

ORANGE COUNTY NAVIGATION AND PORT DISTRICT
AND
INDUSTRIAL DEVELOPMENT CORPORATION

ANNUAL FINANCIAL REPORT
For The Year Ending September 30, 2020



PORT COMMISSIONERS

Kevin Singleton, President

John Montagne, Vice President

Keith Wallace, Secretary/Treasurer

Carroll G. Holt, Commissioner

Walter J. Mullins, III, Commissioner

Executive Port Director/CEO

Lorrie Taylor, CPA

Supervisor of Administration and Finance

Mary Ann Diaz

**ORANGE COUNTY NAVIGATION
AND PORT DISTRICT
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

ORANGE COUNTY NAVIGATION AND PORT DISTRICT
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED SEPTEMBER 30, 2020

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ORANGE COUNTY NAVIGATION AND PORT DISTRICT

ORANGE, TEXAS

**CERTIFICATE OF THE BOARD OF
COMMISSIONERS**

We, the undersigned, certify that the Annual Financial Report of the Orange County Navigation and Port District for the fiscal year ended September 30, 2020, was reviewed and *(check one)*:

☒ approved

☐ disapproved

at a meeting of the Board of Commissioners on the 14th day of December, 2020.

Board President

Board Secretary

ANNUAL FILING AFFIDAVIT

THE STATE OF TEXAS }

COUNTY OF ORANGE }

I, KEVIN SINGLETON, President
(Name of Duly Authorized
District Representative)

of the ORANGE COUNTY NAVIGATION AND PORT DISTRICT
(Name of 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 14th day of December, 2020, its annual audit report of the fiscal year or period ended September 30, 2020, and that copies of the annual audit report have been filed in the district office, located at 1201 Childers Road, Orange, Texas.

(Address of District)

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 of Texas Water Code Section 49.194.

Date: December 14, 2020

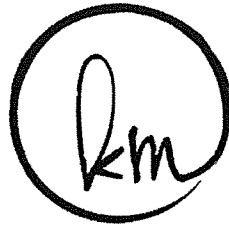
By: [Signature]
(Signature of District Representative)
Kevin Singleton, President

Sworn to and subscribed to before me this 14th day of December, 2020.



[Signature]
(Signature of Notary)

My Commission Expires on August 6, 2022.
Notary Public in the State of Texas



keri michutka
CERTIFIED PUBLIC ACCOUNTANT

INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners and Director
Orange County Navigation and Port District and Industrial Development Corporation
Orange, Texas

We have audited the accompanying financial statements of the governmental activities of the Orange County Navigation and Port District and Industrial Development Corporation as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities of the Orange County Navigation and Port District and Industrial Development Corporation as of September 30, 2020, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and Texas County and District Retirement System pension related schedules on pages 5-10 and 37-38 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Emphasis of Matters

The financial statements of the District consist of only one fund which is referred to as the General Fund. There are no other funds or fund types.

The scope and our opinion refer to the Industrial Development Corporation. As referenced in Note I, there are no assets and there was no financial activity during the current fiscal year. The District retains the entity for possible future economic development activity.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2020, on our consideration of the Orange County Navigation and Port District and Industrial Development Corporation'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 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 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 the Orange County Navigation and Port District and Industrial Development Corporation's internal control over financial reporting and compliance.



Bridge City, Texas
November 30, 2020

Orange County Navigation and Port District
Management's Discussion and Analysis

MANAGEMENT'S DISCUSSION AND ANALYSIS

In this section of the Annual Financial Report, we the Directors of Orange County Navigation and Port District, discuss and analyze the District's financial performance for the fiscal year ended September 30, 2020. Please read it in conjunction with the District's financial statements, which will follow this section.

FINANCIAL HIGHLIGHTS

- The District's total combined Net Position was \$30,610,399.
- As of the close of the current fiscal year the District's governmental funds reported combined ending fund balances of \$15,531,820.
- At the end of the current fiscal year, unassigned fund balance in the General Fund was \$7,290,081.
- The Port District remains debt free.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The government-wide financial statements include the Statement of Net Position and the Statement of Activities on pages 11 and 12. These provide information about the activities of the District as a whole and present a longer-term view of the District's property and debt obligations and other financial matters. They reflect the flow of the total economic resources in a manner similar to the financial reports of a business enterprise.

Fund Financial Statements starting on page 13 report the District's operations in more detail than the government-wide statements by providing information about the District's most significant funds. For governmental activities, these statements tell how services were financed in the short term as well as what resources remain for future spending. They reflect the flow of current financial resources and supply the basis for tax levies and the appropriations budget.

The notes to the financial statements starting on page 18 provide narrative explanations or additional data needed for full disclosure in the government-wide statements or the fund financial statements.

Figure A-1 Required Component of the District's Annual Financial Report

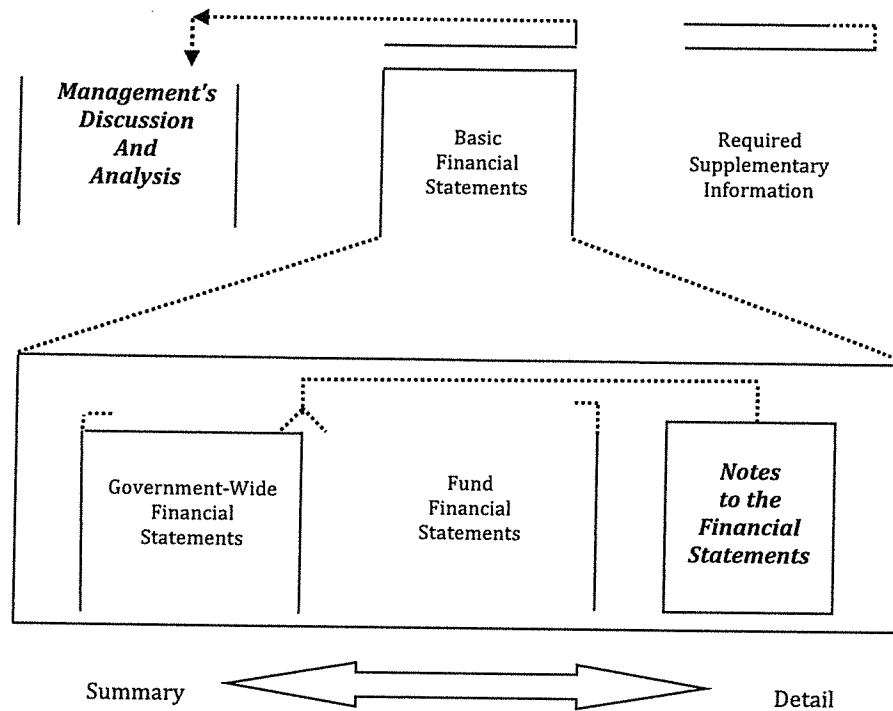


Figure A-1 shows how the requested parts of this annual report are arranged and related to one another.

Reporting the District as a Whole

The Statement of Net Position and the Statement of Activities

The analysis of the District's overall financial condition and operations begins on page 11. The primary purpose is to show whether the District is better off or worse off as a result of the year's activities. The Statement of Net Position includes all the District's assets and liabilities at the end of the year while the Statement of Activities includes all the revenues and expenses generated by the District's operations during the year. These apply the accrual basis of accounting, which is the basis used by private sector companies.

All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. The District's revenues are divided into those provided by outside parties, such as dockage, warehouse rental, and interest income on investments, grants and revenues provided by the taxpayers. All the District's assets are reported whether they serve the current year or future years. Liabilities are considered regardless of whether they must be paid in the current or future years.

These two statements report the District's Net Position and changes in them. The District's Net Position (the difference between assets and liabilities) provide one measure of the District's financial health or financial position. Over time, increases or decreases in the District's Net Position are one indicator of whether its financial health is improving or deteriorating. To fully assess the overall health of the District, however, you should consider non-financial factors as well, such as changes in the District's property tax base and the condition of the District's facilities.

The government-wide financial statements of the District include governmental activities. The District's basic services are reported here, including dockage and warehouse rental. Property taxes finance a small part of these activities.

Reporting the District's Most Significant Funds

Governmental Fund Financial Statements

The fund financial statements begin on page 13 and provide detailed information about the most significant funds-not the District as a whole. Governmental funds-Most of the district's basic services are reported in governmental funds. These use modified accrual accounting (a method that measures the receipt and disbursement of cash and all other financial assets that can be readily converted to cash) and report balances that are available for future spending. The governmental funds statements provide a detailed short-term view of the District's general operations and the basic services it provides. We describe the difference between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and a governmental fund in reconciliation schedules following each of the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net Position of the District's governmental activities increased from \$30,352,552 to \$30,610,399 or a net increase of \$257,847. The increase in governmental assets was primarily the result of revenues exceeding expenditures for the fiscal year ending September 30, 2020.

Table I
Orange County Navigation and Port District

NET POSITION

	Governmental Activities 2020	Governmental Activities 2019	Total Change
Current and Other Assets	\$ 16,193,156	\$ 14,864,931	\$ 1,328,225
Capital Assets	<u>14,772,621</u>	<u>15,584,244</u>	<u>(811,623)</u>
Total Assets	<u>30,965,777</u>	<u>30,449,175</u>	<u>516,602</u>
Deferred Outflow of Resources	<u>178,650</u>	<u>298,201</u>	<u>(119,551)</u>
Current and Other Liabilities	172,227	179,146	(6,919)
Noncurrent Liabilities	<u>-</u>	<u>-</u>	<u>-</u>
Total Liabilities	<u>172,227</u>	<u>179,146</u>	<u>(6,919)</u>
Deferred Inflow of Resources	<u>361,801</u>	<u>215,678</u>	<u>146,123</u>
Net Position:			
Investment in Capital Assets	14,772,621	15,584,244	(811,623)
Restricted	-	-	-
Unrestricted	<u>15,837,778</u>	<u>14,768,308</u>	<u>1,069,470</u>
Total Net Position	<u>\$ 30,610,399</u>	<u>\$ 30,352,552</u>	<u>\$ 257,847</u>

Table II
Orange County Navigation and Port District

CHANGES IN NET POSITION			
	Governmental Activities 2020	Governmental Activities 2019	Total Change
Revenues:			
General Revenues:			
Maintenance and Operation Taxes	\$ 402,544	\$ 405,392	\$ (2,848)
Penalty and Interest	7,234	6,990	244
Port Charges	2,210,643	2,415,258	(204,615)
Investment Earnings	151,780	254,751	(102,971)
Other Resources-Grant/Insurance/Misc.	746,085	1,018,438	(272,353)
Total Revenues	3,518,286	4,100,829	(582,543)
Expenses:			
General Government	3,260,439	3,835,661	(575,222)
Total Expenses	3,260,439	3,835,661	(575,222)
Increase (Decrease) in Net Position	257,847	265,168	(7,321)
Net Position - Beginning	30,352,552	30,087,384	265,168
Net Position - Ending	\$ 30,610,399	\$ 30,352,552	\$ 257,847

The District's total Revenues were \$3,518,286. The total cost of all governmental activities this year was \$3,260,439. The amount that our taxpayers paid for these activities through property taxes was \$402,544 or 11%.

THE DISTRICT'S FUND

The focus of the District's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unassigned fund balance may serve as a useful measure of the District's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$15,531,820. These balances are distributed as follows:

General Fund - \$15,531,820.

The General Fund is the primary operating fund of the District. As of September 30, 2020, the fund balance of \$15,531,820 was distributed as follows: Committed Fund Balance - Maintenance - \$500,000; Committed Fund Balance - Future Dredging - \$7,741,739; Unassigned Fund Balance - \$7,290,081.

For the fiscal year ended September 30, 2020, total revenues were \$384,528 over budget and this was primarily due to Other Revenues coming in over budget. Revenues exceeded Expenditures by \$1,082,437. (See Exhibit C-5 for more details)

The revised Budget for Capital Outlay was set at \$110,789, and out of that amount \$224,284 was expended. The original budget for Capital Outlay was set at \$1,173,000.

PETRODOME OPERATING, L.L.C. ROYALTIES

The District had Royalty Income of \$750,578 from Petrodome Operating, L.L.C. The District had received by September 30, 2020, \$850,676 in Royalty Income and an additional \$93,802 was accrued for the months of August and September 2020 and \$193,900 that had been accrued in the prior year was reversed in the current year. (See Note IV-M to Financial Statement for additional information)

CAPITAL ASSETS AND DEBT

Capital Assets

At the end of fiscal year 2020, the District had \$14,772,621 (Net) invested in a broad range of Capital Assets, including facilities and equipment for administration and maintenance. This amount represents a net decrease of \$811,623 compared to last year.

This year's capital additions included the following: two vehicles, shore power cable, Alabama Street Terminal boat launch platform, Border Street Complex carport, and Pier 10 surveillance equipment.

Depreciation for fiscal year ended September 30, 2020 was \$1,035,907.

The District's fiscal year 2020-2021 budget calls for Capital Outlay of \$573,300. The projects are prioritized in the list below:

CAPITAL PROJECT DESCRIPTION	BUDGET FY 2020/2021
Alabama Street Terminal (Rail repairs and repairs to: Berths #1, #2, #3, #4)	\$ 573,300
TOTAL CAPITAL OUTLAY	\$ 573,300

Debt

At year-end, the District remains debt free.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The District's elected and appointed officials considered many factors when setting the Fiscal Year 2020-2021 Budget and Tax Rate. It was decided at the September 2020 Board meeting to set the rate at \$.00665 per \$100 in valuation for the Tax Year 2020. This rate represents the no new tax rate.

The District's basic financial statements emphasize the intent to recover the costs of its activities through its fees and other charges. The results for fiscal year 2019-2020 were affected by the added financial burden to provide federally mandated security protection for its docks and facilities. However, these costs were partially defrayed by a security surcharge fee. The District has been successful in securing partial federal funding to assist in the procurement of the necessary infrastructure to meet these mandates, but the District will be encumbered with the financial burden of having to man and maintain this infrastructure.

If these estimates are realized, the District's budgetary general fund balance is expected to be about \$15.5 million of which approximately \$8.2 million is committed for maintenance and dredging projects. These committed funds can only be used when authorized by the Board of Commissioners.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Mary Ann Diaz, Supervisor of Administration and Finance, at Orange County Navigation and Port District, 1201 Childers Road (P.O. Box 2410), Orange, Texas 77631-2410.

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE STATEMENTS

ORANGE COUNTY NAVIGATION AND PORT DISTRICT
STATEMENT OF NET POSITION
SEPTEMBER 30, 2020

	<u>Primary Government</u> Governmental Activities
ASSETS:	
Cash and Cash Equivalents	\$ 584,726
Investments - Current	6,869,083
Investments - Current (Committed for Future Dredging)	7,741,739
Accounts Receivable, Net	291,338
Interest Receivable	13,845
Property Tax Receivable	57,366
Royalties Receivable	93,802
Prepaid Insurance	108,619
Capital Assets:	
Land	3,313,931
Infrastructure, Net	7,359,147
Buildings, Net	3,307,304
Furniture and Fixtures, Net	942
Machinery and Equipment, Net	208,605
Mobile Equipment, Net	56,089
Construction in Progress	526,603
Net Pension Asset	432,638
Total Assets	<u>30,965,777</u>
DEFERRED OUTFLOW OF RESOURCES:	
Deferred Outflow Related to Pension Plan	<u>178,650</u>
LIABILITIES:	
Accounts Payable	96,496
Wages and Salaries Payable	15,285
Retirement Payable	5,486
Contract Retainage Payable	52,660
Deposits Payable	2,300
Total Liabilities	<u>172,227</u>
DEFERRED INFLOW OF RESOURCES:	
Deferred Inflow Related to Pension Plan	<u>361,801</u>
NET POSITION:	
Investment in Capital Assets	14,772,621
Unrestricted Net Position	15,837,778
Total Net Position	<u>\$ 30,610,399</u>

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

ORANGE COUNTY NAVIGATION AND PORT DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2020

		Program Revenues		Net (Expense) Revenue and Changes In Net Position
	Expenses	Charges for Services	Capital Grants and Contributions	Primary Government Governmental Activities
Primary Government:				
GOVERNMENTAL ACTIVITIES:				
Administration	\$ 795,768	\$ 30,685	\$ 0	\$ (765,083)
Alabama Street Terminal	1,187,865	1,035,958	0	(151,907)
Transmodal Marine Yard	252,068	0	0	(252,068)
Childers Road Terminal	2,445	197,528	0	195,083
Border Street Complex	124,849	60,458	0	(64,391)
Pier Road Terminal	296,777	196,480	0	(100,297)
Economic Development	5,000	0	0	(5,000)
Industrial Park - Dravo	63,510	546,611	0	483,101
Security Department	532,157	142,923	0	(389,234)
TOTAL PRIMARY GOVERNMENT	\$ 3,260,439	\$ 2,210,643	\$ 0	\$ (1,049,796)
General Revenues:				
Taxes:				
Property Taxes, Levied for General Purposes				402,544
Penalty and Interest on Taxes				7,234
Royalties Income				750,578
Investment Earnings				151,780
Insurance Recovery and FEMA				(30,078)
Miscellaneous Revenue				25,585
Total General Revenues				1,307,643
Change in Net Position				257,847
Net Position - Beginning				30,352,552
Net Position - Ending				\$ 30,610,399

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

**GOVERNMENTAL FUND
FINANCIAL STATEMENTS**

ORANGE COUNTY NAVIGATION AND PORT DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2020

	General Fund
ASSETS:	
Cash and Cash Equivalents	\$ 584,726
Investments - Current	6,869,083
Investments - Current (Committed for Future Dredging)	7,741,739
Interest Receivable	13,845
Accounts Receivable (Net)	291,338
Property Tax Receivable	57,366
Royalties Receivable	93,802
Prepaid Insurance	108,619
Total Assets	<u>\$ 15,760,518</u>
LIABILITIES:	
Accounts Payable	\$96,496
Wages and Salaries Payable	15,285
Retirement Payable	5,486
Contract Retainage Payable	52,660
Deposits Payable	2,300
Total Liabilities	<u>172,227</u>
DEFERRED INFLOWS OF RESOURCES:	
Unavailable Revenue - Property Taxes	<u>56,471</u>
FUND BALANCES:	
Committed for Maintenance	500,000
Committed for Future Dredging	7,741,739
Unassigned Fund Balance	7,290,081
Total Fund Balances	<u>15,531,820</u>
Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 15,760,518</u>

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

ORANGE COUNTY NAVIGATION AND PORT DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET POSITION
SEPTEMBER 30, 2020

Total Fund Balances - Governmental Funds	\$ 15,531,820
Capital Assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. The net effect of including the beginning balances for capital assets (net of depreciation) in the governmental activities is to increase net position.	15,584,244
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. The net effect of including 2020 capital outlay is to increase net position.	224,284
This is the sixth year of the implementation of GASB 68 for the TCDRS Pension plan. This fiscal year required that the District report their net pension asset in the Government Wide Statement of Net Position. The items reported as a result of this implementation included a net pension asset of \$432,638, a deferred resource outflow of \$178,650 and a deferred resource inflow of \$361,801. The net effect of these is to increase the ending net position by \$249,487.	249,487
The 2020 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position.	(1,035,907)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred revenue as revenue. The net effect of these reclassifications and recognitions is to increase net position.	56,471
Net Position of Governmental Activities	\$ 30,610,399

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

ORANGE COUNTY NAVIGATION AND PORT DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

	General Fund
<hr/>	
REVENUES:	
Taxes:	
Property Taxes	\$ 402,286
Penalty and Interest on Taxes	7,234
Rents and Layberth	2,210,643
Insurance Recovery and FEMA	(30,078)
Investment Earnings	151,780
Other Revenues	776,163
Total Revenues	<u>3,518,028</u>
EXPENDITURES:	
Current:	
General Government:	
Administration	770,017
Alabama Street Terminal	562,586
Transmodal Marine Yard	252,068
Childers Road Terminal	2,445
Border Street Complex	89,039
Pier Road Terminal	118,827
Economic Development Corp	5,000
Industrial Park - Dravo	28,800
Security Department	382,525
Capital Outlay:	
Administration	30,532
Alabama Street Terminal	36,289
Border Street Complex	147,442
Pier Road Terminal	10,021
Total Expenditures	<u>2,435,591</u>
Net Change in Fund Balances	1,082,437
Fund Balance - October 1 (Beginning)	14,449,383
Fund Balance - September 30 (Ending)	<u>\$ 15,531,820</u>

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

ORANGE COUNTY NAVIGATION AND PORT 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, 2020

Total Net Change in Fund Balances - Governmental Funds	\$ 1,082,437
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. The net effect of removing the 2020 capital outlays is to increase the net change in net position.	224,284
The implementation of GASB 68 required that certain expenditures be de-expended and recorded as deferred resource outflow. These contributions made after the measurement date of 12/31/19 caused the change in the ending net position to increase in the amount of \$22,807. Contributions made before the measurement date were also de-expended and recorded as an addition to the net pension asset for the District. This caused an increase in the change in net position in the amount of \$11,476. The District's proportionate share of the TCDRS pension expense had to be recorded. The net pension expense decreased the change in net position by \$47,508. The net result is to decrease the change in net position by \$13,225.	(13,225)
Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease the change in net position.	(1,035,907)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred revenue as revenue and adjusting current year revenue to show the revenue earned from the current year's tax levy. The net effect of these reclassifications and recognitions is to decrease the change in net position.	258
Change in Net Position of Governmental Activities	\$ 257,847

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

ORANGE COUNTY NAVIGATION AND PORT DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2020

	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
Taxes:				
Property Taxes	\$ 392,000	\$ 401,000	\$ 402,286	\$ 1,286
Penalty and Interest on Taxes	8,000	6,000	7,234	1,234
Rents and Layberth	1,947,000	2,029,000	2,210,643	181,643
Insurance Recovery and FEMA	0	(38,000)	(30,078)	7,922
Investment Earnings	150,000	138,000	151,780	13,780
Other Revenues	253,000	597,500	776,163	178,663
Total Revenues	2,750,000	3,133,500	3,518,028	384,528
EXPENDITURES:				
Current:				
General Government:				
Administration	889,750	798,700	770,017	28,683
Alabama Street Terminal	766,250	586,200	562,586	23,614
Transmodal Marine Yard	206,000	276,000	252,068	23,932
Childers Road Terminal	2,500	2,000	2,445	(445)
Border Street Complex	80,500	198,800	89,039	109,761
Pier Road Terminal	147,650	151,900	118,827	33,073
Economic Development Corp	5,000	5,000	5,000	0
Industrial Park - Dravo	25,000	27,800	28,800	(1,000)
Security Department	405,900	382,700	382,525	175
Capital Outlay:				
Administration	0	30,532	30,532	0
Alabama Street Terminal	40,000	36,289	36,289	0
Transmodal Marine Yard	1,083,000	0	0	0
Border Street Complex	0	33,947	147,442	(113,495)
Pier Road Terminal	0	10,021	10,021	0
Industrial Park - Dravo	20,000	0	0	0
Security	30,000	0	0	0
Total Expenditures	3,701,550	2,539,889	2,435,591	104,298
Net Change in Fund Balances	(951,550)	593,611	1,082,437	488,826
Fund Balance - October 1 (Beginning)	14,449,383	14,449,383	14,449,383	0
Fund Balance - September 30 (Ending)	\$ 13,497,833	\$ 15,042,994	\$ 15,531,820	\$ 488,826

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

NOTES TO THE FINANCIAL STATEMENTS

ORANGE COUNTY NAVIGATION AND PORT DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2020

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Orange County Navigation and Port District (the "District") was created May 11, 1953, by regular session 1953, Chapter 370, Bill No. 654, Acts of the Fifty-Third Legislature of the State of Texas.

The District prepares its basic financial statements in conformity with generally accepted accounting principles (GAAP) as applied to government units. The more significant of the District's accounting policies are described below.

A. REPORTING ENTITY

The Board of Trustees (the "Board") is elected by the public and it has the authority to make decisions, appoint administrators and managers, and significantly influence operations. It also has the primary accountability for fiscal matters. Therefore, the District is a financial reporting entity as defined by the Governmental Accounting Standards Board ("GASB") in its Statement No. 14, "The Financial Reporting Entity."

As required by GAAP, the financial statements of the reporting entity include those of the District (the primary government) and its component units. The component unit discussed below is included in the District's reporting entity because of the significance of their operational or financial relationships with the District.

Component Unit:

The Industrial Development Corporation (IDC) was formed in July of 1979, under the provisions of the Development Corporation Act of 1979. The IDC's board members are appointed. It is a non-stock corporation dependent upon the control of the Orange County Navigation and Port District to act on its behalf to assist in issuing Revenue Bonds to third parties, for the specific purpose of promotion and development of commercial, industrial and manufacturing enterprises to promote and encourage employment and public welfare in the District.

Due to inactivity for several years, the Industrial Development Corporation bank account was closed out on June 14, 2010 and the funds transferred to the District's general fund. The amount transferred was \$1,901.47.

B. GOVERNMENT-WIDE FUND FINANCIAL STATEMENTS

The Statement of Net Position and the Statement of Activities are government-wide statements. They report information on all of the Orange County Navigation and Port District and its component unit nonfiduciary activities with most of the interfund activities removed. *Governmental Activities* include programs supported primarily by taxes. State foundation funds, grants and other intergovernmental revenues. *Business-type activities* include operations that rely to a significant extent on fees and charges for support. The *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

The Statement of Activities demonstrates how other people or entities that participate in programs the District operates have shared in the payment of the direct costs. The "charges for services" column includes payments made by parties that purchase, use, or directly benefit from goods or services provided by a given function or segment of the District. The "grants and contributions" column include amounts paid by organizations outside the District to help meet the operational or capital requirements of a given function. If revenue is not program revenue, it is general revenue used to support all of the District's functions. Taxes are always general revenues.

The fund financial statements provide reports on the financial condition and results of operations for three fund categories - governmental, proprietary and fiduciary. Since the resources in the fiduciary funds cannot be used for District operations, they are not included in the government-wide statements. The District considers some governmental funds major and reports their financial condition and results of operations in a separate column.

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION

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

Governmental fund financial statements use the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current liabilities and fund balances are included on the balance sheet. Operating statements of these funds present net increases and decreases in current assets (i.e., revenues and other financing sources and expenditures and other financing uses).

The modified accrual basis of accounting recognizes revenues in the accounting period in which they become both measurable and available and it recognizes expenditures in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest and principal on long-term debt, which is recognized when due. The expenditures related to certain compensated absences and claims and judgments are recognized when the obligations are expected to be liquidated with expendable available financial resources. The District considers all revenues available if they are collectible within 60 days after year end.

Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the State are recognized under the "susceptible to accrual" concept, that is, when they are both measurable and available. The District considers them "available" if they will be collected within 60 days of the end of the fiscal year. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available.

Grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant. Accordingly, when such funds are received, they are recorded as deferred revenues until related and authorized expenditures have been made. If balances have not been expended by the end of the project period, grantors sometimes require the District to refund all or part of the unused amount.

D. FUND ACCOUNTING

The District reports the following major governmental funds:

1. **The General Fund** - The general fund is the District's primary operating fund. It accounts for all financial resources except those required to be accounted for in another fund.

E. OTHER ACCOUNTING POLICIES

1. Capital assets, which include land, buildings, furniture and equipment and infrastructure assets are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Buildings, furniture and equipment of the District and the component units are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	10-50
Machinery and Equipment	3-20
Infrastructure	10-35
Furniture and Fixtures	3-10
Mobile Equipment	3-10

2. In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change. Reserves have been made for future maintenance of the District's facilities.
3. The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, as well as revenues and expenses reported for the periods presented. The District regularly assesses these estimates and while actual results may differ, management believes that the estimates are reasonable.

F. FUND EQUITY

In February 2009 the Governmental Accounting Standards Board (GASB) issued Statement No. 54 on "Fund Balance Reporting and Governmental Fund Type Definitions". The District implemented Statement No. 54 during fiscal year 2013.

The components of funds balance under GASB 54 are:

Nonspendable - portion of fund balance that cannot be spent because of their form or because they must be maintained intact. These funds are either long-term receivables or inventories.

Restricted - portion of fund balance that has external limitations on the use. Limitations may be imposed by creditors, grantors, contributors, or laws and regulations of other governments. They may also be imposed by law.

It is the District's policy that when expenditure occurs, that may be funded by either restricted or unrestricted funds; the restricted funds will be expended first.

Committed - portion of fund balance that has self-imposed limitations set in place by the Board of Commissioners. Committed funds must be assigned for a specific purpose by an action of the Board of Commissioners which may include motions, resolutions or ordinances. It would also take the same Board of Commissioners action to change or cancel the authorized purpose.

Assigned - portion of fund balance that has limitations because of the intended use. The segregation of funds within a specific governmental fund established the intended use of the funds by the Board of Commissioners. The segregation of these funds is established during the budgetary process or may be accomplished by specific funds transfers during the year.

Unassigned - the portion of fund balance that is in excess of nonspendable, restricted, committed and assigned funds. Unassigned balances will only arise in the General Fund.

It is the District's policy that when expenditure occurs, that may be funded by either committed, assigned or unassigned funds; the committed or assigned will be expended first.

The District has the following fund balance components and balances at the end of the fiscal year:

Maintenance	\$ 500,000
Future Dredging Projects	7,741,739
Total Committed	8,241,739
Unassigned	7,290,081
Total Fund Balances	<u>\$ 15,531,820</u>

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE GOVERNMENTAL FUNDS BALANCE SHEET AND THE GOVERNMENT-WIDE STATEMENT OF NET POSITION

Exhibit C-2 provides the reconciliation between the fund balance for total governmental funds on the governmental fund balance sheet and the net assets for governmental activities as reported in the government-wide statement of net position. One element of that reconciliation explains that capital assets are not financial resources and are therefore not reported in governmental funds. The details of capital assets at the beginning of the year were as follows:

<u>Capital Assets</u> <u>at the Beginning</u> <u>of the Year</u>	<u>Historic</u> <u>Cost</u>	<u>Accumulated</u> <u>Depreciation</u>	<u>Net Value</u> <u>at the Beginning</u> <u>of the Year</u>	<u>Change in</u> <u>Net Assets</u>
Land	\$ 3,313,931	\$ -	\$ 3,313,931	
Infrastructure	22,157,187	(14,176,495)	7,980,692	
Buildings	13,533,164	(10,028,939)	3,504,225	
Furniture and Fixtures	131,384	(127,689)	3,695	
Machinery and Equipment	3,108,270	(2,864,712)	243,558	
Mobile Equipment	123,689	(112,149)	11,540	
Construction In Progress	526,603	-	526,603	
Total	<u>\$ 42,894,228</u>	<u>\$ (27,309,984)</u>	<u>\$ 15,584,244</u>	<u>15,584,244</u>
Net Adjustment to Net Position			<u>\$ 15,584,244</u>	

B. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE GOVERNMENTAL FUND STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES AND THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES

Exhibit C-4 provides a reconciliation between the net changes in fund balances as shown on the governmental fund statement of revenues, expenditures and changes in fund balances and the changes in net position of governmental activities as reported on the governmental-wide statement of activities. One element of that reconciliation explains that current year capital outlays are expenditures in the fund financial statements but should be shown as increases in capital assets in the governmental-wide statements. This adjustment affects both the net asset balance and the change in net assets.

The details of this adjustment are as follows:

<u>Current Year Capital Outlay</u>	<u>Amount</u>	<u>Adjustments to Change in Net Position</u>	<u>Adjustments to Net Position</u>
Land	\$ -		
Buildings	132,795		
Machinery and Equipment	36,810		
Infrastructure	54,679		
Construction in Progress	-		
Total Capital Outlay		\$ 224,284	\$ 224,284
Net Adjustment to Net Position		\$ 224,284	\$ 224,284

Another element of the reconciliations on *Exhibits C-2 and C-4* are described as various other reclassifications and eliminations necessary to convert from the modified accrual basis of accounting. This adjustment is the result of several items.

The details for this element are as follows:

<u>Adjustments to Revenue and Deferred Revenue</u>	<u>Amount</u>	<u>Adjustments to Change in Net Position</u>	<u>Adjustments to Net Position</u>
Taxes Collected from Prior Year Levies	8,513	\$ (8,513)	\$ -
Uncollected taxes (assumed collectible) from Current Year Levy	11,957	11,957	11,957
Uncollected Taxes (assumed collectible) from Prior Year Levy	44,514		44,514
Difference in prior year estimated collectible and current year actual collections	3,186	(3,186)	-
Total		\$ 258	\$ 56,471

III. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. BUDGETARY DATA

The District adopts an annual budget for the General Fund, prepared in accordance with generally accepted accounting principles (GAAP). The Board of Commissioners adopts the budget and board approval would be required to amend the budget.

The statement of revenues, expenditures and changes in fund balances - budget and actual for the General Fund presents comparisons of legally adopted budgets with actual data on a budgetary basis. The budget amounts shown in the financial statements are the final authorized amounts as revised during the year. Unused appropriations for the budgeted fund lapse at the end of the year.

IV. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS

A. DEPOSITS AND INVESTMENTS

The funds of the District must be deposited and invested under the terms of a contract, contents of which are set out in the **Depository Contract Law**. The depository bank places approved pledged securities for safekeeping and trust with the District's agent bank 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.

As September 30, 2020, the carrying amount of the District's deposits (checking account, petty cash, certificates of deposit, money market and TexPool accounts) was \$15,195,548. The District's checking account, certificates of deposit and money market accounts during the year ended September 30, 2020 were entirely covered by FDIC insurance or by pledged collateral held by a third-party bank. The Port also invested in TexPool Participant Services.

In addition, the following is disclosed regarding Certificates of Deposit and money market account balances versus collateral balances:

- a. First Financial Bank is the District's Depository for the general fund checking account.
- b. The market value of securities pledged as of the date of the highest balance on deposit is as follows:

	<i>Highest Bank Balance</i>	<i>Collateral- Market Value</i>
First Financial Bank (<i>Includes Checking Account</i>)	\$ 14,222,148	\$ 14,669,121
Bridge City State Bank	\$ 860,706	\$ 1,578,859
Third Coast Bank	\$ 244,000	\$ 248,880

- c. First Financial Bank highest combined balance on the checking account, certificates of deposit and money market accounts was \$14,222,148 with collateral pledged of \$14,669,121.
- d. Total amount of FDIC coverage at the time of the highest combined balance was \$250,000 at each bank.
- e. The total funds invested in TexPool Participant Services at September 30, 2020 was \$3,290.

The Public Funds Investment Act (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports and establishment of appropriate policies. Among other things, it requires the District 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) bid solicitation preferences for certificate of deposit. Statutes authorize the District to invest in (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) money market savings accounts, (5) repurchase agreements, (6) bankers acceptances, (7) Mutual Funds, (8) Investment pools, (9) guaranteed investment contracts, (10) and common trust funds, (11) credit unions insured by the National Credit Union Share Insurance Fund (NCUSIF), which is backed by the full faith and credit of the United States Government up to \$250,000. The Act also requires the District to have independent auditors perform test procedures related to investment practices as provided by the Act. The District is in substantial compliance with the requirements of the Act and with local policies.

Both cash deposits and investments held at a financial institution can be categorized according to three levels of risk.

These three levels are:

- Category 1* - Cash or Investments that are insured, registered or held by the District or by its agent in the District's name.
- Category 2* - Cash or Investments that are uninsured and unregistered held by the counterparty's trust department or agent in the District's name.
- Category 3* - Uninsured and unregistered investments held by the counterparty, its trust Department or its agent, but not in the District's name.

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

The District's investments at September 30, 2020, are shown below:

<u>Name</u>	<u>Account #</u>	<u>Carrying Amount</u>	<u>Market Value</u>	<u>Category</u>
<i>Certificates of Deposit</i>				
<i>Bridge City Bank</i>	89-102820	\$ 860,706	\$ 860,706	1
<i>First Financial Bank - MMA</i>	120110030927	6,866,974	6,866,974	1
<i>First Financial Bank - MMA (CFDF) *</i>	120110030935	6,635,852	6,635,852	1
<i>Third Coast Bank (CFDF) *</i>	6000032604	244,000	244,000	1
<i>TexPool</i>	7938300001	2,109	2,109	1
<i>TexPool - Dredging Funds (CFDF) *</i>	7938300002	1,181	1,181	1
Accrued Interest			13,845	
Total		<u>\$ 14,610,822</u>	<u>\$ 14,624,667</u>	

* (CFDF - Committed for Dredging Funds)

B. PROPERTY TAXES RECEIVABLE AND DEFERRED TAXES REVENUE AND PROPERTY TAX CALENDAR

Property tax calendar: (1) enforceable lien attaches to property as of January 1; levied: October 1; and payable: January 1 of the following year. The District's property tax revenues are recognized when levied to the extent that they result in current receivables. The District is authorized to levy and cause to be assessed and collected for the maintenance, operation, and upkeep of said District and the facilities, properties, and improvements constructed or acquired by said District, an annual tax not to exceed fifteen cents (15¢) on each one hundred dollars (\$100) valuation of all taxable property within such District. The District tax rate for the fiscal year ended September 30, 2020 was \$.00686 per \$100 assessed valuation for the Tax Year 2019. For the fiscal year ended September 30, 2020, revenues from property taxes have been accrued and revenue deferred and the tax rate for 2020 at \$.000665 was adopted at the September 14, 2020 Board Meeting.

C. DISAGGREGATION OF RECEIVABLES AND PAYABLES

Receivables at September 30, 2020, were as follows:

	<u>Interest</u> <u>Receivable</u>	<u>Accounts</u> <u>Receivable</u> <u>(Net)</u>	<u>Property</u> <u>Tax</u> <u>Receivable</u>	<u>Royalties</u> <u>Receivable</u>	<u>Total</u> <u>Receivables</u>
Governmental Activities:					
General Fund	\$ 13,845	\$ 291,338	\$ 57,366	\$ 93,802	\$ 456,351
Total - Governmental Activities	<u>\$ 13,845</u>	<u>\$ 291,338</u>	<u>\$ 57,366</u>	<u>\$ 93,802</u>	<u>\$ 456,351</u>

Payables at September 30, 2020, were as follows:

	<u>Accounts</u> <u>Payable</u>	<u>Wages and</u> <u>Salaries</u> <u>Payable</u>	<u>Retirement</u> <u>Payable</u>	<u>Contract</u> <u>Retainage</u> <u>Payable</u>	<u>Deposits</u> <u>Payable</u>	<u>Total</u> <u>Payables</u>
Governmental Activities:						
General Fund	\$ 96,496	\$ 15,285	\$ 5,486	\$ 52,660	\$ 2,300	\$ 172,227
Total - Governmental Activities	<u>\$ 96,496</u>	<u>\$ 15,285</u>	<u>\$ 5,486</u>	<u>\$ 52,660</u>	<u>\$ 2,300</u>	<u>\$ 172,227</u>

D. CAPITAL ASSET ACTIVITY

Capital asset activity for the District for the year ended September 30, 2020 was as follows:

	Primary Government			
	Beginning Balance	Additions	Retirements	Ending Balance
Governmental Activities:				
Land	\$ 3,313,931	\$ -	\$ -	\$ 3,313,931
Infrastructure	22,157,187	-	-	22,157,187
Buildings	13,533,164	132,795	-	13,665,959
Furniture and Fixtures	131,384	-	(4,546)	126,838
Machinery and Equipment	3,108,270	36,810	(4,874)	3,140,206
Mobile Equipment	123,689	54,679	(19,743)	158,625
Total Historic Cost	<u>42,367,625</u>	<u>224,284</u>	<u>(29,163)</u>	<u>42,562,746</u>
Less Accumulated Depreciation:				
Infrastructure	(14,176,495)	(621,545)	-	(14,798,040)
Buildings	(10,028,939)	(329,716)	-	(10,358,655)
Furniture and Fixtures	(127,690)	(2,753)	4,546	(125,897)
Machinery and Equipment	(2,864,712)	(71,763)	4,874	(2,931,601)
Mobile Equipment	(112,148)	(10,130)	19,743	(102,535)
Total Accumulated Depreciation	<u>(27,309,984)</u>	<u>(1,035,907)</u>	<u>29,163</u>	<u>(28,316,728)</u>
Governmental Activities Capital Assets, Net Before Construction in Progress	15,057,641	(811,623)	-	14,246,018
Construction in Progress	<u>526,603</u>	<u>-</u>	<u>-</u>	<u>526,603</u>
Net Capital Assets	<u>\$ 15,584,244</u>	<u>\$ (811,623)</u>	<u>\$ -</u>	<u>\$ 14,772,621</u>

Depreciation expense was charged to governmental functions as follows:

General Government:	
Administration	\$ 17,527
Alabama Street Terminal	620,278
Border Street Complex	35,810
Pier Road Terminal	177,950
Industrial Park - Dravo	34,710
Security Department	<u>149,632</u>
Total Depreciation Expense	<u>\$ 1,035,907</u>

E. ACCUMULATED UNPAID VACATION AND SICK LEAVE BENEFITS

District employees are entitled to certain compensated absences based on the length of employment. Earned vacation not taken by end of calendar year is forfeited. Unpaid vacation at end of fiscal year is considered immaterial to the financial statements and therefore not accrued. Sick leave is earned at the rate of one day per one month of employment for the maximum of 60 days and forfeited upon termination; therefore, no accrual is provided.

F. RETIREMENT PLAN

Plan Description

The District provides retirement benefits for all of its full-time 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 677 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 TCDRS Board of Trustees at P.O. Box 2034, Austin, Texas 78768-2034.

The plan provisions are adopted by the governing body of the employer, within the options available in the Texas state statutes governing TCDRS (TCDRS Act). Members can retire at age 60 and above with 10 or more years of service, with 30 years of service regardless of age, or when the sum of their age and years of service equals 80 or more. Members are vested after 10 years of service but must leave their accumulated deposits in the plan to receive any employer-financed benefit. Members who withdraw their personal deposits in a lump sum are not entitled to any employer-financed benefit. Members who withdraw their personal deposits in a lump sum are not entitled to any amounts contributed by their employer.

Benefit amounts are determined by the sum of the employee's deposits to the plan, with interest and employer-financed monetary credits. The level of these monetary credits is adopted by the governing body of the employer within the actuarial constraints imposed by the TCDRS Act so 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 deposits and the employer-financed monetary credits to a monthly annuity purchase rate prescribed by the TCDRS Act.

Funding Policy

The employer has elected the annually determined contribution rate (Variable-Rate) 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 9.30% for the months of the accounting year in 2019 and 5.57% for the months of the accounting year in 2020. The deposit rate payable by employee members for calendar year 2020 is the rate of 7.00% as adopted by the governing body of the employer. The employee deposit rate and the employer contribution rate may be changed by the governing body of the employer within the options available in the TCDRS Act.

On August 13, 2018, the board adopted an increase to the employer matching rate from 100% to 200% to past and future deposits. This change applies to all active employees effective January 1, 2019.

Additional information on the District's retirement plan can be found in the Required Supplementary Information Section of the Annual Report as required by GASB. (*See pages 37-38*)

Actuarial Methods and Assumptions Used for GASB Calculations

All actuarial methods and assumptions used for this GASB analysis were the same as those used in the December 31, 2019 funding valuation, except as noted below and throughout this report. Please see the Orange County Navigation and Port District December 31, 2019 Summary Valuation Report for further details.

Following are the key assumptions and methods used in this GASB analysis.

Valuation Timing	Actuarially determined contribution rates are calculated on a calendar year basis as of December 31, two years prior to the end of the fiscal year in which the contributions are reported.
Actuarial Cost Method	Entry Age Normal ⁽¹⁾
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	Same as funding valuation
Salary Increases	Same as funding valuation
Investment Rate of Return	8.10% (Gross of administrative expenses)
Cost-of-Living Adjustments	Cost-of-Living Adjustments for Orange County Navigation and Port 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	Same as funding valuation
Turnover	Same as funding valuation
Mortality	Same as funding valuation

⁽¹⁾ 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.

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 April 2020 information for a 10-year time horizon.

Note that the valuation assumption for long-term expected return is re-assessed at a minimum of every four years, and is set based on a long-term time horizon; the most recent analysis was performed in 2017. See Milliman's TCDRS Investigation of Experience report for the period January 1, 2013 - December 31, 2016 for more details.

Asset Class	Benchmark	Geometric Real	
		Target Allocation ⁽¹⁾	Rate of Return ⁽²⁾
U.S. Equities	Dow Jones U.S. Total Stock Market Index	14.50%	5.20%
Private Equity	Cambridge Associates Global Private Equity & Venture Capital Index ⁽³⁾	20.00%	8.20%
Global Equities	MSCI World (net) Index	2.50%	5.50%
Int'l Equities - Developed Markets	MSCI World Ex USA (net) Index	7.00%	5.20%
Int'l Equities - Emerging Markets	MSCI Emerging Markets (net) Index	7.00%	5.70%
Investment-Grade Bonds	Bloomberg Barclays U.S. Aggregate Bond Index	3.00%	-0.20%
Strategic Credit	FTSE High-Yield Cash-Pay Capped Index	12.00%	3.14%
Direct Lending	S&P/LSTA Leveraged Loan Index	11.00%	7.16%
Distressed Debt	Cambridge Associates Distressed Securities Index ⁽⁴⁾	4.00%	6.90%
REIT Equities	67% FTSE NAREIT Equity REITs Index + 33% S&P Global REIT (net) Index	3.00%	4.50%
Master Limited Partnerships (MLPs)	Alerian MLP Index	2.00%	8.40%
Private Real Estate Partnerships	Cambridge Associates Real Estate Index ⁽⁵⁾	6.00%	5.50%
Hedge Funds	Hedge Fund Research, Inc. (HFRI) Fund of Funds Composite Index	8.00%	2.30%

⁽¹⁾ Target asset allocation adopted at the June 2020 TCDRS Board meeting.

⁽²⁾ Geometric real rates of return equal the expected return minus the assumed inflation of 1.80%, per Cliffwater's 2020 capital market assumptions.

⁽³⁾ Includes vintage years 2006-present of Quarter Pooled Horizon IRRs.

⁽⁴⁾ Includes vintage years 2005-present of Quarter Pooled Horizon IRRs.

⁽⁵⁾ Includes vintage years 2007-present of Quarter Pooled Horizon IRRs.

Depletion of Plan Assets / GASB 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.

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

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

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

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

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

Sensitivity Analysis

The following presents the net pension liability of the District, calculated using the discount rate of 8.10%, as well as what the Orange County Navigation and Port District net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (7.10%) or 1 percentage point higher (9.10%) than the current rate.

	1% Decrease 7.10%	Current Discount Rate 8.10%	1% Increase 9.10%
Total pension liability	\$ 2,865,666	\$ 2,597,404	\$ 2,366,381
Fiduciary net position	3,030,041	3,030,041	3,030,041
Net pension liability/(asset)	\$ (164,375)	\$ (432,638)	\$ (663,660)

Changes in Net Pension Liability / (Asset)

Changes in Net Pension Liability / (Asset)	Total Pension Liability (a)	Fiduciary Net Position (b)	Net Pension Liability/(Asset) (a)-(b)
Balances as of December 31, 2018	\$ 2,489,915	\$ 2,670,103	\$ (180,189)
Changes for the year:			
Service cost	85,314		85,314
Interest on total pension liability ⁽¹⁾	202,372		202,372
Effect of plan changes ⁽²⁾	-		-
Effect of economic/demographic gains or losses	(23,540)		(23,540)
Effect of assumptions changes or inputs	-		-
Refund of contributions	-		-
Benefit payments	(156,658)	(156,658)	-
Administrative expenses	-	(2,309)	2,309
Member contributions	-	35,414	(35,414)
Net investment income	-	438,560	(438,560)
Employer contributions	-	47,050	(47,050)
Other ⁽³⁾	-	(2,118)	2,118
Balances as of December 31, 2019	\$ 2,597,404	\$ 3,030,041	\$ (432,638)

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

⁽²⁾ No plan changes valued.

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

Pension Expense / (Income)

Pension Expense / (Income)	<u>January 1, 2019 to December 31, 2019</u>
Service cost	\$85,314
Interest on total pension liability ⁽¹⁾	202,372
Effect of plan changes	0
Administrative expenses	2,309
Member contributions	(35,414)
Expected investment return net of investment expenses	(213,156)
Recognition of deferred inflows/outflows of resources	
Recognition of economic/demographic gains or losses	(1,964)
Recognition of assumption changes or inputs	5,755
Recognition of investment gains or losses	173
Other ⁽²⁾	<u>2,118</u>
Pension expense / (income)	\$47,508

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

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

As of December 31, 2019, the deferred inflows and outflows of resources are as follows:

Deferred Inflows / Outflows of Resources

	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>
Differences between expected and actual experience	\$135,084	\$8,710
Changes of assumptions	0	11,458
Net difference between projected and actual earnings	91,038	0
Contributions made subsequent to measurement date ⁽³⁾	N/A	22,803

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

Year ended December 31:	
2020	\$(41,780)
2021	(55,414)
2022	(28,755)
2023	(76,080)
2024	(3,925)
Thereafter ⁽⁴⁾	0

⁽³⁾ Any eligible employer contributions made subsequent to the measurement date through the employer's fiscal year end should be reflected by the employer.

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

Schedule of Deferred Inflows and Outflows of Resources

	Original Amount	Date Established	Original Recognition Period ⁽¹⁾	Amount Recognized For 2019 ⁽¹⁾	Balance of Deferred Inflows 12/31/2019	Balance of Deferred Outflows 12/31/2019
Investment (gains) or losses						
	(\$225,403)	12/31/2019	5.0	(\$45,081)	\$180,322	\$0
	222,756	12/31/2018	5.0	44,551	\$0	133,654
	(115,989)	12/31/2017	5.0	(23,198)	46,395	0
	10,125	12/31/2016	5.0	2,025	0	2,025
	109,380	12/31/2015	5.0	21,876	0	0
	26,259	12/31/2014	5.0	0	0	0
Economic/demographic (gains) or losses						
	(23,540)	12/31/2019	6.0	(3,923)	19,617	0
	(162,463)	12/31/2018	6.0	(27,077)	108,309	0
	(462)	12/31/2017	6.0	(77)	231	0
	(20,782)	12/31/2016	6.0	(3,464)	6,927	0
	52,264	12/31/2015	6.0	8,711	0	8,710
	143,199	12/31/2014	6.0	23,866	0	0
Assumption changes or inputs						
	0	12/31/2019	6.0	0	0	0
	0	12/31/2018	6.0	0	0	0
	17,115	12/31/2017	6.0	2,853	0	8,557
	0	12/31/2016	6.0	0	0	0
	17,409	12/31/2015	6.0	2,902	0	2,901
	0	12/31/2014	6.0	0	0	0

⁽¹⁾ Investment (gains)/losses are recognized in pension expense over a period of five years; economic/demographic (gains)/losses and assumption changes or inputs are recognized over the average remaining service life for all active, inactive, and retired members.

⁽²⁾ Any eligible employer contributions made subsequent to the measurement date through the employer's fiscal year end should be reflected as deferred outflows.

G. DEFERRED INFLOWS OF RESOURCES

Deferred inflows of resources at year-end consisted of the following:

	General Fund	Total
Unavailable Revenue - Property Taxes	\$ 56,471	\$ 56,471
Total Deferred Inflows of Resources	<u>\$ 56,471</u>	<u>\$ 56,471</u>

H. REVENUE FROM LOCAL AND INTERMEDIATE SOURCES

During the current year, revenues from local and intermediate sources consisted of the following:

	General Fund	Total
Property Taxes	\$ 402,286	\$ 402,286
Penalties and Interest on Taxes	7,234	7,234
Rents	546,782	546,782
Dockage	1,663,861	1,663,861
Insurance Recovery and FEMA	(30,078)	(30,078)
Investments Earnings	151,780	151,780
Royalties Income	750,578	750,578
Other Income	<u>25,585</u>	<u>25,585</u>
Total	<u>\$ 3,518,028</u>	<u>\$ 3,518,028</u>

I. INTEREST CAPITALIZATION

There are no proprietary funds or similar component units where interest costs need to be capitalized on debt used to finance the construction of assets.

J. ECONOMIC DEPENDENCY

Approximately 43% of the rental revenues were provided by two (2) District customers, and approximately 60% of dockage revenues were provided by two (2) District customers.

K. LITIGATION

There is no pending litigation against the District as of September 30, 2020 but see Notes N and O for lawsuits being filed by the District.

L. HURRICANE GRANT FUNDS AND INSURANCE PROCEEDS

On September 12, 2008, Orange County incurred severe effects of Hurricane Ike, a category two Hurricane. The wind damage was minimal, but the storm surge associated with this hurricane was not covered by flood insurance and as a result assistance was provided by the Federal Emergency Management Agency (FEMA) as provided by federal law and president directive. The assistance was administered by the Texas Department of Emergency Management as an Agent for FEMA.

The District received assistance in prior years for remediation of the storm's damage that FEMA and the District believed the District's Insurer, Texas Municipal League (TML) would not pay. FEMA provided financial assistance for these damages through a Disaster Assistance Grant during 2008, 2009, 2010, 2011 and 2016. Those monies were presented in the financial statements during the years the expenditures were incurred.

The state has contracted with Cohn Reznick and all projects have been closed with the exception of PW 2892 (large project) - Admin Building Annex which is currently undergoing a compliance audit that is currently in the close-out process. It is expected to be completed in the near future.

On August 27, 2020, Orange County received significant wind damage due to Hurricane Laura. Insurance is expected to cover a portion of the damages in the following year. Orange County has not been approved for federal assistance.

M. ROYALTIES - FIVE J.A.B., INC./PETRODOME OPERATING, L.L.C.

On November 8, 2010, the Orange County Navigation and Port District entered into an Oil, Gas and Mineral Lease with KA Energy (formerly Lake Ronel Oil Company) as part of their joint venture with XTO Energy, Inc. The lease agreement gave the Port District one-fourth part of all oil and gas produced. The drilling was a successful completion. The Riverside 01 well started producing both oil and gas in mid-October 2011 and the SW Riverside #1 well started producing both oil and gas in June 2014. Both wells, Riverside 01 and SW Riverside #1 were operated by Five J.A.B., Inc. until December 31, 2018. Petrodome Operating, L.L.C. began operating the wells on January 1, 2019. The royalty income as shown on the Statement of Activities (*Exhibit B-1*) is \$750,578. For the fiscal year 2019/2020, the Port had received payments totaling \$850,676 from Petrodome Operating, L.L.C. The months of August and September 2020 were accrued which amounted to approximately \$93,802 and \$193,900 that had been accrued in the prior year was reversed in the current year.

It was decided by the Board of Commissioners to commit the royalties from this lease for dredging related purposes only. As the royalty funds are received each month, the money is invested in a certificate of deposit that is committed for dredging, TexPool Participant Services dredging account or Money Market dredging account for the amount of the royalty check less owed funds paid to LJA on purchase order #4209 that was designated for a USACE dredging permit. The Investments Committed to Dredging and the Committed Fund Balance as of September 30, 2020, is \$7,741,739. (*See Exhibit C-1*)

N. ALABAMA STREET TERMINAL - TRANSMODAL MARINE YARD (TMY)

During the fiscal year 2009/2010, the District was awarded a Federal Economic Development Grant of \$4,000,000 to assist with the construction of a Transmodal Marine Yard at the Alabama Street Terminal. The project was completed in September 2011 at a total cost of approximately \$7.6 million (\$4 million from the grant and \$3.6 million from the District's funds). Early upon completion, a significant subsidence of the slab on the south end of the container yard was evident. As of the date of this report, the District has spent approximately \$721,379 investigating the cause of this slab settlement and \$233,350 to work on options to solve the problem. The District has not been able to utilize the container yard and therefore no revenue has been generated from this project. The District contracted with Rimkus Consulting Group, Inc. and Fugro Consultants, Inc. to investigate the reason for this settlement and with Collins Engineering for a solution to resolve the issue. A lawsuit with LJA/LEAP was filed in November 2014 and the District is still awaiting an outcome.

O. PIER ROAD TERMINAL – PIER 10

In 2018, the District entered into a contract with Allco, LLC (“Allco”) for repairs and renovations of Pier 10. The contract end date was November 17, 2018, but the project was not completed until March 22, 2019. The District filed suit in February 2020 against Allco and Travelers Casualty and Surety Company of America. The lawsuit alleges that Allco failed to complete the work timely. The District is still awaiting an outcome.

P. SABINE RIVER FLOODING GRANT FUNDS AND INSURANCE PROCEEDS

During the period of March 7, 2016 to March 29, 2016, the State of Texas was struck by severe storms and flooding. As a result, the Sabine River in Orange County exceeded its flood stage overflowing its banks. The river crested at its second highest level at 7.62 feet on March 17, 2016. Flood waters rose to an average depth of 3.5 feet submerging the roadways for approximately 60 days. As a result, the District incurred expenditures related to the flood cleanup. Federal Emergency Management Agency (FEMA) provided financial assistance for these damages through a Disaster Assistance Grant during 2017, 2018 and 2019. The District received insurance proceeds from Texas Municipal League of \$39,526 in 2019. In 2020, the Port District paid back \$37,744 in FEMA proceeds to the Texas Division of Emergency Management due to overfunding. The project, PW-4266, is now closed.

Q. TAX ABATEMENTS

The District has property tax abatement agreements with two commercial entities under the Texas Property and Redevelopment and Tax Abatement Act, V.T.C.A., Texas Tax Code § 312.001 for the purpose of economic development. The first agreement commenced on January 1, 2014 for a period of up to four years maximum at 100% abatement ending on December 31, 2017. The abatement agreement was amended on August 13, 2018 to amend the abatement schedule percentages for an additional four years to the following: year five (80%), year six (80%), year seven (70%) and year eight (60%). For the fiscal year ended September 30, 2020, the District abated property taxes totaling \$4,207 under this program. The second agreement commenced on March 1, 2018 for a period of up to ten years at 100% abatement ending on February 29, 2028. The District abated property taxes under this program totaling \$5,188 for the fiscal year ended September 30, 2020.

On December 12, 2016, the Board of Directors of the District approved a resolution declaring the District’s intent to be bound by the terms of the residential tax abatement agreement between the City of Vidor, Texas to induce the investment of private resources in real estate construction located in incorporated areas of the City of Vidor. The resolution was renewed, extended and amended for an additional period until December 14, 2019. In December 2016, eight residential properties were approved under this agreement. In December 2017, ten residential properties were included under this agreement. In January 2019, twenty residential properties were approved under this agreement. The agreement shall be construed subject to the laws of the State of Texas, and particularly to the Property Redevelopment and Tax Abatement Act, Chapter 312 of the Texas Tax Code. The abatement period is for two years of construction at 100% abatement and another seven years of abatements at a declining percentage. For the fiscal year ended September 30, 2020, the District abated property taxes totaling \$311.

R. SUBSEQUENT EVENTS

In preparing these financial statements, the Orange County Navigation and Port District has evaluated events and transactions for potential recognition or disclosure through November 30, 2020, the date the financial statements were issued. See Notes N and O for lawsuits filed by the District along with complete details.

**REQUIRED SUPPLEMENTARY
INFORMATION**

ORANGE COUNTY NAVIGATION AND PORT DISTRICT
TEXAS COUNTY & DISTRICT RETIREMENT SYSTEM
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
FOR FISCAL YEAR ENDED SEPTEMBER 30, 2020

	Year Ended December 31					
	2019	2018	2017	2016	2015	2014
Total Pension Liability						
Service Cost	\$ 85,314	\$ 57,356	\$ 62,273	\$ 59,897	\$ 55,742	\$ 59,560
Interest on total pension liability	202,372	155,962	144,190	134,390	121,919	101,349
Effect of plan changes	0	610,888	-	-	(4,181)	-
Effect of assumption changes or inputs	0	-	17,115	-	17,409	-
Effect of economic/demographic (gains) or losses	(23,540)	(162,463)	(462)	(20,782)	52,264	143,199
Benefit payments/refunds of contributions	<u>(156,658)</u>	<u>(78,344)</u>	<u>(67,585)</u>	<u>(102,585)</u>	<u>(67,585)</u>	<u>(42,440)</u>
Net change in total pension liability	107,489	583,400	155,531	70,919	175,567	261,668
Total pension liability, beginning	<u>2,489,915</u>	<u>1,906,515</u>	<u>1,750,984</u>	<u>1,680,065</u>	<u>1,504,498</u>	<u>1,242,830</u>
Total pension liability, ending (a)	<u>\$ 2,597,404</u>	<u>\$ 2,489,915</u>	<u>\$ 1,906,515</u>	<u>\$ 1,750,984</u>	<u>\$ 1,680,065</u>	<u>\$ 1,504,498</u>
Fiduciary Net Position						
Employer contributions	47,050	674,952	29,226	34,306	32,641	36,789
Member contributions	35,414	41,097	40,193	40,360	37,705	40,747
Investment income net of investment expenses	438,560	(31,000)	260,612	124,777	24,986	98,437
Benefit payments/refunds of contributions	(156,658)	(78,344)	(67,585)	(102,585)	(67,585)	(42,440)
Administrative expenses	(2,309)	(2,145)	(1,361)	(1,354)	(1,202)	(1,218)
Other	<u>(2,118)</u>	<u>19,205</u>	<u>12</u>	<u>19,475</u>	<u>926</u>	<u>5,245</u>
Net change in fiduciary net position	359,938	623,765	261,096	114,979	27,471	137,559
Fiduciary net position, beginning	<u>2,670,103</u>	<u>2,046,338</u>	<u>1,785,242</u>	<u>1,670,262</u>	<u>1,642,791</u>	<u>1,505,232</u>
Fiduciary net position, ending (b)	<u>\$ 3,030,041</u>	<u>\$ 2,670,103</u>	<u>\$ 2,046,338</u>	<u>\$ 1,785,242</u>	<u>\$ 1,670,262</u>	<u>\$ 1,642,791</u>
Net pension liability/(asset), ending = (a) - (b)	<u>\$ (432,638)</u>	<u>\$ (180,189)</u>	<u>\$ (139,823)</u>	<u>\$ (34,257)</u>	<u>\$ 9,803</u>	<u>\$ (138,294)</u>
Fiduciary net position as a % of total pension liability	116.66%	107.24%	107.33%	101.96%	99.42%	109.19%
Pensionable covered payroll	\$ 505,910	\$ 587,106	\$ 574,180	\$ 576,571	\$ 538,637	\$ 582,100
Net pension liability/(asset) as a % of covered payroll	-85.52%	-30.69%	-24.35%	-5.94%	1.82%	-23.76%

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

The accompanying notes are an integral part of this statement.

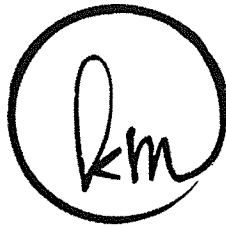
ORANGE COUNTY NAVIGATION AND PORT DISTRICT
TEXAS COUNTY & DISTRICT RETIREMENT SYSTEM
SCHEDULE OF EMPLOYER CONTRIBUTIONS
FOR FISCAL YEAR ENDED SEPTEMBER 30, 2020

Year Ending December 31	Actuarially Determined Contribution ⁽¹⁾	Actual Employer Contribution ⁽¹⁾	Contribution Deficiency (Excess)	Pensionable Covered Payroll ⁽²⁾	Actual Contribution as a % of Covered Payroll
2010	\$36,644	\$36,644	\$ 0	\$534,167	6.9%
2011	34,487	34,487	0	518,606	6.7%
2012	32,810	32,810	0	534,372	6.1%
2013	34,230	34,230	0	557,488	6.1%
2014	36,789	36,789	0	582,100	6.3%
2015	32,641	32,641	0	538,637	6.1%
2016	34,306	34,306	0	576,571	5.9%
2017	29,226	29,226	0	574,180	5.1%
2018	24,952	674,952	(650,000)	587,106	115.0%
2019	47,050	47,050	0	505,910	9.3%

⁽¹⁾ TCDRS calculates actuarially determined contributions on a calendar year basis. GASB Statement No. 68 indicates the employer should report employer contribution amounts on a fiscal year basis.

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

The accompanying notes are an integral part of this statement.



keri michutka
CERTIFIED PUBLIC ACCOUNTANT

INDEPENDENT AUDITOR'S 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*

To the Board of Commissioners and Director
Orange County Navigation and Port District and Industrial Development Corporation
Orange, Texas

We have audited, 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, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Orange County Navigation and Port District and Industrial Development Corporation, as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated November 30, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Orange County Navigation and Port District and Industrial Development Corporation'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 the Orange County Navigation and Port District and Industrial Development Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

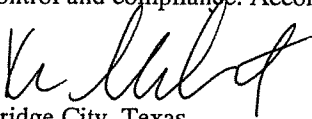
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not 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 the District's financial statements are free of 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

A handwritten signature in black ink, appearing to be 'K. L. L. L.', is written over the text 'Bridge City, Texas'.

Bridge City, Texas
November 30, 2020