

J. Pat O'Neill, III, CPA  
Michael W. Kiefer, CPA (Dave Ramsey ELP)

**Wathen,  
DeShong  
& Juncker,**  
L.L.P.  
CPAs & BUSINESS ADVISORS

Troy W. Domingue, CPA  
Stanley (Chip) Majors, Jr., CPA, CITP, CGMA  
Jane P. Burns, CPA, CDFA

January 27, 2020

Board of Directors  
Trinity Bay Conservation District  
Stowell, Texas

In planning and performing our audit of the financial statements of the governmental activities, the business-type activities, and each major fund of Trinity Bay Conservation District as of and for the year ended September 30, 2019, in accordance with auditing standards generally accepted in the United States of America, we considered Trinity Bay Conservation District's internal control structure in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing 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 the internal control such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis.

Our consideration of internal controls was limited and not designed to identify all deficiencies in internal control over financial reporting. We did not identify any deficiencies in internal control that we consider to be a material weakness. However, during our audit we became aware of certain matters that are opportunities for strengthening internal controls or operating efficiency. The memorandum that accompanies this letter summarizes our comments and suggestions regarding those matters.

Very truly yours,

*Wathen, DeShong & Juncker, L.L.P.*

**WATHEN, DeSHONG & JUNCKER, L.L.P.**  
Certified Public Accountants

### **Budgeted Debt Covenant Revenue Requirement**

Series 2012 Utility System Revenue Refunding Bonds and Series 2014 Utility System Revenue Bonds are special obligations of the District payable from the net revenues of the District's Water and Wastewater system. A requirement of the bond orders is for the District to produce Net Revenues equal to at least 1.2 times the annual Debt Service for the fiscal year on the outstanding Bonds.

For future budgets we recommend the District include a calculation of the annual Debt Service requirement with the Water and Wastewater budget and provide a reconciliation of the net budgeted operating revenues and expenditures to the annual Debt Service requirement.

### **Budgeted Expenses**

It is the practice of the District to budget expenses for the Drainage department and Water and Wastewater department in 9 expense categories for each department. The budget is approved by the Board prior to the beginning of the year and the Board institutes budget resolutions during the fiscal year, when necessary.

Expenditures for the fiscal year ended September 30, 2019 exceeded the budgeted amounts for 5 of the 18 budgeted categories. In addition, it could not be determined that all final budget amounts reflected in the financial statements were included in the budget amendment resolutions approved by the Board.

We recommend that the District considers reporting the budget in greater detail by sub-departments, and monitoring expenditures throughout the year in comparison to budgeted amounts. Also, a final budget and the corresponding budget amendments executed during the year should be reviewed by the board prior to year-end.

### **Allocation of Net Pension Liability to Proprietary Funds**

The District has elected to limit the accounting and reporting of pension-related activity to the General Fund. The General Fund makes on-behalf payments for all pension-related expenses applicable to the Enterprise Fund.

We understand and do not dispute management's interpretation of GASB Statement 68 and GASB Implementation Guide 2015 question 5.129.1, and the election to present all pension-related activity in the General Fund. We are concerned that the consolidation of the net pension liability, and the related yearly pension expenditures in the General Fund hinders management's ability to properly assess the operating expenses of the Water and Wastewater Fund.

We recommend that the District does not consolidate the pension-related activity into the General Fund, and the General Fund and Water and Wastewater Fund separately report their pension-related activity.

### **Inventory Valuation**

The District began accounting for inventory at the end of the 2018 fiscal year-end. The District performed a physical count of the inventory in December 2019, subsequent to the 2019 fiscal year-end.

Our recommendation is for the District to perform, at a minimum, a physical count of the inventory at least once a year. Ideally, the fiscal year-end inventory count should take place no more than 1 week prior to, or post fiscal year-end.

### **Procurement**

The District purchases a considerable amount of pipe, fittings and supplies from vendors. Over the course of the year in the aggregate, the amounts purchased from vendors can be significant. The District follows the Texas Water Code 49.273 requirement of obtaining competitive price quotes for all individual purchases, not purchased through a HGACBuy board, over \$25,000 and advertisement and sealed bids for individual purchases of over \$75,000. The District's policy is to obtain 3 bids for purchases not rising to the level requiring a formal bid process, and not procured through the HGACBuy board. Currently, the District does not enforce the policy of retention of the price quote documents for purchases less than \$25,000.

We recommend the District enforce the policy of retention of bid documentation.

### **Stale Accounts Receivable**

On the financial statements, accounts receivable is reported net of the allowance for doubtful accounts. The District utilizes an industry specific software for billing of the District's services, and the related receivables from the billings are accounted for by this program. Currently, the District does not remove stale and written-off balances from the accounts receivable reports or deactivate the account. Stale balances are accounted for by adjusting the allowance for doubtful accounts. At September 30, 2019 the Accounts Receivable balance was \$831,908, and the Allowance for Doubtful Accounts balance was \$419,742.

Our recommendation is to remove or deactivate all stale accounts approved for write-off and balances from the accounts receivable report, to better reflect the anticipated receivables for services at year-end.

### **Policy and Procedures Manual**

The most recent policy manual adopted by the District is dated December 14, 2009. In practice, the District operates largely by verbal policies and procedures, which at times deviates from the policy manual. During our testing we noted the following instances of divergence from the policy manual:

- Per the 2009 policy manual, all overtime must be approved in advance by a supervisor in writing. During payroll testing completed during the audit, the District could not produce authorized overtime requests for the testing selections.
- The District's policy for procurement card use specifies that the cardholders are responsible for the reconciliation of purchases to the monthly statement. If there are any reporting discrepancies or if the card is lost or stolen, the cardholder is responsible for reporting the issue to the credit card company. The District has removed the reporting responsibility from the cardholder and assigned these duties to one employee.
- Payment of travel, training, and related expenses with a credit card is restricted, and per the District's policy should be approved by written authorization of the General Manager. During the audit we selected two months of credit card purchases for testing, and noted a payment related to travel without written authorization from the General Manager.

The effectiveness of the policies in practice, versus the applicability of the policies reflected in the 2009 policy manual, was not taken into consideration when evaluating the adherence to the 2009 policy manual.

We recommend updating the District's policy manual to reflect the current practices of the District. In addition, we suggest that the District develop a procedure manual, segregated by task, that addresses the District's procedures for important job duties and tasks (such as bank deposits; payroll processing; identifying, gathering and reporting project expenses; recording and tracking customer payment plans, etc.).

### **Check Signing**

Generally, checks written by the District are signed by the General Manager and a Board member. The majority of checks written are reviewed and approved by the Board prior to issuance. At times, it is necessary to issue checks prior to board approval. The board is provided with a listing of all checks falling into this category at the subsequent board meeting.

Per the Texas Water Code Section 49.151, checks, drafts, orders or other instruments are required to be signed by:

- a majority of the District's directors
- the general manager, treasurer, bookkeeper, or other District employee if authorized by Board resolution.

While we believe that the current check signing practice is practical, and there are Board resolutions authorizing the General Manager to be listed as a signer on the District's bank accounts, the District was unable to produce a board resolution that specifically addressed TWC 49.151 authorizing check signers.

The board should adopt a resolution addressing TWC section 49.151 and designate authorized check signers.

### **Capitalization Threshold**

Currently, the District's minimum capitalization threshold for any individual item is \$2,000. Based on the size of the District and the nature and frequency of the regularly occurring expenditures, management and the board of directors may want to evaluate if the capitalization threshold is still appropriate for the District.

We recommend increasing the capitalization threshold to \$5,000 for the District.

**TRINITY BAY CONSERVATION DISTRICT**  
**ANNUAL FINANCIAL REPORT**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2019**

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ANNUAL FILING AFFIDAVIT

THE STATE OF TEXAS

§

COUNTIES OF CHAMBERS AND JEFFERSON §

I, Michael Winzer, President of the Board of Directors of the Trinity Bay Conservation District 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 5<sup>th</sup> day of February, 2020 its annual report for the year or period ended September 30, 2019 and that copies of the annual audit have been filed in the District office, located at 2500 SH 124, Stowell, Texas. The annual filing affidavit and the attached copy of the annual audit report are being submitted to the Texas Commission on Environmental Quality in satisfaction of all annual filing requirements within Section 49.194 of the Texas Water Code.

Date: February 5, 2020

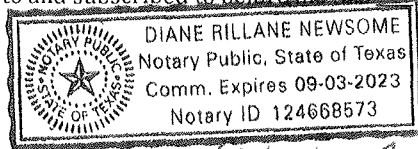
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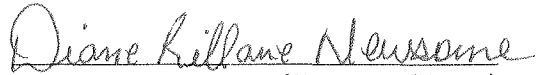
(Signature of District Representative)

Michael Winzer, President of the Board of Directors  
(Typed Name and Title of above  
District Representative)

Sworn to and subscribed to before me this 5<sup>th</sup> day of February, 2020

(Seal)



  
(Signature of Notary)

My commission expires on September 3, 2023 Notary Public in and for the State of Texas.

J. Pat O'Neill, III, CPA  
Michael W. Kiefer, CPA (Dave Ramsey ELP)

**Wathen,  
DeShong  
& Juncker,**  
L.L.P.  
CPAs & BUSINESS ADVISORS

Troy W. Domingue, CPA  
Stanley (Chip) Majors, Jr., CPA.CITP, CGMA  
Jane P. Burns, CPA, CDEA

January 27, 2020

**INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors  
Trinity Bay Conservation District  
Stowell, Texas

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of Trinity Bay Conservation District as of and for the year ended September 30, 2019 and the related notes to the financial statements, which collectively comprise the Trinity Bay Conservation District's basic financial statements as listed in the table of contents.

**Management's Responsibility for the Financial Statements**

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

**Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, 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 of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

**Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of Trinity Bay Conservation District as of September 30, 2019, 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 on page 4 through 9; the Schedules of Changes in Employer's Net Pension Liability and Related Ratios and Employer Contributions on pages 45 through 46; the Statement of Revenues, Expenditures and Changes in Fund Balance – Budget to Actual – Governmental Fund on page 47; and the Statement of Revenues, Expenses and Changes in Net Position – Budget and Actual – Water and Wastewater Fund on page 48 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 Standard 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 on pages 4 through 9 and pages 45 through 46 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 this information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The required supplementary information on pages 47 through 48 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 financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the financial statements taken as a whole.

### *Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Trinity Bay Conservation District's basic financial statements. The Texas Supplementary Information listed in the Table of Contents on pages 49 through 61 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The Texas Supplementary Information listed in the Table of Contents is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The current year financial information included in these schedules has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The Schedules of Services and Rates and Board Members, Key Personnel and Consultants have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on this information.

## **Other Reporting Required by Governmental Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated January 27, 2020, on our consideration of Trinity Bay Conservation District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of Trinity Bay Conservation District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Trinity Bay Conservation District's internal control over financial reporting and compliance.

*Wathen, DeShong & Juncker, L.L.P.*

**WATHEN, DeSHONG & JUNCKER, L.L.P.**  
Certified Public Accountants

## TRINITY BAY CONSERVATION DISTRICT

Management's Discussion and Analysis  
For The Year Ended September 30, 2019

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### MANAGEMENT'S DISCUSSION AND ANALYSIS

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As management of the Trinity Bay Conservation District, we offer readers of the Trinity Bay Conservation District financial statements this narrative overview and analysis of the financial activities of the Trinity Bay Conservation District for the fiscal year ended September 30, 2019. 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 Trinity Bay Conservation District exceeded its liabilities as of September 30, 2019, by \$34,325,970 (net position).
- The Trinity Bay Conservation District's total net position increased by \$52,305, which included a prior period adjustment increasing net position by \$57,196. The District had expenses associated with all activities totaling \$9,464,823 and total revenues were \$9,459,932.

#### OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Trinity Bay Conservation District's basic financial statements. These financial statements are comprised of four components: 1) government-wide financial statements, 2) fund financial statements 3) notes to the financial statements and 4) required supplementary information which includes this management's discussion. In addition to the basic financial statements, this report also contains other supplementary information as listed in the Table of Contents.

**Government-wide financial statements** - The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The Statement of Net Position presents information on all of the Trinity Bay Conservation District's 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 Trinity Bay Conservation District 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 periods (e.g., earned but unused vacation).

Both of the government-wide financial statements distinguish functions of the District that are principally supported by taxes and intergovernmental revenues (governmental activities) from functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The government-wide financial statements can be found on pages 10-11 of this report.

## TRINITY BAY CONSERVATION DISTRICT

Management's Discussion and Analysis  
For The Year Ended September 30, 2019

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**Fund financial statements** - A fund is a self-balancing set of accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The District's funds 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 current sources and uses of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Nonfinancial assets and long-term liabilities that will not be paid with current assets are excluded. 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 funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

**Proprietary Funds** - Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The District's enterprise funds consist of a water and wastewater fund which is combined with the debt service and construction funds. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The basic proprietary fund financial statements can be found on pages 16-19 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 financial statements. The notes to the Financial Statements can be found on pages 20 through 44.

**Other information.** In addition to the basic financial statements and accompanying notes, required supplementary information presents additional information related to the pension activity of the District, and budgetary comparison schedules for the District to demonstrate compliance with the budget. This required supplementary information can be found on pages 45 through 48. Texas supplementary information provides schedules relating to services and rates, fund expenditures and expenses, investments, taxes, long-term debt, comparative statements of revenue and expenditures, comparative statements of revenue and expenses, board members, key personnel and consultants, and can be found on pages 49 through 61.

TRINITY BAY CONSERVATION DISTRICT

Management's Discussion and Analysis  
For The Year Ended September 30, 2019

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Trinity Bay Conservation District, assets exceeded liabilities by \$34.3 million at September 30, 2019. At September 30, 2019, the District has invested \$29.3 million in capital assets, net of related debt. Approximately \$1.2 million of the District's net position are restricted for debt service. The \$3.9 million of unrestricted net position represents resources available to fund the programs of the District next year. This compares to \$29.2 million invested in capital assets, net of related debt, \$1.1 million restricted for debt service, and \$3.9 million of unrestricted net position at September 30, 2018.

**STATEMENT OF NET POSITION**

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Current and other assets	\$ 3,092,543	\$ 4,169,322	\$ 4,350,658	\$ 3,160,354	\$ 7,443,201	\$ 7,329,676
Capital assets	10,229,093	10,842,033	27,362,083	27,742,297	37,591,176	38,584,330
Total Assets	13,321,636	15,011,355	31,712,741	30,902,651	45,034,377	45,914,006
Deferred outflows of resources	960,189	676,769	-	-	960,189	676,769
Current and other liabilities	468,368	48,540	1,028,006	1,039,228	1,496,374	1,087,768
Long-term liabilities	2,166,167	2,197,484	7,949,540	8,607,737	10,115,707	10,805,221
Total Liabilities	2,634,535	2,246,024	8,977,546	9,646,965	11,612,081	11,892,989
Deferred inflows of resources	56,515	424,122	-	-	56,515	424,122
Net Position						
Net investment in						
Capital assets	9,833,617	10,096,939	19,432,756	19,134,560	29,266,373	29,231,499
Restricted	-	-	1,200,428	1,151,259	1,200,428	1,151,259
Unrestricted	1,757,158	2,921,039	2,102,011	969,867	3,859,169	3,890,906
Total Net Position	\$11,590,775	\$13,017,978	\$22,735,195	\$21,255,686	\$34,325,970	\$34,273,664

**Changes in net position.** The District's total revenues were \$9.4 million in 2019. During 2019, the District's intergovernmental revenue derived from construction agreements with Chambers County totaled \$1.1 million which accounted for 12% of overall revenue. Without consideration of the intergovernmental revenue, the District's revenue originates from charges for services totaling \$4.3 million or 52% and property taxes of \$3,650,986 or 44% of total revenue (less intergovernmental revenue).

The total cost of all programs and services was \$9.5 million, an increase of \$722,725 over 2018. Normal operating expenses by function included water and wastewater of \$5.1 million, drainage \$3.3 million, administration \$656,204, and interest on debt \$257,756. The District's increase in net position of \$52,305 included a prior period adjustment of \$57,196. During 2018, the District had an increase in net position of \$2.7 million, which included \$2.8 million in capital contributions.

TRINITY BAY CONSERVATION DISTRICT

Management's Discussion and Analysis  
For The Year Ended September 30, 2019

**STATEMENT OF ACTIVITIES**

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
<b>Revenues</b>						
Charges for services						
Construction services	\$ 812,348	\$ 443,238	\$ 328,471	\$ -	\$ 1,140,819	\$ 443,238
Water and wastewater	-	-	4,274,455	4,830,666	4,274,455	4,830,666
Operating grants and contributions	-	46,601	-	38,712	-	85,313
Capital grants and contributions	-	2,774,314	-	-	-	2,774,314
General revenues						
Property taxes	3,650,986	3,291,278	-	-	3,650,986	3,291,278
Other taxes	11,069	10,115	-	-	11,069	10,115
Investment income	8,780	8,260	10,896	8,783	19,676	17,043
Other	78,965	13,902	283,962	11,907	362,927	25,809
<b>Total Revenues</b>	<b>4,562,148</b>	<b>6,587,708</b>	<b>4,897,784</b>	<b>4,890,068</b>	<b>9,459,932</b>	<b>11,477,776</b>
<b>Expenses</b>						
General administration	656,204	870,325	-	-	656,204	870,325
Drainage	3,332,709	2,778,411	-	-	3,332,709	2,778,411
Water and wastewater	-	-	5,052,060	4,801,122	5,052,060	4,801,122
Project expenses	-	-	166,094	-	166,094	-
Interest on long-term debt	16,376	31,885	241,380	260,355	257,756	292,240
<b>Total Expenses</b>	<b>4,005,289</b>	<b>3,680,621</b>	<b>5,459,534</b>	<b>5,061,477</b>	<b>9,464,823</b>	<b>8,742,098</b>
Transfers	(2,054,964)	(1,064,300)	2,054,964	1,064,300	-	-
Increase (decrease) in net position	(1,498,105)	1,842,787	1,493,214	892,891	(4,891)	2,735,678
Net position - beginning	13,017,978	11,175,191	24,255,687	20,362,795	37,273,665	31,537,986
Prior period adjustment	70,902	-	(13,706)	-	57,196	-
Net position - ending	<u>\$ 11,590,775</u>	<u>\$ 13,017,978</u>	<u>\$ 25,735,195</u>	<u>\$ 21,255,686</u>	<u>\$ 37,325,970</u>	<u>\$ 34,273,664</u>

**Governmental activities:** Net position of the governmental activities of the District's decreased by \$1.5 million. The decrease was due to a transfer of \$2.1 million from the governmental activities to the business-type activities.

**Business type activities.** Business-type activities increased the District's net position by \$1.5 million. Contributing to the increase was the transfer of \$2.1 million from the governmental activities to the business-type activities.

# TRINITY BAY CONSERVATION DISTRICT

Management's Discussion and Analysis  
For The Year Ended September 30, 2019

## FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related requirements.

**Governmental funds.** The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources.

Revenues for the District's governmental fund types (the General Fund) totaled \$4.4 million in 2019, an increase of \$625,468 from 2018. Revenues in 2019 included property taxes of \$3.5 million compared to \$3.3 million in 2018. Total expenditures were \$3.7 million with no significant capital expenditures. Governmental expenditures included 72.8% of the expenditures for drainage maintenance and improvements, 17.3% were for general administrative services of the District, and debt service accounted for the remaining 9.9% of expenditures.

### Budgetary Highlights

Amendments were made to the original budget during the year as needed. The budget revisions are presented in the amended columns of the Statement of Revenues, Expenditures and Changes in Fund Balance – Budget to Actual – Governmental Fund, which can be found on page 47 and the Statement of Revenues, Expenses and Changes in Net Position – Budget to Actual – Enterprise Fund on page 48. Revenues for the Governmental Funds exceeded budgeted amounts by 22.83%, while Enterprise Fund revenues fell short of budget amounts by 5.01%. Governmental Funds operating expenditures were under budget by 3.41%, while Enterprise Funds operating expenses (excluding depreciation) were under budget by 23.23%.

### Capital Assets

The Trinity Bay Conservation District's investment in capital assets at September 30, 2019, was \$ 37,591,176 net of accumulated depreciation. This investment in capital assets includes land, buildings, utility systems, infrastructure, machinery and equipment, and represents a net decrease of \$993,154 after considering current depreciation expense of \$ 2,161,713.

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Land	\$ -	\$ -	\$ 1,107,127	\$ 1,107,127	\$ 1,107,127	\$ 1,107,127
Easements	681,333	681,333	-	-	681,333	681,333
Construction in progress	45,036	-	1,839,313	1,083,378	1,884,349	1,083,378
Assets held under capital lease	1,414,412	1,759,804	167,143	167,143	1,581,555	1,926,947
Buildings and improvements	-	-	3,776,265	3,776,265	3,776,265	3,776,265
Infrastructure	12,674,640	12,674,640	40,430,138	40,301,658	53,104,778	52,976,298
Machinery and equipment	3,538,870	3,100,535	961,525	936,893	4,500,395	4,037,428
Automobiles and trucks	594,057	518,985	606,613	560,152	1,200,670	1,079,137
Furniture and fixtures	159,086	159,086	113,352	113,352	272,438	272,438
Total at historical cost	19,107,434	18,894,383	49,001,476	48,045,968	68,108,910	66,940,351
Total accumulated depreciation	(8,878,341)	(8,052,350)	(21,639,393)	(20,303,671)	(30,517,734)	(28,356,021)
Capital assets, net	<u>\$10,229,093</u>	<u>\$10,842,033</u>	<u>\$27,362,083</u>	<u>\$27,742,297</u>	<u>\$37,591,176</u>	<u>\$38,584,330</u>

## TRINITY BAY CONSERVATION DISTRICT

### Management's Discussion and Analysis For The Year Ended September 30, 2019

#### Long-Term Debt

At September 30, 2019, the Trinity Bay Conservation District had \$7,889,986 of bonded debt outstanding. More detailed information about the District's debt is presented in the notes to the financial statements.

#### LONG-TERM DEBT

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Bonds payable, 2014 Series	\$ -	\$ -	\$ 2,710,000	\$ 2,760,000	\$ 2,710,000	\$ 2,760,000
Bonds payable, 2012 Series	-	-	4,795,000	5,395,000	4,795,000	5,395,000
Unamortized Bond Premium	-	-	384,986	431,643	384,986	431,643
Total bonded debt	\$ -	\$ -	\$ 7,889,986	\$ 8,586,643	\$ 7,889,986	\$ 8,586,643

Total long-term debt at September 30, 2019 decreased \$696,657 from the prior year. The reduction was due to scheduled payments of bond principal and the amortization of the bond premium. For the fiscal year ended September 30, 2019, interest expense was \$ 241,380.

#### Economic Factors and Next Year's Budgets

General fund revenues are budgeted at \$4.0 million. Property tax revenues for 2020 for the general fund are budgeted at \$3.6 million, which is a decrease of \$74,686 as compared September 30, 2019 reported income.

Expenditures for the general fund are budgeted at \$4.1 million for the fiscal year ending September 30, 2020, as compared to actual expenditures of \$3.7 million for the fiscal year just ended.

In addition, the fund budgets to utilize \$436,300 of capital reserves and transfer \$362,000 to the water and wastewater fund.

Water and wastewater revenue are budgeted at \$5.3 million, which is an increase of \$362,816 from actual revenue of for the fiscal year just ended.

Budgeted expenses for the water and wastewater fund, prior to depreciation and debt service are \$5.7 million for operations and \$950,000 for debt service. Actual expenses for the year ended September 30, 2019, prior to capitalization of fixed assets, was \$4.9 million for operations and projects, and \$954,692 related to debt service.

In addition, for the year ending September 30, 2020 the water and wastewater fund budgets to utilize \$1.0 million in capital reserves and receive a transfer of \$362,000 from the drainage department.

#### Requests for Information

This financial report is designed to provide a general overview of the Trinity Bay Conservation District's 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 District's Financial Department.

## **BASIC FINANCIAL STATEMENTS**



## **GOVERNMENT-WIDE FINANCIAL STATEMENTS**

TRINITY BAY CONSERVATION DISTRICT  
STATEMENT OF NET POSITION  
SEPTEMBER 30, 2019

	Primary Government		
	Governmental	Business -	
	Activities	Type	Total
		Activities	
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 1,983,785	\$ 1,399,963	\$ 3,383,748
Taxes Receivable, Net	334,568	-	334,568
Accounts Receivable Net	-	503,138	503,138
Due from Other Governments	818,162	328,471	1,146,633
Due from Other Funds	(44,372)	44,372	-
Other Receivables	400	41,115	41,515
Inventories	-	112,954	112,954
Restricted Cash and Cash Equivalents - Noncurrent	-	1,920,645	1,920,645
Capital Assets:			
Land Purchase and Improvements	-	1,107,127	1,107,127
Easements, Net	681,333	-	681,333
Buildings, Net	-	3,475,849	3,475,849
Infrastructure, Net	8,548,833	20,510,870	29,059,703
Machinery and Equipment, Net	447,127	408,485	855,612
Capital Lease Assets, Net	506,764	20,439	527,203
Construction in Progress	45,036	1,839,313	1,884,349
Total Assets	13,321,636	31,712,741	45,034,377
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred Outflow Related to Pension Plan	960,189	-	960,189
Total Deferred Outflows of Resources	960,189	-	960,189
<b>LIABILITIES</b>			
Accounts Payable	126,060	162,415	288,475
Wages and Salaries Payable	35,506	37,023	72,529
Compensated Absences Payable	80,848	51,916	132,764
Customer Deposits	-	721,974	721,974
Intergovernmental Payable	-	15,336	15,336
Accrued Interest Payable	-	33,715	33,715
Capital Leases Payable - Current	225,954	5,627	231,581
Noncurrent Liabilities:			
Debt Due Within One Year	-	736,657	736,657
Debt Due in More Than One Year	169,522	7,153,329	7,322,851
Net Pension Liability	1,966,556	-	1,966,556
Compensated Absences - Long-Term	30,089	59,554	89,643
Total Liabilities	2,634,535	8,977,546	11,612,081
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred Inflow Related to Pension Plan	56,515	-	56,515
Total Deferred Inflows of Resources	56,515	-	56,515
<b>NET POSITION</b>			
Net Investment in Capital Assets	9,833,617	19,432,756	29,266,373
Restricted for Debt Service	-	1,200,428	1,200,428
Unrestricted	1,757,158	2,102,011	3,859,169
Total Net Position	\$ 11,590,775	\$ 22,735,195	\$ 34,325,970

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

TRINITY BAY CONSERVATION DISTRICT  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED SEPTEMBER 30, 2019

		Program Revenues
	Expenses	Charges for Services
<b>Primary Government:</b>		
GOVERNMENTAL ACTIVITIES:		
General Administration	656,204	-
Drainage	3,332,709	-
Interest on Debt	16,376	-
Total Governmental Activities	4,005,289	-
BUSINESS-TYPE ACTIVITIES:		
Water and Wastewater	5,459,534	4,274,455
Total Business-Type Activities	5,459,534	4,274,455
<b>TOTAL PRIMARY GOVERNMENT</b>	<b>\$ 9,464,823</b>	<b>\$ 4,274,455</b>
General Revenues:		
Taxes:		
Property Taxes, Levied for General Purposes		
Other Taxes		
Penalty and Interest on Taxes		
Grants and Project Revenue		
Miscellaneous Revenue		
Investment Earnings		
Transfers In (Out)		
Total General Revenues and Transfers		
Change in Net Position		
Net Position - Beginning		
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		
Primary Government		
Governmental Activities	Business-Type Activities	Total
\$ (656,204)	\$ -	\$ (656,204)
(3,332,709)	-	(3,332,709)
(16,376)	-	(16,376)
(4,005,289)	-	(4,005,289)
-	(1,185,079)	(1,185,079)
-	(1,185,079)	(1,185,079)
(4,005,289)	(1,185,079)	(5,190,368)
3,567,169	-	3,567,169
11,069	-	11,069
83,817	-	83,817
889,862	612,433	1,502,295
1,451	-	1,451
8,780	10,896	19,676
(2,054,964)	2,054,964	-
2,507,184	2,678,293	5,185,477
(1,498,105)	1,493,214	(4,891)
13,017,978	21,255,687	34,273,665
70,902	(13,706)	57,196
\$ 11,590,775	\$ 22,735,195	\$ 34,325,970

**GOVERNMENTAL FUND FINANCIAL STATEMENTS**

TRINITY BAY CONSERVATION DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2019

	General Fund	Capital Projects Fund	Total Governmental Funds
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 1,865,303	\$ 118,482	\$ 1,983,785
Taxes Receivable	477,954	-	477,954
Allowance for Uncollectible Taxes (credit)	(143,386)	-	(143,386)
Due from Other Governments	604,464	213,698	818,162
Due from Other Funds	332,180	-	332,180
Other Receivables	400	-	400
Total Assets	<u>\$ 3,136,915</u>	<u>\$ 332,180</u>	<u>\$ 3,469,095</u>
<b>LIABILITIES</b>			
Accounts Payable	\$ 126,060	\$ -	\$ 126,060
Wages and Salaries Payable	35,506	-	35,506
Due to Other Funds	44,372	332,180	376,552
Total Liabilities	<u>205,938</u>	<u>332,180</u>	<u>538,118</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable Revenue - Property Taxes	273,349	-	273,349
Total Deferred Inflows of Resources	<u>273,349</u>	<u>-</u>	<u>273,349</u>
<b>FUND BALANCES</b>			
Unassigned Fund Balance	2,657,628	-	2,657,628
Total Fund Balances	<u>2,657,628</u>	<u>-</u>	<u>2,657,628</u>
Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 3,136,915</u>	<u>\$ 332,180</u>	<u>\$ 3,469,095</u>

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

TRINITY BAY CONSERVATION DISTRICT  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE  
STATEMENT OF NET POSITION  
SEPTEMBER 30, 2019

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<b>Total Fund Balances - Governmental Funds</b>	<b>\$ 2,657,628</b>
Property tax revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the governmental funds.	273,349
Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds.	10,229,093
Long-term liabilities, including capital lease liabilities and compensated absences, are not due and payable in the current period and, therefore, are not reported in the governmental funds.	(506,413)
Net pension assets (obligations) are not available to pay for current expenditures, are not due and payable in the current period and, therefore, are not reported in the governmental funds.	(1,062,882)
<b>Net Position of Governmental Activities</b>	<hr/> <b>\$ 11,590,775</b> <hr/>

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

TRINITY BAY CONSERVATION DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	General Fund	Capital Projects Fund	Total Governmental Funds
<b>REVENUES:</b>			
Taxes:			
Property Taxes	\$ 3,450,388	\$ -	\$ 3,450,388
Other Taxes	11,069	-	11,069
Penalty and Interest on Taxes	83,817	-	83,817
Intergovernmental Revenue	812,348	-	812,348
Intergovernmental Grants	77,514	-	77,514
Investment Earnings	8,780	-	8,780
Other Revenue	1,451	-	1,451
Total Revenues	4,445,367	-	4,445,367
<b>EXPENDITURES:</b>			
Current:			
General Administration:			
Personnel Costs	190,003	-	190,003
Professional Fees	44,755	-	44,755
Contract and Outside Services	127,112	-	127,112
Repairs and Maintenance	7,032	-	7,032
Utilities	23,232	-	23,232
Sundry	11,127	-	11,127
Supplies	231,427	-	231,427
Drainage:			
Personnel Costs	1,803,663	-	1,803,663
Pension Plan Contributions	413,313	-	413,313
Professional Fees	2,492	-	2,492
Contract and Outside Services	23,481	-	23,481
Repairs and Maintenance	189,100	-	189,100
Other Operating Costs	9,678	-	9,678
Capital Expenditures	232,125	-	232,125
Debt Service:			
Principal on Debt	349,618	-	349,618
Interest on Debt	16,376	-	16,376
Total Expenditures	3,674,534	-	3,674,534
Excess of Revenues Over Expenditures	770,833	-	770,833
<b>OTHER FINANCING SOURCES (USES):</b>			
Transfers In	45,036	-	45,036
Transfers Out (Use)	(2,100,000)	-	(2,100,000)
Total Other Financing Sources (Uses)	(2,054,964)	-	(2,054,964)
Net Change in Fund Balances	(1,284,131)	-	(1,284,131)
Fund Balance - October 1 (Beginning)	3,967,214	-	3,967,214
Prior Period Adjustment	(25,455)	-	(25,455)
Fund Balance - September 30 (Ending)	\$ 2,657,628	\$ -	\$ 2,657,628

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



TRINITY BAY CONSERVATION DISTRICT  
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED SEPTEMBER 30, 2019

<b>Total Net Change in Fund Balances - Governmental Funds</b>	\$ (1,284,131)
Property tax revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the governmental funds.	116,781
Current year capital outlays are expenditures in the fund financial statements, but they should be shown as increases in capital assets in the government-wide financial statements.	213,051
Depreciation is not recognized as an expense in the governmental funds since it does not require the use of current financial resources.	(825,991)
The repayment of the principal portion of long-term debt consumes current financial resources of the governmental funds; however, it has no impact on the net position of the government-wide activities.	349,618
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds. These include changes in net pension asset, and compensated absences.	(67,433)
<b>Change in Net Position of Governmental Activities</b>	<u><u>\$ (1,498,105)</u></u>

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

TRINITY BAY CONSERVATION DISTRICT  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
SEPTEMBER 30, 2019

	Business Type Activities
	Water and Wastewater
<b>ASSETS</b>	
Current Assets:	
Cash and Cash Equivalents	\$ 1,399,963
Accounts Receivable Net	503,138
Due from Other Governments	328,471
Due from Other Funds	44,372
Other Receivables	41,115
Inventories	112,954
Total Current Assets	<u>2,430,013</u>
Noncurrent Assets:	
Restricted Cash and Cash Equivalents - Noncurrent	1,920,645
Capital Assets:	
Land Purchase and Improvements	1,107,127
Buildings and Improvements	3,776,265
Accumulated Depreciation - Buildings and Improvements	(300,416)
Infrastructure	40,430,138
Accumulated Depreciation - Infrastructure	(19,919,268)
Machinery and Equipment	1,681,490
Accumulated Depreciation - Machinery and Equipment	(1,273,005)
Capital Lease Assets	167,143
Accumulated Depreciation - Capital Lease Assets	(146,704)
Construction in Progress	1,839,313
Total Noncurrent Assets	<u>29,282,728</u>
Total Assets	<u>31,712,741</u>

TRINITY BAY CONSERVATION DISTRICT  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
SEPTEMBER 30, 2019

	Business Type Activities
	Water and Wastewater
<b>LIABILITIES</b>	
Current Liabilities:	
Accounts Payable	162,415
Wages and Salaries Payable	37,023
Compensated Absences Payable	51,916
Customer Deposits	721,974
Intergovernmental Payable	15,336
Accrued Interest Payable	33,715
Bonds Payable - Current	736,657
Capital Leases Payable - Current	5,627
Total Current Liabilities	<u>1,764,663</u>
Noncurrent Liabilities:	
Bonds Payable - Noncurrent	6,815,000
Unamortized Premiums (Discounts) on Bonds	338,329
Compensated Absences - Long-Term	59,554
Total Noncurrent Liabilities	<u>7,212,883</u>
Total Liabilities	<u>8,977,546</u>
<b>NET POSITION</b>	
Net Investment in Capital Assets	19,432,756
Restricted for Debt Service	1,200,428
Unrestricted	2,102,011
Total Net Position	<u><u>\$ 22,735,195</u></u>

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

TRINITY BAY CONSERVATION DISTRICT  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	Business-Type Activities
	Water and Wastewater
OPERATING REVENUES:	
Charges for Services	\$ 4,274,455
Other Revenue	283,962
Total Operating Revenues	<u>4,558,417</u>
OPERATING EXPENSES:	
Operating Expenses	
Personnel Costs	1,903,218
Professional Fees and Outside Services	516,869
Repairs and Maintenance	214,286
Other Operating Costs	286,659
Supplies	795,306
	<u>3,716,338</u>
Depreciation	1,335,722
Total Operating Expenses	<u>5,052,060</u>
Operating Income (Loss)	<u>(493,643)</u>
NONOPERATING REVENUES (EXPENSES):	
Investment Earnings	10,896
Project Revenue	328,471
Interest Expense	(241,380)
Project Expenses	(166,094)
Total NonOperating Revenue (Expenses)	<u>(68,107)</u>
Income (Loss) Before Transfers	(561,750)
Nonoperating Transfers In	2,100,000
Transfers Out (Use)	(45,036)
Change in Net Position	<u>1,493,214</u>
Total Net Position - October 1 (Beginning)	21,255,687
Prior Period Adjustment	(13,706)
Total Net Position - September 30 (Ending)	<u>\$ 22,735,195</u>

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

TRINITY BAY CONSERVATION DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	Business-Type Activities
	Water and Wastewater
<u>Cash Flows from Operating Activities:</u>	
Cash Received from User Charges	\$ 4,336,809
Cash Received from Assessments - Other Funds	283,962
Cash Payments to Employees for Services	(1,882,825)
Cash Payments for Suppliers	(1,938,081)
Net Cash Provided by Operating Activities	799,865
<u>Cash Flows from Non-Capital Financing Activities:</u>	
Increase (Decrease) in Short-term Loans	2,100,000
Operating Transfer Out	(45,036)
Net Cash Provided by Non-Capital Financing Activities	2,054,964
<u>Cash Flows from Capital and Related Financing Activities:</u>	
Acquisition of Capital Assets	(1,000,544)
Capital Contributed by Other Funds	(289,225)
Retirement of Long-Term Debt	(650,000)
Retirement of Capital Leases	(15,467)
Customer Security Deposit	23,678
Project Expenses	(166,094)
Net Cash Provided by (Used for) Capital and Related Financing Activities	(2,097,652)
<u>Cash Flows from Investing Activities:</u>	
Purchase of Investment Securities	10,896
Net Increase in Cash and Cash Equivalents	768,073
Cash and Cash Equivalents at the Beginning of the Year	2,552,535
Cash and Cash Equivalents at the End of the Year	\$ 3,320,608

TRINITY BAY CONSERVATION DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	Business-Type Activities
	Water and Wastewater
<u>Reconciliation of Operating Income (Loss) to Net Cash</u>	
<u>Provided By Operating Activities:</u>	
Operating Income (Loss)	\$ (493,643)
Adjustments to Reconcile Operating Income To Net Cash Provided by Operating Activities:	
Depreciation	1,335,722
Effect of Increases and Decreases in Current Assets and Liabilities:	
Decrease (Increase) in Receivables	62,354
Decrease (Increase) in Inventories	2,065
Increase (Decrease) in Accounts Payable	(119,434)
Increase (Decrease) in Payroll Deductions	11,071
Increase (Decrease) in	9,324
Increase (Decrease) in	(7,594)
Net Cash Provided by Operating Activities	<u>\$ 799,865</u>
<u>Reconciliation of Total Cash and Cash Equivalents:</u>	
Cash & Cash Equivalents	\$ 1,399,963
Restricted Cash and Cash Equivalents	<u>1,920,645</u>
Total Cash and Cash Equivalents	<u>\$ 3,320,608</u>

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

## **NOTES TO THE FINANCIAL STATEMENTS**

# TRINITY BAY CONSERVATION DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

1) **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accompanying financial statements include the accounts of all District operations. The measure for including organizations as component units of the District was made by applying the criteria set forth in generally accepted accounting principles (GAAP). The basic, but not the only, criteria for inclusion is the degree of oversight responsibility maintained by the Board of Directors. Examples of oversight responsibility include financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations and accountability for fiscal matters. Based on these criteria, no potential component unit has been excluded from these statements. There are no component units included in the District's reporting entity.

**Reporting entity**

Trinity Bay Conservation District (the District) was organized in 1949, under the provision of Section 59, Article XVI of the Constitution of the State of Texas. The District is located within Chambers and Jefferson Counties. The District operates under a Board of Directors comprised of five members elected by the citizens residing within the District. It is the Board of Directors' responsibility to appoint a general manager who is the chief administrator and executive officer of the District.

The District's major operations include maintenance of drainage facilities within the District. Additionally, the District operates an enterprise fund for the provision of water and wastewater services. The District operates under Chapter 49 of the Texas Water Code.

The following is a summary of the District's more significant accounting policies:

The basic financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental entities. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

**Measurement Focus, Basis of Accounting and Financial Statement Presentation**

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources or economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

**Government-Wide Statements**

The Statement of Net Position and the Statement of Activities include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed through user charges.

The government-wide statements are reported using the economic resources measurement focus and the accrual basis of accounting. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Therefore, governmental fund financial statements include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a



# TRINITY BAY CONSERVATION DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

1) **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

particular function. The District does not allocate indirect expenses in the statement of activities. Program revenues include (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the District.

**Fund Financial Statements**

Fund financial statements report detailed information about the District. Separate financial statements are provided for governmental funds and proprietary funds. The focus of governmental and proprietary fund financial statements is on the major funds rather than reporting funds by type. Major individual governmental funds and major individual proprietary funds are reported as separate columns in the fund financial statements.

**Governmental Fund Types**

All governmental funds are reported using *modified accrual basis of accounting* and the *current financial resources measurement focus*. Under this basis, revenues are recognized in the accounting period in which they become measurable and available. Revenues are considered to be available when they are collectible within 60 days of the current fiscal period or soon enough thereafter to pay liabilities of the current period. Property taxes receivable, though measurable, are not available soon enough in the subsequent year to finance current period obligations. Therefore, property taxes are recorded and deferred until they become available. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Most expenditures are measurable and are recorded when the related fund liability is incurred. However, principal and interest on general long-term debt, which has not matured, are recognized only when payment is due. General capital assets acquisitions are reported as expenditures in governmental funds. Allocations of costs, such as depreciation and amortization, are not recognized in the governmental funds.

The District has the following major governmental funds:

*General Fund* - This fund is the general operating fund of the District and is used to account for resources and functions traditionally associated with governments that are not required to be accounted for in another fund.

*Capital Projects Fund* - This fund is used to account for all major capital expenditures not financed by the proprietary or trust funds. The District has a capital project fund for drainage construction projects funded primarily by capital grants.

# TRINITY BAY CONSERVATION DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS SEPTEMBER 30, 2019

### 1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### Proprietary Fund Types

All proprietary funds are accounted for using the *accrual basis of accounting* and the *economic resources measurement focus*. These funds account for operations that are primarily financed by user charges. Revenues are recognized when earned and expenses are recognized when incurred.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating expenses of the District's proprietary fund include the personnel costs, costs of operating the systems, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The District's fund included in this category is the Water and Wastewater Fund. The Water and Wastewater Fund is used to account for operations financed and operated in a manner similar to private business enterprises, where the intent of the Board is that the cost of providing certain goods or services to the general public on a continuing basis should be financed or recovered primarily through user charges for those services.

#### Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles, as applicable to governmental entities, requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

#### Budgets and Budgetary Accounting

Prior to September 30, of each year, the District adopts a budget for the fiscal year beginning October 1, of that year. The budget, which includes anticipated revenues and expenditures, is adopted for the Governmental Fund Types and all Proprietary Funds. The budget is amended by the District as needed throughout the year.

#### Interfund Transactions and Balances

Interfund transactions intended to reflect the transfer of resources between funds are reflected as transfers. Certain transactions representing short-term liabilities between funds are recorded as receivables and payables in the respective funds at the time the transactions are reported on the fund basis statements.

#### Cash and Time Deposits

Cash in excess of current operating requirements is invested in time deposits in order to earn a higher rate of interest. The District generally does not invest in any other securities. For purposes of the statement of cash flows, the proprietary fund type considers all highly liquid investments with a maturity of one year or less when purchased to be cash equivalents. Cash deposits and certificates of deposit are reported at their carrying amount, which reasonably estimates fair value.

#### Accounts Receivable

Accounts receivable from water and wastewater services are presented net of the allowance for doubtful accounts of \$419,702 at September 30, 2019. The increase in the allowance of \$13,474 has been netted against charges for service revenue.

# TRINITY BAY CONSERVATION DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS SEPTEMBER 30, 2019

### 1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### Restricted Assets

The Water and Wastewater Enterprise Fund, based on certain bond covenants, is required to establish and maintain resources (cash and temporary investments) that can be used to service outstanding debt. Additionally, funds collected for construction and meter deposits are segregated and restricted for future disposition.

#### Inventory

Inventories of materials and supplies are maintained for the drainage operations of the general fund and for the proprietary funds. The inventory in each fund is recorded at cost (first-in, first-out basis), which is lower than market.

#### Capital Assets

The accounting and reporting treatment applied to the capital assets associated with a fund are determined by its measurement focus. General capital assets are long-lived assets of the District as a whole. When purchased, such assets are recorded as expenditures in the governmental funds and capitalized. Donated capital assets are capitalized at estimated fair market value on the date donated. Infrastructure such as drainage systems are capitalized. The valuation basis for general capital assets are historical cost, or where historical cost is not available, estimated historical cost based on replacement cost. Capital assets in the proprietary funds are capitalized in the fund in which they are utilized. The valuation basis for proprietary fund capital assets are the same as those used for the general capital assets. The minimum capitalization threshold is any individual item with a total cost greater than \$2,000.

Major outlays for capital asset construction and improvements are capitalized as construction-in-progress as projects are constructed. Upon completion, the projects are transferred to depreciable assets.

Capital assets are being depreciated using the straight-line method and depreciation expense for governmental assets is specifically identified by function with general assets being allocated based on a percentage of governmental functional expenditures over total governmental expenditures. Depreciation expense for the proprietary funds is recorded in each respective proprietary fund. The following estimated useful lives are used for calculating depreciation expense:

<u>Assets</u>	<u>Years</u>
Infrastructure	15 – 40
Building & Improvements	15 – 40
Systems	15 – 40
Vehicles	5 – 7
Machinery & Equipment	5 – 10
Office Equipment	3 – 5

#### Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position includes 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(s) and so will not be recognized as an outflow of resources (expense/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 addition to net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

# TRINITY BAY CONSERVATION DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

1) **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**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's Fiduciary Net Position have been determined on the same basis as they are reported by TCERS. For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**Fund Balances**

Governmental Accounting Standards Board (GASB) Statement No. 54-*Fund Balance Reporting and Government Fund Type Definitions* establishes fund balance classifications based primarily on the extent to which the District is bound to honor constraints on the use of the resources reported in each governmental fund as well as establishes additional note disclosures regarding fund balance classification policies and procedures.

In the fund financial statements, governmental fund balances are classified as nonspendable, restricted, committed, assigned, or unassigned. Nonspendable fund balance cannot be spent because of its form. Restricted fund balance has limitations imposed by creditors, grantors, or contributors or by enabling legislation or constitutional provisions. Committed fund balance is a limitation imposed by the Board of Directors through approval of resolutions. Assigned fund balances is a limitation imposed by a designee of the Board of Directors. Unassigned fund balance in the General Fund is the net resources in excess of what can be properly classified in one of the above four categories. Negative unassigned fund balance in any other governmental funds represents excess expenditures incurred over the amounts restricted, committed, or assigned to those purposes.

When both restricted and unrestricted fund balances are available for use, it is the District's policy to use restricted fund balance first, then unrestricted fund balance. Furthermore, committed fund balances are reduced first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications can be used.

For the government-wide financial statements, net position is reported as restricted when constraints placed on net position are either: (1) Externally imposed by creditors (such as debt covenants), grantors, contributors, or laws or regulations of other governments or (2) imposed by law through constitutional provisions or enabling legislation.

# TRINITY BAY CONSERVATION DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS SEPTEMBER 30, 2019

### 1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### Net Position

Net positions represent the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources on the government-wide financial statements. Net positions are classified in the following categories:

*Net investment in capital assets* – This amount consists of capital assets net of accumulated depreciation and reduced by outstanding debt that is attributed to the acquisition, construction, or improvement of the assets.

*Restricted net position* – This amount is restricted by creditors, grantors, contributors, or laws or regulations of other governments.

*Unrestricted net position* – This amount is the net position that does not meet the definition of “net investment in capital assets” or “restricted net position”.

#### Subsequent Events

In accordance with ASC 855, the management of Trinity Bay Conservation District has evaluated subsequent events through January 27, 2020, the date on which the financial statements were available for issue.

### 2) COMPLIANCE AND ACCOUNTABILITY

#### Finance-Related Legal and Contractual Provisions

In accordance with GASB Statement No. 38, “Certain Financial Statement Note Disclosures,” violations of finance- related legal and contractual provisions, if any, are reported below:

None reported.

#### Deficit Fund Balance or Fund Net Assets of Individual Funds

No funds reported a deficit fund balance or deficit fund net assets at year-end.

### 3) CASH DEPOSITS AND INVESTMENTS

The District’s funds are required to be deposited and invested under the terms of a depository contract. The depository bank deposits for safekeeping and trust with the District’s agent bank approved pledged securities in an amount sufficient to protect District funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank’s dollar amount of Federal Deposit Insurance Corporation (FDIC) insurance.

#### Cash Deposits

At September 30, 2019, the carrying amount of the District’s deposits (cash, certificates of deposit, and interest- bearing savings accounts included in temporary investments) was \$5,304,392 and the bank balance was \$5,497,108. The District’s cash deposits at September 30, 2019, and during the year ended September 30, 2019, were entirely covered by FDIC insurance or by pledged collateral held by the District’s agent bank in the District’s name.

# TRINITY BAY CONSERVATION DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

3) **CASH DEPOSITS AND INVESTMENTS (CONTINUED)**

**Investments**

The District is required by Government Code Chapter 2256, the Public Funds Investment Act, to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar - weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, (9) and bid solicitation preferences for certificates of deposit.

The Public Funds Investment Act (Act) requires an annual audit of investment practices. Audit procedures in this area conducted as a part of the audit of the basic financial statements disclosed that in the areas of investment practices, management reports and establishment of appropriate policies, the District adhered to the requirements of the Act. Additionally, investment practices of the District were in accordance with local policies.

The Act determines the types of investments that are allowable for the District. These include, with certain restrictions, (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas, (2) certificates of deposit, (3) certain municipal securities, (4) securities lending program, (5) repurchase agreements, (6) bankers acceptances, (7) mutual funds, (8) investment pools, (9) guaranteed investment contracts, (10) and commercial paper.

District's investments at September 30, 2019 consisted solely of certificate of deposits in the amount of \$3,826,013. Cash and investments are reported in the financial statements as follows:

	<u>Cash</u>	<u>Investments</u>	<u>Total</u>
Governmental activities - unrestricted	\$ 539,267	\$ 1,444,518	\$ 1,983,785
Business-type Activities - unrestricted	930,335	469,628	1,399,963
Business-type Activities - restricted			
Interest and Sinking Fund	5,581	209,350	214,931
Bond Reserve Fund	3,197	982,300	985,497
Customer Meter Deposits	-	720,217	720,217
	<u>\$ 1,478,380</u>	<u>\$ 3,826,013</u>	<u>\$ 5,304,393</u>

**Analysis of Specific Deposit and Investment Risks**

GASB Statement No. 40 requires a determination as to whether the District was exposed to the following specific investment risks at year-end and if so, the reporting of certain related disclosures:

**Credit Risk:** Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The ratings of securities by nationally recognized rating agencies are designed to give an indication of credit risk. At September 30, 2019, the District's investments were covered by collateral with a fair value equal to the investment. At year-end, the District was not significantly exposed to credit risk. At September 30, 2019, all certificates of deposit held were fully insured by the FDIC, or by pledged collateral held by the District's agent bank in the District's name.

# TRINITY BAY CONSERVATION DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

3) **CASH DEPOSITS AND INVESTMENTS (CONTINUED)**

*Custodial Credit Risk:* Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the District's name. Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government, and are held by either the counterparty or the counterparty's trust department or agent but not in the District's name. At year-end, the District was not exposed to custodial credit risk.

*Concentration of Credit Risk:* This risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. At year-end, the District was not exposed to concentration of credit risk.

*Interest Rate Risk:* This is the risk that changes in interest rates will adversely affect the fair value of an investment. At year-end, the District was not exposed to interest rate risk.

*Foreign Currency Risk:* This is the risk that exchange rates will adversely affect the fair value of an investment. At year-end, the District was not exposed to foreign currency risk.

4) **PROPERTY TAXES**

Taxable property within the District is subject to assessment, levy and collection of ad valorem taxes necessary to support the general governmental services provided and to provide for the payment of any unlimited tax and revenue bonds of the Water and Wastewater Enterprise Fund. The Act under which the District was created provided for the levy of an operations and maintenance tax of \$0.25 per \$100 of assessed value. This rate was subsequently amended on May 2, 1957, to \$.50 per \$100 of assessed value. The tax rate for debt service is unlimited. The total tax rate for the fiscal year ended September 30, 2019, was \$0.4087 per \$100 assessed valuation based on the total net assessed value of \$822,636,112.

Taxes are levied on October 1 of each year, and are payable without penalty or interest through the following January 31. The District recognizes property tax revenue when levied to the extent that it results in current receivables. Property taxes are collected and remitted to the District by the Chambers County and Jefferson County Tax Assessor Collectors' offices.

Delinquent taxes are prorated between maintenance and debt service based on rates adopted for the year of the levy. However, as the District no longer has debt to service with tax collections, all delinquent taxes collected are now allocated to maintenance. Allowances for uncollectible taxes receivable of \$143,386 at September 30, 2019, are based on historical experience in collecting property taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the District is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature.

# TRINITY BAY CONSERVATION DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS SEPTEMBER 30, 2019

### 5) **DUE FROM OTHER GOVERNMENTS**

As of September 30, 2019, amounts due from other governments consisted of the following:

	<u>Amount</u>	<u>Purpose</u>
Governmental Activities:		
Due from FEMA	\$ 213,698	Disaster Recovery - Construction
Due from Chambers County	7,926	Tax Collection Proceeds
Due from Chambers County	<u>596,538</u>	Contract Services - GLO Grant
Total -- governmental activities	818,162	
Business-type Activities:		
Due from Chambers County	<u>328,471</u>	Contract Services - GLO Grant
Total - all funds	<u><u>\$ 1,146,633</u></u>	

### 6) **INTERFUND RECEIVABLE S, PAYABLES AND TRANSFERS**

Interfund receivables/payables are scheduled to be repaid within one year and consisted of the following:

	<u>Receivable</u>	<u>Payable</u>
General Fund		
Capital Projects	\$ 332,180	\$ -
Water and Wastewater		<u>44,372</u>
	<u>332,180</u>	<u>44,372</u>
Capital Projects		
General Fund	-	332,180
Water and Wastewater		
General Fund	<u>44,372</u>	<u>-</u>
Total	<u><u>\$ 376,552</u></u>	<u><u>\$ 376,552</u></u>

The outstanding balances between funds generally result from a time lag between the dates (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

Certain transfers occur among funds to allocate appropriate costs related to the operations of funds as follows:

<u>Transfers Out</u>	<u>Transfers In</u>	<u>Amount</u>
General Fund	Water and Wastewater	\$ 2,100,000
Water and Wastewater	General Fund	45,036



# TRINITY BAY CONSERVATION DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS SEPTEMBER 30, 2019

### 7) PROPERTY, PLANT AND EQUIPMENT

Capital asset activity for the governmental activities for the year ended September 30, 2019, is described in the table below:

<b>Governmental Activities</b>	Balance October 1, 2018	Increases	Transfers	Balance September 30, 2019
Capital assets, not being depreciated				
Easements	\$ 681,333	\$ -	\$ -	\$ 681,333
Construction in progress	-	45,036	-	45,036
Total capital assets, not being depreciated	681,333	45,036	-	726,369
Capital assets, being depreciated				
Office furniture, fixtures and equipment	159,086	-	-	159,086
Vehicles	518,985	75,072	-	594,057
Machinery and equipment	3,100,535	92,943	345,392	3,538,870
Assets held under capital lease	1,759,804	-	(345,392)	1,414,412
Infrastructure - Drainage	12,674,640	-	-	12,674,640
Total capital assets, being depreciated	18,213,050	168,015	-	18,381,065
Less accumulated depreciation				
Office furniture, fixtures and equipment	(103,717)	(21,516)	-	(125,233)
Vehicles	(408,535)	(53,568)	-	(462,103)
Machinery and equipment	(2,810,699)	(101,459)	(345,392)	(3,257,550)
Assets held under capital lease	(977,833)	(275,207)	345,392	(907,648)
Infrastructure - Drainage	(3,751,566)	(374,241)	-	(4,125,807)
Total accumulated depreciation	(8,052,350)	(825,991)	-	(8,878,341)
Total capital assets, being depreciation, net	10,160,700	(657,976)	-	9,502,724
Capital assets, net	<u>\$ 10,842,033</u>	<u>\$ (612,940)</u>	<u>\$ -</u>	<u>\$ 10,229,093</u>

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

General Administration	\$ 21,516
Drainage	804,475
Total	<u>\$ 825,991</u>

Construction in progress consisted of GLO drainage projects in progress at year-end.

# TRINITY BAY CONSERVATION DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS SEPTEMBER 30, 2019

### 7) PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Capital asset activity for the business-type activities for the year ended September 30, 2019, is described in the table below:

Business-type Activities	Balance October 1, 2018	Increases	Decreases	Balance September 30, 2019
Capital assets, not being depreciated				
Land	\$ 1,107,127	\$ -	\$ -	\$ 1,107,127
Construction in progress	1,083,378	755,935	-	1,839,313
Total capital assets, not being depreciated	2,190,505	755,935	-	2,946,440
Capital assets, being depreciated				
Buildings and improvements	3,776,265	-	-	3,776,265
Office furniture, fixtures and equipment	113,352	-	-	113,352
Vehicles	560,152	46,461	-	606,613
Machinery and equipment	936,893	24,632	-	961,525
Assets held under capital lease	167,143	-	-	167,143
Infrastructure - Water and Wastewater	40,301,658	128,480	-	40,430,138
Total capital assets, being depreciated	45,855,463	199,573	-	46,055,036
Less accumulated depreciation				
Buildings and improvements	(206,464)	(93,952)	-	(300,416)
Office furniture, fixtures and equipment	(57,745)	(8,480)	-	(66,225)
Vehicles	(398,200)	(73,860)	-	(472,060)
Machinery and equipment	(654,428)	(80,292)	-	(734,720)
Assets held under capital lease	(137,620)	(9,084)	-	(146,704)
Infrastructure - Water and Wastewater	(18,849,214)	(1,070,054)	-	(19,919,268)
Total accumulated depreciation	(20,303,671)	(1,335,722)	-	(21,639,393)
Total capital assets, being depreciation, net	25,551,792	(1,136,149)	-	24,415,643
Capital assets, net	\$ 27,742,297	\$ (380,214)	\$ -	\$ 27,362,083
Total depreciation expense			\$ 1,335,722	

Construction in progress consisted primarily of water and sewer extensions and lift station rehabilitations.

# TRINITY BAY CONSERVATION DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS SEPTEMBER 30, 2019

### 8) **DUE TO OTHER GOVERNMENTS**

The District's obligations to other governments as of September 30, 2019, consisted of TCEQ fees in the amount of \$15,336.

### 9) **LONG-TERM DEBT**

Long-term debt activity for the year ended September 30, 2019, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Business-type activities:					
Revenue refunding bonds, Series 2012	\$ 5,395,000	\$ -	\$ (600,000)	\$ 4,795,000	\$ 615,000
Revenue bonds, Series 2014	2,760,000	-	(50,000)	2,710,000	75,000
Bond premiums	431,643	-	(46,657)	384,986	46,657
Total bonded debt	<u>\$ 8,586,643</u>	<u>\$ -</u>	<u>\$ (696,657)</u>	<u>\$ 7,889,986</u>	<u>\$ 736,657</u>

#### ***Revenue Refunding Bonds, Series 2012***

During fiscal year 2012, the District issued Revenue Refunding bonds, Series 2012, with a face value of \$9,220,000, for the purpose of refunding all of the District's then outstanding bonds (Series 1998A, Series 1998B and Series 2002). The interest rates on the Series 2012 Bonds range from 2.0% to 3.5%. The bonds are secured and payable by a lien on the net revenues from the operations of the District's waterworks and sanitary sewer system, as defined in the bond order. The District is required to deposit monthly into an interest and sinking fund, an amount as will be sufficient to pay the principal and interest on the next payment date.

Additionally, the District is required to maintain a reserve fund equal to the largest year of future debt service. The reserve was fully funded at the time of issuance of the bonds. The reserve is to be used to pay the principal and interest on the bonds at any time when there is not sufficient money available in the interest and sinking fund for such purpose. If the reserve is reduced below the stated funding level, monthly deposits are to be made until the reserve fund has been restored.

There are a number of limitations, restrictions, and provisions contained in the bond indentures. The District is in compliance with all significant limitations, restrictions, and provisions.

#### ***Revenue Bonds, Series 2014***

During fiscal year 2015, the District issued Revenue bonds, Series 2014, with a face value of \$2,910,000, for the purpose of constructing the District's office facilities. The interest rates on the Series 2014 Bonds range from 3.0% to 4.0%. The bonds are secured and payable by a lien on the net revenues from the operations of the District's waterworks and sanitary sewer system, as defined in the bond order. The District is required to deposit monthly into an interest and sinking fund, an amount as will be sufficient to pay the principal and interest on the next payment date.

# TRINITY BAY CONSERVATION DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS SEPTEMBER 30, 2019

9) **LONG-TERM DEBT (CONTINUED)**

Additionally, the District is required to maintain a reserve fund equal to the largest year of total future debt service with consideration of the 2012 Bonds reserve funds. The reserve was fully funded at the time of issuance of the bonds. The reserve is to be used to pay the principal and interest on the bonds at any time when there is not sufficient money available in the interest and sinking fund for such purpose. If the reserve is reduced below the stated funding level, monthly deposits are to be made until the reserve fund has been restored.

There are a number of limitations, restrictions, and provisions contained in the bond indentures. The District is in compliance with all significant limitations, restrictions, and provisions.

The following is a schedule of annual requirements necessary to amortize all bonded indebtedness outstanding of the Water and Wastewater Enterprise Fund as of September 30, 2019, including total principal of \$7,505,000 and total interest of \$1,741,151.

<u>Due During Fiscal Years Ending September 30,</u>	<u>Total Principal Due</u>	<u>Total Interest Due</u>	<u>Total Principal and Interest</u>
2020	\$ 690,000	\$ 269,725	\$ 959,725
2021	715,000	245,950	960,950
2022	760,000	221,300	981,300
2023	785,000	195,200	980,200
2024	795,000	168,226	963,226
2025-2029	2,400,000	472,950	2,872,950
2030-2034	<u>1,360,000</u>	<u>167,800</u>	<u>1,527,800</u>
	<u>\$ 7,505,000</u>	<u>\$ 1,741,151</u>	<u>\$ 9,246,151</u>

The amount available in the Water and Sewer Enterprise Fund debt service accounts as of September 30, 2019, is \$1,200,428 to service the above bonded indebtedness. This consists of \$214,931 in interest and sinking funds and \$985,497 in reserve funds.

# TRINITY BAY CONSERVATION DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS SEPTEMBER 30, 2019

### 10) CHANGES IN OTHER LONG-TERM LIABILITIES

During the year ended September 30, 2019, in addition to the bonded indebtedness noted in footnote 9 and pension benefits noted in footnote 12, the District had the following Changes in Other Long-Term Liabilities:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Capital leases	\$ 745,094	\$ -	\$ (349,618)	\$ 395,476	\$ 225,954
Compensated absences	203,986	95,425	(188,474)	110,937	80,848
Total long-term liabilities	<u>\$ 949,080</u>	<u>\$ 95,425</u>	<u>\$ (538,092)</u>	<u>\$ 506,413</u>	<u>\$ 306,802</u>
Business-type activities:					
Capital leases	\$ 21,094	\$ -	\$ (15,467)	\$ 5,627	\$ 5,627
Compensated absences	-	163,386	(51,916)	111,470	51,916
Total long-term liabilities	<u>\$ 21,094</u>	<u>\$ 163,386</u>	<u>\$ (67,383)</u>	<u>\$ 117,097</u>	<u>\$ 57,543</u>

### Capital Leases

In prior years, the District entered into leases for machinery and equipment which meet the criteria for capitalization. The leases include a governmental clause whereby the leases may be terminated at the end of (or with appropriate notice during) budget periods if such funding is not budgeted and District funds are not appropriated. However, the District considers the leases to be capital leases and have accounted for them as such in the financial statements.

Capital assets held under capital leases at September 30, 2019, amounted to \$1,581,555 and are included in capital assets. The related present values of the remaining obligations under the capital leases of \$401,103 are included in long-term liabilities (\$395,476 in governmental-type activities and \$5,627 in business-type activities.)

The future minimum obligations under capital leases at September 30, 2019, are as follows:

Due During Fiscal Years Ending September 30,	Governmental Activities		Business-type Activities		Total
	Principal	Interest	Principal	Interest	
2020	\$ 225,954	\$ 8,738	\$ 5,627	\$ 38	\$ 240,357
2021	134,793	3,459	-	-	138,252
2022	34,729	186	-	-	34,915
	<u>\$ 395,476</u>	<u>\$ 12,383</u>	<u>\$ 5,627</u>	<u>\$ 38</u>	<u>\$ 413,524</u>

# TRINITY BAY CONSERVATION DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

10) **CHANGES IN OTHER LONG-TERM LIABILITIES (CONTINUED)**

**Compensated Absences Payable**

District employees are entitled to certain compensated absences based on the length of their employment. Sick leave does not vest or accumulate and is recorded as an expenditure when paid. No employee will be paid for unused sick leave upon separation of employment, unless specified by contract. Vacation time may be carried from one year to the next year. Employees will be paid for unused vacation time up to one and one-half times their annual vacation days upon separation of employment. Unused accrued vacation in excess of these days will not be reimbursed. The liability for accumulated vacation benefits of \$222,407 is reflected on the Statement of Net Position.

11) **OTHER REQUIRED DISCLOSURES**

Generally accepted accounting principles require disclosure, as part of the basic financial statements, of certain information:

- A) General fund expenditures exceeded the budget in the following amounts: Personnel Costs \$37,380, Repairs and Maintenance \$6,932 and Capital Expenditures \$50,103.
- B) Enterprise fund expenses exceed the budgeted amounts by: Personnel \$59,662 and Sundry \$12,877.

12) **PENSION PLAN**

**Plan Description**

Trinity Bay Conservation District provides retirement, disability and survivor benefits for all of its full-time and part-time non-temporary 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 separate 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 or at [www.tcdrs.org](http://www.tcdrs.org).

**Benefits provided**

The Plan provisions are adopted by the governing body of the employer, within 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 or with 30 years regardless of age, or when the sum of their age and years of service equals 75 or more. Members are vested after 8 years of service but must leave their accumulated contributions in the plan to receive any employer-finance benefit. Members who withdraw their personal contributions in a lump sum are not entitled to any amounts contributed by their employer.

# TRINITY BAY CONSERVATION DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS SEPTEMBER 30, 2019

### 12) PENSION PLAN (CONTINUED)

Benefit amounts are determined by sum of the employee's contributions to the plan, with interest, and employer-financed monetary credits. The level of those 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 using annuity purchase rates prescribed by the TCDRS Act.

At December 31, 2018, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	19
Inactive employees entitled to but not yet receiving benefits	16
Active employees	<u>46</u>
	<u>81</u>

### ***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 15.44% for the months of the accounting year in 2018 and 15.44% for the months of the accounting year in 2019. The contribution rate payable by the employee members for calendar years 2018 and 2019 is the rate of 7.00%, as adopted by the governing body of the employer.

### ***Annual Pension Cost***

For the employer's accounting year ended September 30, 2019, the annual pension cost for the TCDRS plan for its employees was \$407,153 and the actual contribution was \$407,153.

The required contribution was determined as part of the December 31, 2018 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at December 31, 2018 included (a) 8.0 percent investment rate of return (net of administrative expenses) and (b) projected salary increases of 4.9 percent. Both (a) and (b) included an inflation component of 2.75 percent. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis.

# TRINITY BAY CONSERVATION DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS SEPTEMBER 30, 2019

### 12) PENSION PLAN (CONTINUED)

#### *Net Pension Liability / (Asset)*

	December 31, 2017	December 31, 2018
Total pension liability	\$ 9,335,314	\$ 10,119,045
Fiduciary net position	<u>8,083,910</u>	<u>8,152,489</u>
Net pension liability / (asset)	<u>\$ 1,251,404</u>	<u>\$ 1,966,556</u>
Fiduciary net position as a % of total pension liability	86.59%	80.57%
Pensionable covered payroll <sup>(1)</sup>	\$ 2,338,352	\$ 2,454,618
Net pension liability as a % of covered payroll	53.52%	80.12%

<sup>(1)</sup> Payroll is calculated based on contributions as reported to TCDRS.

The total pension liability was determined by an actuarial valuation as of the valuation date, calculated based on the discount rate and actuarial assumptions below.

#### *Discount Rate*

	December 31, 2017	December 31, 2018
Discount rate <sup>(2)</sup>	8.10%	8.10%
Long-term expected rate of return, net of investment expenses <sup>(2)</sup>	8.10%	8.10%
Municipal bond rate <sup>(3)</sup>	Does not apply	Does not apply

<sup>(2)</sup> The rate reflects the long-term rate of return funding valuation assumption of 8.00%, plus 0.10% adjustment to be gross of administrative expenses as required by GASB 68.

<sup>(3)</sup> The plan's fiduciary net position is projected to be available to make all projected future benefit payments of current active, inactive, and retired members. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return, and the municipal bond rate does not apply.



# TRINITY BAY CONSERVATION DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS SEPTEMBER 30, 2019

### 12) PENSION PLAN (CONTINUED)

#### *Other Key Actuarial Assumptions*

All actuarial assumptions that determined the total pension liability as of December 31, 2018 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 68.

	<u>Beginning Date</u>	<u>Ending Date</u>
Valuation date	December 31, 2017	December 31, 2018
Measurement date	December 31, 2017	December 31, 2018
Reporting date	October 1, 2018	September 30, 2019

#### *Actuarial Methods and Assumptions Used for GASB Calculations*

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 contributions are reported.
Actuarial Cost Method	Entry Age Normal <sup>(1)</sup>
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	
Smoothing period	5 years
Recognition method	Non-asymptotic
Corridor	None
Inflation	2.75%
Salary Increases	Varies by age and service. 4.9% average over career including inflation.
Investment Rate of Return	8.10%
Cost-of-Living Adjustments	Cost-of-Living Adjustments for Trinity Bay Conservation District are not considered to be substantively automatic under GASB 68. Therefore, no assumption for future cost-of-living adjustments is included in the GASB calculations. No assumption for future cost-of-living adjustments is included in the funding valuation.
Retirement Age	60 and above
Turnover	New employees are assumed to replace any terminated members and have similar entry ages. The rates vary by length of service, entry-age group (age at hire) and gender. No termination after eligibility for retirement is assumed.
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.

<sup>(1)</sup> Individual entry age normal cost method, as required by GASB 68, used for GASB calculations. Note that a slightly different version of the entry age normal cost method is used for the funding actuarial valuation.

# TRINITY BAY CONSERVATION DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS SEPTEMBER 30, 2019

### 12) PENSION PLAN (CONTINUED)

#### *Actuarial Methods and Assumptions Used for Funding Valuation*

##### *Economic Assumptions*

TCDRS system-wide economic assumptions:

Real rate of return	5.25%
Inflation	2.75%
Long-term investment return	8.00%

The assumed long-term investment return of 8.0% is net after investment and administrative expenses. It is assumed returns will equal the nominal annual rate of 8.0% for calculating the actuarial accrued liability and the normal cost contribution rate for the retirement plan of each participating employer.

The annual salary increase rates assumed for individual members vary by length of service and by entry-age group. The annual rates consist of a general wage inflation component of 3.25% (made up of 2.75% inflation and 0.5% productivity increase assumptions) and a merit, promotion and longevity component that on average approximates 1.6% per year for a career employee.

Employer-specific economic assumptions:

Growth in membership	0.00%
Payroll growth for funding calculations	1.50%

The payroll growth assumption is for the aggregate covered payroll of an employer.

#### *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 2019 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 30-year time horizon; the most recent analysis was performed in 2017.

# TRINITY BAY CONSERVATION DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS SEPTEMBER 30, 2019

### 12) PENSION PLAN (CONTINUED)

#### *Long-term Expected Rate of Return (Continued)*

Asset Class	Benchmark	Target Allocation <sup>(1)</sup>	Geometric Real Rate of Return
US Equities	Dow Jones U.S. Total Stock Market Index	10.50%	5.40%
Private Equity	Cambridge Associates Global Private Equity & Venture Capital Index <sup>(3)</sup>	18.00%	8.40%
Global Equities	MSCI World (net) Index	2.50%	5.70%
Int'l Equities - Developed Markets	MSCI World Ex USA (net) index	10.00%	5.40%
Int'l Equities - Emerging Markets	MSCI Emerging Markets (net) Index	7.00%	5.90%
Investment - Grade Bonds	Bloomberg Barclays U.S. Aggregate Bond Index	3.00%	1.60%
Strategic Credit	FTSE High-Yield Cash-Pay Capped Index	12.00%	4.39%
Direct Lending	S&P/LSTA Leveraged Loan Index	11.00%	7.95%
Distressed Debt	Cambridge Assoc. Distressed Securities Index <sup>(4)</sup>	2.00%	7.20%
REIT Equities	67% FTSE NAREIT All Equity REITs Index + 33% S&P Global REIT (net) Index	2.00%	4.15%
Master Limited Partnership (MLPs)	Alerian MLP Index	3.00%	5.35%
Private Real Estate Partnerships	Cambridge Associates Real Estate Index <sup>(5)</sup>	6.00%	6.30%
Hedge Funds	Hedge Fund Research, Inc. (HFRI) Fund of Funds Composite Index	13.00%	3.90%

<sup>(1)</sup> Target asset allocation adopted at the April 2019 TCDRS Board Meeting.

<sup>(2)</sup> Geometric real rates of return equal the expected return minus the assumed inflation rate of 1.70%, per Cliffwater's 2019 capital market assumptions.

<sup>(3)</sup> Includes vintage years 2006-present of Quarter Pooled Horizon IRRs.

<sup>(4)</sup> Includes vintage years 2005-present of Quarter Pooled Horizon IRRs.

<sup>(5)</sup> Includes vintage years 2007-present of Quarter Pooled Horizon IRRs.

#### **Discount Rate**

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.

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.

# TRINITY BAY CONSERVATION DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS SEPTEMBER 30, 2019

### 12) PENSION PLAN (CONTINUED)

#### *Discount Rate (Continued)*

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 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 8.10%. This rate reflects the long-term assumed rate of return on assets for funding purposes of 8.00%, net of all expenses, increased by 0.10% to be gross of administrative expenses.

# TRINITY BAY CONSERVATION DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

### 12) PENSION PLAN (CONTINUED)

#### *Changes in Net Pension Liability*

	Total Pension Liability (a)	Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balances as of December 31, 2017	\$ 9,335,314	\$ 8,083,910	\$ 1,251,404
Changes for the year:			
Service Cost	300,678	-	300,678
Interest on total pension liability <sup>(1)</sup>	767,222	-	767,222
Effect of plan changes <sup>(2)</sup>	-	-	-
Effect of economic/demographic gains or losses	50,582	-	50,582
Effect of assumptions changes or inputs	-	-	-
Refund of contributions	(11,389)	(11,389)	-
Benefit payments	(323,361)	(323,361)	-
Administrative expenses	-	(6,548)	6,548
Member contributions	-	171,823	(171,823)
Net investment income	-	(148,188)	148,188
Employer contributions	-	378,993	(378,993)
Other <sup>(3)</sup>	-	7,250	(7,250)
Balances as of December 31, 2018	<u>\$ 10,119,046</u>	<u>\$ 8,152,490</u>	<u>\$ 1,966,556</u>

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

<sup>(2)</sup> No plan changes valued.

<sup>(3)</sup> Relates to allocation of system-wide items.

#### *Sensitivity Analysis*

The following presents the net pension liability of the employer, calculated using the discount rate of 8.10%, as well as what the Trinity Bay Conservation District net pension liability would be if it were calculated using a discount rate that is 1 percent point lower (7.10%) or 1 percent higher (9.10%) than the current rate.

	1% Decrease 7.10%	Current Discount Rate 8.10%	1% Increase 9.10%
Total pension liability	\$ 11,484,687	\$ 10,119,045	\$ 8,973,363
Fiduciary net position	<u>8,152,489</u>	<u>8,152,489</u>	<u>8,152,489</u>
Net pension liability / (asset)	<u>\$ 3,332,198</u>	<u>\$ 1,966,556</u>	<u>\$ 820,874</u>

# TRINITY BAY CONSERVATION DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS SEPTEMBER 30, 2019

### 12) PENSION PLAN (CONTINUED)

#### *Pension Expense / (Income)*

	January 1, 2018 to December 31, 2018
Service cost	\$ 300,678
Interest on total pension liability <sup>(1)</sup>	767,222
Effect on plan changes	-
Administrative expenses	6,548
Member contributions	(171,823)
Expected investment return net of investment expenses	(663,405)
Recognition of deferred inflows/outflows of resources	
Recognition of economic/demographic gains or losses	2,531
Recognition of assumption changes or inputs	10,933
Recognition of investment gains or losses	225,844
Other <sup>(2)</sup>	<u>(7,249)</u>
Pension expense / (income)	<u>\$ 471,279</u>

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

<sup>(2)</sup> Relates to allocation of system-wide items.

#### *Deferred inflows and outflows of resources are as follows as of December 31, 2018:*

	Deferred Inflows of Resources	Deferred Outflows of Resources
Differences between expected and actual experience	\$ 56,515	\$ 78,974
Changes of assumption	-	35,670
Net difference between projected and actual earnings	<u>-</u>	<u>530,625</u>
	56,515	645,269
Contributions made subsequent to measurement date	<u>n/a</u>	<u>314,920</u>
	<u>\$ 56,515</u>	<u>\$ 960,189</u>

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

Year ended December 31:

2019	\$ 222,036
2020	98,513
2021	84,201
2022	175,572
2023	8,432
Thereafter	-

# TRINITY BAY CONSERVATION DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS SEPTEMBER 30, 2019

### 12) PENSION PLAN (CONTINUED)

#### *Allocation of Pension Amounts to Funds or Departments*

Governmental Accounting Standards Board Statement No. 68 does not establish specific requirements for allocation of the net pension liability or other pension-related amounts to individual funds or departments.

GASB Implementation Guide 2015-1 question 5.129.1 states: For proprietary and fiduciary funds, consideration should be given to NCGA Statement 1, *Governmental Accounting and Financial Reporting Principles*, paragraph 42, as amended, which requires that long-term liabilities that are directly related to and expected to be paid from those funds be reported in the statement of net position.

Trinity Bay Conservation District has elected to limit the accounting and reporting of pension-related activity to the General Fund. The General Fund makes on-behalf payments for all pension-related expenses applicable to the Enterprise Funds. Based on management's interpretation of GASB Statement 68 and GASB Implementation Guide 2015 question 5.129.1, management has elected to present all pension-related activity in the General Fund.

### 13) COMMITMENTS AND CONTINGENCIES

The District is a party to various claims and legal actions arising in the ordinary course of operations. In the opinion of management, all such matters are adequately covered by insurance or if not so covered, are without merit, or involve such amounts that unfavorable disposition would not have a material effect on the operation of the District.

### 14) TAX ABATEMENTS

The Trinity Bay Conservation District is committed to an expansion of its tax base, an increase to its population, the promotion of development in the District, and to an ongoing improvement in the quality of life for its residents. The District offers tax abatements for new and existing industries that bring new wealth within the boundaries of the District. Property eligible for tax abatement per the guidelines and criteria is defined as: property utilized by new and existing industries expected to result in an addition to the tax base of at least \$500,000 after the period of abatement expires. As provided in the Act, abatement may only be granted for the value of eligible property subsequent to and listed in an abatement agreement between the District and the property owner where the District has, by official action, expressed an intent to be bound by the terms of the agreement in accordance with Section 312.206(a) of the Texas Property Code.

Upon determination that all requirements for tax abatement have been satisfied by the applicant, the value and terms of the abatements will be for a period of eight (5) years in accordance with the Value and Term Abatement established in resolution no. 16-11 of the Board of Directors of the District. Abatement shall be granted effective with the January 1 valuation date immediately following the date of approval of the abatement agreement and completion of construction of the property.

For the fiscal year ended September 30, 2019, the District abated property valued at \$375,000, which resulted in abated property taxes totaling \$1,533. All abatement agreements were in relation to commercial property, and no single abatement exceeded 15% of the total abated value.

# TRINITY BAY CONSERVATION DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS SEPTEMBER 30, 2019

15) **PRIOR PERIOD ADJUSTMENTS**

During the year ended September 30, 2019, management determined that the recognition and presentation of unbilled revenue, compensated absences, and accrued payroll and the allocation between the governmental and business-type funds required adjustment. Prior period adjustments were made to both the governmental funds (at the government-wide level) and the enterprise funds. When combined, prior period adjustments on the government-wide financial statements increased the District's Net Position by \$57,916.

16) **RECLASSIFICATION OF PRIOR PERIOD PRESENTATION**

Certain prior period balances have been reclassified for consistency with the current year presentation.

16) **GRANTS**

The District is party to interlocal agreements with Chambers County for purposes of constructing water facilities and improvements to current drainage systems. Mayhaw Bayou Improvements, Mayhaw Lateral 1 Drainage Improvements and the Smith Point Water Line projects were in progress during the fiscal year. The County is a recipient of grant funds from the General Land Office (GLO), and grant funds from the Texas Department of Rural Affairs (TDRA). In consideration of the construction by the District, the County agrees to compensate the District for the costs of labor and equipment incurred by the District in connection with the projects. Rates of reimbursement are outlined in the interlocal agreements.

For the year ended September 30, 2019 revenue received from Chambers County totaled \$925,010 and is reported as Grant and Project Revenue on the Statement of Activities. Costs incurred by the District primarily consists of payroll, and fuel expenses. Expenses relating to materials are not significant in relation to the overall costs of the projects. Project costs are reported as operating expenses in the Water and Sewer Fund and expenditures in the General Fund.



## **REQUIRED SUPPLEMENTARY INFORMATION**

# TRINITY BAY CONSERVATION DISTRICT

## SCHEDULE OF CHANGES IN EMPLOYER'S NET PENSION LIABILITY AND RELATED RATIOS FOR THE YEAR ENDED SEPTEMBER 30, 2019

	Year Ended December 31, 2018	Year Ended December 31, 2017	Year Ended December 31, 2016	Year Ended December 31, 2015	Year Ended December 31, 2014
Total Pension Liability					
Service cost	\$ 300,678	\$ 282,338	\$ 292,558	\$ 239,916	\$ 233,778
Interest on total pension liability	767,222	705,447	642,780	599,247	551,401
Effect of plan changes	-	-	-	(56,493)	-
Effect of assumption changes or inputs	-	17,221	-	56,442	-
Effect of economic/demographic (gains) or losses	50,582	43,379	(36,913)	(82,650)	27,659
Benefit payments/refunds of contributions	<u>(334,751)</u>	<u>(274,569)</u>	<u>(253,170)</u>	<u>(236,857)</u>	<u>(213,843)</u>
Net change in total pension liability	783,731	773,816	645,255	519,605	598,995
Total pension liability, beginning	<u>9,335,314</u>	<u>8,561,498</u>	<u>7,916,243</u>	<u>7,396,638</u>	<u>6,797,643</u>
Total pension liability, ending (a)	<u>10,119,045</u>	<u>9,335,314</u>	<u>8,561,498</u>	<u>7,916,243</u>	<u>7,396,638</u>
Fiduciary Net Position					
Employer contributions	378,993	361,041	335,565	324,450	305,717
Member contributions	171,823	163,685	152,134	147,095	138,602
Investment income net of investment expenses	(148,188)	1,001,585	454,562	(116,686)	366,990
Benefit payments/refunds of contributions	(334,751)	(274,569)	(253,170)	(236,857)	(213,843)
Administrative expenses	(6,548)	(5,376)	(4,940)	(4,380)	(4,419)
Other	<u>7,250</u>	<u>3,301</u>	<u>21,913</u>	<u>(5,416)</u>	<u>(9,035)</u>
Net change in fiduciary net position	68,579	1,249,667	706,064	108,206	584,012
Fiduciary net position, beginning	<u>8,083,910</u>	<u>6,834,243</u>	<u>6,128,179</u>	<u>6,019,973</u>	<u>5,435,961</u>
Fiduciary net position, ending (b)	<u>8,152,489</u>	<u>8,083,910</u>	<u>6,834,243</u>	<u>6,128,179</u>	<u>6,019,973</u>
Net pension liability / (asset), ending = (a) - (b)	<u>\$ 1,966,556</u>	<u>\$ 1,251,404</u>	<u>\$ 1,727,255</u>	<u>\$ 1,788,064</u>	<u>\$ 1,376,665</u>
Fiduciary net position as a % of total pension liability	80.57%	86.59%	79.83%	77.41%	81.39%
Pensionable covered payroll	\$ 2,454,618	\$ 2,338,352	\$ 2,173,347	\$ 2,101,363	\$ 1,980,030
Net pension liability as a % of covered payroll	80.12%	53.52%	79.47%	85.09%	69.53%

See Independent Auditor's Report on Supplementary Information.

# TRINITY BAY CONSERVATION DISTRICT

## SCHEDULE OF EMPLOYER CONTRIBUTIONS AT AND FOR THE YEAR ENDED SEPTEMBER 30, 2019

<u>Year Ending December 31,</u>	<u>Actuarially Determined Contribution</u>	<u>Actual Employer Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Pensionable Covered Payroll<sup>(1)</sup></u>	<u>Actual Contribution as a % of Covered Payroll</u>
2009	\$ 200,890	\$ 200,890	\$ -	\$ 1,622,698	12.4%
2010	176,508	176,508	-	1,511,201	11.7%
2011	186,939	186,939	-	1,552,646	12.0%
2012	240,991	240,991	-	1,769,391	13.6%
2013	253,091	253,091	-	1,894,396	13.4%
2014	305,717	305,717	-	1,980,030	15.4%
2015	307,219	324,450	(17,231)	2,101,363	15.4%
2016	308,398	335,565	(27,167)	2,173,347	15.4%
2017	328,772	361,041	(32,269)	2,338,352	15.4%
2018	361,811	378,993	(17,182)	2,454,618	15.4%

(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.

(2) Payroll is calculated based on contribution as reported to TCDRS

See Independent Auditor's Report on Supplementary Information.

# TRINITY BAY CONSERVATION DISTRICT

## STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE BUDGET AND ACTUAL – GOVERNMENTAL FUND SEPTEMBER 30, 2019

	Original Budget	Final Budget	Actual	Final Budget Variance Favorable (Unfavorable)
<b>REVENUES</b>				
General property taxes	\$ 3,414,200	\$ 3,414,200	\$ 3,450,388	\$ 36,188
Penalties and interest	65,000	65,000	83,817	18,817
Other tax revenue	11,000	11,000	11,069	69
Intergovernmental revenue	100,000	100,000	812,348	712,348
Intergovernmental grants	-	-	77,514	77,514
Interest	9,000	9,000	8,780	(220)
Miscellaneous	20,000	20,000	1,451	(18,549)
Total revenues	<u>3,619,200</u>	<u>3,619,200</u>	<u>4,445,367</u>	<u>826,167</u>
<b>EXPENDITURES</b>				
Personnel costs	2,369,600	2,369,600	2,406,980	(37,380)
Supplies	324,700	313,300	231,426	81,874
Repairs and maintenance	177,800	189,200	196,132	(6,932)
Maintenance of plants and buildings	1,000	1,000	-	1,000
Professional fees	98,000	98,000	47,247	50,753
Utilities	32,000	32,000	23,232	8,768
Contract and outside services	587,100	587,100	516,587	70,513
Sundry	22,300	22,300	11,127	11,173
Capital expenditures	191,700	191,700	241,803	(50,103)
Total expenditures	<u>3,804,200</u>	<u>3,804,200</u>	<u>3,674,534</u>	<u>129,666</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in (out)	<u>(185,000)</u>	<u>(2,150,000)</u>	<u>(2,054,964)</u>	<u>95,036</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>(370,000)</u>	<u>(2,335,000)</u>	<u>(1,284,131)</u>	<u>1,050,869</u>
<b>FUND BALANCE, beginning of period</b>	<u>3,967,214</u>	<u>3,967,214</u>	<u>3,967,214</u>	<u>-</u>
<b>PRIOR PERIOD ADJUSTMENT</b>	<u>-</u>	<u>-</u>	<u>(25,455)</u>	<u>(25,455)</u>
<b>FUND BALANCE, end of period</b>	<u>\$ 3,597,214</u>	<u>\$ 1,632,214</u>	<u>\$ 2,657,628</u>	<u>\$ 1,025,414</u>

See Independent Auditor's Report on Supplementary Information.

# TRINITY BAY CONSERVATION DISTRICT

## STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION BUDGET AND ACTUAL – WATER AND WASTEWATER FUND SEPTEMBER 30, 2019

	Original Budget	Final Budget	Actual	Final Budget Variance Favorable (Unfavorable)
<b>REVENUES</b>				
Water sales	\$ 1,787,000	\$ 1,787,000	\$ 1,510,955	\$ (276,045)
Sewer sales	680,000	680,000	657,330	(22,670)
Penalty income	23,500	23,500	22,898	(602)
Tap connection fees	169,000	169,000	136,150	(32,850)
Capital improvement fee	1,938,800	1,938,800	1,970,020	31,220
Materials and engineering	200,000	200,000	246,487	46,487
Miscellaneous	3,900	3,900	14,577	10,677
Total operating revenues	4,802,200	4,802,200	4,558,417	(243,783)
<b>EXPENSES</b>				
Personnel	1,923,650	2,009,650	1,903,218	106,432
Supplies	802,500	818,500	795,306	23,194
Repairs & maintenance	55,200	59,100	55,117	3,983
Maintenance of plants/buildings	91,000	51,000	46,364	4,636
Professional fees	131,500	92,000	86,718	5,282
Utilities	230,000	194,000	193,399	601
Contract and outside services	562,100	470,100	443,760	26,340
Sundry	28,250	81,750	94,627	(12,877)
Capital improvement projects	1,680,850	2,387,950	1,113,839	1,274,111
Total operating expenses	5,505,050	6,164,050	4,732,348	1,431,702
<b>OPERATING INCOME (LOSS) - BUDGET BASIS</b>	<u>(702,850)</u>	<u>(1,361,850)</u>	<u>(173,931)</u>	<u>1,187,919</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>				
Interest income from investments	2,850	2,850	10,896	8,046
Project revenue	-	-	328,471	328,471
Project expense	-	-	(166,094)	(166,094)
Bond principal payments	(650,000)	(650,000)	(650,000)	-
Interest and amortization	(300,000)	(300,000)	(241,380)	58,620
Transfers in (out)	1,650,000	2,150,000	2,054,964	587,478
Total non-operating revenues (expenses)	<u>702,850</u>	<u>1,202,850</u>	<u>1,336,857</u>	<u>816,521</u>
<b>EXCESS (DEFICIT) OF REVENUES OVER (UNDER) EXPENSES</b>	<u>\$ -</u>	<u>\$ (159,000)</u>	1,162,926	<u>\$ 2,004,440</u>
Capitalized expenses			955,508	
Transfer of capital asset to drainage			45,036	
Depreciation			(1,335,722)	
Debt payments applied to principal			665,466	
<b>CHANGE IN NET POSITION</b>			<u>\$ 1,493,214</u>	

See Independent Auditor's Report on Supplementary Information.

## **TEXAS SUPPLEMENTARY INFORMATION**

# TRINITY BAY CONSERVATION DISTRICT

## SCHEDULE OF SERVICES AND RATES

SEPTEMBER 30, 2019

1. Services provided by the District:

<input checked="" type="checkbox"/> Retail Water	<input type="checkbox"/> Wholesale Water	<input type="checkbox"/> Drainage
<input checked="" type="checkbox"/> Retail Wastewater	<input type="checkbox"/> Wholesale Wastewater	<input type="checkbox"/> Irrigation
<input type="checkbox"/> Parks/Recreation	<input type="checkbox"/> Fire Protection	<input type="checkbox"/> Security
<input type="checkbox"/> Solid Waste/Garbage	<input type="checkbox"/> Flood Control	<input type="checkbox"/> Roads
<input type="checkbox"/> Participants in joint venture, regional system and/or wastewater service (other than emergency interconnect)		
<input type="checkbox"/> Other		

2. Retail rates based on 5/8" meter:

Retail rates not applicable

The most prevalent type of meter (if not a 5/8"):

5/8" is most prevalent

	Minimum Charge	Minimum Usage	Flat Rate Y/N	Rate Per 1,000 Gallons Over Minimum	Usage Levels		
Water	\$ 36.00	0	Y	\$ 5.50	0	to	10,000
				5.80	10,001	to	plus
Wastewater	10.00	2,000	Y	2.45	2,001	to	plus

Surcharge N A

Does the District employ winter averaging for wastewater usage: Yes ☐ No ☒

Total water and wastewater charges per 10,000 gallons usage (including surcharges):

Water \$91.00 Wastewater \$ 29.60

Water and wastewater retail connections:

Meter Size	Total Connections	Active Connections	ESFC Factor	Active ESFC's
Unmetered			x 1.0	
< 3/4"	5,567	4,222	x 1.0	4,222
1"	249	209	x 2.5	523
1.5"	47	45	x 5.0	225
2"	64	58	x 8.0	464
3"	11	8	x 15.0	120
4"	9	8	x 25.0	200
6"	1	-	x 50.0	-
8"	-	-	x 80.0	-
10"	-	-	x 115.0	-
Total Water	<u>5,948</u>	<u>4,550</u>		<u>5,754</u>
Total Wastewater	<u>5,675</u>	<u>4,515</u>	x 1.0	<u>4,515</u>

See Independent Auditor's Report on Supplementary Information.

# TRINITY BAY CONSERVATION DISTRICT

## SCHEDULE OF SERVICES AND RATES

SEPTEMBER 30, 2019

(CONTINUED)

3. Total water consumption (rounded to the nearest 1,000) during the fiscal year:

Gallons pumped into system:	<u>410,871</u>
Gallons billed to customers:	<u>310,260</u>
Water accountability ratio: (Gallons billed/gallons pumped)	76%

4. Standby fees: Does the District assess standby fees? Yes \_\_\_\_\_ No X

Have standby fees been levied in accordance with Water Code Section 49.231 thereby constituting a lien on a property?

Yes \_\_\_\_\_ No X

5. Location of District: (submitted in prior years).

See Independent Auditor's Report on Supplementary Information.



# TRINITY BAY CONSERVATION DISTRICT

## GENERAL FUND EXPENDITURES SEPTEMBER 30, 2019

### EXPENDITURES

Personnel (including benefits)	<u>\$ 2,406,980</u>
Professional fees	
Auditing & accounting	20,700
Legal	17,035
Other professional fees	<u>9,512</u>
Total professional fees	<u>47,247</u>
Purchased and contracted services	
Appraisal district	21,157
Tax collectors	14,807
Other contracted and outside services	<u>23,481</u>
Total contracted services	<u>59,445</u>
Consumable supplies and materials	
Fuel, chemicals and other	149,308
Repair and maintenance	<u>196,132</u>
Total consumable supplies and materials	<u>345,440</u>
Recurring operating expenses	
Office supplies	9,677
Insurance	84,168
Utilities	23,232
Other administrative expenses	<u>18,106</u>
Total administrative expenses	<u>135,183</u>
Capital outlay	<u>232,125</u>
Debt service	
Principal	349,618
Interest	<u>16,376</u>
Total debt service	<u>365,994</u>
Other expenditures	<u>82,121</u>
<b>TOTAL EXPENDITURES</b>	<u><u>\$ 3,674,535</u></u>

Number of persons employed by the District: 46 full-time 0 part-time

See Independent Auditor's Report on Supplementary Information.

# TRINITY BAY CONSERVATION DISTRICT

## WATER AND WASTEWATER FUND EXPENSES SEPTEMBER 30, 2019

### OPERATING EXPENSES

Personnel (including benefits)	<u>\$ 1,903,218</u>
Professional fees	
Auditing	20,500
Legal	14,550
Engineering	50,858
Other professional fees	<u>810</u>
Total professional fees	<u>86,718</u>
Purchased and contracted services	
Bulk water and wastewater purchases	147,821
Other contracted and outside services	<u>197,864</u>
Total purchased and contracted services	<u>345,685</u>
Consumable supplies and materials	
Fuel, chemicals and other	331,123
Repair and maintenance	214,286
Materials and supplies	<u>451,097</u>
Total consumable supplies and materials	<u>996,506</u>
Recurring operating expenses	
Utilities	193,399
Insurance	84,796
Other administrative expenses	<u>106,016</u>
Total administrative expenses	<u>384,211</u>
Depreciation and amortization	<u>1,335,722</u>
<b>TOTAL OPERATING EXPENSES</b>	<u><b>5,052,060</b></u>
Interest expense and fiscal charges	241,380
Project expenses	<u>166,094</u>
Total non-operating expenses	<u>407,474</u>
<b>TOTAL EXPENSES</b>	<u><b>\$ 5,459,534</b></u>

See Independent Auditor's Report on Supplementary Information.

# TRINITY BAY CONSERVATION DISTRICT

## SCHEDULE OF TEMPORARY INVESTMENTS

SEPTEMBER 30, 2019

Institution - Investment	Identification or Certificate Number	Interest Rate	Maturity Date	Balances at End of Year	
				Unrestricted	Restricted
General Fund					
East Chambers County Bank - CD	7080281	0.20%	10/19/2019	\$ 1,444,518	\$ -
Water and Sewer Fund					
East Chambers County Bank - CD	7080283	0.20%	10/19/2019	383,081	-
East Chambers County Bank - CD	7080284	0.20%	10/19/2019	86,547	720,217
East Chambers County Bank - CD	7080285	0.20%	10/19/2019	-	177,689
East Chambers County Bank - CD	7080286	0.20%	08/21/2020	-	786,600
East Chambers County Bank - CD	7080332	0.20%	10/21/2019	-	31,661
East Chambers County Bank - CD	7080356	0.20%	10/14/2019	-	195,700
Total temporary investments				\$ 1,914,146	\$ 1,911,867

The Board of Directors of Trinity Bay Conservation District has elected to use Certificates of Deposit as a component of the Reserve Fund required by the Bond Orders associated with the issuance of revenue refunding bonds of series 2012, and revenue bonds of series 2014.

See Independent Auditor's Report on Supplementary Information.

# TRINITY BAY CONSERVATION DISTRICT

## ANALYSIS OF TAXES LEVIED AND RECEIVABLE SEPTEMBER 30, 2019

	Maintenance Taxes
Taxes receivable, beginning of year	\$ 494,363
2018 original tax levy	<u>3,388,152</u>
Total to be accounted for	<u>3,882,515</u>
Taxes collections	
Current year	3,303,064
Prior year	<u>97,640</u>
Total collections	3,400,704
Adjustments	<u>3,857</u>
	<u>3,404,561</u>
Taxes receivable, end of year	<u>\$ 477,954</u>
Taxes receivable by year	
2018	\$ 95,594
2017	54,690
2016	32,579
2015	34,719
2014	26,152
Before 2014	<u>234,220</u>
Taxes receivable, end of year	<u>\$ 477,954</u>

	2018	2017	2016	2015
Property valuations				
Chambers County	\$ 822,636,112	\$ 791,764,578	\$ 736,631,158	\$ 863,283,512
Jefferson County	<u>5,387,555</u>	<u>5,399,025</u>	<u>5,315,835</u>	<u>5,697,916</u>
Total	\$ 828,023,667	\$ 797,163,603	\$ 741,946,993	\$ 868,981,428
Tax rates per \$100 valuation				
Maintenance tax rate	\$ 0.408700	\$ 0.408700	\$ 0.408700	\$ 0.408700
Debt Service tax rate	-	-	-	-
Original levy	\$ 3,388,152	\$ 3,262,663	\$ 3,030,411	\$ 3,549,933
Percent of taxes collected to taxes levied	<u>97.5%</u>	<u>96.5%</u>	<u>95.9%</u>	<u>100.6%</u>

See Independent Auditor's Report on Supplementary Information.

# TRINITY BAY CONSERVATION DISTRICT

## WATER AND WASTEWATER - ENTERPRISE FUND DEBT SERVICE REQUIREMENTS BY YEARS SEPTEMBER 30, 2019

Due During Fiscal Years Ending September 30,	Revenue Refunding Bonds Series 2012 Issued \$9,220,000			
	February 15,	August 15,		Total
	Interest	Interest	Principal	Principal and Interest
2020	\$ 83,913	\$ 83,912	\$ 615,000	\$ 782,825
2021	73,150	73,150	640,000	786,300
2022	61,950	61,950	660,000	783,900
2023	50,400	50,400	685,000	785,800
2024	38,413	38,413	705,000	781,826
2025	26,075	26,075	730,000	782,150
2026	13,300	13,300	760,000	786,600
	<u>\$ 347,201</u>	<u>\$ 347,200</u>	<u>\$ 4,795,000</u>	<u>\$ 5,489,401</u>

Due During Fiscal Years Ending September 30,	Revenue Refunding Bonds Series 2014 Issued \$2,910,000			
	February 15,	August 15,		Total
	Interest	Interest	Principal	Principal and Interest
2020	\$ 50,950	\$ 50,950	\$ 75,000	\$ 176,900
2021	49,825	49,825	75,000	174,650
2022	48,700	48,700	100,000	197,400
2023	47,200	47,200	100,000	194,400
2024	45,700	45,700	90,000	181,400
2025	44,350	44,350	100,000	188,700
2026	42,850	42,850	110,000	195,700
2027	41,200	41,200	225,000	307,400
2028	36,700	36,700	235,000	308,400
2029	32,000	32,000	240,000	304,000
2030	27,200	27,200	250,000	304,400
2031	22,200	22,200	260,000	304,400
2032	17,000	17,000	270,000	304,000
2033	11,600	11,600	285,000	308,200
2034	5,900	5,900	295,000	306,800
	<u>\$ 523,375</u>	<u>\$ 523,375</u>	<u>\$ 2,710,000</u>	<u>\$ 3,756,750</u>

See Independent Auditor's Report on Supplementary Information.

# TRINITY BAY CONSERVATION DISTRICT

## WATER AND WASTEWATER - ENTERPRISE FUND DEBT SERVICE REQUIREMENTS BY YEARS SEPTEMBER 30, 2019 (CONTINUED)

Due During Fiscal Years Ending September 30,	Annual Requirements for All Series		
	Total Principal Due	Total Interest Due	Total Principal and Interest
2020	\$ 690,000	\$ 269,725	\$ 959,725
2021	715,000	245,950	960,950
2022	760,000	221,300	981,300
2023	785,000	195,200	980,200
2024	795,000	168,226	963,226
2025	830,000	140,850	970,850
2026	870,000	112,300	982,300
2027	225,000	82,400	307,400
2028	235,000	73,400	308,400
2029	240,000	64,000	304,000
2030	250,000	54,400	304,400
2031	260,000	44,400	304,400
2032	270,000	34,000	304,000
2033	285,000	23,200	308,200
2034	295,000	11,800	306,800
	<u>\$ 7,505,000</u>	<u>\$ 1,741,151</u>	<u>\$ 9,246,151</u>

See Independent Auditor's Report on Supplementary Information.

# TRINITY BAY CONSERVATION DISTRICT

## ANALYSIS OF CHANGES IN LONG-TERM DEBT SEPTEMBER 30, 2019

	<u>Bond Issues</u> <u>Series 2012</u>	<u>Bond Issues</u> <u>Series 2014</u>	<u>Total</u>
Interest rates	2.00% - 3.50%	3.00% - 4.00%	
Dates interest payable	2/15 - 8/15	2/15 - 8/15	
Maturity dates			
Bonds outstanding, beginning of current period	\$ 5,395,000	\$ 2,760,000	\$ 8,155,000
New bond proceeds	-	-	-
Retirements, principal	<u>600,000</u>	<u>50,000</u>	<u>650,000</u>
Bonds outstanding, end of current period	<u>\$ 4,795,000</u>	<u>\$ 2,710,000</u>	<u>\$ 7,505,000</u>
Interest paid during current period	<u>\$ 185,825</u>	<u>\$ 103,400</u>	<u>\$ 289,225</u>

Paying agent's name and address:

Series 2012 - Bank of New York Mellon, Dallas Texas

Series 2014 - Bank of New York Mellon, Dallas Texas

<u>Bond authority</u>	<u>Tax</u> <u>Bonds</u>	<u>Revenue</u> <u>Bonds</u>	<u>Refunding</u> <u>Bonds</u>
Amount authorized by voters	\$ -	NA	NA
Amount issued	-	2,910,000	9,220,000
Remaining to be issued	-	-	-
Debt service fund cash and temporary investment balances as of September 30, 2019			\$ 1,200,428
Average annual debt service payment (principal and interest) for remaining term of all debt			\$ 616,410

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

See Independent Auditor's Report on Supplementary Information.

**TRINITY BAY CONSERVATION DISTRICT**

**COMPARATIVE STATEMENT OF REVENUES AND EXPENDITURES**

**GENERAL FUND**

**FOR THE FIVE YEARS ENDED SEPTEMBER 30, 2019**

	Amounts				
	2019	2018	2017	2016	2015
Operating revenues					
Taxes	\$ 3,461,457	\$ 3,247,243	\$ 3,041,701	\$ 3,650,288	\$ 3,792,197
Penalty and interest	83,817	60,655	71,603	60,481	54,955
Interest income	8,780	8,260	8,985	6,530	6,469
Intergovernmental and Grants	77,514	46,601	-	-	-
Intergovernmental Projects	812,348	-	-	-	-
Other revenues	1,451	457,140	301,506	313,133	2,515
Total operating revenues	<u>4,445,367</u>	<u>3,819,899</u>	<u>3,423,795</u>	<u>4,030,432</u>	<u>3,856,136</u>
Expenses					
Personnel	2,406,980	2,217,829	1,953,052	1,670,713	1,353,127
Supplies	231,426	328,042	235,973	215,654	237,493
Repairs and maintenance	196,132	176,297	144,805	199,770	144,419
Utilities	23,232	24,606	30,589	22,252	19,030
Contract services and professional services	197,840	192,196	205,101	172,794	217,091
Sundry	20,805	16,290	19,010	10,367	14,493
Capital expenditures	232,125	67,067	826,001	245,763	1,069,311
Debt service	365,994	357,762	438,341	563,719	499,384
Total operating expenses	<u>3,674,534</u>	<u>3,380,089</u>	<u>3,852,872</u>	<u>3,101,032</u>	<u>3,554,348</u>
Excess (expenses)	<u>770,833</u>	<u>439,810</u>	<u>(429,077)</u>	<u>929,400</u>	<u>301,788</u>
Other financing sources (uses)					
Capital lease financing proceeds	-	-	638,015	-	776,397
Transfers (to) from other funds	<u>(2,054,964)</u>	<u>(1,064,300)</u>	<u>(200,000)</u>	<u>(228,039)</u>	<u>(448,956)</u>
Excess of revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ (1,284,131)</u>	<u>\$ (624,490)</u>	<u>\$ 8,938</u>	<u>\$ 701,361</u>	<u>\$ 629,229</u>

See Independent Auditor's Report on Supplementary Information.



Percent of Fund Total Revenues				
2019	2018	2017	2016	2015
77.9%	85.0%	88.8%	90.6%	98.3%
1.9%	1.6%	2.1%	1.5%	1.4%
0.2%	0.2%	0.3%	0.2%	0.2%
1.7%	1.2%	0.0%	0.0%	0.0%
18.3%	0.0%	0.0%	0.0%	0.0%
0.0%	12.0%	8.8%	7.8%	0.1%
100.0%	100.0%	100.0%	100.0%	100.0%
54.1%	58.1%	57.0%	41.5%	35.1%
5.2%	8.6%	6.9%	5.4%	6.2%
4.4%	4.6%	4.2%	5.0%	3.7%
0.5%	0.6%	0.9%	0.6%	0.5%
0.0%	0.0%	0.0%	0.0%	0.0%
4.5%	5.0%	6.0%	4.3%	5.6%
0.5%	0.4%	0.6%	0.3%	0.4%
5.2%	1.8%	24.1%	6.1%	27.7%
8.2%	9.4%	12.8%	14.0%	13.0%
82.7%	88.5%	112.5%	76.9%	92.2%
17.3%	11.5%	-12.5%	23.1%	7.8%
0.0%	0.0%	18.6%	0.0%	20.1%
-46.2%	-27.9%	-5.8%	-5.7%	-11.6%
-28.9%	-16.3%	0.3%	17.4%	16.3%

# TRINITY BAY CONSERVATION DISTRICT

## COMPARATIVE STATEMENT OF REVENUES AND EXPENSES WATER AND WASTEWATER FOR THE FIVE YEARS ENDED SEPTEMBER 30, 2019

	Amounts				
	2019	2018	2017	2016	2015
Operating revenues					
Water service	\$ 3,448,091	\$ 3,611,643	\$ 3,748,788	\$ 3,667,663	\$ 3,285,229
Sewer service	657,330	680,161	643,134	636,936	630,962
Penalty and income	22,897	22,936	23,304	22,900	21,189
Tap and connection fees	170,791	216,762	190,170	165,360	297,226
Line extensions and miscellaneous fees	246,487	295,619	216,318	284,921	-
Investment income	10,896	3,517	3,236	3,185	3,307
Other	12,821	15,452	9,271	4,659	1,000
Total operating revenues	<u>4,569,313</u>	<u>4,846,090</u>	<u>4,834,221</u>	<u>4,785,624</u>	<u>4,238,913</u>
Expenses					
Personnel	1,903,218	1,889,429	1,734,439	1,748,935	1,668,621
Plant operations, maintenance and supplies	782,550	748,914	840,698	419,114	465,131
Contractual and outside services	516,869	543,997	593,990	430,262	582,252
Utilities	193,399	223,514	208,160	199,343	179,996
Repairs and maintenance	214,286	45,763	51,745	46,864	38,989
Sundry	106,016	19,890	25,632	21,489	24,198
Depreciation	<u>1,335,722</u>	<u>1,329,615</u>	<u>1,302,866</u>	<u>1,151,112</u>	<u>1,090,449</u>
Total operating expenses	<u>5,052,060</u>	<u>4,801,122</u>	<u>4,757,530</u>	<u>4,017,119</u>	<u>4,049,636</u>
Excess (expenses)	<u>(482,747)</u>	<u>44,968</u>	<u>76,691</u>	<u>768,505</u>	<u>189,277</u>
Nonoperating Revenues (Expenses)					
Gain/(loss) on disposition of assets	-	-	41,213	(51,748)	-
Disaster recovery, net	-	38,712	-	33,207	-
Project income	328,471	-	-	-	-
Project expenses	(166,094)	-	-	-	-
Investment income	-	5,265	5,218	5,241	5,390
Interest expense and fiscal charges	(241,380)	(260,355)	(278,862)	(292,193)	(279,090)
Bond issue costs and miscellaneous	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(167,813)</u>
Total nonoperating revenues (expenses)	<u>(79,003)</u>	<u>(216,378)</u>	<u>(232,431)</u>	<u>(305,493)</u>	<u>(441,513)</u>
Net income before capital contributions, and transfers	(561,750)	(171,410)	(155,740)	463,012	(252,236)
Capital contributions from grants	-	-	1,287,350	-	-
Transfers (to) from other funds	<u>2,054,964</u>	<u>1,064,300</u>	<u>224,409</u>	<u>561,909</u>	<u>461,800</u>
Change in net position	<u>\$ 1,493,214</u>	<u>\$ 892,890</u>	<u>\$ 1,356,019</u>	<u>\$ 1,024,921</u>	<u>\$ 209,564</u>
Total active retail water and / or wastewater connections	5,754	5,630	5,595	5,570	5,502

See Independent Auditor's Report on Supplementary Information.

Percent of Fund Total Revenues				
2019	2018	2017	2016	2015
75.5%	74.5%	77.5%	76.6%	77.5%
14.4%	14.0%	13.3%	13.3%	14.9%
0.5%	0.5%	0.5%	0.5%	0.5%
3.7%	4.5%	3.9%	3.5%	7.0%
5.4%	6.1%	4.5%	6.0%	0.0%
0.2%	0.1%	0.1%	0.1%	0.1%
0.3%	0.3%	0.2%	0.1%	0.0%
100.0%	100.0%	100.0%	100.0%	100.0%
41.7%	39.0%	35.9%	36.5%	39.4%
17.1%	15.5%	17.4%	8.8%	11.0%
11.3%	11.2%	12.3%	9.0%	13.7%
4.2%	4.6%	4.3%	4.2%	4.2%
4.7%	0.9%	1.1%	1.0%	0.9%
2.3%	0.4%	0.5%	0.4%	0.6%
29.2%	27.4%	27.0%	24.1%	25.7%
110.6%	99.1%	98.4%	83.9%	95.5%
-10.6%	0.9%	1.6%	16.1%	4.5%
0.0%	0.0%	0.9%	-1.1%	0.0%
0.0%	0.8%	0.0%	0.7%	0.0%
7.2%	0.0%	0.0%	0.0%	0.0%
-3.6%	0.0%	0.0%	0.0%	0.0%
0.0%	0.1%	0.1%	0.1%	0.1%
-5.3%	-5.4%	-5.8%	-6.1%	-6.6%
0.0%	0.0%	0.0%	0.0%	-4.0%
-1.7%	-4.5%	-4.8%	-6.4%	-10.4%
-12.3%	-3.5%	-3.2%	9.7%	-6.0%
0.0%	0.0%	26.6%	0.0%	0.0%
45.0%	22.0%	4.6%	11.7%	10.9%
32.7%	18.4%	28.1%	21.4%	4.9%

# TRINITY BAY CONSERVATION DISTRICT

## BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS SEPTEMBER 30, 2019

Complete District Mailing Address: P.O. Box 599  
Stowell, TX 77661

District Business Telephone Number: (409) 296-3602

<u>Name and Address</u>	<u>Term of Office Date Elected or Date Hired</u>	<u>Salary or Fees and Expense Reimbursements Year Ended 9/30/2019</u>	<u>Title at Year-End</u>	<u>Resident of District</u>
<b>Board Members</b>				
Tommy Gilbert Precinct #1	11/2018 11/2022	\$ 3,340	Secretary	Yes
Michael Winzer Precinct #2	11/2016 11/2020	3,013	President	Yes
Jeffrey Jenkins Precinct #3	11/2018 11/2022	2,803	Member	Yes
Greggory Turner Precinct #4	11/2016 11/2020	2,987	Vice President	Yes
Dorothy Hamilton Precinct #5	11/2016 11/2020	2,959	Member	Yes

### Key Administrative Personnel

Jerry Shadden	03/2011 Present	157,372	General Manager	Yes
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NOTE: No director is disqualified from serving on the board of the District under the Texas Water Code.

See Independent Auditor's Report on Supplementary Information.

# TRINITY BAY CONSERVATION DISTRICT

## BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS SEPTEMBER 30, 2019 (CONTINUED)

<u>Name and Address</u>	<u>Term of Office Date Elected or Date Hired</u>	<u>Fees and Expense Reimbursements 09/30/2019</u>	<u>Title at Year-End</u>	<u>Resident of District</u>
<b>Consultants</b>				
Germer PLLC P.O. Box 4915 Beaumont, TX 77704	11/2006	\$ 32,838	Attorney	N/A
Swaim, Brents & Assoc. 2804 Jefferson Dr. Liberty, TX 77575	09/1997	41,800	Prior Independent Auditor	N/A
LJA Engineering, Inc. 2929 Briarpark Drive Houston, TX 77042	03/2016	81,719	Engineering Consultants	N/A
Chambers County Tax Collector P.O. Box 519 Anahuac, TX 77514	07/1982	7,754	Tax Collector	N/A

See Independent Auditor's Report on Supplementary Information.

J. Pat O'Neill, III, CPA  
Michael W. Kiefer, CPA (Dave Ramsey ELP)

**Wathen,  
DeShong  
& Juncker,**  
LLP  
CPAs & BUSINESS ADVISORS

Troy W. Domingue, CPA  
Stanley (Chip) Majors, Jr., CPA, CITP, CGMA  
Jane P. Burns, CPA, CDFA

January 27, 2020

**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**

**INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors  
Trinity Bay Conservation District  
Stowell, Texas

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, and each major fund of Trinity Bay Conservation District as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the basic financial statements of Trinity Bay Conservation District and have issued our report thereon dated January 27, 2020.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Trinity Bay Conservation District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Trinity Bay Conservation District's internal control. Accordingly, we do not express an opinion on the effectiveness of Trinity Bay Conservation 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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Trinity Bay Conservation 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 under *Government Auditing Standards*.

**Purpose of this Report**

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.

***Wathen, DeShong & Juncker, L.L.P.***

**WATHEN, DeSHONG & JUNCKER, L.L.P.**  
Certified Public Accountants

# TRINITY BAY CONSERVATION DISTRICT

## SCHEDULE OF FINDINGS SEPTEMBER 30, 2019

### STATUS OF PRIOR YEAR FINANCIAL STATEMENT FINDINGS

#### 2018-001 – Grant Documents:

##### Condition

Grant documents were submitted to grant authorities without proper review and without reconciliation of supporting records.

##### Resolution

Trinity Bay Conservation District Subsequent Action – for the year ended September 30, 2019, procedures were in place so that all documents submitted to grant authorities were reviewed and reconciled to the underlying support.