DRAINAGE DISTRICT NO. 3
Jefferson County, Texas

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

FMW, P.C.
Certified Public Accountants

DRAINAGE DISTRICT NO. 3
Jefferson County, Texas

ANNUAL FINANCIAL REPORT

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[1] Schedules have been omitted from the Texas Supplementary Information as the District has no bonds outstanding.

FMW, P.C.
Certified Public Accountants

David E. White, cpa
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INDEPENDENT AUDITORS' REPORT

Board of Directors
Drainage District No. 3, Jefferson County, Texas

We have audited the accompanying financial statements of governmental activities and fiduciary fund of the Drainage District No. 3, 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. 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.

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Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and fiduciary fund of the Drainage District No. 3, 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 3 through 7 and 33 through 37 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying Texas Supplementary Information on pages 38 to 43 is presented for purposes of additional analysis and is not a required part of the financial statements.

The Texas Supplementary Information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. 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 is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

FMW, P.C.

Beaumont, Texas
January 9, 2020

MANAGEMENT'S DISCUSSION AND ANALYSIS

DRAINAGE DISTRICT NO. 3
Jefferson County, Texas

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

As management of the Drainage District No. 3, 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 fund revenues, expenditures, and changes in fund balance 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. uncollected property taxes and earned but unused vacation leave).

All of the District's basic services are included in the governmental fund, 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 Agency fund uses the accrual basis of accounting.

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

FINANCIAL HIGHLIGHTS

- The net position for the District at September 30, 2019 was $853,944.
- The District's net position decreased by $13,405 for the year ended September 30, 2019.

FINANCIAL ANALYSIS

A portion of the District's total assets (34.82%) reflects its investment in capital assets (e.g., land, buildings, machinery and equipment). The District uses these assets to provide services to its citizens; consequently these assets are not available for future spending.

	2019	*2018*
Assets		
Current and other assets	$ 1,145,362	$ 1,534,995
Capital assets	611,996	349,798
Total Assets	$ 1,757,358	$ 1,884,793
Deferred Outflows of Resources		
Deferred outflows of resources - pension related	$ 111,672	$ 20,415
Liabilities		
Long-term liabilities	$ 1,012,269	$ 978,818
Other liabilities	1,901	15,269
Total Liabilities	$ 1,014,170	$ 994,087
Deferred Inflows of Resources		
Deferred inflows of resources - pension related	$ 916	$ 43,772
Net Position		
Invested in capital assets	$ 611,996	$ 349,798
Unrestricted	241,948	517,551
Total Net Position	$ 853,944	$ 867,349

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

	2019	*2018*
Revenues		
Current taxes	$ 639,369	$ 712,681
Delinquent taxes	15,497	18,355
Investment earnings	14,191	5,569
Other	71,230	42
Hurricane proceeds	-	108,871
Total Revenues	740,287	845,518
Expenses		
Service operations	661,279	644,350
Depreciation	92,413	84,077
Total Expenses	753,692	728,427
Change in Net Position	(13,405)	117,091
Net position - beginning of year, as previously reported	867,349	1,638,368
Prior period adjustment	-	(888,110)
Net position - beginning of year, as restated	867,349	750,258
Net position - end of year	$ 853,944	$ 867,349

ANALYSIS OF CHANGES IN CAPITAL ASSETS AND LONG-TERM DEBT

The District's investment in capital assets as of September 30, 2019, amounts to $611,996 (net of accumulated depreciation). This investment in capital assets includes land, buildings, field equipment, office equipment, and furniture and equipment.

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

- Fixed asset additions increased by $354,611
- Accumulated depreciation increased by $92,413.

Capital Assets at Year-End
Net of Accumulated Depreciation

	2019	*2018*
Land	$ 5,540	$ 5,540
Buildings	211,426	212,753
Field equipment	389,807	131,275
Office equipment	4,512	158
Furniture and equipment	711	72
Total	$ 611,996	$ 349,798

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

The District's long-term liabilities consisted of accrued vacation pay, sick leave, and other post-employment benefits (OPEB). More detailed information about the District's long-term liabilities is presented in the notes of the financial statements.

THE BUDGET, ECONOMIC ENVIRONMENT, AND RATES

The differences between the original and final budget were within the budget categories. No amounts were transferred between the separate budget categories.

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

- Salaries, wages, and fringe benefits were less than budgeted amounts due to not being at full employment capacity.
- Materials and supplies expense was less than budgeted amounts due to less fuel, materials and supplies needed and the reduction of fuel costs.
- The budget amount for miscellaneous services includes a contingency for attorney and engineering fees in case of emergency. There were no emergencies during the fiscal year and the actual amount was less than the budget amount.
- The budget amount for capital outlays includes a contingency for possible emergency repairs. There were no emergency repairs needed during the year.

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 P.O. Box 120, Hamshire, Texas, U.S.A. 77622, or call (409) 243-3495.

BASIC FINANCIAL STATEMENTS

STATEMENT OF NET POSITION AND GOVERNMENTAL FUND BALANCE SHEET

DRAINAGE DISTRICT NO. 3
Jefferson County, Texas

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

	General Fund	*Adjustments*	*Statement of Net Position*
Assets			
Cash			
Checking accounts	$ 1,101,598	$ -	$ 1,101,598
Money market account	198	-	198
Accounts Receivable			
Delinquent taxes (net of allowance for estimated uncollectibles)	26,295	-	26,295
Other receivables	282	-	282
Capital Assets			
Land	-	5,540	5,540
Buildings	-	211,426	211,426
Field equipment	-	389,807	389,807
Office equipment	-	4,512	4,512
Furniture and equipment	-	711	711
Other Assets			
Net pension asset	-	16,989	16,989
Total Assets	$ 1,128,373	$ 628,985	$ 1,757,358
Deferred Outflows of Resources			
Deferred Outflows of Resources			
Deferred pension and other benefit related outflows	$ -	$ 111,672	$ 111,672

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

DRAINAGE DISTRICT NO. 3
Jefferson County, Texas

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

	General Fund	*Adjustments*	*Statement of Net Position*
Liabilities			
Accounts payable	$ 1,901	$ -	$ 1,901
Long-term liabilities			
Due within one year	-	27,319	27,319
Due after one year	-	984,950	984,950
Total Liabilities	1,901	1,012,269	1,014,170
Deferred Inflows of Resources			
Deferred Inflows of Resources			
Deferred revenue - delinquent taxes receivable	26,295	(26,295)	-
Deferred pension and other benefit related inflows	-	916	916
Total Deferred Inflows of Resources	26,295	(25,379)	916
Fund Balances/Net Position			
Fund Balances			
Committed for subsequent years' expenditures	360,397	(360,397)	-
Unassigned	739,780	(739,780)	-
Total Fund Balances	1,100,177	(1,100,177)	-
Total Liabilities and Fund Balances	$ 1,128,373		
Net Position			
Net investment in capital assets		611,996	611,996
Unrestricted		241,948	241,948
Total Net Position		$ 853,944	$ 853,944

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

DRAINAGE DISTRICT NO. 3
Jefferson County, Texas

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

	General Fund	*Adjustments*	*Statement of Activities*
Revenues			
Current taxes	$ 639,369	$ -	$ 639,369
Delinquent taxes	11,331	4,166	15,497
Investment earnings	14,191	-	14,191
Other	71,230	-	71,230
Total Revenues	736,121	4,166	740,287
Expenditures/Expenses			
Salaries and wages	221,896	(535)	221,361
Fringe benefits	265,105	66,842	331,947
Materials and supplies	35,875	-	35,875
Maintenance and utilities	29,803	-	29,803
Miscellaneous services	42,293	-	42,293
Capital outlay	354,611	(354,611)	-
Depreciation	-	92,413	92,413
Total Expenditures	949,583	(195,891)	753,692
Excess (Deficiency) of Revenues over Expenditures	(213,462)	213,462	-
Change in Net Position		(13,405)	(13,405)
Fund Balances/Net Position			
Beginning of the year	1,313,639	(446,290)	867,349
End of the year	$ 1,100,177	$ (246,233)	$ 853,944

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

DRAINAGE DISTRICT NO. 3
Jefferson County, Texas

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

	Trust Fund
Assets	
Property and rights held under deferred compensation plan	$ 19,926
Total Assets	$ 19,926
Liabilities	
Amount to be provided for benefits	$ 19,926
Total Liabilities	19,926
Net Position	$ -

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

DRAINAGE DISTRICT NO. 3
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	$	1,100,177
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.		
Cost of capital assets, net of accumulated depreciation		611,996
Pension related assets of the District's governmental activities are not reported in fund assets but are reported in the Statement of Net Position		
Net pension asset		16,989
Long-term liabilities of the District's governmental activities are not reported in fund liabilities. All liabilities, both current and long-term, are reported in the Statement of Net Position.		
Compensated absences		(27,319)
Other post-employee benefit		(984,950)
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.		
Deferred property tax revenue		26,295
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.		
Differences between expected and actual experience		178
Change of assumptions		3,193
Net difference between projected and actual earnings		95,285
Contributions subsequent to measurement date		12,100
Total net position as reported on the Statement of Net Position for governmental activities	$	853,944

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

DRAINAGE DISTRICT NO. 3
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	$	(213,462)
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.		
Current year net capital asset purchase costs, net of disposals		354,611
Current year depreciation expense, net of disposals		(92,413)
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.		
Compensated absences net of expenditures		535
Other post-employee benefits, net of expenditures		(33,769)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the governmental funds.		
Collections on prior year levies		4,166
Governmental Accounting Standards Board Pronouncement 68 and 71 reporting for pension asset/liabilities require adjustments to Net Position that are not reported in the governmental funds.		
Current year adjustment of pension expense		(33,073)
Change in net position of governmental activities	$	(13,405)

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Financial Reporting Entity -

The District was created May 13, 1912, as recorded in Vol. 6, Page 159, of Minutes of Commissioners' Court of Jefferson County. The District is a political subdivision of the State of Texas, created primarily to prevent the flooding and overflow of lands within the District by improving rivers, creeks and streams.

The accounting and reporting policies of the District relating to the funds and account groups included in the accompanying basic 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 basic 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 fund 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 fund.

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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation (Continued) -

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. Measurement 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. However, expenditures related to compensated absences are recorded when paid.

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.

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 roads, sidewalks, and bridges, 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 valued at historical 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:

Assets	Useful Life
Buildings	10 to 39 years
Field equipment	5 to 10 years
Office equipment	5 to 10 years
Furniture and equipment	5 to 10 years

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.

4. Budgets for the General Fund are adopted on a basis consistent with generally accepted accounting principles (GAAP). Budgeted amounts are as originally adopted or as amended by the District. The Budgetary Comparison Schedule - General Fund presents a comparison of budgetary data to actual results.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. There were no encumbrances outstanding at September 30, 2019.

H. Investments -

Investments, principally deposits in money market accounts are stated at cost which approximates market.

I. Net Position -

Net position represents the difference between assets, plus deferred outflows of resources minus liabilities and deferred inflows of resources. Net position invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent proceeds. 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. 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 benefits were prepared in accordance with GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.*

K. Compensated Absences -

Vacation accrues on a monthly basis with the ability to carry-over one week to the ensuing year. At September 30, 2019, liabilities included $8,081 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 10 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 $19,238.

L. 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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

M. 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.

N. 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.

Long-term liabilities - Change in compensated absences and OPEB obligations do not require (or provide) the use of current financial resources and, therefore, is not reported as an expenditure in governmental funds.

Deferred Outflows/Inflows of Resources - Changes in net pension and other post-employment benefit assets/liabilities and adjustments to pension expense and other post-employment benefit expense are not reported as expenditures in governmental funds.

O. 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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

O. Fund Balances - Governmental Funds - (Continued)

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.

The Board adopted a policy to maintain an ending fund balance equal to or greater than 25% of subsequent years budgeted expenditures.

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.

The details of the fund balances are included in the Governmental Funds Balance Sheet (page 8). 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.

P. Date of Management's Review -

Management has evaluated subsequent events through January 9, 2020, the date the financial statements were available to be issued.

NOTE 2 - CASH

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 Federal Reserve Bank - Dallas Branch 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 $1,101,796 and the bank balance was $1,111,208. All demand deposits as of the balance sheet date were entirely insured by federal depository coverage and pledged securities.

NOTE 2 - CASH (Continued)

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.

Due to low interest rates, the District does not have any investments as of September 30, 2019. All of the District's funds are held in interest-bearing demand deposit accounts and a money market account. The funds are available immediately as needed.

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 collected by the Jefferson County Tax Collector. The tax rate for 2019 has been set at $.338353 per $100 of appraised property value and the tax rate for 2018 was set at $.331263 per $100 of appraised property value. District property tax revenues are recognized when actually received.

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

Year of Levy	*General Fund*
2019	$ 22,663
2018	12,336
2017	8,231
2016	6,837
2015	5,271
Before 2015	33,821
Total property taxes receivable	89,159
Less: Allowance for uncollectibles	(62,864)
	$ 26,295

NOTE 4 - CAPITAL ASSETS

Activity for capital assets is summarized below -

	Balance Oct. 1, 2018	*Additions*	*Deletions*	*Balance Sept. 30, 2019*
Land	$ 5,540	$ -	$ -	$ 5,540
Buildings	287,439	10,468	-	297,907
Field equipment	1,132,691	338,768	-	1,471,459
Office equipment	17,850	4,615	-	22,465
Furniture and equipment	11,975	760	-	12,735
	$ 1,455,495	$ 354,611	$ -	$ 1,810,106
Accumulated depreciation	$ 1,105,697	$ 92,413	$ -	$ 1,198,110

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 10 or more years of service, with 30 years of service regardless of age, or when the sum of their age and years of service equals 80 or more. Members are vested after 10 years of service but must leave their accumulated 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 employer-financed monetary credits. The level of these monetary credits is adopted by the governing body of the employer within the actuarial constraints imposed by the TCDRS Act so that the resulting benefits can be expected to be adequately financed by the employer's commitment to contribute. At retirement, death, or disability, the benefit is calculated by converting the sum of the employee's accumulated contributions and the employer-financed monetary credits to a monthly annuity using annuity purchase rates prescribed by the TCDRS Act.

NOTE 5 - RETIREMENT PLAN (Continued)

Funding Policy -
The employer has elected the annually determined contribution rate (variable-rate) plan under the 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 rate contributed for the months of the accounting year in 2019 was 6.80%, and 6.38% for the months of the accounting year in 2018. The deposit rate payable by the employee members for the months of the accounting year in both 2019 and 2018 was 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.

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) 8.0 percent investment rate of return (net 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 $14,755 and the employer cost was $14,904.

Net Pension Liability/ (Asset) -

	December 31, 2017	*December 31, 2018*
Total pension liability	$ 1,564,836	$ 1,639,233
Fiduciary net position	1,748,794	1,656,222
Net pension liability/(asset)	(183,958)	(16,989)
Fiduciary net position as a % of total pension liability	111.76%	101.04%
Pensionable covered payroll[(1)]	$ 230,653	$ 229,635
Net pension liability/(asset) as a % of covered payroll	(79.76%)	(7.40%)

[(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:

NOTE 5 - RETIREMENT PLAN (Continued)

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.*

Actuarial Methods and Assumptions Used for GASB Calculations -

All actuarial methods and assumptions used for this GASB analysis were the same as those used in the December 31, 2018 funding valuation, except as noted below and throughout this report. Please see the employer summary actuarial valuation report as of December 31, 2018 for further details.

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)

NOTE 5 - RETIREMENT PLAN (Continued)

Actuarial Methods and Assumptions Used for GASB Calculations -

Cost-of-Living Adjustments	Cost-of-Living Adjustments for Jefferson County Drainage District No. 3 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.
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.

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

Long-term Expected Rate of Return -
The long-term expected rate of return on TCDRS assets is determined by adding expected inflation to expected long-term real returns, and reflecting expected volatility and correlation. The capital market assumptions and information shown below are provided by TCDRS' investment consultant, Cliffwater LLC. The numbers shown are based on January 2019 information for a 10 year time horizon.

NOTE 5 - RETIREMENT PLAN (Continued)

Long-term Expected Rate of Return - (Continued)
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.

Asset Class	*Benchmark*	*Target Allocation* [1]	*Geometric Real Rate of Return* [2]
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 1.95%, 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.*

NOTE 5 - RETIREMENT PLAN (Continued)

Changes in Net Pension Liability/(Asset) -

	Total Pension Liability (a)	*Increases/ Decreases Fiduciary Net Position (b)*	*Net Pension Liability/ (Asset) (a) - (b)*
Balances as of December 31, 2017	$ 1,564,836	$ 1,748,794	$ (183,958)
Changes for the year:			
Service cost	36,670	-	36,670
Interest on total pension liability[1]	126,257	-	126,257
Effect of plan changes	-	-	-
Effect of economic/demographic gains or losses	(1,282)	-	(1,282)
Effect of assumptions changes or inputs	-	-	-
Refund of contributions	-	-	-
Benefit payments	(87,248)	(87,248)	-
Administrative expenses	-	(1,330)	1,330
Member contributions	-	16,074	(16,074)
Net investment income	-	(33,211)	33,211
Employer contributions	-	14,651	(14,651)
Other[2]	-	(1,508)	1,508
Balances as of December 31, 2018	$ 1,639,233	$ 1,656,222	$ (16,989)

[1] *Reflects the change in the liability due* to *the time value of money. TCDRS does not charge fees* or *interest.*
[2] *No change in plan valued.*
[3] *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. 3 net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (7.10%) or 1 percentage point higher (9.10%) than the current rate.

	1% Decrease	*Current Discount Rate*	*1% Increase*
	7.10%	8.10%	9.10%
Total pension liability	$ 1,793,282	$ 1,639,233	$ 1,503,608
Fiduciary net position	1,656,222	1,656,222	1,656,222
Net pension liability/(asset)	$ 137,060	$ (16,989)	$ (152,614)

NOTE 5 - RETIREMENT PLAN (Continued)

Pension Expense/Income -

	January 1, 2018 to December 31, 2018
Service cost	$ 36,670
Interest on total pension liability[1]	126,257
Effect of plan changes	-
Administrative expenses	1,330
Member contributions	(16,074)
Expected investment return net of investment expenses	(139,295)
Recognition of deferred inflows/outflows of resources	
Recognition of economic/demographic gains or losses	(525)
Recognition of assumption changes or inputs	3,193
Recognition of investment gains or losses	34,918
Other[2]	1,508
Pension expense (income)	$ 47,982

[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 Outflows of Resources -

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

	Deferred Inflows of Resources	*Deferred Outflows of Resources*
Differences between expected and actual experience	$ 641	$ 1,094
Changes of assumptions	-	3,193
Net difference between projected and actual earnings	-	95,285
Contributions made subsequent to measurement date	-	12,100
	$ 641	$ 111,672

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

NOTE 5 - RETIREMENT PLAN (Continued)

Deferred Outflows of Resources - (Continued)

Year ended December 31:

2019	$ 47,527
2020	15,284
2021	13,718
2022	34,502
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

The following is a summary of long-term debt transactions of the District for the year ended September 30, 2019 -

	Beginning Balance	*Issues or Additions*	*Payments or Expenditures*	*Ending Balance*	*Due Within One Year*
Compensated absences	$ 27,854	$ 21,880	$ (22,415)	$ 27,319	$ -
OPEB obligation	950,964	66,713	(32,727)	984,950	-
	$ 978,818	$ 88,593	$ (55,142)	$ 1,012,269	$ -

The obligations under compensated absences and other post-employment benefit (OPEB) obligations are liquidated by the general fund.

NOTE 7 - 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 8 - CONCENTRATION OF RISK

A major portion of the District's revenues is dependent upon property taxes from one taxpayer. For the year ended September 30, 2019, these taxes represented approximately 33% of total revenues.

NOTE 9 - 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).

The Jefferson County Drainage District 3 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 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 they do not contribute to this plan. Employee contributions were $2,823 for the year ended September 30, 2019.

NOTE 10 - 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 55 years of age and have at least 10 or more years of service, with 30 years of service regardless of age, or when the sum of their age and years of service equals 80 or more. Eligible retirees and their spouses receive medical, prescription, drug and dental benefits until eligible for Medicare. When eligible for Medicare retirees and their spouses receive supplemental coverage for these benefits.

NOTE 10 - OTHER POST-EMPLOYMENT BENEFITS (Continued)

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

	2018
Inactive employees or beneficiaries currently receiving benefit payments	3
Inactive employees entitled to but not yet receiving benefit payments	0
Active employees	6

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 year ended September 30, 2019, the cost of retiree health benefits, recorded on a pay-as-you-go basis was $39,594.

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.

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-2018
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%

NOTE 10 - OTHER POST-EMPLOYMENT BENEFITS (Continued)

Actuarial Methods and Assumptions - (Continued)

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 (Medical)	Age 50 - $1,277.80, Age 55 - $1,410.79, Age 60 - $1,557.63, Age 65 - $ 534.21
Monthly Claim Cost per Participant (Dental)	Age 50 - $30.72, Age 55 - $30.72, Age 60 - $30.72, Age 65 - $30.72
Health Care Cost Trends (Medical)	2019 to 2020 - 8.0%, 2021 to 2022 - 7.0%, 2023 to 2024 - 6.0%, 2025 & later - 5.0%
Health Care Cost Trends (Dental)	2019 to 2020 - 5.0%, 2021 to 2022 - 5.0%, 2023 to 2024 - 5.0%, 2025 & later - 5.0%
Assumed Rate of Return on Plan Assets	N/A

Monthly Premium

	Medical	Dental	
		High Plan	Basic Plan
Employee Only	$1,410.79	$30.72	$20.62
Employee & Spouse	$3,245.63	$66.23	$43.11
Employee & Child	$2,857.41	$66.23	$43.11
Family	$3,720.92	$112.60	$66.58
Medicare Supplement	$ 268.48		
Prescription Supplement	$ 265.73		

Retiree Contribution	Retiree - $0
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 - 30% Future spouses - 30% Percentage of employees who are married - 80%

NOTE 10 - OTHER POST-EMPLOYMENT BENEFITS (Continued)

Changes in Total OPEB Liability -

	Total OPEB Liability
Balances as of September 30, 2018	$ 950,964
Changes for the year:	
Service cost	35,195
Interest	31,518
Changes of benefit terms	-
Differences between expected and actual experience	-
Changes of assumptions or other inputs	-
Benefit payments	(32,727)
Administrative expense	-
Net Changes	33,986
Balances as of September 30, 2019	$ 984,950

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. 3 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.

	1% Decrease	*Current Discount Rate*	*1% Increase*
	2.25%	3.25%	4.25%
Total OPEB liability	$ 1,146,685	$ 984,950	$ 856,223

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 8.00%, as well as what the Drainage District No. 3, Jefferson County, Texas total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (7.00%) or 1 percentage point higher (9.00%) than the current rate.

	1% Decrease	*Current Discount Rate*	*1% Increase*
	7.00%	8.00%	9.00%
Total OPEB liability	$ 852,994	$ 984,950	$ 1,148,544

NOTE 10 - OTHER POST-EMPLOYMENT BENEFITS (Continued)

OPEB Expense

	October 1, 2018 to September 30, 2019
Service cost	$ 35,195
Interest	31,518
Expected return on investments	-
Recognition of difference between expected and actual experience	(217)
Recognition of changes in assumptions or other inputs	-
OPEB expense	$ 66,496

Deferred Inflows and Outflows of Resources -

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

	Deferred Inflows of Resources	*Deferred Outflows of Resources*
Differences between expected and actual experience	$ 275	$ -
Changes of assumptions	-	-
Net difference between projected and actual earnings	-	-

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	$ 217
2020	58
2021	-
2022	-
2023	-
Thereafter	-

NOTE 11 - PRIOR PERIOD ADJUSTMENT

During fiscal year end September 30, 2018, the District adopted GASB 75, *Accounting and financial Reporting for Postemployment Benefits Other Tank 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 $888,110.

REQUIRED SUPPLEMENTARY INFORMATION

DRAINAGE DISTRICT NO. 3
Jefferson County, Texas

REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
For Year Ended September 30, 2019

	Actual	*Original Budget*	*Final Budget*	*Variance Positive (Negative)*
Revenues				
Current taxes	$ 639,369	$ 628,554	$ 628,554	$ 10,815
Delinquent taxes	11,331	10,000	10,000	1,331
Investment earnings	14,191	1,000	1,000	13,191
Other	71,230	-	-	71,230
Total Revenues	736,121	639,554	639,554	96,567
Expenditures				
Salaries and wages	221,896	319,899	319,899	98,003
Fringe benefits	265,105	413,450	413,450	148,345
Materials and supplies	35,875	180,500	180,500	144,625
Maintenance and utilities	29,803	68,000	68,000	38,197
Miscellaneous services	42,293	132,100	132,100	89,807
Capital outlay	354,611	379,000	379,000	24,389
Total Expenditures	949,583	1,492,949	1,492,949	543,366
Excess (Deficiency) of Revenues over Expenditures	(213,462)	$ (853,395)	$ (853,395)	$ 639,933
Fund Balance/Net Position				
Beginning of the year	1,313,639			
End of the year	$ 1,100,177			

DRAINAGE DISTRICT NO. 3
Jefferson County, Texas

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

Year Ending December 31

Total Pension Liability	***2018***	***2017***	***2016***	***2015***	***2014***	***2013***	***2012***	***2011***	***2010***
Service cost	$ 36,670	$ 24,787	$ 24,428	$ 18,068	$ 29,638	N/A	N/A	N/A	N/A
Interest on total pension liability	126,257	119,669	114,898	119,534	118,739	N/A	N/A	N/A	N/A
Effect of plan changes	-	-	-	(1,382)	-	N/A	N/A	N/A	N/A
Effect of assumption changes or inputs	-	9,579	-	12,343	-	N/A	N/A	N/A	N/A
Effect of economic/demographic (gains) or losses	(1,282)	3,280	(2,931)	(97,191)	(16,768)	N/A	N/A	N/A	N/A
Benefit payments/refunds of contributions	(87,248)	(88,443)	(92,094)	(120,068)	(122,886)	N/A	N/A	N/A	N/A
Net change in total pension liability	74,397	68,872	44,301	(68,696)	8,723	N/A	N/A	N/A	N/A
Total pension liability, beginning	1,564,836	1,495,964	1,451,663	1,520,359	1,511,636	N/A	N/A	N/A	N/A
Total pension liability, ending (a)	$ 1,639,233	$ 1,564,836	$ 1,495,964	$ 1,451,663	$ 1,520,359	N/A	N/A	N/A	N/A

DRAINAGE DISTRICT NO. 3
Jefferson County, Texas

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

Year Ending December 31
- Continued -

Fiduciary Net Position	***2018***	***2017***	***2016***	***2015***	***2014***	***2013***	***2012***	***2011***	***2010***
Employer contributions	$ 14,651	$ 15,846	$ 13,780	$ 124,078	$ 20,635	N/A	N/A	N/A	N/A
Member contributions	16,074	16,146	13,141	13,198	11,724	N/A	N/A	N/A	N/A
Investment income net of investment expenses	(33,211)	229,393	114,052	42,718	106,665	N/A	N/A	N/A	N/A
Benefit payments/refunds of contributions	(87,248)	(88,443)	(92,094)	(120,068)	(122,886)	N/A	N/A	N/A	N/A
Administrative expenses	(1,330)	(1,163)	(1,236)	(1,113)	(1,189)	N/A	N/A	N/A	N/A
Other	(1,508)	(768)	(13,780)	(76,594)	11,674	N/A	N/A	N/A	N/A
Net change in fiduciary net position	(92,572)	171,011	33,863	(17,781)	26,623	N/A	N/A	N/A	N/A
Fiduciary net position, beginning	1,748,794	1,577,783	1,543,920	1,561,701	1,535,078	N/A	N/A	N/A	N/A
Fiduciary net position, ending (b)	1,656,222	1,748,794	1,577,783	1,543,920	1,561,701	N/A	N/A	N/A	N/A
Net pension liability/(asset), ending = (a) - (b)	$ (16,989)	$ (183,958)	$ (81,819)	$ (92,257)	$ (41,342)				
Fiduciary net position as a % of a total pension liability	101.04%	111.76%	105.47%	106.36%	102.72%				
Pensionable covered payroll	229,635	$ 230,653	$ 187,735	$ 188,548	$ 167,490				
Net pension liability as a % of covered payroll	(7.40%)	(79.76%)	(43.58%)	(48.93%)	(24.68%)				

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. 3
Jefferson County, Texas

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER CONTRIBUTIONS

Year Ending December 31

Year Ending December 31	*Actuarially Determined Contribution*	*Actual Employer Contribution*	*Contribution Deficiency (Excess)*	*Pensionable Covered Payroll* [1]	*Actual Contribution as a % of Covered Payroll*
2009	$ 17,996	$ 23,390	$ (5,393)	$ 275,172	8.5%
2010	19,933	19,933	-	205,069	9.7%
2011	18,424	18,424	-	189,157	9.7%
2012	18,856	18,856	-	179,407	10.5%
2013	26,377	26,377	-	218,174	12.1%
2014	20,635	20,635	-	167,490	12.3%
2015	24,078	124,078	(100,000)	188,548	65.8%
2016	13,780	13,780	-	187,735	7.3%
2017	15,846	15,846	-	230,653	6.9%
2018	14,651	14,651	-	229,635	6.40%

[1] *Payroll is calculated based on contributions as reported to TCDRS.*

DRAINAGE DISTRICT NO. 3
Jefferson County, Texas

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

September 30, 2019

Total OPEB Liability	***2019***	***2018***	***2017***	***2016***	***2015***	***2014***	***2013***	***2012***	***2011***
Service cost	$ 35,195	$ 33,094	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Interest	31,518	30,426	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	-	(492)	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Changes of assumptions or other inputs	-	-	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Benefit payments	(32,727)	(30,303)	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Net change in total OPEB liability	33,986	32,725	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Total OPEB liability, beginning	950,964	918,239	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Total OPEB liability, ending (a)	$ 984,950	$ 950,964	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Covered payroll	$ 221,896	247,357	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Total OPEB liability as a % of covered payroll	443.88%	384.45%	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 GASBS 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.

TEXAS SUPPLEMENTARY INFORMATION

DRAINAGE DISTRICT NO. 3
Jefferson County, Texas

TEXAS SUPPLEMENTARY INFORMATION
SERVICES AND RATES
September 30, 2019

1. Services provided by the District:

____ Retail Water	____ Wholesale Water	X Drainage
____ Retail Wastewater	____ Wholesale Wastewater	____ Irrigation
____ Parks/Recreation	____ Fire Protection	____ Security
____ Solid Waste/Garbage	X Flood Control	____ Roads

____ Participates in joint venture, regional system and/or wastewater service (other than emergency Interconnect)

____ Other (Specify): _____

2. Retail service provides N/A

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

	Minimum Charge	*Minimum Usage*	*Flat Rate Y/N*	*Rate per 1,000 Gallons Over Minimum Use*	*Usage Levels*
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:

Meter Size	*Total Connections*	*Active Connections*	*ESFC Factor*	*Active ESFCs*
Unmetered			x 1.0	
≤ ¾"			x 1.0	
1"			x 2.5	
1 ½"			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				
Total wastewater			x 1.0	

DRAINAGE DISTRICT NO. 3
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 X No ____

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

   City in which District is located. N/A

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

   ETJs in which District is located. N/A

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

   If yes, by whom? Jefferson County Commissioners Court

DRAINAGE DISTRICT NO. 3
Jefferson County, Texas

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

***Personnel expenditures** (including benefits)**	$	487,001
Professional fees -		
Auditing		16,498
Legal		-
Engineering		-
Financial advisor		-
Purchased services for resale -		
Bulk water and sewer service purchases		-
Contracted services -		
Bookkeeping		-
General manager		-
Appraisal district		6,469
Tax collector		1,459
Other contracted services		4,802
Utilities		13,079
Repairs and maintenance		49,661
Administrative expenditures -		
Directors' fees		-
Office supplies		1,392
Insurance		8,890
Other administrative expenditures		5,721
Capital outlay -		
Capitalized assets		354,611
Expenditures not capitalized		-
Tap connection expenditures		-
Solid waste disposal		-
Fire fighting		-
Parks and recreation		-
Other expenditures		-
Total Expenditures	$	949,583

**** Number of persons employed by the District***	4 Full-Time
	3 Directors

DRAINAGE DISTRICT NO. 3
Jefferson County, Texas

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

					General Fund
Taxes Receivable, Beginning of Year					$ 83,297
2018 Original tax levy					662,603
Adjustments					(16,874)
Total to be Accounted For					729,026
Tax collections -					
Current year					634,650
Prior years					5,217
Total Collections					639,867
Taxes Receivable, End of Year					$ 89,159
Taxes Receivable by Years					
2019					$ 22,663
2018					12,336
2017					8,231
2016					6,837
2015					5,271
Before 2014					33,821
Taxes Receivable, End of Year					$ 89,159
Property Valuations	*2018*	*2017*	*2016*	*2015*	
Land and improvements	$ 199,731,363	$ 219,813,211	$ 191,563,768	$ 170,767,295	
Tax Rates Per $100 Valuation					
General Fund	$ .338353	$ .331263	$ .331263	$ .331263	
Original Levy	$ 662,603	$ 728,781	$ 635,214	$ 566,667	
Percent of Taxes Collected to Taxes Levied	95.78%	97.19%	97.63%	98.41%	

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

DRAINAGE DISTRICT NO. 3
Jefferson County, Texas

TEXAS SUPPLEMENTARY INFORMATION
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES - GENERAL FUND
For Five Years Ended September 30,

General Fund	*Amounts*		
	2019	*2018*	*2017*
Revenues			
Property taxes	$ 650,700	$ 733,422	$ 632,398
Interest	14,191	5,569	2,359
Other	71,230	108,913	15,272
Total Revenues	736,121	847,904	650,029
Expenditures			
Salaries and wages	221,896	247,357	222,352
Fringe benefits	265,105	285,852	245,393
Materials and supplies	35,875	39,629	51,802
Maintenance and utilities	29,803	26,373	34,082
Miscellaneous services	42,293	44,615	33,438
Capital outlay	354,611	158,531	49,351
Total Expenditures	949,583	802,357	636,418
Excess Revenues (Expenditures)	$ (213,462)	$ 45,547	$ 13,611

DRAINAGE DISTRICT NO. 3
Jefferson County, Texas

TEXAS SUPPLEMENTARY INFORMATION
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES - GENERAL FUND
For Five Years Ended September 30,

2016	*2015*	*Percent of Fund Total Revenues* 2019	2018	2017	2016	2015
$ 568,143	$ 662,080	88.40	86.50	97.29	99.51	99.37
2,821	3,142	1.93	.66	.36	.49	.47
-	1,097	9.67	12.84	2.35	-	.16
570,964	666,319	100.00	100.00	100.00	100.00	100.00
186,439	175,882	30.14	29.17	34.21	32.65	26.40
342,505	232,556	36.01	33.71	37.75	59.99	35.18
47,553	44,825	4.87	4.67	7.97	8.33	6.73
24,533	24,590	4.05	3.12	5.24	4.30	3.69
38,948	34,400	5.75	5.26	5.14	6.82	5.16
-	81,508	48.18	18.70	7.59	-	12.23
639,978	593,761	129.00	94.63	97.90	112.09	89.39
$ (69,014)	$ 72,558	(29.00%)	5.37%	2.10%	(12.09%)	10.61%

DRAINAGE DISTRICT NO. 3
Jefferson County, Texas

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

Complete District mailing address: P. O. Box 120, Hamshire, Texas 77622

District business telephone number: (409) 243-3495

Name and Address	*Term of Office Date Elected or Date Hired*	*Fee and Expense Reimbursements September 30, 2019*	*Title at Year End*	*Resident of District*
Board Members				
LeRoy McCall, Jr. 25548 Hwy 124 Hamshire, Texas 77622	(Appointed) 04/18 - 04/22	$ 6,000	Chairman	Yes
Frank R. Rose 015968 Gallier Rd. Hamshire, Texas 77622	(Appointed) 04/18 - 04/22	$ 6,000	Secretary	Yes
Joel E. Levingston, Jr. 7744 Levingston Ranch Rd. Beaumont, Texas 77705	(Appointed) 11/16 - 11/20	$ 6,000	Commissioner	Yes

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

Key Personnel			
Fred Folsom 19779 Englin Road Winnie, Texas 77665	$	68,651	Superintendent
Consultants			
FMW, P.C. 1150 North Eleventh Street Beaumont, Texas 77702	$	16,498	Auditor