resources for, and the payment of general long-term debt principal, interest, and other costs. The primary source of revenue is property taxes.

Capital Projects Fund – To account for financial resources designated to construct or acquire capital facilities and improvements. Such resources are derived principally from proceeds of the sale of bonds.

The District has the following major proprietary funds:

Enterprise Funds – Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises when the intent of the governing body is that the costs of providing goods or services to the general public on a continuing basis be financed primarily through user charges. The predominant function of the District's operations is maintained within the water and sewer operating fund. The water and sewer operating fund is accounted for as an enterprise activity.

Note 1 - Summary of Significant Accounting Policies (continued)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (continued)

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-like activities and Enterprise Funds, subject to this same limitation. The District has elected not to follow subsequent private-sector guidance.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenue include 1) charges to customers or applicants for goods, services, or privileges provided; 2) operating grants and contributions; and 3) capital grants and contributions. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

Proprietary funds distinguish operating revenue and expenses from non-operating items. Operating revenue and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of the Water and Sewer Fund are charges to customers for sales and services. Operating expenses for Enterprise Funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as non-operating revenue and expenses.

D. Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets (e.g. roads, bridges, sidewalks and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the primary government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Property, plant, and equipment of the primary government are depreciated using the straight-line method over the following useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	20 – 50
Improvements other than buildings	2 – 30
Equipment	3 – 30

Note 1 - Summary of Significant Accounting Policies (continued)

E. Long-Term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type activities. Bond issuance costs are expensed in the year the bond is issued.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether withheld from the actual debt proceeds received, are reported as debt service expenditures.

F. Short-Term Interfund Receivable/Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as “due from other funds” or “due to other funds” on the balance sheet.

G. Budget

The Board of Directors adopts an annual non-appropriated budget for all the funds in accordance with the accounting principles applicable to those funds. Budgetary accounting is followed as a means of controlling spending by the Board of Directors. The budget is completed annually based on fiscal year, and maintained monthly with revisions as necessary to assure continued operations. There are no significant differences in the accounting used in the budgetary process versus the normal accounting system for the governmental funds. However, a reconciliation between the budgeted proprietary fund accounting system is needed to convert to the GAAP basis of accounting for depreciation.

H. Inventory

Inventory is valued at cost, determined by actual physical count. Consumable supplies are considered an expense when purchased.

I. Compensated Absences

Only two types of absences are compensated:

(A) Vacations	
After one Year	5 days
2 to 4 Years	10 days
5 to 9 Years	15 days
10 to 15 Years	20 days
15 or more Years	25 days

Note 1 - Summary of Significant Accounting Policies (continued)

I. Compensated Absences (continued)

Unused vacation leave of no more than the number of days earned in the current year can be carried over to the District's next fiscal year. The maximum allowable accumulation of unused vacation leave is 25 days. Unused vacation is paid upon termination.

Sick leave is provided at a rate of 1.5 days per month per year of service, accumulative to a maximum of 120 days. Upon retirement an employee is paid for ½ of unused sick leave up to 60 days. Additionally, if an employee has 12 years or more of service, that employee is eligible to be paid for ½ of unused sick leave up to 60 days upon termination.

This year an accrual for vacation and sick leave is being recorded as follows:

	<u>Vacation</u>	<u>Sick</u>
Balance - July 1, 2020	\$ 28,804	\$ 50,405
Additions	-	-
Deletions	(370)	(9,305)
Balance - June 30, 2021	<u>\$ 28,434</u>	<u>\$ 41,100</u>

J. Cash and Cash Equivalents

Cash includes amounts in demand and time deposit accounts. For the purposes of the statement of cash flows, highly liquid investments are considered to be cash equivalents if they have a maturity of three months or less when purchased.

K. Investments

All certificates of deposits and investments in other securities and instruments are considered to be investments. Investments are reported at fair value. Short-term investments, such as certificates of deposit and debt securities with a maturity date of less than one year, are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates.

L. Pledge of Revenues

The unlimited tax bonds are payable from the proceeds of an Ad Valorem Tax levied upon all taxable property subject to taxation within the District, without limitations as to rate or amount and are further payable from and secured by a lien on and pledge of the net revenues to be received from the operations of the District's waterworks and sanitary sewer system. The revenue bond is payable from future water and sewer revenues.

M. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires the District to make estimates and assumptions that affect certain reported amounts and disclosures, accordingly, actual results could differ from those estimates.

Note 1 - Summary of Significant Accounting Policies (continued)

N. Government-Wide Net Position / Fund Balances – Governmental Funds

The District has adopted GASB Statement No. 54, which redefined how fund balances of the governmental funds are presented in the financial statements. Fund balances are classified as follows:

Nonspendable – Amounts that cannot be spent either because they are not in a spendable form or because they are legally or contractually required to be maintained intact.

Restricted – Amounts that are restricted to specific purposes externally imposed by creditors or imposed by law. The restricted net position as of June 30, 2020 is \$7,456,847.

Committed - The portion of fund balance that can only be used for specific purposes pursuant to constraints imposed by majority vote by quorum of the District's Board of Directors.

Assigned Fund Balance – The portion of fund balance that the Jefferson County Water Control & Improvement District intends to use for specific purposes. The Board of Directors assigns amounts by a majority vote by quorum of the District's Board of Directors.

Unassigned Fund Balance – The portion of fund balance that has not been restricted, committed, or assigned to specific purposes or other funds.

When the government incurs an expenditure for purposes for which various fund balance classifications can be used, it is the government's policy to use restricted fund balance first, then committed fund balance, assigned fund balance, and finally unassigned fund balance.

Additionally, the District restricts enough cash to refund customer deposits received.

O. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then.

P. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Texas County and District Retirement System (TCDRS) and additions to/deductions from TCERS' fiduciary net position have been determined on the same basis as they are reported by TCERS. For this purpose, plan member contributions are recognized in the period in which the contributions are due. The District's employer contributions are recognized when due and the District has a legal requirement to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of TCERS. Investments are reported at fair value.

Note 1 - Summary of Significant Accounting Policies (continued)

Q. Other Post-Employment Benefits (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Texas County and District Retirement System (TCDRS) and additions to/deductions from TCERS' fiduciary net position have been determined on the same basis as they are reported by TCERS. For this purpose, changes in the Net OPEB Liability will be immediately recognized as OPEB Expense on the income statement or reported as deferred inflows/outflows of resources depending on the nature of the change.

Note 2 - Cash Deposits with Financial Institutions

All cash assets (except two Volunteer Fire Department accounts at DuGood Credit Union) are held by the District's depository, Wells Fargo of Texas, NA as of June 30, 2021, pertinent data follows:

Name of Depository Bank:	Wells Fargo of Texas, N.A.
Amount of FDIC coverage	\$ 500,000
Bond or other securities pledged - June 30, 2021	\$ 2,091,733
Cash Balances - June 30, 2021	\$ 2,488,652

A. Cash and Investments

The following are components of the District's Cash and Investments at June 30, 2021:

Cash: Cash balances are maintained in separate cash accounts. Cash is collateralized by securities pledged by the depository bank to cover the uninsured cash balances. During the year, no instances of cash deposit balances in excess of collateral occurred. The carrying amount of the District's deposits with Wells Fargo Bank of Texas, NA was \$2,494,795 at June 30, 2021 (after reconciliation).

Cash deposits and temporary investments held at financial institutions can be categorized according to three levels of risk.

These three levels of risk are:

- | | |
|-------------|--|
| Category 1: | Deposits which are insured or collateralized with securities held by the entity or by its agent in the entity's name. |
| Category 2: | Deposits which are collateralized with the securities held by financial institutions, trust departments, or agents in the entity's name. |
| Category 3: | Deposits that are not collateralized. |

Based on these three levels of risk, the District's deposits are classified as Category 1.

Note 2 - Cash Deposits with Financial Institutions (continued)

The bank balances are insured by the Federal Depository Insurance Corporation (FDIC) and additional collateral is pledged by Wells Fargo of Texas, NA, in the District's name. The District does not carry any bank balance over and above the insured and secured amount.

Investments: The carrying amount of the District's investments with Logic Investment Pool was \$4,789,594 at June 30, 2021. These investments are in government securities fully backed by the United States government.

Investments held at a financial institution can be categorized according to three levels of risk.

These three levels of risk are:

- | | |
|-------------|---|
| Category 1: | Investments that are insured, registered, or held by the entity or by its agent in the entity's name. |
| Category 2: | Investments that are uninsured and unregistered held by the counter party's trust department or agent in the entity's name. |
| Category 3: | Uninsured and unregistered investments held by the counter party, its trust department, or its agent, but not in the entity's name. |

Based on these three levels of risk, the District's investments are classified as Category 3.

Note 3 – Pension Liability

PLAN DESCRIPTION: The District provides retirement, disability, and death benefits for all of its employees through a nontraditional defined benefit pension plan in the statewide Texas County and District Retirement System (TCDRS). The Board of Trustees of TCDRS is responsible for the administration of the statewide agent multiple-employer public employee retirement system consisting of more than 500 nontraditional defined benefit pension plans. TCDRS in the aggregate issues a comprehensive annual financial report (CAFR) on a calendar year basis. The CAFR is available upon written request from the TCDRS Board of Trustees at P.O. Box 2034, Austin, Texas 78768-2034.

The plan provisions are adopted by the governing body of the employer, with the options available in the Texas state statutes governing TCDRS (TCDRS Act). Members can retire at ages 60 and above with 8 or more years of service, with 30 years of service regardless of age, or when the sum of their age and years of service equals 75 or more. Members are vested after 7 years of service but must leave their accumulated deposits in the plan to receive any employer-financed benefit. Members who withdraw their personal deposits in a lump sum are not entitled to any amounts contributed by their employer.

Benefit amounts are determined by the sum of the employee's contributions to the plan, with interest, and employer-financed monetary credits. The level of these monetary credits is adopted by the governing body of the employer within the actuarial constraints imposed by the TCDRS Act so that the resulting benefits can be expected to be adequately financed by the employer's commitment to contribute. At retirement, death, or disability, the benefit is calculated by converting the sum of the employee's accumulated contributions and the employer-financed monetary credits to a monthly annuity purchase rate prescribed by the TCDRS Act.

JEFFERSON COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 10
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2021

Note 3 – Pension Liability (continued)

FUNDING POLICY: The employer has elected the annually determined contribution rate (ADCR) plan provisions of the TCDRS Act. The plan is funded by monthly contributions from both employee members and the employer based on the covered payroll of employee members.

Under the TCDRS Act, the contribution rate of the employer is actuarially determined annually. The employer contributed using the actuarially determined rate of 10.60% for the months in the accounting year of 2020, and 7.69% for the months of the accounting year in 2021.

The contribution rate payable by the employee members for the calendar year 2021 (as well as 2020) is the rate of 7% as adopted by the governing body of the employer. The employee contribution rate and the employer contribution rate may be changed by the governing body of the employer within the options available in the TCDRS Act.

ACTUARIAL ASSUMPTIONS: All actuarial assumptions that determined the total pension liability as of December 31, 2020 were based on the results of an actuarial experience study for the period January 1, 2013 through December 31, 2016, except where required to be different by GASB 68. The following are the key assumptions and methods used for GASB 68 calculations:

Valuation Date	Actuarially determined contribution rates are calculated each December 31, two years prior to the end of the fiscal year in which the contributions are reported.
<u>Methods and assumptions used to determine contribution rates:</u>	
Actuarial Cost Method	Entry Age
Amortization Method	Level percentage of payroll, closed
Remaining Amortization Period	0.0 years (based on contribution rate calculated in 12/31/2020 valuation)
Asset Valuation Method	5-year smoothed market
Inflation	2.50%
Salary Increases	Varies by age and service. 4.6% average over career including inflation.
Investment Rate of Return	7.50%, net of administrative and investment expenses, including inflation.
Retirement Age	Members who are eligible for service retirement are assumed to commence receiving benefit payments based on age. The average age at service retirement for recent retirees is 61.
Mortality	130% of the RP-2014 Healthy Annuitant Mortality Table for males and 110% of the RP-2014 Healthy Annuitant Mortality Table for females, both projected with 110% of the MP-2014 Ultimate scale after 2014.
Changes in Assumptions and Methods Reflected in the Schedule of Employer Contributions*	2015: New inflation, mortality and other assumptions were reflected. 2017: New mortality assumptions were reflected. 2019: New inflation, mortality and aother assumptions were reflected.
Changes in Plan Provisions Reflected in the Schedule of Employer Contributions*	2015: No changes in plan provisions were reflected in the Schedule. 2016: Employer contributions reflect that the current service matching rate was increased to 175%. 2017: New Annuity Purchase Rates were reflected for benefits earned after 2017. 2018: No changes in plan provisions were reflected in the Schedule. 2019: No changes in plan provisions were reflected in the Schedule. 2020: No changes in plan provisions were reflected in the Schedule.

*Only changes that affect the benefit amount and that are effective 2015 and later are shown in the Notes to Schedule.

JEFFERSON COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 10
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2021

Note 3 – Pension Liability (continued)

LONG-TERM EXPECTED RATE OF RETURN: The long-term expected rate of return on TCDRS assets is determined by adding expected inflation to expected long-term real returns and reflecting expected volatility and correlation. The capital market assumptions and information shown below are provided by TCDRS' investment consultant, Cliffwater LLC. The numbers shown are based on January 2021 information for a 10-year time horizon.

Note that the valuation assumption for long-term expected return is re-assessed at a minimum of every four years and is set based on a long-term time horizon. The TCDRS Board of Trustees adopted the current assumption at their March 2021 meeting. The assumption for the long-term expected return is reviewed annually for continued compliance with the relevant actuarial standards of practice. Milliman relies on the expertise of Cliffwater in this assessment.

Asset Class	Benchmark	Target Allocation ⁽¹⁾	Geometric Real Rate of Return ⁽²⁾
U.S. Equities	Dow Jones U.S. Total Stock Market Index	11.50%	4.25%
Global Equities	MSCI World (net) Index	2.50%	4.55%
Int'l Equities - Developed Markets	MSCI World Ex USA (net) Index	5.00%	4.25%
Int'l Equities - Emerging Markets	MSCI Emerging Markets (net) Index	6.00%	4.75%
Investment-Grade Bonds	Bloomberg Barclays U.S. Aggregate Bond Index	3.00%	-0.85%
Strategic Credit	FTSE High-Yield Cash-Pay Capped Index	9.00%	2.11%
Direct Lending	S&P/LSTA Leveraged Loan Index	16.00%	6.70%
Distressed Debt	Cambridge Associates Distressed Securities Index ⁽³⁾	4.00%	5.70%
REIT Equities	67% FTSE NAREIT Equity REITs Index + 33% S&P Global REIT (net) Index	2.00%	3.45%
Master Limited Partnerships (MLPs)	Alerian MLP Index	2.00%	5.10%
Private Real Estate Partnerships	Cambridge Associates Real Estate Index ⁽⁴⁾	6.00%	4.90%
Private Equity	Cambridge Associates Global Private Equity & Venture Capital Index ⁽⁵⁾	25.00%	7.25%
Hedge Funds	Hedge Fund Research, Inc. (HFRI) Fund of Funds Composite Index	6.00%	1.85%
Cash Equivalents	90-Day U.S. Treasury	2.00%	-0.70%

(1) Target asset allocation adopted at the March 2021 TCDRS Board meeting.

(2) Geometric real rates of return equal the expected return for the asset class minus the assumed inflation rate of 2.0%, per Cliffwater's 2021 capital market assumptions.

(3) Includes vintage years 2005-present of Quarter Pooled Horizon IRRs.

(4) Includes vintage years 2007-present of Quarter Pooled Horizon IRRs.

(5) Includes vintage years 2006-present of Quarter Pooled Horizon IRRs.

DISCOUNT RATE USED: The discount rate is the single rate of return that, when applied to all projected benefit payments results in an actuarial present value of projected benefit payments equal to the total of the following:

1. The actuarial present value of benefit payments projected to be made in future periods in which (a) the amount of the pension plan's fiduciary net position is projected to be greater than the benefit payments that are projected to be made in that period and (b) pension plan assets up to that point are expected to be invested using a strategy to achieve the long-term rate of return, calculated using the long-term expected rate of return on pension plan investments.
2. The actuarial present value of projected benefit payments not included in (1), calculated using the municipal bond rate.

Note 3 – Pension Liability (continued)

Therefore, if plan investments in a given future year are greater than projected benefit payments in that year and are invested such that they are expected to earn the long-term rate of return, the discount rate applied to projected benefit payments in that year should be the long-term expected rate of return on plan investments. If future years exist where this is not the case, then an index rate reflecting the yield on a 20-year, tax-exempt municipal bond should be used to discount the projected benefit payments for those years.

The determination of a future date when plan investments are not sufficient to pay projected benefit payments is often referred to as a depletion date projection. A depletion date projection compares projections of the pension plan's fiduciary net position to projected benefit payments and aims to determine a future date, if one exists, when the fiduciary net position is projected to be less than projected benefit payments. If an evaluation of the sufficiency of the projected fiduciary net position compared to projected benefit payments can be made with sufficient reliability without performing a depletion date projection, alternative methods to determine sufficiency may be applied.

In order to determine the discount rate to be used by the employer we have used an alternative method to determine the sufficiency of the fiduciary net position in all future years. Our alternative method reflects the funding requirements under the employer's funding policy and the legal requirements under the TCDRS Act.

1. TCDRS has a funding policy where the Unfunded Actuarial Accrued Liability (UAAL) shall be amortized as a level percent of pay over 20-year closed layered periods.
2. Under the TCDRS Act, the employer is legally required to make the contribution specified in the funding policy.
3. The employer's assets are projected to exceed its accrued liabilities in 20 years or less. When this point is reached, the employer is still required to contribute at least the normal cost.
4. Any increased cost due to the adoption of a COLA is required to be funded over a period of 15 years, if applicable.

Based on the above, the projected fiduciary net position is determined to be sufficient compared to projected benefit payments. Based on the expected level of cash flows and investment returns to the system, the fiduciary net position as a percentage of total pension liability is projected to increase from its current level in future years.

Since the projected fiduciary net position is projected to be sufficient to pay projected benefit payments in all future years, the discount rate for purposes of calculating the total pension liability and net pension liability of the employer is equal to the long-term assumed rate of return on investments. This long-term assumed rate of return should be net of investment expenses, but gross of administrative expenses for GASB 68 purposes. Therefore, we have used a discount rate of 7.60%. This rate reflects the long-term assumed rate of return on assets for funding purposes of 7.50%, net of all expenses, increased by 0.10% to be gross of administrative expenses.

JEFFERSON COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 10
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2021

Note 3 – Pension Liability (continued)

SENSITIVITY ANALYSIS: The following presents the net pension liability of the district, calculated using the discount rate of 7.60%, as well as what the Jefferson County Water Control and Improvement District #10 net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.60%) or 1 percentage point higher (8.60%) than the current rate.

	1% Decrease	Current Discount Rate	1% Increase
	6.60%	7.60%	8.60%
Total pension liability	\$2,137,121	\$1,893,078	\$1,687,686
Fiduciary net position	2,202,414	2,202,414	2,202,414
Net pension liability / (asset)	<u>(\$65,293)</u>	<u>(\$309,336)</u>	<u>(\$514,728)</u>

PENSION LIABILITIES, PENSION EXPENSE, AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO PENSIONS: At June 30, 2021, the District reported an asset of (\$309,336) for its net pension asset. The net pension asset was measured as of December 31, 2020.

Changes in Net Pension Liability / (Asset)

	Total Pension Liability (a)	Fiduciary Net Position (b)	Net Pension Liability / (Asset) (a)-(b)
Balances as of December 31, 2019	\$ 1,941,853	\$ 1,999,493	\$ (57,640)
Changes for the year:			
Service cost	68,507	-	68,507
Interest on total pension liability ⁽¹⁾	159,154	-	159,154
Effect of plan changes ⁽²⁾	-	-	-
Effect of economic/demographic gains or losses	(286,397)	-	(286,397)
Effect of assumptions changes or inputs	102,758	-	102,758
Refund of contributions	(14,238)	(14,238)	-
Benefit payments	(78,559)	(78,559)	-
Administrative expenses	-	(1,612)	1,612
Member contributions	-	36,632	(36,632)
Net investment income	-	206,557	(206,557)
Employer contributions	-	54,006	(54,006)
Other ⁽³⁾	-	134	(134)
Balances as of December 31, 2020	\$ 1,893,078	\$ 2,202,413	\$ (309,336)

⁽¹⁾ Reflects the change in the liability due to the time value of money. TCDRS does not charge fees or interest.

⁽²⁾ No plan changes valued.

⁽³⁾ Relates to allocation of system-wide items.

JEFFERSON COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 10
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2021

Note 3 – Pension Liability (continued)

For the year ended June 30, 2021, the District recognized pension expense of \$44,993.

Pension Expense / (Income)		
		January 1, 2020 to December 31, 2020
Service cost	\$	68,507
Interest on total pension liability ⁽¹⁾		159,154
Effect of plan changes		-
Administrative expenses		1,612
Member contributions		(36,632)
Expected investment return net of investment expenses		(161,815)
Recognition of deferred inflows/outflows of resources		
Recognition of economic/demographic gains or losses		(98,638)
Recognition of assumption changes or inputs		24,521
Recognition of investment gains or losses		(21,401)
Other ⁽²⁾		(134)
Pension expense / (income)	\$	(64,826)

⁽¹⁾ Reflects the change in the liability due to the time value of money. TCERS does not charge fees or interest.

⁽²⁾ Relates to allocation of system-wide items.

At December 31, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Inflows of Resources	Deferred Outflows of Resources
Differences between expected and actual experience	\$ 283,254	\$ -
Change of assumptions	-	77,068
Net difference between projected and actual earnings	74,247	-
Contributions made subsequent to measurement date ⁽³⁾	N/A	Employer determined

⁽³⁾ Any eligible employer contributions made subsequent to the measurement date through the employer's fiscal year end should be reflected as outlined in Appendix D of this report.

Amounts currently reported as deferred outflows of resources and deferred inflows of resources related to pensions, excluding contributions made subsequent to the measurement date, will be recognized in pension expense as follows:

JEFFERSON COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 10
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2021

Note 3 – Pension Liability (continued)

Year ended December 31:	
2021	\$ (104,777)
2022	(81,727)
2023	(84,979)
2024	(8,950)
2025	-
Thereafter	-

⁽⁴⁾ Any Total remaining balance to be recognized in future years, if any. Note that additional future deferred inflows and outflows of resources may impact these numbers.

Other Post-Employment Benefits (OPEB) – Retiree Death Benefit

Plan Description – The District participates in the retiree Group Term Life program for the Texas County & District Retirement System (TCDRS), which is statewide, multi-employer, public retirement system.

Benefits Provided – All full-and part-time non-temporary employees participate in the plan, regardless of the number of hours they work in a year and are eligible for the TCERS pension plan. Only employees that have elected participation in the retiree Group Term Life program are included in the OPEB plan. The plan provides a \$5,000 post-retirement death benefit to beneficiaries of service retirees and disability retirees of employers that have elected participation in the retiree Group Term Life program. The OPEB benefit is a fixed \$5,000 lump-sum benefit. There are no future increases assumed in the \$5,000 benefit amount. The benefit terms are established under the TCERS Act. Participation in the retiree Group Term Life program is optional and the employer may elect to opt out of (or opt into) coverage as of Jan. 1 each year. The District's contribution rate for the retiree Group Term Life program is calculated annually on an actuarial basis, and is equal to the cost of providing a one-year death benefit equal to \$5,000.

Other Post-Employment Benefits (OPEB) – Retiree Death Benefit (continued)

Actuarial Assumptions

All actuarial assumptions that determined the total OPEB liability as of December 31, 2020 were based on the results of an actuarial experience study for the period January 1, 2013 – December 31, 2016, except where required to be different by GASB 75.

Valuation Timing	Actuarially determined contribution rates are calculated on a calendar year basis as of December 31, two years prior to the end of the fiscal year in which the contributions are reported.
Actuarial Cost Method	Entry Age Normal
Amortization Method	
Recognition of economic/demographic gains or losses	Straight-Line amortization over Expected Working Life
Recognition of assumptions changes or inputs	Straight-Line amortization over Expected Working Life
Asset Valuation Method	Does not apply
Inflation	Does not apply
Salary Increases	Does not apply
Investment Rate of Return (Discount Rate)	2.12% 20 Year Bond GO Index published by bondbuyer.com as of December 31, 2020.
Cost-of-Living Adjustment	Does not apply

Discount Rate

The TCDRS GTL program is treated as unfunded OPEB plan because the GTL trust covers both actives and retirees and the assets are not segregated for these groups. Under GASB 75 (paragraph 155), the discount rate for an unfunded OPEB plan should be based on 20-year tax-exempt AA or higher Municipal Bonds. Therefore, a discount rate of 2.12% based on the 20 Year Bond GO Index published by bondbuyer.com is used as of the measurement date of December 31, 2020.

Discount Rate	December 31, 2019	December 31, 2020
Discount Rate ⁽¹⁾	2.74%	2.12%
Long-term expected rate of return, net of investment expense ⁽¹⁾	Does not apply	Does not apply
Municipal bond rate ⁽¹⁾	2.74%	2.12%

⁽¹⁾ The OPEB plan has been determined to be an unfunded OPEB plan; therefore only the municipal bond rate applies.

JEFFERSON COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 10
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2021

Other Post-Employment Benefits (OPEB) – Retiree Death Benefit (continued)

SENSITIVITY ANALYSIS: The following table shows the Total OPEB Liability of the employer, calculated using the discount rate of 2.12%, as well as what the Jefferson County Water Control and Improvement District #10 Total OPEB Liability would be if it were calculated using a discount rate that is 1 percentage point lower (1.12%) or 1 percentage point higher (3.12%) than the current rate. Note that the healthcare cost trend rate does not affect the Total OPEB Liability, so sensitivity to the healthcare cost trend rate is not shown.

	1% Decrease	Current Discount Rate	1% Increase
	1.12%	2.12%	3.12%
Total OPEB Liability	\$35,362	\$29,029	\$24,286

PENSION LIABILITIES, PENSION EXPENSE, AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO PENSIONS: At June 30, 2021, the District reported a liability of \$33,775 for its net OPEB Liability. The net OPEB liability was measured as of December 31, 2020.

Changes in Total OPEB Liability

	<u>Changes in Total OPEB Liability</u>
Balances as of December 31, 2019	\$ 29,399
Changes for the year:	
Service cost	755
Interest on total OPEB liability ⁽¹⁾	816
Changes of benefits ⁽²⁾	-
Effect of economic/demographic experience	(4,302)
Effect of assumptions changes or inputs ⁽³⁾	3,094
Benefit payments	(733)
Other	-
Balances as of December 31, 2020	\$ 29,029

⁽¹⁾ Reflects the change in the liability due to the time value of money. TCDRS does not charge fees or interest.

⁽²⁾ No plan changes valued.

⁽³⁾ Reflects change in discount rate.

JEFFERSON COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 10
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2021

Other Post-Employment Benefits (OPEB) – Retiree Death Benefit – (continued)

For the year ended June 30, 2021, the District recognized pension expense of \$44,993.

OPEB Expense / (Income)

	January 1, 2020 to December 31, 2020
OPEB Expense / (Income)	
Service cost	\$ 755
Interest on total OPEB liability ⁽¹⁾	816
Effect of plan changes	-
Recognition of deferred inflows/outflows of resources	
Recognition of economic/demographic gains or losses	(796)
Recognition of assumption changes or inputs	1,404
Other	-
OPEB expense / (income)	\$ 2,179

⁽¹⁾ Reflects the change in the liability due to the time value of money. TCDRS does not charge fees or interest.

At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Deferred Inflows / Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources
Differences between expected and actual experience	\$ 4,900	\$ 376
Change of assumptions	1,155	6,412
Contributions made subsequent to measurement date	N/A	Employer determined

Note 4 – Property Tax

Property taxes are attached as an enforceable lien on the property as of January 1. Taxes are levied on October 1, and payable by January 31. Taxes paid after January 31st are subject to a penalty and interest. Taxes are considered delinquent after June 30th and are subject to attorney fees in addition to penalty and interest. The District's taxes are billed and collected by the county. The county maintained a bond in the amount of \$100,000 for the fiscal year ended June 30, 2021, for money collected for Jefferson County Water Control & Improvement District No. 10. The District's property tax revenues are recognized as collected.

Tax Rate 2020

Tax rate per \$100 valuation – 36.9123 cents assessed at 100% fair market value. The 36.9123 cents included 8.0000 cents per \$100 valuation for maintenance of the fire department. The remainder was used for the debt service of the following bonds:

On December 20, 2012, the District issued \$1,605,000 in Unlimited Tax Refunding Bonds, Series 2013 used to defease the Unlimited Tax Bonds, Series 2003.

On July 21, 2015, the District issued \$1,325,000 in Unlimited Tax Bonds, Series 2015.

JEFFERSON COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 10
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2021

Note 4 – Property Tax (continued)

On November 12, 2015, the District issued \$1,000,000 in Unlimited Tax Bonds, Series 2015A.

On October 4, 2018, the District issued \$5,440,000 in Unlimited Tax Bonds, Series 2018.

On December 15, 2020, the District issued \$1,710,000 in Unlimited Tax Refunding Bonds, Series 2020 used to defease the Unlimited Tax Bonds, Series 2010.

Valuation	\$ 365,322,884	Gross Taxes	\$ 1,348,491
Gross Valuation			\$ 440,526,864
Exemptions			\$ (60,368,867)
Adjustments			<u>\$ (14,835,113)</u>
Net Taxable			<u>\$ 365,322,884</u>

Note 5 – Long-Term Debt

General Obligation Bonds

The District issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the District. General obligation bonds currently outstanding are as follows:

<u>Purpose</u>	
Governmental Activities	\$ 8,590,000
Business-type Activities	<u>-</u>
	\$ 8,590,000

JEFFERSON COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 10
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2021

Note 5 – Long-Term Debt (continued)

General Obligation Bonds payable at June 30, 2021 are comprised of the following individual issues:

\$ 1,605,000 Certificates of Obligation Series 2013 due in annual installments from \$175,000 to \$195,000 through August 2021, interest rate of 1.8% . Funded from the Debt Service Fund.	195,000
\$ 1,325,000 Certificates of Obligation Series 2015 due in annual installments from \$35,000 to \$95,000 through August 2035, interest rates ranging from 3.25% to 5.00% . Funded from the Debt Service Fund.	820,000
\$ 1,000,000 Certificates of Obligation Series 2015A due in annual installments from \$35,000 to \$75,000 through August 2035, interest rates ranging from 2.00% to 3.50% . Funded from the Debt Service Fund.	820,000
\$ 5,400,000 Certificates of Obligation Series 2018 due in annual installments from \$195,000 to \$380,000 through August 2038, interest rates ranging from 2.00% to 3.50% . Funded from the Debt Service Fund.	5,045,000
\$ 2,750,000 Certificates of Obligation Series 2020 due in annual installments from \$117,300 to \$404,600 through August 2030, interest rate of 2.00% . Funded from the Debt Service Fund.	1,710,000
	<hr/>
Total General Obligation Bonds	\$ 8,590,000

Revenue Bonds

The District issued a revenue bond to upgrade the Wastewater Treatment Plant Facilities to meet TCEQ requirements. Principal and interest payments on this bond issue are paid from fees collected for water and sewer services from our residents. The District issued the revenue bond in the amount of \$1,000,000. Revenue bonds currently outstanding are as follows:

<u>Purpose</u>	
Governmental Activities	\$ -
Business-type Activities	<hr/> 865,000
	\$ 865,000

Revenue bond payable at June 30, 2021 is comprised of the following individual issue:

\$ 1,000,000 Revenue Bond due in annual installments from \$ -0- to \$60,000 through August 2038, interest rates ranging from 0.09% to 2.41% . Funded from Water and Sewer Revenues.	\$ 865,000
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JEFFERSON COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 10
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2021

Note 5 – Long-Term Debt (continued)

Annual debt service requirements to maturity for general obligation bonds and revenue bonds are as follows:

Year Ending June 30,	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2022	675,000	249,111	45,000	15,445
2023	680,000	232,088	45,000	15,170
2024-2028	2,510,000	1,035,936	235,000	68,088
2029-2032	1,990,000	521,941	200,000	39,511
2033-2037	1,990,000	301,932	280,000	23,770
2038-2039	745,000	26,338	60,000	723
Total	<u>\$ 8,590,000</u>	<u>\$2,367,346</u>	<u>\$ 865,000</u>	<u>\$ 162,707</u>

Changes in Long-term Liabilities

Long-term liability activity for the year ended June 30, 2021, was as follows:

	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
Certificates of obligations	8,590,000	9,200,000	-	-	8,590,000	9,200,000
Accretion on bonds	(19,889)	(21,059)	-	-	(19,889)	(21,059)
Revenue bonds	-	-	865,000	910,000	865,000	910,000
Total	<u>\$ 8,570,111</u>	<u>\$ 9,178,941</u>	<u>\$ 865,000</u>	<u>\$ 910,000</u>	<u>\$ 9,435,111</u>	<u>\$ 10,088,941</u>

JEFFERSON COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 10
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2021

Note 6 – Capital Assets

A summary of changes in the capital assets for the primary government for the year ended June 30, 2021 follows:

	<u>July 1, 2020</u>	<u>Additions</u>	<u>Deletions</u>	<u>July 1, 2021</u>
<u>Governmental Activities:</u>				
Capital assets, not being depreciated:				
Land	\$ 166,684	\$ -	\$ -	\$ 166,684
Construction in Progress	-	-	-	-
Total Capital Assets Not Being Depreciated	<u>166,684</u>	<u>-</u>	<u>-</u>	<u>166,684</u>
Capital assets being depreciated:				
Buildings	1,092,845	-	-	1,092,845
Machinery and equipment, capital leased	147,981	-	-	147,981
Machinery and equipment	<u>411,453</u>	<u>12,644</u>	<u>-</u>	<u>424,097</u>
Total Capital Assets Being Depreciated	<u>1,652,279</u>	<u>12,644</u>	<u>-</u>	<u>1,664,923</u>
Less accumulated depreciation:				
Buildings	138,032	23,115	-	161,147
Machinery and equipment, capital leased	65,877	3,933	-	69,810
Machinery and equipment	<u>190,389</u>	<u>12,648</u>	<u>-</u>	<u>203,037</u>
Total Accumulated Depreciation	<u>394,298</u>	<u>39,696</u>	<u>-</u>	<u>433,994</u>
Total Capital Assets, Being Depreciated, Net	<u>1,257,981</u>	<u>(27,052)</u>	<u>-</u>	<u>1,230,929</u>
Governmental Activities Capital Assets, Net	<u>\$ 1,424,665</u>	<u>\$ (27,052)</u>	<u>\$ -</u>	<u>\$ 1,397,613</u>

JEFFERSON COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 10
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2021

Note 6 – Capital Assets (continued)

A summary of changes in the capital assets for the primary government for the year ended June 30, 2021 follows (continued):

	<u>July 1, 2020</u>	<u>Additions</u>	<u>Deletions</u>	<u>July 1, 2021</u>
<u>Business Type Activities:</u>				
Capital assets, not being depreciated:				
Land	\$ 201,389	\$ -	\$ -	\$ 201,389
Construction in Progress	723,641	1,040,017	5,488	1,758,170
Total Capital Assets Not Being Depreciated	<u>925,030</u>	<u>1,040,017</u>	<u>5,488</u>	<u>1,959,559</u>
Capital assets being depreciated:				
Buildings	409,132	-	9,782	399,350
Improvements other than buildings	18,966,863	620,567	37,450	19,549,980
Machinery and equipment	602,837	8,812	31,314	580,335
Total Capital Assets Being Depreciated	<u>19,978,832</u>	<u>629,379</u>	<u>78,546</u>	<u>20,529,665</u>
Less accumulated depreciation:				
Buildings	334,890	12,999	4,457	343,432
Improvements other than buildings	11,612,793	557,357	37,450	12,132,700
Machinery and equipment	544,705	17,179	30,275	531,609
Total Accumulated Depreciation	<u>12,492,388</u>	<u>587,535</u>	<u>72,182</u>	<u>13,007,741</u>
Total Capital Assets, Being Depreciated, Net	<u>7,486,444</u>	<u>41,844</u>	<u>6,364</u>	<u>7,521,924</u>
Business-type Activities Assets, Net	<u>\$ 8,411,474</u>	<u>\$ 1,081,861</u>	<u>\$ 11,852</u>	<u>\$ 9,481,483</u>

Construction in progress for the enterprise fund as of June 30, 2021 is \$1,758,170 incurred for wastewater treatment plant enforcement and improvements, filter rehabilitation, clearwell, control building, levee road project, and outfall project.

Depreciation expense was charged to functions/programs of the District as follows:

Government Activities:		
Public safety	\$	39,702
Business-type Activities:		
Water and sewer	\$	587,534

Note 7 – Commitments

Construction in progress in the business-type activities pertains to wastewater treatment plant enforcement and improvements (including disinfection system and rerouting effluent to the Neches River), filter rehabilitation, new clearwell, and new control building.

The District has sent a request to the Texas Water Development Board to reprogram remaining funds from the 2016 Clear Water State Revolving Fund into a Planning, Acquisition, and Design Project. This request was granted by the Texas Water Development Board in Fall 2020. The District will use the remaining funds from the \$1,000,000 revenue bond for engineering and consulting for the wastewater treatment plant disinfection system, rerouting effluent to the Neches River, Central Heights lift station and force main, Stillwater lift station and force main, and a new force main to service lift station #1 and #2 to wastewater treatment plant.

On November 7, 2017, the voters approved a \$5.44 million bond for water and wastewater system repairs and upgrades. The District completed the smoke testing portion of the project in November 2018 and completed the majority of point repairs in December 2019. The new clearwell and the filter rehabilitation started in January 2020 and is expected to be completed in December 2021. Additional projects will commence in January 2022 and are expected to be completed in Summer 2023.

On May 9, 2019, the Texas Water Development Board approved a \$500,000 Principal Forgiveness Loan for the District to build a new control building. The contract for the control building was awarded in September 2020, and construction will be completed in November 2021.

Note 8 – Interest Capitalization

Interest capitalization is essentially limited to the business-type activities of governmental entities. Interest costs are capitalized when incurred by the proprietary fund on debt where proceeds were used to finance the construction of assets. Interest earned on proceeds of tax-exempt borrowing arrangements restricted to the acquisition of qualifying assets may be used as an offset when determining the amount of interest to be capitalized.

Note 9 – Risk Management

The District is exposed to various risks of loss related to torts; damage to, and theft or destruction of assets; errors and omissions; injuries to employees and natural disaster. During the year, all liability coverage policies for these risks were contracted with the Texas Water Conservation Association, Risk Management Fund, which is a Trust Pool. The District also maintains liability coverage on the volunteer fire department, the officers of the Board of Directors and key employees. The District has had no significant reduction in insurance coverage from prior years.

Note 10 – Annexation

On July 18, 2019, the District voted to annex approximately 11.6 acres of land into the District.

Note 11 – Hurricane Laura, Hurricane Delta, and Texas Winter Storm

The District experienced expenditures related to Hurricane Laura, Hurricane Delta and the Texas Winter Storm within fiscal year 2020-2021. The District has continually worked with FEMA as well as the Texas Water Conservation Association to recoup the majority of the expenditures associated with these natural disasters. The District estimates that it has approximately \$20,300 in expenditures associated with

JEFFERSON COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 10
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2021

Hurricane Laura and is expecting to be reimbursed in full by FEMA in fiscal year 2021-2022. The District estimates that it has approximately \$15,030 in expenses associated with Hurricane Delta that are not eligible

Note 11 – Hurricane Laura, Hurricane Delta, and Texas Winter Storm (continued)

for reimbursement from Texas Water Conservation Association as the expenditures are below the District's deductible. The District will only recoup expenses associated with Hurricane Delta if the storm becomes federally declared, which is unlikely. The third natural disaster experienced in the fiscal year was the Texas Winter Storm. The District estimates that it has approximately \$39,627 in expenditures associated with the Texas Winter Storm. These expenditures are expected to be reimbursed in full by FEMA and Texas Water Conservation Association. The District also lost one of its main generators during the Winter Storm, and anticipates replacing it in fiscal year 2021-2022. The generator will cost the District approximately \$10,500 after Texas Water Conservation Association reimbursement.

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REQUIRED SUPPLEMENTARY INFORMATION

JEFFERSON COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 10
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
BUDGET AND ACTUAL - WATER AND SEWER FUND
FOR THE YEAR ENDED JUNE 30, 2021

	Original Budget	Final Budget	Actual	Final Budget Variance Positive (Negative)
<u>REVENUES</u>				
Service fees	\$ 1,454,000	\$ 1,454,000	\$ 1,460,255	\$ 6,255
Tap connection fees	6,500	6,500	21,200	14,700
Miscellaneous	1,000	1,000	6,129	5,129
TOTAL OPERATING REVENUES	1,461,500	1,461,500	1,487,584	26,084
<u>EXPENSES</u>				
Personnel	781,069	781,069	674,218	106,851
Professional services	53,250	53,250	46,435	6,815
Purchased and contract services	123,200	123,200	105,605	17,595
Consumable supplies and materials	235,500	235,500	210,424	25,076
Recurring expenses and repairs	225,050	225,050	270,238	(45,188)
TOTAL OPERATING EXPENSES	1,418,069	1,418,069	1,306,920	111,149
<u>OPERATING INCOME -</u>				
<u>BUDGET BASIS</u>	43,432	43,432	180,664	137,233
<u>NON-OPERATING REVENUES/</u>				
<u>(EXPENSES)</u>				
Interest on investments	16,000	16,000	2,048	(13,952)
Interest on revenue bond	-	-	(15,620)	(15,620)
Penalties and interest	28,000	28,000	28,493	493
Other revenue	-	-	7,695	7,695
Other expense	-	-	(58,161)	(58,161)
TOTAL NON-OPERATING REVENUES/ (EXPENSES) BEFORE CONTRIBUTIONS	44,000	44,000	(35,545)	(79,545)
CHANGE IN NET ASSETS BEFORE CONTRIBUTIONS - BUDGET BASIS	\$ 87,432	\$ 87,432	145,119	\$ 57,688
DEPRECIATION			587,534	
CHANGE IN NET POSITION BEFORE CONTRIBUTIONS - GAAP BASIS			(442,415)	
CAPITAL CONTRIBUTIONS, GRANTS, AND TRANSFERS				
Contributed capital			1,446,956	
NET POSITION - JULY 1			9,057,545	
NET POSITION - JUNE 30			\$ 10,062,086	

JEFFERSON COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 10
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - SPECIAL REVENUE FUND
FOR THE YEAR ENDED JUNE 30, 2021

	Original Budget	Final Budget	Actual	Final Budget Variance Positive (Negative)
<u>REVENUES</u>				
General property taxes	\$ -	\$ -	\$ 247,863	\$ 247,863
Penalties and interest	-	-	2,725	2,725
Interest	-	-	228	228
Grants and contributions	-	-	3,027	3,027
TOTAL REVENUES	-	-	253,843	253,843
<u>EXPENDITURES</u>				
Current:				
Fire protection	-	-	108,744	(108,744)
TOTAL EXPENDITURES	-	-	108,744	(108,744)
<u>EXCESS OF REVENUES</u>				
<u>OVER (UNDER) EXPENDITURES</u>	-	-	145,099	145,099
NET CHANGE IN FUND BALANCE			145,099	
FUND BALANCE - JULY 1			97,274	
FUND BALANCE - JUNE 30			\$ 242,373	

Schedule of Changes in Net Pension Liability and Related Ratios

	Year Ended December 31										
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011	
Total Pension Liability											
Service cost	\$ 68,507	\$ 66,523	\$ 72,941	\$ 66,796	\$ 67,190	\$ 59,085	\$ 58,838	N/A	N/A	N/A	
Interest on total pension liability	159,154	160,419	153,143	140,496	131,805	131,165	120,883	N/A	N/A	N/A	
Effect of plan changes	-	8,317	-	-	-	1,476	-	N/A	N/A	N/A	
Effect of assumption changes or inputs	102,758	-	-	(4,673)	-	12,601	-	N/A	N/A	N/A	
Effect of economic/demographic (gains) or losses	(286,397)	(131,980)	(9,870)	33,696	(46,478)	(101,235)	35,010	N/A	N/A	N/A	
Benefit payments/refunds of contributions	(92,797)	(147,888)	(93,112)	(79,796)	(78,374)	(105,628)	(84,409)	N/A	N/A	N/A	
Net Change in total pension liability	(48,775)	(44,609)	123,102	156,519	74,142	(2,555)	130,321	N/A	N/A	N/A	
Total pension liability, beginning	1,941,853	1,986,462	1,863,360	1,706,841	1,632,700	1,635,235	1,504,914	N/A	N/A	N/A	
Total pension liability, ending (a)	\$ 1,893,078	\$ 1,941,853	\$ 1,986,462	\$ 1,863,360	\$ 1,706,841	\$ 1,632,700	\$ 1,635,235	N/A	N/A	N/A	
Fiduciary Net Position											
Employer contributions	\$ 54,006	\$ 46,681	\$ 47,114	\$ 49,461	\$ 53,213	\$ 43,338	\$ 42,789	N/A	N/A	N/A	
Member contributions	36,632	36,227	35,161	36,716	34,812	35,327	32,699	N/A	N/A	N/A	
Investment income net of investment expenses	206,557	291,752	(34,077)	231,581	110,151	(7,524)	99,556	N/A	N/A	N/A	
Benefit payments/refunds of contributions	(92,797)	(147,888)	(93,112)	(79,796)	(78,374)	(105,628)	(84,409)	N/A	N/A	N/A	
Administrative expenses	(1,612)	(1,524)	(1,427)	(1,212)	(1,196)	(1,096)	(1,164)	N/A	N/A	N/A	
Other	135	(1,946)	(140)	74	(24,317)	(32,842)	5,921	N/A	N/A	N/A	
Net change in fiduciary net position	202,921	223,302	(46,482)	236,824	94,289	(68,426)	95,393	N/A	N/A	N/A	
Fiduciary net position, beginning	1,999,493	1,776,191	1,822,670	1,585,846	1,491,558	1,559,984	1,464,591	N/A	N/A	N/A	
Fiduciary net position, ending (b)	\$ 2,202,414	\$ 1,999,493	\$ 1,776,191	\$ 1,822,670	\$ 1,585,846	\$ 1,491,558	\$ 1,559,984	N/A	N/A	N/A	
Net pension liability / (asset), ending = (a) - (b)	\$ (309,336)	\$ (57,641)	\$ 210,271	\$ 40,690	\$ 120,995	\$ 141,142	\$ 75,252	N/A	N/A	N/A	
Fiduciary net position as a % of total pension liability	116.34%	102.97%	89.41%	97.82%	92.91%	91.36%	95.40%	N/A	N/A	N/A	
Pensionable covered payroll	\$ 523,316	\$ 517,530	\$ 507,307	\$ 524,510	\$ 497,317	\$ 472,091	\$ 467,130	N/A	N/A	N/A	
Net pension liability as a % of covered payroll	-59.11%	-11.14%	41.86%	7.76%	24.33%	29.90%	16.11%	N/A	N/A	N/A	

This schedule is presented to illustrate the requirement to show information for 10 years. However, recalculations of prior years are not required, and if prior years are not reported in accordance with the standards of GASB 67/68, they should not be shown here. Therefore, we have shown only years for which the new GASB statements have been implemented.

Schedule of Employer Contributions

Year Ending December 31	Actuarially Determined Contribution ⁽¹⁾	Actual Employer Contribution ⁽¹⁾	Contribution Deficiency (Excess)	Pensionable Covered Payroll ⁽²⁾	Actual Contribution as a % of Covered Payroll
2011	20,658	20,658	-	425,052	4.9%
2012	33,799	33,799	-	423,019	8.0%
2013	39,735	39,735	-	462,043	8.6%
2014	42,789	42,789	-	467,130	9.2%
2015	43,338	43,338	-	472,091	9.2%
2016	53,213	53,213	-	497,317	10.7%
2017	49,461	49,461	-	524,510	9.4%
2018	47,114	47,114	-	507,307	9.4%
2019	46,681	46,681	-	517,530	9.0%
2020	54,006	54,006	-	523,316	10.3%

⁽¹⁾ *TCDRS calculates actuarially determined contributions on a calendar year basis. GASB Statement No. 68 indicates the employer should report employer contribution amounts on a fiscal year basis. If additional assistance is needed, please contact TCDRS.*

⁽²⁾ *Payroll is calculated based on contributions as reported to TCDRS.*

Schedule of Changes in Total OPEB Liability and Related Ratios ⁽¹⁾

	Year Ended December 31									
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Total OPEB Liability										
Service cost	\$ 755	\$ 562	\$ 670	\$ 636	N/A	N/A	N/A	N/A	N/A	N/A
Interest on total OPEB liability	816	1,022	923	868	N/A	N/A	N/A	N/A	N/A	N/A
Effect of plan changes	-	-	-	-	N/A	N/A	N/A	N/A	N/A	N/A
Effect of assumption changes or inputs	3,094	5,924	(2,889)	1,404	N/A	N/A	N/A	N/A	N/A	N/A
Effect of economic/demographic (gains) or losses	(4,302)	(2,193)	78	1,722	N/A	N/A	N/A	N/A	N/A	N/A
Benefit payments	(733)	(569)	(603)	(944)	N/A	N/A	N/A	N/A	N/A	N/A
Net change in total OPEB liability	(370)	4,746	(1,821)	3,686	N/A	N/A	N/A	N/A	N/A	N/A
Total OPEB liability, beginning	29,399	24,653	26,474	22,788	N/A	N/A	N/A	N/A	N/A	N/A
Total OPEB liability, ending (a)	<u>\$ 29,029</u>	<u>\$ 29,399</u>	<u>\$ 24,653</u>	<u>\$ 26,474</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
Pensionable covered payroll	523,316	517,530	502,307	524,510	N/A	N/A	N/A	N/A	N/A	N/A
Net OPEB Liability/(asset) as % of covered payroll	5.55%	5.68%	4.91%	5.05%	N/A	N/A	N/A	N/A	N/A	N/A

⁽¹⁾ This schedule is presented to illustrate the requirement to show information for 10 years. However, recalculations of prior years are not required, and if prior years are not reported in accordance with the standards of GASB 74/75, they should not be shown here. Therefore, we have shown only years for which the new GASB statements have been implemented.

TEXAS SUPPLEMENTARY INFORMATION

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JEFFERSON COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 10
SCHEDULE OF SERVICES AND RATES
FOR THE YEAR ENDED JUNE 30, 2021

1. Services provided by the District:

<u> X </u> Retail Water	<u> </u> Wholesale Water	<u> </u> Drainage
<u> X </u> Retail Sewer	<u> </u> Wholesale Sewer	<u> </u> Irrigation
<u> </u> Parks/Recreations	<u> X </u> Fire Protection	<u> </u> Security
<u> </u> Solid Waste/Garbage	<u> </u> Flood Control	<u> </u> Roads
<u> </u> Participants in joint venture, regional system and/or wastewater service (other than emergency interconnect)		
<u> </u> Other (specify): _____		

2. Retail Service Providers

a. Retail rates for a 5/8" meter (or equivalent)

	Minimum Charge	Minimum Usage	Flat Rate Y/N	Rate Per 1,000 Gallons Over Minimum	Usage Levels
WATER:	\$ 11.52	-0-	Y	\$ 3.60	1,000-10,000
				4.32	10,001-20,000
				5.04	20,001-40,000
				5.76	40,001 +
SEWER:	8.64	-0-	Y	4.46	Per 1,000
SURCHARGE:	N/A				

District employs winter averaging for wastewater? Yes X No N/A

Total charges per 10,000 gallons usage: Water: \$ 47.52 Wastewater: \$ 53.24

b. Water and Wastewater Retail Conversion:

Meter Size	Total Connections	Active Connections	ESFC Factor	Active ESFSs
Unmetered			x 1.0	
≤ 3/4"	<u>1,399</u>	<u>1,326</u>	x 1.0	<u>1,326</u>
1"	<u>241</u>	<u>238</u>	x 2.5	<u>595</u>
1 1/2"	<u>15</u>	<u>15</u>	x 5.0	<u>75</u>
2"	<u>19</u>	<u>18</u>	x 8.0	<u>144</u>
3"			x15.0	
4"			x25.0	
6"			x50.0	
8"			x80.0	
10"			x115.0	
Total Water	<u>1,674</u>	<u>1,597</u>		<u>2,140</u>
Total Wastewater			x 1.0	

JEFFERSON COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 10
SCHEDULE OF SERVICES AND RATES
FOR THE YEAR ENDED JUNE 30, 2021

3. Total Water Consumption during the Fiscal Year (rounded to the nearest thousand):

Gallons pumped into system:	<u>170,450,000</u>	Water Accountability Ratio:
Gallons billed to customers:	<u>119,101,000</u>	(Gallons billed/Gallons pumped)
		<u>.700</u>

4. Standby Fees (authorized only under TWC Section 49.231):

Does the District have Debt Service standby fees? Yes _____ No X

If yes, Date of the most recent Commission Order: _____

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

If yes, Date of the most recent Commission Order: _____

5. Location of District

County(ies) in which the District is located: Jefferson

Is the District located entirely within one county: Yes X No _____

Is the District located within a city: Entirely _____ Partly _____ Not at all X

City(ies) in which the District is located: _____

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

Entirely X Partly _____ Not at all _____

ETJs in which the District is located: Nederland

Are Board members appointed by an office outside the District? Yes _____ No X

If Yes, by whom? _____

JEFFERSON COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 10
WATER AND SEWER FUND EXPENSES
FOR THE YEAR ENDED JUNE 30, 2021

Personnel Expenses	\$ 674,218
Professional Fees:	
Auditing	12,750
Legal	31,135
Engineering	6,167
Purchased Services For Resale:	
Bulk Water and Wastewater Service Purchases	70,393
Contracted Services:	
Building Maintenance	9,456
Answering Service	11,427
Utilities	61,759
Repairs and Maintenance	84,449
Administrative Expenditures:	
Directors Fees	2,550
Office Supplies	11,420
Insurance	34,664
Other Administrative Expenditures	29,617
Chemicals	94,354
Other Expenditures	172,561
Depreciation	587,534
TOTAL EXPENSES	<u><u>\$ 1,894,454</u></u>

Number of persons employed by the District: 8 Full-Time 1 Part-Time

JEFFERSON COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 10
ANALYSIS OF TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED JUNE 30, 2021

Assessed Valuation Summary

June 30, ...	Five Years				
	2021	2020	2019	2018	2017
Land	\$ 57,753,281	\$ 56,930,976	\$ 56,794,502	\$ 54,673,228	\$ 54,371,498
Improvement & Personal Property	397,859,142	318,400,162	298,733,402	283,722,194	284,417,829
Less Exemptions	(60,368,867)	(53,873,534)	(52,648,237)	(51,232,932)	(51,520,470)
TOTAL VALUATIONS	<u>\$395,243,556</u>	<u>\$321,457,604</u>	<u>\$302,879,667</u>	<u>\$287,162,490</u>	<u>\$287,268,857</u>

TAX RATES PER \$100 VALUATION

RATES:

June 30, ...	2021	2020	2019	2018	2017
Debt Service Tax	0.289123	0.303774	0.326341	0.184063	0.234389
Maintenance Tax	<u>0.080000</u>	<u>0.030000</u>	<u>0.030000</u>	<u>0.030000</u>	<u>0.030000</u>
TOTAL	0.369123	0.333774	0.356341	0.214063	0.264389
Original Tax Levy:	\$ 1,170,696	\$ 1,011,099	\$ 1,022,131	\$ 614,709	\$ 786,922
 Percent of Taxes Collected to Taxes Levied	 96.59%	 96.93%	 96.41%	 97.57%	 97.96%

Percent of Assesed Valuation to Fair Market Value - 96.63%

Percent of current and delinquent taxes collected to current & delinquent taxes outstanding at beginning
of year - 98.14%

Taxes Receivable as of June 30, 2021:

	Maintenance	Debt	Total
Tax Year			
2020	\$ 8,224	\$ 24,710	\$ 32,934
2019	\$ 1,113	\$ 11,008	\$ 12,121
2018	683	7,674	8,357
All Earlier Years	<u>8,609</u>	<u>7,186</u>	<u>15,795</u>
Total	<u>\$ 18,629</u>	<u>\$ 50,578</u>	<u>\$ 69,207</u>

JEFFERSON COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO.10
GENERAL LONG-TERM DEBT SERVICE REQUIREMENT BY YEARS
June 30, 2021

Series 2013

Due During Fiscal Years Ending 6-30	Principal Due 8-15	Interest Due 2-15 and Due 8-15	Total
2022	195,000	3,510	198,510
TOTALS	\$ 195,000	\$ 3,510	\$ 198,510

JEFFERSON COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO.10
GENERAL LONG-TERM DEBT SERVICE REQUIREMENT BY YEARS
June 30, 2021

Series 2015

Due During Fiscal Years Ending 6-30	Principal Due 8-15	Interest Due 2-15 and Due 8-15	Total
2022	55,000	35,263	90,263
2023	55,000	32,513	87,513
2024	60,000	29,788	89,788
2025	60,000	27,538	87,538
2026	65,000	25,663	90,663
2027	65,000	23,713	88,713
2028	70,000	21,688	91,688
2029	70,000	19,588	89,588
2030	75,000	17,413	92,413
2031	80,000	15,088	95,088
2032	80,000	12,688	92,688
2033	85,000	10,213	95,213
TOTALS	\$ 820,000	\$ 271,156	\$ 1,091,156

JEFFERSON COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO.10
GENERAL LONG-TERM DEBT SERVICE REQUIREMENT BY YEARS
June 30, 2021

Series 2015A

Due During Fiscal Years Ending 6-30	Principal Due 8-15	Interest Due 2-15 and Due 8-15	Total
2022	40,000	23,650	63,650
2023	40,000	22,850	62,850
2024	45,000	22,000	67,000
2025	45,000	21,044	66,044
2026	45,000	19,975	64,975
2027	50,000	18,725	68,725
2028	50,000	17,350	67,350
2029	55,000	15,838	70,838
2030	55,000	14,188	69,188
2031	60,000	12,388	72,388
2032	60,000	10,438	70,438
2033	65,000	8,406	73,406
2034	65,000	6,213	71,213
2035	70,000	3,850	73,850
2036	75,000	1,313	76,313
TOTALS	\$ 820,000	\$ 218,225	\$ 1,038,225

JEFFERSON COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO.10
GENERAL LONG-TERM DEBT SERVICE REQUIREMENT BY YEARS

June 30, 2021

Series 2018

Due During Fiscal Years Ending 6-30	Principal Due 8-15	Interest	Total
		Due 2-15 and Due 8-15	
2022	200,000	155,238	355,238
2023	210,000	150,875	360,875
2024	215,000	145,825	360,825
2025	225,000	139,763	364,763
2026	230,000	132,938	362,938
2027	240,000	125,888	365,888
2028	250,000	118,538	368,538
2029	260,000	110,888	370,888
2030	270,000	102,938	372,938
2031	280,000	94,513	374,513
2032	290,000	85,425	375,425
2033	300,000	75,837	375,837
2034	315,000	65,647	380,647
2035	325,000	54,847	379,847
2036	340,000	43,625	383,625
2037	350,000	31,982	381,982
2038	365,000	19,688	384,688
2039	380,000	6,650	386,650
TOTALS	\$ 5,045,000	\$ 1,661,105	\$ 6,706,105

JEFFERSON COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO.10
UNLIMITED TAX REFUNDING BONDS DEBT SERVICE
REQUIREMENT BY YEARS
June 30, 2021

Series 2020

Due During Fiscal Years Ending 6-30	Principal Due 8-15	Interest	Total
		Due 2-15 and Due 8-15	
2022	185,000	31,450	216,450
2023	375,000	25,850	400,850
2024	375,000	18,350	393,350
2025	45,000	94,600	139,600
2026	125,000	13,350	138,350
2027	125,000	10,850	135,850
2028	125,000	8,350	133,350
2029	120,000	5,900	125,900
2030	120,000	3,500	123,500
2031	115,000	1,150	116,150
TOTALS	\$ 1,710,000	\$ 213,350	\$ 1,923,350

JEFFERSON COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO.10
GENERAL LONG-TERM DEBT SERVICE REQUIREMENT BY YEARS
June 30, 2021

Annual Requirement for All Series

Due During Fiscal Years Ending	Total Principal	Total Interest	Total Principal and Interest Due
2022	675,000	249,111	924,111
2023	680,000	232,088	912,088
2024	695,000	215,963	910,963
2025	375,000	282,945	657,945
2026	465,000	191,926	656,926
2027	480,000	179,176	659,176
2028	495,000	165,926	660,926
2029	505,000	152,214	657,214
2030	520,000	138,039	658,039
2031	535,000	123,139	658,139
2032	430,000	108,551	538,551
2033	450,000	94,456	544,456
2034	380,000	71,860	451,860
2035	395,000	58,697	453,697
2036	415,000	44,938	459,938
2037	350,000	31,982	381,982
2038	365,000	19,688	384,688
2039	380,000	6,650	386,650
TOTALS	\$ 8,590,000	\$ 2,367,346	\$ 10,957,346

JEFFERSON COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO.10
REVENUE BOND REQUIREMENT BY YEARS
June 30, 2021

2017 Revenue Bond

Due During Fiscal Years Ending 6-30	Principal Due 8-15	Interest Due 2-15 and Due 8-15	Total
2022	45,000	15,445	60,445
2023	45,000	15,170	60,170
2024	45,000	14,797	59,797
2025	45,000	14,320	59,320
2026	45,000	13,737	58,737
2027	50,000	13,027	63,027
2028	50,000	12,207	62,207
2029	50,000	11,327	61,327
2030	50,000	10,392	60,392
2031	50,000	9,410	59,410
2032	50,000	8,382	58,382
2033	55,000	7,258	62,258
2034	55,000	6,042	61,042
2035	55,000	4,793	59,793
2036	55,000	3,517	58,517
2037	60,000	2,160	62,160
2038	60,000	723	60,723
TOTALS	\$ 865,000	\$ 162,707	\$ 1,027,707

JEFFERSON COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO.10
ANALYSIS OF CHANGES IN LONG-TERM DEBT
FOR THE YEAR-ENDED JUNE 30, 2021

	Bond Issues		
	Series 2013	Series 2015	Series 2015A
Interest Rates	1.80%	3.25% - 5.00%	2.00% - 3.50%
Type of Rate Quoted	Effective	Effective	Effective
Date Interest Payable	2/15 - 8/15	2/15 - 8/15	2/15 - 8/15
Maturity Date	5/15/2021	8/15/2035	8/15/2035
Bond Outstanding at			
Beginning of Current Year	\$ 385,000	\$ 870,000	\$ 860,000
Bonds Sold During Current Year	-	-	-
Retirements - Principal			
During Current Year	(190,000)	(50,000)	(40,000)
Bonds Outstanding at End of Current Year	<u>195,000</u>	<u>820,000</u>	<u>820,000</u>
Retirements - Interest Paid			
During Current Year	5,258	28,950	24,450

Paying Agent's Name & Address

Series 2013	BBVA Compass Bank, Houston, TX
Series 2015	The Bank of New York Mellon Trust Company, N.A., Dallas, TX
Series 2015A	The Bank of New York Mellon Trust Company, N.A., Dallas, TX

JEFFERSON COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO.10
ANALYSIS OF CHANGES IN LONG-TERM DEBT
FOR THE YEAR-ENDED JUNE 30, 2021

	Bond Issues		
	2017	Series	Series
	Revenue Bond	2018	2020
Interest Rates	0.09%-2.41%	2.00% - 3.50%	2.00%
Type of Rate Quoted	Effective	Effective	Effective
Date Interest Payable	2/15 - 8/15	2/15 - 8/15	2/15 - 8/15
Maturity Date	8/15/2037	8/15/2039	8/15/2030
Bond Outstanding at			
Beginning of Current Year	\$ 910,000	\$ 5,240,000	\$ -
Bonds Sold During Current			
Year	-	-	1,710,000
Retirements - Principal			
During Current Year	(45,000)	(195,000)	-
Bonds Outstanding at End			
of Current Year	865,000	5,045,000	1,710,000
Retirements - Interest Paid			
During Current Year	15,555	159,188	5,550

Paying Agent's Name & Address

2017 Revenue Bond Texas Water Development Board
Series 2018 The Bank of New York Mellon Trust Company, N.A., Dallas, TX
Series 2020 The Bank of New York Mellon Trust Company, N.A., Dallas, TX

Bond Authority:

	Tax Bonds*	Revenue Bonds	Refunding Bonds
Amount Authorized by Voters	\$ 8,805,000	\$ 1,000,000	\$ 3,315,000
Amount Issued	8,805,000	1,000,000	3,315,000

*Includes all bonds secured with tax revenues. Bonds in this category may also be secured with other revenue in combination with taxes.

Debt Service Fund Cash and Temporary Investments, June 30, 2021: \$ 1,516,436
Average Annual Debt Service (Principal & Interest) for Remaining Debt: \$ 608,741

JEFFERSON COUNTY WATER CONTROL AND
IMPROVEMENT DISTRICT NO. 10
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES –
PROPRIETARY FUND AND DEBT SERVICE FUND
FOR THE YEAR ENDED JUNE 30, 2021

	AMOUNTS				
	6-30-21	6-30-20	6-30-19	6-30-18	6-30-17
<u>Water & Sewer Revenues</u>					
Service Revenues	\$ 1,460,255	\$ 1,443,288	\$ 1,445,298	\$ 1,502,115	\$ 1,449,368
Tap Connection Fees	21,200	7,375	11,200	10,875	4,000
Penalty & Interest Revenue	30,541	44,001	42,368	45,736	33,156
Miscellaneous	6,129	129,913	51,405	3,023	1,599
Total Revenues	1,518,125	1,624,577	1,550,271	1,561,749	1,488,123
<u>Water & Sewer Expenditures</u>					
Depreciation	587,534	565,359	507,344	514,553	529,119
Purchased Water & Sewer Services	70,393	61,909	65,356	57,153	53,599
Payroll Expenditures	674,218	807,302	756,504	771,812	752,387
Professional Fees	46,435	49,604	27,908	85,573	35,923
Purchased & Contract Services	35,212	88,420	53,655	145,726	121,473
Consumable Supplies, Materials	210,424	218,708	295,319	167,965	196,271
Recurring Operating Expenses & Repairs	270,238	219,913	267,195	245,192	180,054
Interest	15,620	15,706	7,863	20,174	-
Other Expenses	50,466	-	-	-	-
Total Water & Sewer Expenditures	1,960,540	2,026,921	1,981,144	2,008,148	1,868,826
Excess Water & Sewer Revenues (Expenditures)	\$ (442,415)	\$ (402,344)	\$ (430,873)	\$ (446,399)	\$ (380,703)
<u>Debt Service Revenues</u>					
Tax Revenues	\$ 913,850	\$ 908,995	\$ 908,963	\$ 528,953	\$ 696,600
Penalty & Interest	13,983	9,812	14,503	6,020	7,982
Interest on Investments	1,616	11,156	4,602	408	1,051
Proceeds of Refunding Bond	1,563	-	-	-	-
Refunding Bond Premium	128,456	-	-	-	-
Total Debt Service Revenues	1,059,468	929,963	928,068	535,381	705,633
<u>Debt Service Expenditures</u>					
Tax Collection Expenditures	13,834	16,117	12,879	6,892	11,699
Debt Service Interest & Fees	285,059	301,592	191,540	194,144	182,264
Debt Service: Principal	610,000	600,000	305,000	465,000	785,000
Bond Issuance Costs	100,734	-	-	-	-
Total Debt Service Expenditures	1,009,627	917,709	509,419	666,036	978,963
Excess Debt Service Revenues (Expenditures)	\$ 49,841	\$ 12,254	\$ 418,649	\$ (130,655)	\$ (273,330)

PERCENTAGE				
6-30-21	6-30-20	6-30-19	6-30-18	6-30-17
96.19%	88.84%	93.23%	96.18%	97.40%
1.40%	0.45%	0.72%	0.70%	0.27%
2.01%	2.71%	2.73%	2.93%	2.23%
0.40%	8.00%	3.32%	0.19%	0.11%
100.00%	100.00%	100.00%	100.00%	100.00%
38.70%	34.80%	32.73%	32.95%	35.56%
4.64%	3.81%	4.22%	3.66%	3.60%
44.41%	49.69%	48.80%	49.42%	50.56%
3.06%	3.05%	1.80%	5.48%	2.41%
2.32%	5.44%	3.46%	9.33%	8.16%
13.86%	13.46%	19.05%	10.75%	13.19%
17.80%	13.54%	17.24%	15.70%	12.10%
1.03%	0.97%	0.51%	1.29%	0.00%
3.32%	0.00%	0.00%	0.00%	0.00%
129.14%	124.77%	127.79%	128.58%	125.58%
-29.14%	-24.77%	-27.79%	-28.58%	-25.58%
86.26%	97.75%	97.94%	98.80%	98.72%
1.32%	1.06%	1.56%	1.12%	1.13%
0.15%	1.20%	0.50%	0.08%	0.15%
0.15%	0.00%	0.00%	0.00%	0.00%
12.12%	0.00%	0.00%	0.00%	0.00%
100.00%	100.00%	100.00%	100.00%	100.00%
1.31%	1.73%	1.39%	1.29%	1.66%
26.91%	32.43%	20.64%	36.26%	25.83%
57.58%	64.52%	32.86%	86.85%	111.25%
9.51%	0.00%	0.00%	0.00%	0.00%
95.30%	98.68%	54.89%	124.40%	138.74%
4.70%	1.32%	45.11%	-24.40%	-38.74%

JEFFERSON COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 10
INSURANCE COVERAGE
AS OF JUNE 30, 2021

Type of Coverage	From	To	Coverage
Bonds:			
Five Elected Officials	7/1/2020	6/30/2021	10,000 each
Four Office Employees	7/1/2020	6/30/2021	10,000 each
Equipment Floater	7/1/2020	6/30/2021	100,000
Fire & Lightning:			
Buildings	7/1/2020	6/30/2021	5,826,192
Contents	7/1/2020	7/1/2021	666,753
Fence	7/1/2020	7/1/2021	-
Tenant Dwelling	7/1/2020	7/1/2021	-
Liability:			
Automotive & Fire Trucks	7/1/2020	7/1/2021	1,000/400,000
Property Damage & Bodily Injury	7/1/2020	7/1/2021	1,000/400,000
Errors & Omissions	7/1/2020	7/1/2021	1,000/1,000,000
Comprehensive General:			
Combined Single Limit	7/1/2020	6/30/2021	1,000/400,000
Workman Compensation	7/1/2020	6/30/2021	Statutory Limits
Volunteer Firemen:			
Commercial Auto Policy	6/10/2020	7/30/2021	1,000,000
Agreed Value Physical Damage	6/10/2020	7/30/2021	1,000/100,000
Accident & Sickness Policy	6/10/2020	7/30/2021	150/32,000/ 151,000
Death Benefit above Workman Compensation			20,000
Management Liability Policy	6/10/2020	7/30/2021	3,000,000/ 1,000,000/5,000
Texas Commercial Package	6/10/2020	7/30/2021	100/ACV

Note 1: All policy coverage for the District is written through Texas Water Conservation Association, Risk Management Fund, which is a Trust Pool and is neither a stock nor a mutual corporation. The trust is administered by JI Specialty Service, Inc. All policy coverage for the Volunteer Fire Department is written through the Volunteer Fire Insurance Services, administered by Regnier & Associates, Inc.

<u>Insurer Name</u>	<u>Type of Corporation Stock/Mutual</u>	<u>Policy Clause Co-Insurance</u>
Western Surety	Stock	No
Western Surety	Stock	No
Texas Water Conservation Association	See Note 1	No
Texas Water Conservation Association	See Note 1	No
Texas Water Conservation Association	See Note 1	No
Texas Water Conservation Association	See Note 1	No
Texas Water Conservation Association	See Note 1	No
Texas Water Conservation Association	See Note 1	No
Texas Water Conservation Association	See Note 1	No
Texas Water Conservation Association	See Note 1	No
Texas Water Conservation Association	See Note 1	No
Volunteer Fire Insurance Services	See Note 1	No
Volunteer Fire Insurance Services	See Note 1	No
Volunteer Fire Insurance Services	See Note 1	No
Volunteer Fire Insurance Services	See Note 1	No
Volunteer Fire Insurance Services	See Note 1	No

JEFFERSON COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 10
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS

June 30, 2021

Complete District Mailing Address:

JEFFERSON COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 10
3707 Central Boulevard
Nederland, Texas 77627
(409) 722-6922

BOARD MEMBERS

<u>Name and Address</u>	<u>Term of Office</u>	<u>Fees and/ Reimbursement</u>	<u>Title</u>	<u>Resident of District</u>
Stephen Savant 2299 Twin City Hwy Nederland, TX 77627	5/1/2018 4/30/2022	\$ 550	President	Yes
Lester Crooks 2901 Washington Nederland, TX 77627	5/1/2018 4/30/2022	\$ 600	Vice President	Yes
Harold Ross 3113 Madison Street Nederland, TX 77627	5/1/2020 4/30/2024	\$ 550	Secretary	Yes
John Wagner 1609 Braxton Circle Nederland, TX 77627	5/1/2020 4/30/2024	\$ 500	Director	Yes
Jereme Havard 2009 Dylan Drive Nederland, TX 77627	10/15/2020 4/30/2022	\$ 350	Director	Yes

JEFFERSON COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 10
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS (CONTINUED)
June 30, 2021

KEY PERSONNEL, CONSULTANTS, AND INVESTMENT OFFICER

<u>Name and Address</u>	<u>Hire Date</u>	<u>Fees and/ Reimbursement</u>	<u>Title</u>	<u>Resident of District</u>
Thomas McDonald 8019 Tom Drive Port Arthur, TX 77642	1/27/2003	\$ 105,546	General Manager / Investment Officer	No
Jessica Gremillion 2601 Hampton Lane Port Neches, TX 77651	8/28/2017	\$ 65,882	Office Manager	No
Guy Goodson Germer PLLC 550 Fanin Beaumont, TX 77701		\$ 39,982	Legal Counsel	No
J.R. Edwards & Associates 4347 Crow Rd. Beaumont, TX 77706		\$ 13,000	Auditor	No

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OVERALL COMPLIANCE AND INTERNAL CONTROL

J. R. Edwards & Associates, LLC

Certified Public Accountants

October 26, 2021

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Directors
Jefferson County Water Control and
Improvement District # 10
3707 Central
Nederland, TX 77627

To Those it May Concern:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Jefferson County Water Control and Improvement District # 10 as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated October 26, 2021.

In planning and performing our audit of the financial statements of Jefferson County Water Control and Improvement District # 10, hereinafter referred to as the "District," as of and for the year ended June 30, 2021, in accordance with auditing standards generally accepted in the United States of America, we considered the District's internal control over financial reporting as a basis for designing auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses. Given those limitations, during our audit, we did not identify any deficiencies in

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Phone (409) 924-9100 ♦ Fax (409) 924-0990

internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported on under *Government Auditing Standards*.

The Purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Sincerely,



J.R. EDWARDS & ASSOCIATES, LLC