



**FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2019
TOGETHER WITH
INDEPENDENT AUDITORS' REPORT**



DRAINAGE DISTRICT NO. 6
 Jefferson County, Texas
ANNUAL FINANCIAL REPORT

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Drainage District No. 6, Jefferson County, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and fiduciary fund of the Drainage District No. 6, Jefferson County, Texas (the District), as of and for the year ended September 30, 2019, 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards 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 auditors' 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 and the fiduciary fund of the Drainage District No. 6, Jefferson County, Texas, as of September 30, 2019, 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 required supplementary information on pages 4 through 9 and 40 through 44 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Drainage District No. 6, Jefferson County, Texas' basic financial statements. The accompanying Texas supplementary information on pages 53 through 61 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements, for Federal Awards*, and is also not a required part of the basic financial statements.

The Texas supplementary information and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Texas supplementary information and schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 3, 2020, on our consideration of the Drainage District No. 6, Jefferson County, Texas' 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 solely 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 Drainage District No. 6, Jefferson County, Texas' 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 Drainage District No. 6, Jefferson County, Texas' internal control over financial reporting and compliance.

FMW, P.C.

Beaumont, Texas
March 3, 2020

MANAGEMENT'S DISCUSSION AND ANALYSIS

DRAINAGE DISTRICT NO. 6
Jefferson County, Texas

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2019

As management of the Drainage District No. 6, Jefferson County, Texas (the "District"), we offer readers of the District's basic financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended September 30, 2019. We encourage readers to consider the information presented here in conjunction with the financial statements and notes thereto, which follow this section.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of the following: 1) Government-wide financial statements, 2) Fund financial statements, and 3) Notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements.

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 and governmental fund balance sheet presents information of all of the District's assets and deferred outflows of resources, and liabilities and deferred inflows of resources, with the difference between them reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The statement of activities and governmental funds revenues, expenditures, and changes in net position presents information showing how the District's net position changed during the fiscal year. All changes in net position are reported when 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 the future fiscal periods (i.e. grants receivable and accounts payable).

All of the District's basic services are included in the governmental funds, which focus on how resources flow in and out with the balances remaining at the year-end that are available for spending. The governmental funds statements provide a detailed short-term view to determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's activities. Because this information does not encompass the additional long-term focus of the government-wide statements, we describe the relationship between governmental activities and governmental funds through the reconciliations and in the notes to the financial statements.

Fiduciary funds are used to report assets held in an agency capacity for others and cannot be used to support the District's activities.

The notes provide additional information that is essential to a full understanding of the data provided in the financial statements.

DRAINAGE DISTRICT NO. 6
Jefferson County, Texas

MANAGEMENT'S DISCUSSION AND ANALYSIS
- Continued -

FINANCIAL HIGHLIGHTS

- The net position for the District at September 30, 2019 was \$127,943,523.
- The District's net position increased by \$7,493,064 for the year ended September 30, 2019.
- Net cash and cash equivalents decreased by \$1,622,675 for the year ended September 30, 2019.
- Investments increased by \$5,718,184 for the year ended September 30, 2019.

DRAINAGE DISTRICT NO. 6
Jefferson County, Texas

MANAGEMENT'S DISCUSSION AND ANALYSIS

- Continued -

FINANCIAL ANALYSIS

The largest portion of the District's total assets (78.3%) reflects its investment in capital assets (e.g., land, buildings, machinery, equipment, and drainage systems). The District uses these assets to provide services to its citizens; consequently these assets are not available for future spending.

	<i>2019</i>	<i>2018</i>
<i>Assets</i>		
Current and other assets	\$ 33,474,552	\$ 28,035,507
Capital assets	120,498,567	116,152,051
Total Assets	\$ 153,973,119	\$ 144,187,558
 <i>Deferred Outflows of Resources</i>		
Deferred pension and other benefit related outflows	\$ 3,340,840	\$ 1,261,789
 <i>Liabilities</i>		
Accounts payable	\$ 438,880	\$ 249,764
Long-term liabilities	28,884,479	24,377,512
Total Liabilities	\$ 29,323,359	\$ 24,627,276
 <i>Deferred Inflows of Resources</i>		
Deferred pension and other benefit related inflows	\$ 47,077	\$ 371,612
 <i>Net Position</i>		
Net investment in capital assets	\$ 120,498,567	\$ 116,152,051
Unrestricted	7,444,956	4,298,408
Total Net Position	\$ 127,943,523	\$ 120,450,459

DRAINAGE DISTRICT NO. 6
Jefferson County, Texas

MANAGEMENT'S DISCUSSION AND ANALYSIS
- Continued -

FINANCIAL ANALYSIS (Continued)

The following provides a summary of the District's operation for the year ended September 30, 2019 with comparative totals for the year ended September 30, 2018.

	<u>2019</u>	<u>2018</u>
<i>Revenues</i>		
Current taxes	\$ 19,808,630	\$ 19,442,908
Delinquent taxes	545,029	356,012
Investment earnings	678,106	367,377
Grants	4,123,250	2,066,115
Other	680,716	255,906
Total Revenues	<u>25,835,731</u>	<u>22,488,318</u>
<i>Expenditures</i>		
Service operations	16,631,988	15,851,313
Capital outlay	758,252	2,152,096
Interest	-	2,848
Depreciation	1,086,308	1,417,892
Total Expenditures	<u>18,476,548</u>	<u>19,424,149</u>
Excess (Deficiency) of Revenue Over Expenditures	7,359,183	3,064,169
<i>Other Financing Sources (Uses)</i>		
Gain on sale of assets	<u>133,881</u>	<u>59,577</u>
Change in Net Position	<u>7,493,064</u>	<u>3,123,746</u>
Net position - beginning of year, as previously reported	120,450,459	126,679,130
Prior period adjustment	-	(9,352,417)
Net position - beginning of year, as restated	<u>120,450,459</u>	<u>117,326,713</u>
Net position- end of year	<u>\$ 127,943,523</u>	<u>\$ 120,450,459</u>

ANALYSIS OF CHANGES IN CAPITAL ASSETS AND LONG-TERM DEBT

The District's investment in capital assets as of September 30, 2019, amounts to \$120,498,567 (net of accumulated depreciation). This investment in capital assets includes land, buildings, rights of way, easement, field equipment, office equipment, furniture, and drainage systems.

Major capital asset events during the current fiscal year included the following:

- Accumulated depreciation increased by \$749,235, net of disposals.
- Additions amounted to \$5,432,824.
- Retirements amounted to \$337,073.

DRAINAGE DISTRICT NO. 6
Jefferson County, Texas

MANAGEMENT'S DISCUSSION AND ANALYSIS
- Continued -

ANALYSIS OF CHANGES IN CAPITAL ASSETS AND LONG-TERM DEBT (Continued)

	<u>2019</u>	<u>2018</u>
Office building and site	\$ 2,797,056	\$ 2,882,085
Equipment	2,804,261	2,325,184
Land, rights-of-way and easement	29,430,969	29,190,424
Drainage systems	<u>85,466,281</u>	<u>81,754,358</u>
Total	<u>\$ 120,498,567</u>	<u>\$ 116,152,051</u>

The District did not retroactively capitalize infrastructure. Infrastructure includes the cost of drainage systems that were funded by outstanding bond issues and additions since the implementation of GASB 34.

Additional information on the District's capital assets can be found in the notes to the financial statements.

Other obligations include accrued vacation pay and sick leave, pension, and other post-employment obligations. More detailed information about the District's long-term liabilities is presented in the notes to the financial statements.

THE BUDGET, ECONOMIC ENVIRONMENT, AND RATES

The differences between the original and the final amended budget are summarized below:

- Encumbrances outstanding at year-end are provided for in the subsequent budget.

The main differences between the budget and the actual results are briefly summarized as follows:

- The District had a favorable variance of \$1,108,395 in revenues, mainly due to investment and miscellaneous revenues greater than budgeted amounts.
- The District had a favorable variance of \$4,200,324 in total expenditures. It is the goal of the District to attempt to maintain the level of expenditures within or below the budgetary levels.
- The District incurred an overall positive budget variance for the year ended September 30, 2019 of \$5,308,719.

DRAINAGE DISTRICT NO. 6
Jefferson County, Texas

MANAGEMENT'S DISCUSSION AND ANALYSIS
- Continued -

REQUEST FOR INFORMATION

The financial report is designed to provide our citizens, customers, investors and creditors with general overview of the District's finances. If you have questions about this report or need any additional information, contact the Department of Finance at 6550 Walden Road, Beaumont, Texas, U.S.A. 77707 or call (409) 842-1818.

BASIC FINANCIAL STATEMENTS

**STATEMENT OF NET POSITION AND GOVERNMENTAL FUNDS
BALANCE SHEET**

DRAINAGE DISTRICT NO. 6
Jefferson County, Texas

**STATEMENT OF NET POSITION AND GOVERNMENTAL FUNDS
BALANCE SHEET
September 30, 2019**

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
<i>Assets</i>			
<i>Cash</i>			
Petty cash	\$ 250	\$ -	\$ 250
Checking accounts	2,409,208	-	2,409,208
<i>Investments</i>	28,043,624	-	28,043,624
<i>Accounts Receivable</i>			
Delinquent taxes (net of allowance for estimated uncollectibles)	626,720	-	626,720
Grant receivables	2,394,750	-	2,394,750
<i>Capital Assets</i>			
Office building and site	-	2,797,056	2,797,056
Equipment	-	2,804,261	2,804,261
Land, rights-of-way and easements	-	29,430,969	29,430,969
Drainage systems	-	85,466,281	85,466,281
Total Assets	33,474,552	120,498,567	153,973,119
 <u>Deferred Outflows of Resources</u>			
<i>Deferred Outflows of Resources</i>			
Deferred pension and other benefit related outflows	\$ -	\$ 3,340,840	\$ 3,340,840

The accompanying notes are an integral part of these financial statements.

DRAINAGE DISTRICT NO. 6
Jefferson County, Texas

STATEMENT OF NET POSITION AND GOVERNMENTAL FUNDS
BALANCE SHEET
September 30, 2019

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
<u>Liabilities</u>			
Accounts payable	\$ 438,880	\$ -	\$ 438,880
Long-term liabilities			
Due within one year	-	937,576	937,576
Due after one year	-	27,946,903	27,946,903
Total Liabilities	<u>438,880</u>	<u>28,884,479</u>	<u>29,323,359</u>
 <u>Deferred Inflows of Resources</u>			
<i>Deferred Inflows of Resources</i>			
Deferred revenue - delinquent taxes receivable	626,720	(626,720)	-
Deferred pension and other benefit related inflows	-	47,077	47,077
Total Deferred Inflows of Resources	<u>626,720</u>	<u>(579,643)</u>	<u>47,077</u>
 <u>Fund Balances/Net Position</u>			
<i>Fund Balances</i>			
Committed for future operations	4,763,400	(4,763,400)	-
Unassigned	27,645,552	(27,645,552)	-
Total Fund Balances	<u>32,408,952</u>	<u>(32,408,952)</u>	<u>-</u>
 Total Liabilities and Fund Balances	 <u>\$ 33,474,552</u>		
 <i>Net Position</i>			
Net investment in capital assets		120,498,567	120,498,567
Unrestricted		<u>7,444,956</u>	<u>7,444,956</u>
 Total Net Position		 <u>\$ 127,943,523</u>	 <u>\$ 127,943,523</u>

The accompanying notes are an integral part of these financial statements.

DRAINAGE DISTRICT NO. 6
Jefferson County, Texas

**STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS REVENUES, EXPENDITURES,
AND CHANGES IN NET POSITION**
For Year Ended September 30, 2019

	<i>General Fund</i>	<i>Adjustments</i>	<i>Statement of Activities</i>
<i>Revenues</i>			
Current taxes	\$ 19,808,630	\$ -	\$ 19,808,630
Delinquent taxes	417,187	127,842	545,029
Investment earnings	678,106	-	678,106
Grants	3,948,661	174,589	4,123,250
Other	680,716	-	680,716
Total Revenues	25,533,300	302,431	25,835,731
<i>Expenditures/Expenses</i>			
Salaries and wages	6,485,278	226,198	6,711,476
Fringe benefits	3,435,420	1,877,183	5,312,603
Materials and supplies	1,633,916	-	1,633,916
Maintenance and repairs	362,434	-	362,434
Utilities	75,287	-	75,287
Miscellaneous services	2,536,272	-	2,536,272
Capital outlay	6,016,487	(5,258,235)	758,252
Depreciation	-	1,086,308	1,086,308
Total Expenditures	20,545,094	(2,068,546)	18,476,548
Excess (Deficiency) of Revenues over Expenditures	4,988,206		
<i>Other Financing Sources (Uses)</i>			
Proceeds from sale of assets	133,881	(133,881)	-
Gain on sale of assets	-	133,881	133,881
Excess (Deficiency) of Revenues and Other Financing Sources over Expenditures and Other Financing Uses	5,122,087	(5,139,085)	
Change in Net Position		7,510,062	7,493,064
<i>Fund Balances/Net Position</i>			
Beginning of the year	27,286,865	93,163,594	120,450,459
End of the year	\$ 32,408,952	\$ 95,534,571	\$ 127,943,523

The accompanying notes are an integral part of these financial statements.

DRAINAGE DISTRICT NO. 6
Jefferson County, Texas

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
For Year Ended September 30, 2019

	<u><i>Trust Fund</i></u>
<i>Assets</i>	
Property and rights held under deferred compensation plan	\$ 739,741
Total Assets	<u>\$ 739,741</u>
<i>Liabilities</i>	
Amount to be provided for benefits	\$ 739,741
Total Liabilities	<u>\$ 739,741</u>
<i>Net Position</i>	<u>\$ -</u>

The accompanying notes are an integral part of these financial statements.

DRAINAGE DISTRICT NO. 6
Jefferson County, Texas

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION**
For Year Ended September 30, 2019

Governmental fund balances as reported on the balance sheet for governmental funds	\$ 32,408,952
<p>When capital assets that are to be used in governmental funds are purchased, the costs of those assets are reported as expenditures in governmental funds. However, the Statement of Net Position includes those capital assets among the assets of the District.</p>	
Cost of capital assets, net of accumulated depreciation	120,498,567
<p>Long-term liabilities of the District's governmental activities are not due and payable in the current period, therefore are not reported as fund liabilities. All liabilities, both current and long-term, are reported in the Statement of Net Position.</p>	
Compensated absences	(937,576)
Other post-employment benefits	(21,214,986)
Net pension liability	(6,731,917)
<p>Deferred property tax revenue is recorded as a deferred inflow of resources in the governmental funds. However, that revenue should have been recognized when reported using full accrual.</p>	
Deferred property tax revenue	626,720
<p>Deferred Outflows/Inflows of resources related to pension and other post-employment benefits are not due and payable in the current period, therefore are not reported in the funds. However, they are reported in the Statement of Net Position.</p>	
Change of assumptions	56,999
Contributions made subsequent to measurement date	759,341
Differences between expected and actual experience	417,424
Differences between projected and actual earnings	<u>2,059,999</u>
Total net position as reported on the Statement of Net Position for governmental activities	<u>\$ 127,943,523</u>

The accompanying notes are an integral part of these financial statements.

DRAINAGE DISTRICT NO. 6
Jefferson County, Texas

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN NET POSITION TO THE STATEMENT OF ACTIVITIES**
For Year Ended September 30, 2019

Net change in fund balances for total governmental funds	\$ 5,122,087
<p>When capital assets that are to be used in governmental funds are purchased, those costs are reported as expenditures in the governmental funds. However, in the Statement of Activities, the costs of those assets are allocated over their estimated useful lives.</p>	
Current year net capital asset purchase costs	5,095,751
Current year net depreciation	(749,235)
<p>Total proceeds from the disposition of assets have been recorded as revenue in the governmental funds. However, in the Statement of Activities the gain (loss) on the sale is recognized only to the extent the proceeds exceed (do not exceed) the adjusted basis of the disposed assets.</p>	
Proceeds from sale of assets	133,881
Gain on sale of assets	(133,881)
<p>Reporting for pension asset/liabilities require adjustments to Net Position that are not reported in the governmental funds.</p>	
Adjustment to pension expense	(784,587)
<p>Compensated absences and other post-employee benefits are not due and payable in the current period and, accordingly, are not reported as current period expenditures.</p>	
Compensated absences net of expenditures	(226,198)
Other post-employee benefits net of expenditures	(1,092,596)
<p>Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the governmental funds.</p>	
Collections on prior year levies	(498,878)
Collections due from current levy	626,720
Donated property	174,589
Donated property expensed	<u>(174,589)</u>
Change in net position of governmental activities	\$ <u>7,493,064</u>

The accompanying notes are an integral part of these financial statements.

DRAINAGE DISTRICT NO. 6
Jefferson County, Texas

NOTES TO FINANCIAL STATEMENTS
September 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Financial Reporting Entity -

The District was established January 21, 1920, after a favorable vote on January 10, 1920. It was extended and enlarged (Vol. 63, P. 478) according to authority of 57th Legislature, Chapter 349, and Chapter 7, Title 128, Revised Civil Statutes of Texas, Art. 8129. Enlargement came about in 1948 with the issuance of new bonds and assumption of the old liabilities of the District. Additional enlargement came about in 2003 with the annexation of approximately 60,000 acres.

The accounting and reporting policies of the District relating to the funds included in the accompanying financial statements conform to generally accepted accounting principles applicable to state and local governments. Generally accepted accounting principles for local governments include those principles prescribed by the Governmental Accounting Standards Board (GASB), the American Institute of Certified Public Accountants in the publication entitled *Audits of State and Local Governmental Units* and by the Financial Accounting Standards Board (when applicable). The more significant accounting policies of the District are described below.

The District's financial statements include the accounts of all District operations. The criteria for including organizations as component units with the District reporting entity, as set forth in Section 2100 of GASB's *Codification of Governmental Accounting and Financial Reporting Standards*, include whether -

- the organization is legally separate (can sue and be sued in their own name).
- the District holds the corporate powers of the organization.
- the District appoints a voting majority of the organization's board.
- the District is able to impose its will on the organization.
- the organization has the potential to impose a financial benefit/burden on the District.
- there is fiscal dependency by the organization on the District.

Based on the aforementioned criteria, the District has no component units.

B. Basis of Presentation -

The government-wide financial statements (the statement of net position and governmental funds balance sheet and statement of activities and governmental fund revenues, expenditures, and changes in fund balance) report information on all of the activities of the District. They include all funds of the District except for fiduciary funds.

Governmental funds are those funds through which most governmental functions are typically financed. The measurement focus of governmental funds is on the sources, uses and balance of current financial resources. The District has presented the following major governmental funds:

DRAINAGE DISTRICT NO. 6
Jefferson County, Texas

NOTES TO FINANCIAL STATEMENTS
- Continued -

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation - (Continued)

General Fund - The general fund is the main operating fund of the District. This fund is used to account for all financial resources devoted to financing the general services that the District performs. General tax revenues and other sources of revenue used to finance the fundamental operations of the District are included in this fund. The fund is charged with all costs of operating the District for which a separate fund has not been established.

The following fiduciary fund is also reported:

Trust Fund - This fund is established to account for rights and obligations related to an Internal Revenue Code Section 457 deferred compensation plan.

C. Management Focus/Basis of Accounting -

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. The economic resources measurement focus means all assets, deferred outflows of resources, liabilities and deferred inflows of resources, including capital assets and long-term liabilities are included on the statement of net position, and the statement of activities presents increases (revenues) and decreases (expenses) in net position. Under the accrual basis of accounting, revenues are recognized when earned. Expenses are recognized at the time the liability is incurred.

Governmental fund financial statements are reported using the current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. General property taxes and nontax revenues are recorded when available and investment earnings are recorded when earned. Expenditures are recorded when the related fund liability is incurred.

D. Using Estimates -

In preparing financial statements in conformity with generally accepted accounting principles, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and revenues and expenses during the reporting period. Actual results could differ from those estimates.

DRAINAGE DISTRICT NO. 6
Jefferson County, Texas

NOTES TO FINANCIAL STATEMENTS
- Continued -

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Capital Assets -

Capital assets used in governmental fund type operations are included in the government-wide financial statements. Public domain (infrastructure) general fixed assets consisting of certain improvements other than buildings, such as drainage systems, are capitalized. Property and equipment acquired or constructed for general governmental operations are recorded as expenditures in the fund making the expenditure and capitalized at cost in the government-wide financial statements.

All capital assets are stated at cost. Where cost could not be determined from the available records, estimated historical cost was used to record the estimated value of the assets. Assets acquired by gift or bequest are recorded at their fair market values at the date of transfer. District policy has set the capitalization threshold for reporting capital assets at \$5,000. Expenditures for maintenance, repairs, renewals and improvements which do not meet the criteria for capitalization of assets are expensed as incurred. Depreciation has been calculated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Useful Life</u>
Office buildings and site	40 years
Equipment	5 years

The District did not retroactively capitalize infrastructure. Infrastructure only includes the cost of drainage systems that were funded by outstanding bond issues and current year additions.

Land, rights-of-way and easements, and drainage systems are not being depreciated.

F. Budgetary Control/Budget Basis of Accounting -

The District follows these procedures in establishing the budgetary data reflected in the financial statements -

1. During midsummer, the District prepares a proposed budget for the fiscal year commencing the following October 1. The operating budget includes proposed expenditures and the means of financing them.
2. Any revisions of the budget that alter the expenditures of any funds must be approved by the District's Board of Directors.
3. Formal budgetary integration is employed as a management control device during the year for the General Fund.

DRAINAGE DISTRICT NO. 6
Jefferson County, Texas

NOTES TO FINANCIAL STATEMENTS
- Continued -

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Budgetary Control/Budget Basis of Accounting - (Continued)

4. The Budgetary Comparison Schedule - General Fund presents a comparison of budgetary data to actual results. GAAP budgets include amounts expected to be incurred for goods and services during the year. The budget for the General Fund is prepared on the cash basis (budget basis). The differences between the cash basis and the modified accrual basis (GAAP) are that revenues are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP) and expenditures are recorded when paid (budget) as opposed to when incurred (GAAP).

Adjustments necessary to convert the results of operations and fund balances at the end of the year on the GAAP basis to the budget basis are as follows -

	<i>General Fund</i>	
	<i>Excess (Deficiency) of Revenues and Other Sources over Expenditures and Other Uses</i>	<i>Fund Balance At End of Year</i>
GAAP Basis	\$ 5,122,087	\$ 32,408,952
Increase (decrease) due to expenditures -		
Accounts payable	189,115	438,880
Increase (decrease) due to revenue -		
Grants receivable	(1,275,784)	(2,394,750)
Budget Basis (Non-GAAP)	\$ 4,035,418	\$ 30,453,082

G. Encumbrances -

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budget integration in the General Fund. Encumbrances outstanding at year-end are reported as reservations of fund balances since they do not constitute expenditures or liabilities. Encumbrances outstanding at year-end are provided for in the subsequent year's budget.

H. Investments -

Investments, including negotiable certificates of deposit and government securities, are stated at fair value as determined by selected bases. Non-negotiable certificates of deposit are reported at cost. The unrealized gain or loss on investments is reported in investment earnings.

DRAINAGE DISTRICT NO. 6
Jefferson County, Texas

NOTES TO FINANCIAL STATEMENTS
- Continued -

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Net Position -

Net position represents the difference between assets and deferred outflows and liabilities and deferred inflows. Net position invested in capital assets are reduced by accumulated depreciation, and by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislations adopted by the District or through external restriction imposed by creditors, grantors or laws or regulations of other governments. When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, and then unrestricted resources as they are needed.

J. Compensated Absences -

Vacation accrues on a monthly basis with the ability to carry-over two weeks to the ensuing year. At September 30, 2019, liabilities included \$309,203 of vacation pay. With the exception of sick leave accrued upon retirement, sick leave does not vest and, accordingly, employees can be paid sick leave only when sick. Upon retirement, employees with 8 years or more of service can be paid up to a maximum of 90 days accrued sick leave. The liability for accumulated sick leave at September 30, 2019, was \$628,373.

K. Allowance for Doubtful Accounts -

An allowance has been recorded for property taxes which are estimated to be uncollectible, as required by generally accepted accounting principles.

L. Interest Capitalization -

The District follows the policy of capitalizing interest as a component of the cost of property and equipment constructed for its own use.

M. Adjustments -

The main components of the adjustments to the statement of net position are as follows:

Capital assets - Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds.

Long-term liabilities - Long-term liabilities that are not due and payable in the current period are not included in governmental funds.

Deferred Outflows/Inflows of Resources - Adjustments to net position are required for pension and other post-employment benefits. These adjustments are not included in governmental funds.

The main components of the adjustments to the statement of activities are as follows:

Capital assets - Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

DRAINAGE DISTRICT NO. 6
Jefferson County, Texas

NOTES TO FINANCIAL STATEMENTS
- Continued -

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

M. Adjustments - (Continued)

Long-term liabilities - Governmental funds report principal payments and debt as expenditures. However, the payments should not be reported as expense in the statement of activities, but as a reduction of debt in the statement of net position. Change in compensated absences does not require (or provide) the use of current financial resources and, therefore, is not reported as expenditure in governmental funds.

Deferred Outflows/Inflows of Resources - Change in compensated absences and OPEB obligations does not require (or provide) the use of current financial resources and, therefore, is not reported as expenditure in governmental funds.

N. Fund Balances - Governmental Funds -

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

Nonspendable -

Amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted -

Amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Committed -

Amounts that can be used only for specific purposes determined by a formal action taken by the Board of Directors through ordinance or resolution.

Board policy requires the District to maintain a minimum fund balance of 20% of budgeted expenditures for the fiscal year, to be used for future operations.

Assigned -

Amounts the District intends to use for a specific purpose. Intent can be expressed by the Board of Directors or by an official or body to which the Board of Directors delegates the authority.

Unassigned -

Amounts that are available for any purpose. Positive amounts are reported only in the general fund.

DRAINAGE DISTRICT NO. 6
Jefferson County, Texas

NOTES TO FINANCIAL STATEMENTS
- Continued -

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

N. Fund Balances - Governmental Funds - (Continued)

The details of the fund balances are included in the Governmental Funds Balance Sheet (page 10). The District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net positions are available. Assigned funds are reduced to the extent that expenditure authority has been budgeted by the Board of Directors' or the assignment has been changed by an authorized party. Decreases to fund balance first reduce Unassigned Fund Balance; in the event that Unassigned Fund Balance becomes zero, then Assigned and Committed Fund Balances are used in that order.

O. Retirement Plan and Other Post-Employment Benefits -

Financial reporting information pertaining to the District's participation in the Texas County and District Retirement System (TCDRS) was prepared in accordance with Governmental Accounting Standards Board ("GASB") Statement No. 68, *Accounting and Financial Reporting for Pensions*, as amended by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*.

Financial reporting information pertaining to the District's post-retirement healthcare and death benefits were prepared in accordance with GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*.

P. Date of Management's Review -

Management has evaluated subsequent events through March 3, 2020, the date the financial statements were available to be issued.

NOTE 2 - CASH AND INVESTMENTS

The District invests funds that are not immediately needed in certificates of deposit or government securities. The Jefferson County Treasurer and the Chief Financial Officer have been designated to make all investments for the District based on policies established by the District's Board of Directors.

The District is required by Government Code Chapter 2256, The Public Funds Investment Act ("Act"), to adopt, implement, and publicize an investment policy. That policy must be written, primarily emphasize safety of principal and liquidity, address investment diversification, yield, and maturity and the quality and capability of investment management, and include a list of the types of authorized investments in which the investing entity's funds may be invested, and the maximum allowable stated maturity of any individual investment owned by the entity.

The Act requires an annual audit of investment practices. Audit procedures in this area conducted as a part of the audit of the general purposes financial statements disclosed that in the areas of investment practices, management reports and establishes appropriate policies. The District adheres to the requirements of the Act. Additionally, investment practices of the District are in accordance with local policies.

DRAINAGE DISTRICT NO. 6
Jefferson County, Texas

NOTES TO FINANCIAL STATEMENTS

- Continued -

NOTE 2 - CASH AND INVESTMENTS (Continued)

Custodial Credit Risk -

District funds are required to be deposited and invested under the terms of a depository contract and investment policy pursuant to state statute. The depository bank deposits for safekeeping and trust with its agent approved pledged securities authorized by Chapter 2257 Collateral for Public Funds of the Government Code in an amount sufficient to protect District funds on a day-to-day basis during the period of the contract. The collateral must meet certain requirements and be held in safekeeping by the Bank of New York Mellon for the benefit of the District and the market value of the pledged securities must at all times equal or exceed the value of the deposits placed in the institutions less the amount protected by federal depository insurance. The District adheres to the requirements of the act.

A. Deposits -

At year-end, the carrying amount of the District's demand deposits with financial institutions was \$2,409,208 and the bank balance was \$4,535,907. All demand deposits as of the balance sheet date were entirely insured by federal depository coverage and pledged securities.

B. Investments -

At year-end, the cost of the District's investments in certificates of deposit was \$7,688,000 and the fair value was \$7,690,374. All certificates of deposit as of the balance sheet date were entirely insured by federal depository coverage.

At year-end, the cost of the District's investments in U.S. Treasury Bills was \$20,078,524 and the fair value was \$20,353,250.

Interest Rate Risk -

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments held for longer periods are subject to increased risk of adverse interest rate changes. The District limits investment maturities to three years or less. All investments in certificates of deposit and U.S. Treasury Bills mature within 3 years or less.

NOTE 3 - PROPERTY TAXES

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on October 1 and payable by January 31 of the following year, under certain circumstances other payment options may be available. Property values are assessed by the Jefferson County Appraisal District and taxes are billed and collected by the Jefferson County Tax Collector. The tax rate for 2018 was set at \$0.220587 per \$100 of appraised property value. The tax rate for 2019 has been set at \$0.220587 per \$100 of appraised property value. District property tax revenues are recognized when actually received. The amount of billed but uncollected taxes is included on the balance sheet with an offsetting "contra" account entitled "Deferred Revenues."

DRAINAGE DISTRICT NO. 6
Jefferson County, Texas

NOTES TO FINANCIAL STATEMENTS
- Continued -

NOTE 3 - PROPERTY TAXES (Continued)

Property taxes receivable as of September 30, 2019, were comprised of the following -

<u>Year of Levy</u>	<u>General Fund</u>
2018	\$ 426,641
2017	258,834
2016	206,750
2015	170,370
2014	142,807
Before 2014	<u>768,834</u>
Total property taxes receivable	1,974,236
Less: Allowance for uncollectibles	<u>(1,347,516)</u>
	<u>\$ 626,720</u>

NOTE 4 - CAPITAL ASSETS

Activity for capital assets is summarized below -

	<u>Balance</u> <u>Oct. 1, 2018</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>Sept. 30, 2019</u>
Office buildings and land	\$ 4,381,268	\$ -	\$ -	\$ 4,381,268
Equipment	23,004,459	1,480,356	(337,073)	24,147,742
Land, rights-of-way and easements	29,190,424	240,545	-	29,430,969
Drainage systems	<u>81,754,358</u>	<u>3,711,923</u>	<u>-</u>	<u>85,466,281</u>
	<u>\$ 138,330,509</u>	<u>\$ 5,432,824</u>	<u>\$ (337,073)</u>	<u>\$ 143,426,260</u>
Accumulated depreciation	<u>\$ 22,178,458</u>	<u>\$ 1,086,308</u>	<u>\$ (337,073)</u>	<u>\$ 22,927,693</u>

The District did not retroactively capitalize infrastructure. Infrastructure only includes the cost of drainage systems that were funded by outstanding bond issues and subsequent additions.

DRAINAGE DISTRICT NO. 6
Jefferson County, Texas

NOTES TO FINANCIAL STATEMENTS
- Continued -

NOTE 5 - RETIREMENT PLAN

Plan Description -

The District provides retirement, disability, and death 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 more than 700 nontraditional defined benefit pension plans. TCDRS in the aggregate issues a comprehensive annual financial report (CAFR) on a calendar year basis. The CAFR is available upon written request from the TCDRS Board of Trustees at P.O. Box 2034, Austin, Texas 78768-2034.

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

Benefit amounts are determined by the sum of the employee's contributions to the plan, with interest, and employee-financed monetary credits. The level of these monetary credits is adopted by the governing body of the employer within the actuarial constraints imposed by the TCDRS Act so that the resulting benefits can be expected to be adequately financed by the employer's commitment to contribute. At retirement, death, or disability, the benefit is calculated by converting the sum of the employee's accumulated contributions and the employer-financed monetary credits to a monthly annuity using annuity purchase rates 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 15.76% for the months of the accounting year in 2018, and 15.70% for the months of the accounting year in 2019. The deposit rate payable by the employee members for calendar year 2018 is the rate of 7% as adopted by the governing body of the employer. The employee contribution rate and the employer contribution rate may be changed by the governing body of the employer within the options available in the TCDRS Act.

DRAINAGE DISTRICT NO. 6
Jefferson County, Texas

NOTES TO FINANCIAL STATEMENTS
- Continued -

NOTE 5 - RETIREMENT PLAN (Continued)

Contributions -

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) 8.10 percent investment rate of return (gross of administrative expenses), and (b) projected salary increases of 4.85 percent. Both (a) and (b) included an inflation component of 2.75 percent.

For the employer's accounting year ended September 30, 2019, the annual pension contribution for the TCDRS plan by its employees was \$449,352 and the employer cost was \$1,008,783.

Net Pension Liability/(Asset) -

	<i>December 31, 2017</i>	<i>December 31, 2018</i>
Total pension liability	\$ 36,432,214	\$ 38,729,217
Fiduciary net position	32,904,204	31,997,300
Net pension liability/(asset)	3,528,010	6,731,917
Fiduciary net position as a % of total pension liability	90.32%	82.62%
Pensionable covered payroll ⁽¹⁾	\$ 6,355,244	\$ 6,434,343
Net pension liability as a % of covered payroll	55.51%	104.62%

⁽¹⁾ 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 -

Discount rate ⁽²⁾	8.10%	8.10%
Long-term expected rate of return, net of investment expense ⁽²⁾	8.10%	8.10%
Municipal bond rate ⁽³⁾	N/A	N/A

⁽²⁾ This 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.

⁽³⁾ 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.

DRAINAGE DISTRICT NO. 6
Jefferson County, Texas

NOTES TO FINANCIAL STATEMENTS
- Continued -

NOTE 5 - RETIREMENT PLAN (Continued)

Actuarial Methods and Assumptions Used for GASB Calculations -

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.

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

Valuation Timing	Actuarially determined contribution rates are calculated 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	2.75%
Salary Increases	4.85%
Investment Rate of Return	8.10% (Gross of administrative expenses)
Cost-of-Living Adjustments	Cost-of-Living Adjustments for Jefferson County Drainage District No. 6 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.

⁽¹⁾ Individual entry age normal cost method, as required by GASB 68, used for GASB calculations.

DRAINAGE DISTRICT NO. 6
Jefferson County, Texas

NOTES TO FINANCIAL STATEMENTS

- Continued -

NOTE 5 - RETIREMENT PLAN (Continued)

Actuarial Methods and Assumptions Used for GASB Calculations - (Continued)

Key assumptions and methods used in this GASB analysis -

Mortality

Depositing members	90% of the RP-2014 Active Employee Mortality Table for males and 90% of the RP-2014 Active Employee Mortality Table for females, projected with 110% of the MP-2014 Ultimate scale after 2014.
Service retirees, beneficiaries and non-depositing members	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.
Disabled retirees	130% of the RP-2014 Disabled Annuitant Mortality Table for males and 115% of the RP-2014 Disabled Annuitant Mortality Table for females, both projected with 110% of the MP-2014 Ultimate scale after 2014.

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. See Milliman's TCDRS Investigation of Experience report for the period January 1, 2013 - December 31, 2016 for more details.

DRAINAGE DISTRICT NO. 6
Jefferson County, Texas

NOTES TO FINANCIAL STATEMENTS

- Continued -

NOTE 5 - RETIREMENT PLAN (Continued)

Long-term Expected Rate of Return - (Continued)

<i>Asset Class</i>	<i>Benchmark</i>	<i>Target Allocation ⁽¹⁾</i>	<i>Geometric Real Rate of Return ⁽²⁾</i>
US Equities	Dow Jones U.S. Total Stock Market Index	10.50%	5.40%
Private Equity	Cambridge Associates Global Private Equity & Venture Capital Index ⁽³⁾	18.00%	8.40%
Global Equities	MSCI World (net) Index	2.50%	5.70%
International Equities- Developed Markets	MSCI World Ex USA (net) Index	10.00%	5.40%
International 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 Associates Distressed Securities Index ⁽⁴⁾	2.00%	7.20%
REIT Equities	67% FTSE NAREIT Equity REITs Index + 33% S&P Global REIT (net) Index	2.00%	4.15%
Master Limited Partnerships (MLPs)	Alerian MLP Index	3.00%	5.35%
Private Real Estate Partnerships	Cambridge Associates Real Estate Index ⁽⁵⁾	6.00%	6.30%
Hedge Funds	Hedge Fund Research, Inc. (HFRI) Fund of Funds Composite Index	13.00%	3.90%

⁽¹⁾ Target asset allocation adopted at the April 2019 TCDRS Board meeting.

⁽²⁾ Geometric real rates of return equal the expected return minus the assumed inflation rate of 1.70%, per Cliffwater's 2019 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.

DRAINAGE DISTRICT NO. 6
Jefferson County, Texas

NOTES TO FINANCIAL STATEMENTS
- Continued -

NOTE 5 - RETIREMENT PLAN (Continued)

Changes in Net Pension Liability/(Asset) -

	<i>Total Pension Liability (a)</i>	<i>Increases/ Decreases Fiduciary Net Position (b)</i>	<i>Net Pension Liability/ (Asset) (a) - (b)</i>
Balances as of December 31, 2017	\$ 36,432,214	\$ 32,904,204	\$ 3,528,010
Changes for the year:			
Service cost	876,651	-	876,651
Interest on total pension liability ⁽¹⁾	2,953,504	-	2,953,504
Effect of plan changes	-	-	-
Effect of economic/demographic gains or losses	192,130	-	192,130
Effect of assumptions changes or inputs	-	-	-
Refund of contributions	(17,529)	(17,529)	-
Benefit payments	(1,707,753)	(1,707,753)	-
Administrative expenses	-	(25,700)	25,700
Member contributions	-	450,404	(450,404)
Net investment income	-	(615,912)	615,912
Employer contributions	-	1,014,052	(1,014,052)
Other ⁽²⁾	-	(4,466)	4,466
Balances as of December 31, 2018	<u>\$ 38,729,217</u>	<u>\$ 31,997,300</u>	<u>\$ 6,731,917</u>

⁽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.

Sensitivity Analysis -

The following presents the net pension liability of the county/district, calculated using the discount rate of 8.10%, as well as what the Jefferson County Drainage District No. 6 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.

	<i>1% Decrease</i>	<i>Current Discount Rate</i>	<i>1% Increase</i>
	7.10%	8.10%	9.10%
Total pension liability	\$ 43,429,148	\$ 38,729,217	\$ 34,715,878
Fiduciary net position	<u>31,997,300</u>	<u>31,997,300</u>	<u>31,997,300</u>
Net pension liability/(asset)	<u>\$ 11,431,848</u>	<u>\$ 6,731,917</u>	<u>\$ 2,718,578</u>

DRAINAGE DISTRICT NO. 6
Jefferson County, Texas

NOTES TO FINANCIAL STATEMENTS
- Continued -

NOTE 5 - RETIREMENT PLAN (Continued)

Pension Expense/Income -

	<i>January 1, 2018 to December 31, 2018</i>
Service cost	\$ 876,651
Interest on total pension liability ⁽¹⁾	2,953,504
Effect of plan changes	-
Administrative expenses	25,700
Member contributions	(450,404)
Expected investment return net of investment expenses	(2,653,685)
Recognition of deferred inflows/outflows of resources	
Recognition of economic/demographic gains or losses	122,908
Recognition of assumption changes or inputs	33,763
Recognition of investment gains or losses	880,467
Other ⁽²⁾	4,466
Pension expense/income	<u>\$ 1,793,370</u>

⁽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.

Deferred Inflows/Outflows of Resources -

As of December 31, 2018, the deferred inflows and outflows of resources are as follows:

	<i>Deferred Inflows of Resources</i>	<i>Deferred Outflows of Resources</i>
Differences between expected and actual experience	\$ 9,259	\$ 446,270
Changes of assumptions	2,258	68,654
Net difference between projected and actual earnings	-	2,059,999
Contributions made subsequent to measurement date	-	759,341
	<u>\$ 11,517</u>	<u>\$ 3,334,264</u>

DRAINAGE DISTRICT NO. 6
Jefferson County, Texas

NOTES TO FINANCIAL STATEMENTS
- Continued -

NOTE 5 - RETIREMENT PLAN (Continued)

Deferred Inflows/Outflows of Resources - (Continued)

Amounts currently reported as deferred inflows of resources and deferred outflows 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:

2019	\$	1,722,451
2020		484,771
2021		388,633
2022		726,892
2023		-
Thereafter ⁽¹⁾		-

⁽¹⁾ 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.

NOTE 6 - LONG-TERM DEBT

Transactions for the year ended September 30, 2019 are summarized as follows -

	<u>Beginning Balance</u>	<u>Issues or Additions</u>	<u>Payments or Expenditures</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Compensated absences	\$ 711,378	\$ 475,858	\$ (249,660)	\$ 937,576	\$ 937,576
OPEB obligation	20,138,124	1,524,489	(447,627)	21,214,986	-
Net pension liability	3,528,010	4,668,363	(1,464,456)	6,731,917	-
	<u>\$ 24,377,512</u>	<u>\$ 6,668,710</u>	<u>\$ (2,161,743)</u>	<u>\$ 28,884,479</u>	<u>\$ 937,576</u>

Notes payable and the obligation under capital lease are being repaid by the general fund. Compensated absences and other post-employment benefits (OPEB) are liquidated by the general fund.

DRAINAGE DISTRICT NO. 6
Jefferson County, Texas

NOTES TO FINANCIAL STATEMENTS

- Continued -

NOTE 7 - CONDUIT DEBT OBLIGATIONS

The District is a party to issuance of contract revenue bonds, on behalf of Sabine-Neches Navigation District of Jefferson County, Texas, pursuant to the First Amendment to the 2009 Supplemental Flood Control Agreement and 2011 Supplemental Flood Contract Agreement. However, these bonds are not an obligation of the District and neither the general revenue nor faith and credit of the District are pledged for the repayment. Therefore, they are not included in the basic financial statements.

As of September 30, 2019, there were two series of contract revenue bonds outstanding. The original issue amount totaled \$13,350,000 and the aggregate principal amount payable as of September 30, 2019 was \$9,725,000.

NOTE 8 - NET POSITION

Restrictions of net assets are created to either (1) satisfy legal covenants that require that a portion of the fund balance be segregated or (2) identify the portion of the net assets that is not appropriate for future expenditures. There are no specific reservations of the net assets accounts at year end.

Unrestricted net position was increased by the net effects of deferred outflows and inflows related to pensions and other post-employment benefits. At September 30, 2019, total unrestricted net position was \$7,451,230 and the portion attributable to net deferred outflows and inflows was \$3,293,763.

NOTE 9 - LITIGATION

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 operations of the District.

NOTE 10 - CONCENTRATION OF RISK

A major portion of the District's revenues is dependent upon property taxes from one oil and chemical refinery. For the year ended September 30, 2019, these taxes represented approximately 14.86% of total revenues.

NOTE 11 - DEFERRED COMPENSATION PLAN

Employees of the District may participate in a defined contribution plan adopted under the provisions of Internal Revenue Code Section 457 (Deferred Compensation Plans with Respect to Service for State and Local Governments).

DRAINAGE DISTRICT NO. 6
Jefferson County, Texas

NOTES TO FINANCIAL STATEMENTS

- Continued -

NOTE 11 - DEFERRED COMPENSATION PLAN (Continued)

The Jefferson County Drainage District 6 Deferred Compensation Plan is available to all employees of the District. Under the plan, employees may elect to defer a portion of their salaries and avoid paying taxes on the deferred portion until the withdrawal date. The deferred compensation amount is not available for withdrawal by employees until termination, retirement, death or unforeseeable emergency.

The Jefferson County Drainage District 6 Deferred Compensation Plan is administered by an unrelated financial institution (Nationwide Retirement Solutions, Inc.). Under the terms of an IRC Section 457 deferred compensation plan, all deferred compensation and income attributable to the investment of the deferred compensation amounts held by the financial institution, until paid or made available to the employees or beneficiaries, are the property of the District subject only to the claims of the District's general creditors. In addition, the participants in the plan have rights equal to those of the general creditors of the District, and each participant's rights are equal to his or her share of the fair market value of the plan assets. The District believes that it is unlikely that plan assets will be needed to satisfy claims of general creditors that might arise.

As part of its fiduciary role, the District has an obligation of due care in selecting the third-party administrator. In the opinion of the District's management, the District has acted in a prudent manner and is not liable for losses that may arise from the administration of the plan.

Since the employer makes contributions to the TCDRS plan, it does not contribute to this plan. Employee contributions were \$98,008 for 2019.

NOTE 12 - OTHER POST-EMPLOYMENT BENEFITS

The District provides certain post-retirement health care benefits to eligible retired employees and their spouses. The plan is a single-employer defined benefit plan and is administered by the District. To be eligible for this benefit an employee must be at least 60 years of age and have at least 8 or more years of service, with 30 years of service regardless of age, or when the sum of their age and years of service equals 75 or more. All coverage, except dental coverage, terminates upon the retiree's eligibility for Medicare/Medicaid.

Prior to January 1, 2019, the District provided, at no cost to retirees over age 65, a Medicare Supplement and offered, at no cost, a prescription coverage of a minimum of \$15 or 20% per prescription. Starting January 1, 2019, the retiree was required to obtain a Medicare Part D plan at the retiree's cost and the District will provide, at no cost, a prescription supplement for drugs not covered under their Medicare Part D plan. The retiree is responsible for 30% copay per prescription.

DRAINAGE DISTRICT NO. 6
Jefferson County, Texas

NOTES TO FINANCIAL STATEMENTS
- Continued -

NOTE 12 - OTHER POST-EMPLOYMENT BENEFITS (Continued)

At September 30, 2018, the following employees were covered by the benefit terms:

	<u>2018</u>
Inactive employees or beneficiaries currently receiving benefit payments	39
Inactive employees entitled to but not yet receiving benefit payments	0
Active employees	79

In addition, as noted in Note 5 - Retirement Plan, the District provides death benefits through the TCDRS. These benefits represent term life insurance policies which are considered other post-employment benefits (OPEB). The balances and activity of the TCDRS benefits are combined with the balances and activity of the health care benefits administered by the District within this footnote. Total OPEB liability of the TCDRS term life insurance plan is \$171,606.

Funding Policy -

The retiree medical plan is operated on a Pay-As-You-Go basis. There are no assets that have been segregated and restricted to provide for retiree medical benefits. For the years ended September 30, 2019, the cost of retiree health benefits, recorded on a pay-as-you-go basis was \$839,949.

Actuarial Methods and Assumptions -

Actuarial valuations for an ongoing Plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Actuarially determined amounts are subject to continuous revision as actual results are compared to past expectations and new estimates are made about the future. Although the valuation results are based on values the District's actuarial consultant believes are reasonable assumptions, the valuation result is only an estimate of what future costs may actually be and reflect a long-term perspective. Deviations in any of several factors, such as future interest rate discounts, medical cost inflation, Medicare coverage risk, and changes in marital status, could result in actual costs being greater or less than estimated.

The District's total OPEB liability for health care benefits was measured as of September 30, 2018, and was determined by an actuarial valuation as of October 1, 2018. The valuation includes all active employees and current retirees and their spouses who are currently receiving benefits under the retiree medical plan. Historical changes in the OPEB liability were used to roll forward the OPEB liability to the measurement date September 30, 2019.

DRAINAGE DISTRICT NO. 6
Jefferson County, Texas

NOTES TO FINANCIAL STATEMENTS
- Continued -

NOTE 12 - OTHER POST-EMPLOYMENT BENEFITS (Continued)

The total OPEB liability in the September 30, 2018 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Actuarial Cost Method	Entry age actuarial cost method
Investment Rate of Return	20-year return on AA municipal bonds 3.25%
Mortality	RP-2014 mortality fully generational using projection scale MP-2017
Annual Termination Rates	Age 22 - 22.5%, Age 32 - 10.8%, Age 42 - 6.5%, Age 52 - 4.3%, Age 62 and over - 0.0%
New Employees	None
Disability Rate	N/A
Annual Retirement Rates	Age 50 to 54 - 10.0%, Age 55 to 64 - 20.0%, Age 65 and over - 100.0%
Salary Increases	3% annually
Monthly Claim Cost per Participant	Age 50 - \$1,175.65, Age 55 - \$1,298.20, Age 60 - \$1,433.11, Age 65 - \$ 308.20, Age 70 - \$ 308.20
Health Care Cost Trends (Medical)	2018 to 2019 - 9.0%, 2020 to 2021 - 8.0%, 2022 to 2023 - 7.0%, 2024 to 2025 - 6.0%, 2026 & later - 5.0%
Health Care Cost Trends (Dental)	2018 to 2019 - 5.0%, 2020 to 2021 - 5.0%, 2022 to 2023 - 5.0%, 2024 to 2025 - 5.0%, 2026 & later - 5.0%
Assumed Rate of Return on Plan Assets	N/A
Monthly Premium	<u>Under age 65</u> Employee only - \$1,130, Employee & spouse - \$2,373 Employee & children - \$2,034 Employee & family - \$2,672 Medicare rate per participant - \$280.18
Retiree Contribution	Retiree - \$0 Spouse - \$217.70 before age 65, \$0 Age 65 & later

DRAINAGE DISTRICT NO. 6
Jefferson County, Texas

NOTES TO FINANCIAL STATEMENTS
- Continued -

NOTE 12 - OTHER POST EMPLOYMENT BENEFITS (Continued)

Actuarial Methods and Assumptions - (Continued)

Attribution Period	The attribution period is the portion of a participant's service to which the expected postretirement benefit obligation is assigned. The beginning of the attribution period is the date of hire and the end of the attribution period is the earliest eligibility date
Plan Participation	Future retirees - 100% Future spouses - 35% Percentage of employees who are married - 80%

Changes in Total OPEB Liability -

	<u>Total OPEB Liability</u>
Balances as of September 30, 2018	\$ 20,138,124
Changes for the year:	
Service cost	848,961
Interest	675,528
Changes of benefit terms	-
Differences between expected and actual experience	(3,119)
Changes of assumptions or other inputs	(19,168)
Benefit payments	(425,340)
Administrative expense	-
Net Changes	<u>1,076,862</u>
Balances as of September 30, 2019	<u>\$ 21,214,986</u>

Sensitivity of the total OPEB liability to changes in the discount rate -

The following presents the total OPEB liability of the employer, calculated using the discount rate of 3.25%, as well as what the Jefferson County, Texas Drainage District No. 6 total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.25%) or 1 percentage point higher (4.25%) than the current rate.

<i>1% Decrease</i>	<i>Current Discount Rate</i>	<i>1% Increase</i>
2.25%	3.25%	4.25%

Total OPEB liability	\$ 25,232,324	\$ 21,214,986	\$ 18,098,745
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DRAINAGE DISTRICT NO. 6
Jefferson County, Texas

NOTES TO FINANCIAL STATEMENTS
- Continued -

NOTE 12 - OTHER POST EMPLOYMENT BENEFITS (Continued)

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates -

The following presents the total OPEB liability of the employer, calculated using the healthcare cost trend rate of 9.00%, as well as what the Drainage District No. 6, Jefferson County, Texas total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (8.00%) or 1 percentage point higher (10.00%) than the current rate.

	<i>1% Decrease</i>	<i>Current Discount Rate</i>	<i>1% Increase</i>
	8.00%	9.00%	10.00%
Total OPEB liability	\$ 17,527,062	\$ 21,214,986	\$ 25,314,369

OPEB Expense

	<i>October 1, 2018 to September 30, 2019</i>
Service cost	\$ 848,961
Interest	675,528
Expected return on investments	-
Recognition of difference between expected and actual experience	(4,673)
Recognition of changes in assumptions or other inputs	(1,880)
OPEB expense	\$ 1,517,936

Deferred Inflows and Outflows of Resources -

As of September 30, 2019, the deferred inflows and outflows of resources are as follows:

	<i>Deferred Inflows of Resources</i>	<i>Deferred Outflows of Resources</i>
Differences between expected and actual experience	\$ 19,587	\$ -
Changes of assumptions	15,973	6,576
Net difference between projected and actual earnings	-	-
	\$ 35,560	\$ 6,576

DRAINAGE DISTRICT NO. 6
Jefferson County, Texas

NOTES TO FINANCIAL STATEMENTS
- Continued -

NOTE 12 - OTHER POST EMPLOYMENT BENEFITS (Continued)

Amounts currently reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in pension expense as follows:

Year ended September 30:

2019	\$	6,553
2020		6,553
2021		6,553
2022		5,774
2023		3,551
Thereafter		-

NOTE 13 - FAIR VALUE DISCLOSURES

Investments are measured at fair value on a recurring basis. *Recurring* fair value measurements are those that Governmental Accounting Standards Board (GASB) Statements require or permit in the statement of net position at the end of each reporting period. Fair value measurements are categorized based on the valuation inputs used to measure an asset's fair value:

- Level 1 inputs are quoted prices in active markets for identical assets
- Level 2 inputs are significant other observable inputs
- Level 3 inputs are significant unobservable inputs

Investments' fair value measurements are as follows at September 30, 2019:

<i>Investments</i>	<i>Fair Value</i>	<i>Fair Value Measurements Using Level 1 Inputs</i>
U.S. Treasury Bills	\$ 18,380,212	\$ 18,380,212
Certificates of Deposit	9,663,412	9,663,412
	\$ 28,043,624	\$ 28,043,624

DRAINAGE DISTRICT NO. 6
Jefferson County, Texas

NOTES TO FINANCIAL STATEMENTS

- Continued -

NOTE 14 - PRIOR PERIOD ADJUSTMENTS

During fiscal year end September 30, 2018, the District adopted GASB 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. GASB 75 requires governments to report the unfunded actuarial accrued liability for the plan on the balance sheet. Formerly it was reported in the notes to the financial statements only. The effect of this change was to decrease beginning net position by \$9,039,782.

During fiscal year end September 30, 2018, the District decreased beginning fund balance and beginning net position by \$312,635 to correct grants receivable from Hurricane Harvey.

REQUIRED SUPPLEMENTARY INFORMATION

DRAINAGE DISTRICT NO. 6
Jefferson County, Texas

REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE (NON-GAAP BASIS)
GENERAL FUND

For Year Ended September 30, 2019

	<i>Actual</i>	<i>Original Budget</i>	<i>Final Budget (Including Encumbrances)</i>	<i>Variance Positive (Negative)</i>
<i>Revenues</i>				
Property taxes	\$ 20,225,816	\$ 20,198,000	\$ 20,198,000	\$ 27,816
Investment earnings	678,106	375,000	375,000	303,106
Grants	2,672,876	2,610,000	2,610,000	62,876
Other	814,597	100,000	100,000	714,597
Total Revenues	24,391,395	23,283,000	23,283,000	1,108,395
<i>Expenditures</i>				
Salaries and wages	6,485,278	6,754,000	6,754,000	268,722
Fringe benefits	3,428,436	3,855,000	3,916,020	487,584
Materials and supplies	1,625,464	2,085,000	2,145,902	520,438
Maintenance and repairs	370,434	578,500	595,181	224,747
Utilities	74,797	111,000	114,631	39,834
Miscellaneous services	2,457,626	2,744,500	2,800,818	343,192
Capital outlay/Special projects	5,913,942	7,705,000	8,229,749	2,315,807
Total Expenditures	20,355,977	23,833,000	24,556,301	4,200,324
Excess (Deficiency) of Revenues over Expenditures	\$ 4,035,418	\$ (550,000)	\$ (1,273,301)	\$ 5,308,719
<i>Fund Balances</i>				
Beginning of the year	26,417,664			
End of the year	\$ 30,453,082			

DRAINAGE DISTRICT NO. 6
Jefferson County, Texas

**REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS**

Year Ending December 31

	2018	2017	2016	2015	2014	2013	2012	2011	2010
<u>Total Pension Liability</u>									
Service cost	\$ 876,651	\$ 889,392	\$ 892,945	\$ 804,586	\$ 811,099	N/A	N/A	N/A	N/A
Interest on total pension liability	2,953,504	2,766,848	2,540,536	2,362,054	2,207,290	N/A	N/A	N/A	N/A
Effect of plan changes	-	-	-	(145,471)	1,304	N/A	N/A	N/A	N/A
Effect of assumption changes or inputs	-	(3,386)	-	205,962	-	N/A	N/A	N/A	N/A
Effect of economic/demographic (gains) or losses	192,130	210,661	209,178	142,607	(55,554)	N/A	N/A	N/A	N/A
Benefit payments/refunds of contributions	(1,725,282)	(1,374,276)	(1,229,163)	(1,132,557)	(1,028,059)	N/A	N/A	N/A	N/A
Net change in total pension liability	2,297,003	2,489,239	2,413,496	2,237,181	1,936,080	N/A	N/A	N/A	N/A
Total pension liability, beginning	36,432,214	33,942,975	31,529,479	29,292,298	27,356,218	N/A	N/A	N/A	N/A
Total pension liability, ending (a)	\$ 38,729,217	\$ 36,432,214	\$ 33,942,975	\$ 31,529,479	\$ 29,292,298	N/A	N/A	N/A	N/A

DRAINAGE DISTRICT NO. 6
Jefferson County, Texas

**REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS**

Year Ending December 31
- Continued -

	2018	2017	2016	2015	2014	2013	2012	2011	2010
<u>Fiduciary Net Position</u>									
Employer contributions	\$ 1,014,052	\$ 952,016	\$ 915,799	\$ 870,575	\$ 998,276	N/A	N/A	N/A	N/A
Member contributions	450,404	444,867	427,658	406,811	377,529	N/A	N/A	N/A	N/A
Investment income net of investment expenses	(615,912)	4,191,322	1,971,483	(248,019)	1,668,580	N/A	N/A	N/A	N/A
Benefit payments/refunds of contributions	(1,725,282)	(1,374,276)	(1,229,163)	(1,132,557)	(1,028,059)	N/A	N/A	N/A	N/A
Administrative expenses	(25,700)	(21,882)	(21,433)	(19,207)	(19,853)	N/A	N/A	N/A	N/A
Other	(4,466)	97	10,860	41,631	(83,136)	N/A	N/A	N/A	N/A
Net change in fiduciary net position	(906,904)	4,192,144	2,075,204	(80,766)	1,913,337	N/A	N/A	N/A	N/A
Fiduciary net position, beginning	32,904,204	28,712,060	26,636,856	26,717,622	24,804,285	N/A	N/A	N/A	N/A
Fiduciary net position, ending (b)	31,997,300	32,904,204	28,712,060	26,636,856	26,717,622	N/A	N/A	N/A	N/A
Net pension liability/(asset), ending = (a) - (b)	\$ 6,731,917	\$ 3,528,010	\$ 5,230,915	\$ 4,892,623	\$ 2,574,676				
Fiduciary net position as a % of a total pension liability	82.62%	90.32%	84.59%	84.48%	91.21%				
Pensionable covered payroll	\$ 6,434,343	\$ 6,355,244	\$ 6,109,398	\$ 5,811,585	\$ 5,393,265				
Net pension liability as a % of covered payroll	104.62%	55.51%	85.62%	84.19%	47.74%				

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

DRAINAGE DISTRICT NO. 6
Jefferson County, Texas

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER CONTRIBUTIONS

Year Ending December 31

<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 ⁽¹⁾</u>	<u>Actual Contribution as a % of Covered Payroll</u>
2009	\$ 540,466	\$ 540,466	\$ -	\$ 4,728,485	11.4%
2010	653,827	653,827	-	5,021,711	13.0%
2011	654,320	654,320	-	5,048,768	13.0%
2012	707,716	707,716	-	5,173,363	13.7%
2013	770,709	770,709	-	5,293,333	14.6%
2014	819,776	998,276	(178,500)	5,393,265	18.5%
2015	870,575	870,575	-	5,811,585	15.0%
2016	915,799	915,799	-	6,109,398	15.0%
2017	952,016	952,016	-	6,355,244	15.0%
2018	1,014,052	1,014,052	-	6,434,343	15.8%

⁽¹⁾ Payroll is calculated based on contributions as reported to TCDRS.

DRAINAGE DISTRICT NO. 6
Jefferson County, Texas

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN OPEB LIABILITY AND RELATED RATIOS

September 30, 2019

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
<u>Total OPEB Liability</u>									
Service cost	\$ 848,961	798,664	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Interest	675,528	649,020	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Changes of benefit terms	-	-	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Differences between expected and actual experience	(3,119)	(22,297)	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Changes of assumptions or other inputs	(19,168)	9,206	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Benefit payments	<u>(425,340)</u>	<u>(877,069)</u>	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Net change in total OPEB liability	1,076,862	557,524	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Total OPEB liability, beginning	<u>20,138,124</u>	<u>19,580,600</u>	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Total OPEB liability, ending (a)	<u>\$ 21,214,986</u>	<u>\$ 20,138,124</u>	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Covered payroll	\$ 6,419,321	\$ 6,448,165	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Total OPEB liability as a % of covered payroll	330.49%	312.31%	N/A	N/A	N/A	N/A	N/A	N/A	N/A

No assets are accumulated in a trust that meets the criteria in GASB No. 75, paragraph 4, to pay related benefits.

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 75, they should not be shown here. Therefore, we have shown only years for which the new GASB statements have been implemented.

FEDERAL FINANCIAL ASSISTANCE

DRAINAGE DISTRICT NO. 6
Jefferson County, Texas

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For Year Ended September 30, 2019

<u>Federal Grantor/Pass-through Grantor/ Program Title</u>	<u>Federal CFDA Number</u>	<u>Contract Number</u>	<u>Federal Expenditures</u>
<i>U.S. General Services Administration/Texas Building and Procurement Commission</i>			
Federal Surplus Personal Property Program	39.003	N/A	\$ <u>174,589</u>
<i>U.S. Department of Agriculture/ Natural Resources Conservation Service</i>			
Emergency Watershed Protection Program	10.923	NR187442XXXXC034	729,901
Emergency Watershed Protection Program	10.923	NR187442XXXXC012	<u>1,408,083</u>
			<u>2,137,984</u>
<i>U.S. Department of Homeland Security/ Texas Department of Public Safety</i>			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	FEMA DR-4322-TX	<u>1,329,684</u>
			<u>\$ 3,642,257</u>
Reconciliation to grant revenue			
State of Texas grant			20,459
Prior year expenditures			460,534
Federal grant revenue			<u>\$ 4,123,250</u>

See independent auditors' report.

DRAINAGE DISTRICT NO. 6
Jefferson County, Texas

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For Year Ended September 30, 2019

NOTE A - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Drainage District No. 6, Jefferson County, Texas under programs of the federal government for the year ended September 30, 2019, and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of Drainage District No. 6, Jefferson County, Texas, it is not intended to and does not present the financial position, changes in net position, or cash flows of Drainage District No. 6, Jefferson County, Texas.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance wherein certain types of expenditures are not allowable or are limited as to reimbursement. Drainage District No. 6, Jefferson County, Texas, has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

NOTE C - CONTINGENCIES

These federal and state programs are subject to financial and compliance audits by grantor agencies, which, if instances of material noncompliance are found, may result in disallowed expenditures, and affect the District's continued participation in specific programs. The amount of expenditures which may be disallowed by the grantor agencies cannot be determined at this time, although the District expects such amounts, if any, to be immaterial.

NOTE D - DISASTER GRANTS

Non-Federal entities must record expenditures on the Schedule of Federal Awards (SEFA) only after the award is both approved and expended under CFDA 97.036. Of the \$1,329,684 reported on the SEFA, \$1,329,684 was expended during the prior fiscal year ended September 30, 2018.

See independent auditors' report.



DAVID E. WHITE, CPA
TERRY S. WHIDDON, CPA
RYAN C. HARKEY, CPA

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

Board of Directors
Drainage District No. 6, Jefferson County, 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 and the fiduciary fund of Drainage District No. 6, Jefferson County, Texas (the District), as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated March 3, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the 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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in 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. 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 the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in the 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 organization'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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

FMW, P.C.

Beaumont, Texas
March 3, 2020



DAVID E. WHITE, CPA
TERRY S. WHIDDON, CPA
RYAN C. HARKEY, CPA

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

To the Board of Directors
Drainage District No. 6, Jefferson County, Texas

Report on Compliance for Each Major Federal Program

We have audited the Drainage District No. 6, Jefferson County, Texas' (the District), compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended September 30, 2019. The District's major federal programs are identified in the summary of audit results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

The District's management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Award* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the District's compliance.

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2019.

Report on Internal Control over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

FMW, P.C.

Beaumont, Texas
March 3, 2020

DRAINAGE DISTRICT NO. 6
Jefferson County, Texas

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For Year Ended September 30, 2019

A. Summary of Audit Results

1. The auditors' report expresses an unmodified opinion on the financial statements of Drainage District No. 6, Jefferson County, Texas.
2. No reportable conditions were reported during the audit of the financial statements.
3. No instances of noncompliance material to the financial statements of Drainage District No. 6, Jefferson County, Texas were disclosed during the audit.
4. No reportable conditions relating to the audit of the major federal award programs were reported during the audit.
5. The auditors' report on compliance for the major federal award programs of Drainage District No. 6, Jefferson County, Texas expresses an unmodified opinion on its major programs.
6. Audit findings that are required to be reported in accordance with 2 CFR Section 200.516(a) are reported in this Schedule.
7. The programs tested as major programs included:

<u>Federal Grantor/ Pass-through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
<i>U.S. Department of Agriculture/ Natural Resources Conservation Service</i>		
Emergency Watershed Protection Program	10.923	\$ 2,137,984
<i>U.S. Department of Homeland Security/ Texas Department of Public Safety</i>		
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	\$ 1,329,684

8. The threshold for distinguishing Types A and B programs was \$750,000.
9. Drainage District No. 6, Jefferson County, Texas qualified as a low-risk auditee.

B. Findings - Financial Statements Audit

None

C. Findings and Questioned Costs - Major Federal Award Programs Audit

None

DRAINAGE DISTRICT NO. 6
Jefferson County, Texas

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For Year Ended September 30, 2019

U.S. Department of Homeland Security/Texas Water Development Board

None

TEXAS SUPPLEMENTARY INFORMATION

DRAINAGE DISTRICT NO. 6
Jefferson County, Texas

TEXAS SUPPLEMENTARY INFORMATION
SERVICES AND RATES
September 30, 2019

1. Services provided by the District:

<input type="checkbox"/> Retail Water	<input type="checkbox"/> Wholesale Water	<input checked="" type="checkbox"/> Drainage
<input 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 checked="" type="checkbox"/> Flood Control	<input type="checkbox"/> Roads
<input type="checkbox"/> Participates in joint venture, regional system and/or wastewater service (other than emergency Interconnect)		
<input type="checkbox"/> Other (Specify): _____		

2. Retail service provides N/A

a. Retail Rates for a on 5/8" meter (or equivalent):

	<u>Minimum Charge</u>	<u>Minimum Usage</u>	<u>Flat Rate Y/N</u>	<u>Rate per 1,000 Gallons Over Minimum Use</u>	<u>Usage Levels</u>
WATER:	\$ _____	_____	_____	\$ _____	_____ to _____
WASTEWATER:	\$ _____	_____	_____	\$ _____	_____ to _____
SURCHARGE:	\$ _____	_____	_____	\$ _____	_____ to _____

District employs winter averaging for wastewater usage? Yes _____ No _____

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

b. Water and Wastewater Retail Connections:

<u>Meter Size</u>	<u>Total Connections</u>	<u>Active Connections</u>	<u>ESFC Factor</u>	<u>Active ESFCs</u>
Unmetered			x 1.0	
≤ 3/4"			x 1.0	
1"			x 2.5	
1 1/2"			x 5.0	
2"			x 8.0	
3"			x 15.0	
4"			x 25.0	
6"			x 50.0	
8"			x 80.0	
10"			x 115.0	
Total water			N/A	
Total wastewater			x 1.0	

DRAINAGE DISTRICT NO. 6
Jefferson County, Texas

TEXAS SUPPLEMENTARY INFORMATION
SERVICES AND RATES

- Continued -

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

Gallons pumped into system: N/A
Gallons billed to customers: N/A

4. Standby Fees (authorized only under TWC Section 49.231): **Not applicable**

Does the District have Debt Service standby fees? Yes No

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

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

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

5. Location of District:

County in which District is located. Jefferson County, Texas

Is the District located entirely within one county? Yes No

Is the District located within a city? Entirely Partly Not at all

City in which District is located. Beaumont, Bevil Oaks, China, Nome

Is the District located within a city's extra territorial jurisdiction (ETJ)? Entirely Partly Not at all

ETJs in which District is located. Beaumont

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

If yes, by whom? Jefferson County Commissioners Court

DRAINAGE DISTRICT NO. 6
Jefferson County, Texas

TEXAS SUPPLEMENTARY INFORMATION
GENERAL FUND EXPENDITURES
For Year Ended September 30, 2019

<i>Personnel expenditures (including benefits)*</i>	\$ 9,908,698
<i>Professional fees -</i>	
Auditing	26,147
Legal	55,646
Engineering	138,114
Financial advisor	-
<i>Purchased services for resale -</i>	
Bulk water and sewer service purchases	-
<i>Contracted services -</i>	
Bookkeeping	-
General manager	-
Appraisal district	200,352
Tax collector	34,801
Other contracted services	137,942
<i>Utilities</i>	71,988
<i>Repairs and maintenance</i>	3,583,656
<i>Administrative expenditures -</i>	
Directors' fees	12,000
Office supplies	12,344
Insurance	236,159
Other administrative expenditures	110,760
<i>Capital outlay -</i>	
Capitalized assets	5,432,825
Expenditures not capitalized	583,662
<i>Tap connection expenditures</i>	-
<i>Solid waste disposal</i>	-
<i>Fire fighting</i>	-
<i>Parks and recreation</i>	-
<i>Other expenditures</i>	-
	<hr/>
Total Expenditures	\$ 20,545,094

<i>* Number of persons employed by the District</i>	76 Full-Time
	<u>0</u> Part-Time
	<u>5</u> Directors

DRAINAGE DISTRICT NO. 6
Jefferson County, Texas

TEXAS SUPPLEMENTARY INFORMATION
TEMPORARY INVESTMENTS
For Year Ended September 30, 2019

<u>Funds</u>	<u>Identification or Certificate Number</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Balance at End of Year</u>	<u>Accrued Interest Receivable at End of Year</u>
General Fund					
*Certificates of Deposit					
	06610RAJ8	1.20000%	10/15/2019	\$ 247,915	\$ -
	320055BW5	1.10000%	10/21/2019	247,883	-
	063847AM9	1.20000%	10/21/2019	247,881	-
	254672U71	1.60000%	12/9/2019	247,850	-
	201282HH6	1.45000%	12/9/2019	247,783	-
	061077BM4	1.40000%	12/16/2019	247,737	-
	062426LAQ9	1.90000%	1/10/2020	248,010	-
	AQ5964707	2.20000%	1/13/2020	248,224	-
	07815AAV9	1.95000%	1/17/2020	248,046	-
	981059BA5	2.00000%	1/21/2020	248,093	-
	49306SXB7	1.65000%	2/10/2020	247,801	-
	857894SW0	1.60000%	2/10/2020	247,753	-
	225645DL1	1.55000%	2/15/2020	247,709	-
	06051VJ23	2.00000%	4/13/2020	248,213	-
	87164DNR7	1.95000%	4/15/2020	248,149	-
	367612AA6	1.95000%	5/7/2020	248,189	-
	14042RFM8	1.80000%	5/11/2020	247,966	-
	AZ3837517	1.95000%	5/11/2020	248,184	-
	32026UQF6	1.90000%	5/12/2020	248,110	-
	51507LBJ2	1.70000%	5/22/2020	247,815	-
	624786FU8	2.35000%	6/11/2020	248,912	-
	23204HGZ5	2.45000%	6/19/2020	249,130	-
	61760AK65	2.05000%	6/26/2020	248,437	-
	86604XLY0	1.70000%	6/30/2020	247,812	-
	319141GR2	1.70000%	7/6/2020	247,805	-
	05581WV93	2.40000%	7/13/2020	249,156	-
	45083ANE8	1.95000%	7/30/2020	248,294	-
	063248JT6	1.75000%	8/25/2020	247,880	-
	58958PGES	1.75000%	8/28/2020	247,880	-
	38149MFK4	1.75000%	9/3/2020	247,879	-
	149159NR2	1.75000%	9/10/2020	247,878	-

DRAINAGE DISTRICT NO. 6
Jefferson County, Texas

TEXAS SUPPLEMENTARY INFORMATION
TEMPORARY INVESTMENTS
- Continued -

<u>Funds</u>	<u>Identification or Certificate Number</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Balance at End of Year</u>	<u>Accrued Interest Receivable at End of Year</u>
General Fund					
Treasury Bills					
	912796RF81	2.47491%	10/10/2019	\$ 999,558	\$ -
	912796RF81	2.45994%	10/10/2019	999,558	-
	912796RM3	2.48367%	11/7/2019	1,996,464	-
	912796RM3	2.47508%	11/7/2019	998,232	-
	912796RN16	2.53721%	12/5/2019	996,777	-
	912796RT85	2.54216%	1/2/2020	995,322	-
	912796RY7	2.56845%	1/30/2020	994,017	-
	912796RY7	2.51377%	1/30/2020	1,988,034	-
	912796SD25	2.52581%	2/27/2020	1,985,204	-
	912796SH2	2.40341%	3/26/2020	2,973,783	-
	912796SM2	2.36606%	4/23/2020	1,484,828	-
	912796SV2	1.76762%	6/18/2020	987,218	-
	912796SZ3	1.77002%	7/16/2020	985,821	-
	912796TD1	1.80341%	8/13/2020	984,821	-
	912796TJ8	1.80591%	9/10/2020	983,613	-
				<u>\$ 28,043,624</u>	<u>\$ -</u>

*Certificates of Deposits represent negotiable investments, purchased through a brokerage firm, and are recorded at market value.

DRAINAGE DISTRICT NO. 6
Jefferson County, Texas

TEXAS SUPPLEMENTARY INFORMATION
TAXES LEVIED AND RECEIVABLE
For Year Ended September 30, 2019

	<u>General Fund</u>
<i>Taxes Receivable, Beginning of Year</i>	\$ 2,074,574
2018 Original tax levy	20,270,569
Adjustments	(408,426)
Total to be Accounted For	<u>21,936,717</u>
Tax collections -	
Current year	19,702,750
Prior years	259,731
Total Collections	<u>19,962,481</u>
<i>Taxes Receivable, End of Year</i>	<u>\$ 1,974,236</u>
<i>Taxes Receivable by Years</i>	
2018	\$ 426,641
2017	258,834
2016	206,750
2015	170,370
2014	142,807
Before 2014	<u>768,834</u>
<i>Taxes Receivable, End of Year</i>	<u>\$ 1,974,236</u>

<i>Property Valuations</i>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Land and improvements	<u>\$ 9,181,180,662</u>	<u>\$ 8,983,683,775</u>	<u>\$ 8,712,265,524</u>	<u>\$ 8,628,309,428</u>
<i>Tax Rates Per \$100 Valuation</i>				
General Fund	<u>\$.220587</u>	<u>\$.220587</u>	<u>\$.220587</u>	<u>\$.220587</u>
<i>Original Levy</i>	<u>\$ 20,270,569</u>	<u>\$ 19,836,640</u>	<u>\$ 19,236,225</u>	<u>\$ 19,062,169</u>
<i>Percent of Taxes Collected to Taxes Levied</i>	<u>97.20%</u>	<u>97.44%</u>	<u>97.41%</u>	<u>97.57%</u>

**TEXAS SUPPLEMENTARY INFORMATION
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES -
GENERAL FUND AND DEBT SERVICE FUND**

DRAINAGE DISTRICT NO. 6
Jefferson County, Texas

TEXAS SUPPLEMENTARY INFORMATION
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES -
GENERAL FUND AND DEBT SERVICE FUND
(NON-GAAP BASIS)
For Five Years Ended September 30,

	<i>Amounts</i>		
<u>General Fund</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Revenues			
Property taxes	\$ 20,225,816	\$ 19,815,397	\$ 19,181,560
Interest	678,106	367,377	130,609
Other	3,487,473	1,591,116	2,957,153
Total Revenues	<u>24,391,395</u>	<u>21,773,890</u>	<u>22,269,322</u>
Expenditures			
Salaries and wages	6,485,278	6,337,843	6,247,101
Fringe benefits	3,428,436	3,841,319	3,691,964
Materials and supplies	1,625,464	1,978,632	1,786,342
Maintenance and repairs	370,434	511,141	445,131
Utilities	74,797	84,884	88,190
Miscellaneous services	2,457,626	2,512,129	2,167,871
Capital projects	5,913,942	6,303,355	7,043,984
Total Expenditures	<u>20,355,977</u>	<u>21,569,303</u>	<u>21,470,583</u>
Excess Revenues (Expenditures)	4,035,418	204,587	798,739
Operating transfers	-	-	-
Excess Revenues (Expenditures)	<u>\$ 4,035,418</u>	<u>\$ 204,587</u>	<u>\$ 798,739</u>
 Debt Service Fund			
Revenues			
Property taxes	\$ -	\$ -	\$ -
Interest	-	-	-
Total Revenues	<u>-</u>	<u>-</u>	<u>-</u>
Expenditures			
Administrative	-	-	-
Debt service, interest and fees	-	-	-
Total Expenditures	<u>-</u>	<u>-</u>	<u>-</u>
Excess Revenues (Expenditures)	-	-	-
Operating transfers	-	-	-
Excess Revenues (Expenditures)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

DRAINAGE DISTRICT NO. 6
Jefferson County, Texas

TEXAS SUPPLEMENTARY INFORMATION
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES -
GENERAL FUND AND DEBT SERVICE FUND
(NON-GAAP BASIS)

For Five Years Ended September 30,

		<i>Percent of Fund Total Revenues</i>				
<u>2016</u>	<u>2015</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
\$ 19,102,061	\$ 19,253,052	82.92%	91.00%	86.13%	85.15%	79.24%
81,047	56,854	2.78	1.69	.59	.36	.24
3,249,371	4,986,486	14.30	7.31	13.28	14.49	20.52
<u>22,432,479</u>	<u>24,296,392</u>	<u>100.00</u>	<u>100.00</u>	<u>100.00</u>	<u>100.00</u>	<u>100.00</u>
6,053,326	5,667,210	26.59	29.11	28.05	26.98	23.32
3,299,395	3,051,409	14.05	17.64	16.58	14.71	12.56
1,805,398	1,832,072	6.66	9.08	8.02	8.05	7.54
388,681	372,675	1.52	2.35	2.00	1.73	1.53
92,285	93,455	.31	.39	.40	.41	.38
2,257,368	2,238,966	10.08	11.54	9.73	10.06	9.21
8,018,629	8,026,377	24.25	28.95	31.63	35.75	33.05
<u>21,915,082</u>	<u>21,282,164</u>	<u>83.46</u>	<u>99.06</u>	<u>96.41</u>	<u>97.69</u>	<u>87.59</u>
517,397	3,014,228	16.54	.94	3.59	2.31	12.41
-	-	-	-	-	-	-
<u>\$ 517,397</u>	<u>\$ 3,014,228</u>	<u>16.54%</u>	<u>0.94%</u>	<u>3.59%</u>	<u>2.31%</u>	<u>12.41%</u>
\$ -	\$ -	N/A	N/A	N/A	N/A	N/A
-	5	N/A	N/A	N/A	N/A	N/A
-	5	N/A	N/A	N/A	N/A	N/A
-	1,000	N/A	N/A	N/A	N/A	N/A
-	986,575	N/A	N/A	N/A	N/A	N/A
-	<u>987,575</u>	N/A	N/A	N/A	N/A	N/A
-	(987,570)	N/A	N/A	N/A	N/A	N/A
-	987,458	N/A	N/A	N/A	N/A	N/A
<u>\$ -</u>	<u>\$ (112)</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>

DRAINAGE DISTRICT NO. 6
Jefferson County, Texas

TEXAS SUPPLEMENTARY INFORMATION
BOARD MEMBERS, KEY PERSONNEL, AND CONSULTANTS
September 30, 2019

Complete District mailing address: 6550 Walden Road, Beaumont, Texas 77707

District business telephone number: (409) 842-1818

<i>Name and Address</i>	<i>Term of Office Date Elected or Date Hired</i>	<i>Fee and Expense Reimbursements September 30, 2019</i>	<i>Title at Year End</i>	<i>Resident of District</i>
Board Members				
Joshua W. Allen, Sr. 6315 Metropolitan Drive Beaumont, Texas 77706	(Appointed) 3/17 - 3/21	\$ 4,800	President	Yes
Miriam Johnson 3795 Durwood Beaumont, Texas 77706	(Appointed) 3/17 - 3/21	\$ 4,800	Vice-President	Yes
Charles Guillory 2945 Blanchette Beaumont, Texas 77701	(Appointed) 3/17 - 3/21	\$ 4,800	Secretary	Yes
Bart Owens 5750 Calder Beaumont, Texas 77706	(Appointed) 3/17 - 10/19	\$ 4,800	Director	Yes
Bernie Daleo 4820 Littlewood Drive Beaumont, Texas 77703	(Appointed) 7/17 - 3/21	4,800	Director	Yes

Note: No director is disqualified from serving on this board under the Texas Water Code.

Key Personnel

R. P. LeBlanc, Jr. 6235 Navajo Beaumont, Texas 77708	\$ 254,103	Manager
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DRAINAGE DISTRICT NO. 6
Jefferson County, Texas

TEXAS SUPPLEMENTARY INFORMATION
BOARD MEMBERS, KEY PERSONNEL, AND CONSULTANTS
- Continued -

<u><i>Name and Address</i></u>	<u><i>Term of Office Date Elected or Date Hired</i></u>	<u><i>Fees and Expenses Reimbursements September 30, 2019</i></u>	<u><i>Title at Year End</i></u>
<i>Consultants</i>			
Law Offices of J. Thad Heartfield 2195 Dowlen Rd. Beaumont, Texas 77706		\$ 105,469	Legal Counsel
FMW, P.C. 1150 North Eleventh Street Beaumont, Texas 77702		\$ 26,147	Auditor
Horizon Environmental Services P.O. Box 162019 Austin, Texas 78716		\$ 52,498	Environmental Consultant