WILLACY COUNTY DRAINAGE DISTRICT NO. 1

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED DECEMBER 31, 2025

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ANNUAL FINANCIAL REPORT
FOR YEAR ENDED DECEMBER 31, 2025

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Willacy County Drainage
District No. 1
Raymondville, Texas

Opinions

We have audited the accompanying financial statements of the governmental activities and the major fund of Willacy County Drainage District No. 1 (the "District"), as of and for the year ended December 31, 2025, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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 major fund of Willacy County Drainage District No. 1, as of December 31, 2025, and the respective changes in financial position, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Willacy County Drainage District No. 1, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 supplementary information, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such 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. The 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 information, is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Roberto Lopez

Roberto Lopez CPA PC

Harlingen, Texas
August 24, 2026

WILLACY COUNTY DRAINAGE DISTRICT NO. 1
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2025

This discussion and analysis of Willacy County Drainage District No. 1's financial performance provides an overview of the District's financial activities for the fiscal year ended December 31, 2025. The MD&A should be read in conjunction with the District's basic financial statements.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

The noted to the financial statements provide narrative explanations or additional data needed for full disclosure in the government-wide statements of the fund financial statements.

FINANCIAL HIGHLIGHTS

- The assets of the District exceeded its liabilities at the close of the most recent year by $11,813,910 (net position). Of this amount $5,250,962 (unrestricted net position) may be used to meet the District's ongoing obligations to citizens and creditors.
- This Distict's total net position decreased by $548,596.
- As of the close of the current year, the District's governmental funds reported combined ending fund balances of $4,604,480. A decrease of $417,069 in comparison with the prior year. $4,571,242 is *available for spending* at the District's discretion (*unassigned fund balance).*

Reporting the District as a Whole

The Statement of Net Position and the Statement of Activities

The analysis of the District's overall financial condition and operations begins on page 7. Its primary objective is to show whether the District is better off or worse off as a result of the year's activities. The Statement of Net Position includes all the District's assets and liabilities while the Statement of Activities includes all the income and expenses generated by the District's operations during the year. These apply the accrual basis of accounting, which is the same method used by most private sector companies. All of the current year's income and expenses are taken into

account regardless of when cash is received or paid. All the District's assets are reported whether they serve the current or future years. Liabilities are considered whether they must be paid in the current or future years. These two statements report the District's net position and changes in them. The District's net position (the difference between assets, liabilities, and deferred inflows) provides one measure of the District's financial health or financial position. Over time, increases or decreases in the District's net position are one indicator of whether its financial health is improving or deteriorating. To assess fully the overall health of the District; however, you should consider non-financial factors as well, such as the condition of the District's facilities.

In the Statement of Net Position and the Statement of Activities, the District has one kind of activity:

> ***Government Activities*** **–** The District's basic services are reported here, including operating expenditures. Ad valorem taxes finance these activities.

Reporting the District's Governmental Funds

Governmental Fund – The District reports its basic services in the general fund. This fund uses modified accrual accounting (a method that measures the receipt and disbursement of cash and all other financial assets that can be readily converted to cash), and it reports balances that are available for future spending. The governmental fund statements provide a detailed short-term view of the District's general operations and the basic services it provides. We describe the differences between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in the reconciliation statements in the basic financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Our analysis focuses on the net position (Table I) and changes in net position (Table II) of the District's governmental activities.

Net position of the District's governmental activities decreased from $12,362,506 to $11,813,910. Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements – was $5,250,962 at December 31, 2025.

This decrease in governmental net position was the net result of four factors. First, the District's expenditures exceeded the revenues by $417,070. Second, the District's recognition of depreciation decreased the net position by $324,649. Third, the District's net position was increased by miscellaneous reclassifications of income by $62,571.

The following table reflects a summary of Net Position compared to prior year.

Table I
NET POSITION
DECEMBER 31,

	2025	2024
Assets:		
Current and other assets	$ 5,417,681	$ 5,726,860
Capital assets	6,562,948	6,757,045
Total assets	11,980,629	12,483,905
Liabilities:		
Other liabilities	166,719	121,399
Total liabilities	166,719	121,399
Net Position:		
Net invested in Capital Assets,	6,562,948	6,757,045
Unrestricted	5,250,962	5,605,461
Total Net Position	$ 11,813,910	$ 12,362,506

Table II
CHANGES IN NET POSITION
DECEMBER 31,

	2025	2024
Revenues:		
Ad valorem taxes	$ 499,971	$ 2,513,875
Interest income	100,179	56,707
Penalties and interest	23,104	31,455
Machine hire	-	-
Administrative	49,799	107,805
Miscellaneous	95,690	67,988
Total Revenues	$ 768,742	$ 2,777,831
Expenses:		
Service Operation	992,689	945,294
Depreciation	324,649	330,040
Total Expenses	$ 1,317,338	$ 1,275,334
Change in Net Position:	(548,596)	1,502,496
Beginning Net position	12,362,506	10,795,009
Prior period adjustment	-	65,000
Ending Net Position	$ 11,813,910	$ 12,362,506

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets
At December 31, 2025, the District had approximately $6,562,948 (net of accumulated depreciation) invested in a broad range of capital assets, including land, structures, and improvements and equipment.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGES AND RATES

The District's elected and appointed officials considered many factor when setting the year 2026 budget. The District expects revenues to equal expenditures for the year 2026.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the District Administration Office, at P.O. Drawer 20, Lyford, Texas, 78569.

BASIC FINANCIAL STATEMENTS

WILLACY COUNTY DRAINAGE DISTRICT NO. 1
STATEMENT OF NET POSITION AND GOVERNMENTAL FUNDS BALANCE SHEET
December 31, 2025

	General Fund	Adjustments	Statement of Net Position
Assets			
Cash and cash equivalents	$ 3,930,446	$ -	$ 3,930,446
Ad valorem taxes receivable	1,396,254	-	1,396,254
Allowance for uncollectible taxes	(125,291)	-	(125,291)
Receivables	183,034	-	183,034
Prepayments	33,237	-	33,237
Capital assets (net of accumulated depreciation)			
Land and easements	-	4,108,694	4,108,694
Structures and improvements	-	1,169,167	1,169,167
Equipment	-	1,285,087	1,285,087
Total Assets	5,417,681	6,562,948	11,980,629
Liabilities			
Current Liabilities:			
Accounts payable	6,686	-	6,686
Payroll liabilities	160,033	-	160,033
Total Current Liabilities	166,719	-	166,719
Total Liabilities	166,719	-	166,719
Deferred Inflows of Resources			
Unavailable revenue, flat rate	646,483	(646,483)	-
Total Deferred Inflows of Resources	646,483	(646,483)	-
Fund Balance/Net Position			
Fund balances:			
Nonspendable:			
Prepayments	33,237	(33,237)	-
Unassigned	4,571,242	(4,571,242)	-
Total (deficit) fund balances	4,604,480	(4,604,480)	-
Total Liabilities and Fund Balance	5,417,683		
Net Position			
Net invested in capital assets		6,562,948	6,562,948
Unrestricted net position		5,250,962	5,250,962
Total Net Position		$ 11,813,910	$ 11,813,910

The accompanying notes are an integral part of these financial statements

WILLACY COUNTY DRAINAGE DISTRICT NO. 1
RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET TO THE STATEMENT OF NET POSITION
December 31, 2025

Total Fund Balances - Governmental Funds	$	4,604,480
Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. At the beginning of the year, the cost of these assets was $11,597,034 and the accumulated depreciation was $4,839,989. The net effect of including the beginning balances for capital assets (net of depreciation) in the governmental activities is to increase net position.		6,757,044
Deferred outflows and inflows are not financial resources and therefore are not reported in the funds. The net effect of including the deferred outflows and inflows is to increase net position.		646,483
Current year capital outlays, are expenditures in the fund financial statements, but they should be shown as increase in capital assets in the government-wide financial statements. The net effect of including the 2025 capital outlays is to increase net position.		130,552
The 2025 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position.		(324,649)
Net Position of Governmental Activities	$	11,813,910

The accompanying notes are an integral part of these financial statements

WILLACY COUNTY DRAINAGE DISTRICT NO. 1
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS, REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
For the year ended December 31, 2025

	General Fund	Adjustments	Statement of Net Position
Revenues/Income			
Ad valorem taxes	$ 437,400	$ 62,571	$ 499,971
Interest	100,179	-	100,179
Penalties and interest	23,104	-	23,104
Administrative	49,799	-	49,799
Miscellaneous	95,690	-	95,690
Total Revenues/Income	706,171	62,571	768,742
Expenditures/Expenses			
Service operations:			
Operating	992,689	-	992,689
Capital Outlay	130,552	(130,552)	-
Depreciation	-	324,649	324,649
Total Expenditures/Expenses	1,123,241	194,097	1,317,338
Excess (deficiency) of revenues over expenditures/expenses	(417,070)	(131,526)	
Other financing sources:			
Excess (deficiency) of revenues and other sources over expenditures	(417,070)	417,070	
Change in net position		(548,596)	(548,596)
Fund balance/net position			
Beginning of the year	5,021,549	7,340,957	12,362,506
End of the year	$ 4,604,480	$ 7,209,431	$ 11,813,910

The accompanying notes are an integral part of these financial statements

WILLACY COUNTY DRAINAGE DISTRICT NO. 1
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES;
EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
For the year ended December 31. 2025

Total Net Change in Fund Balance - Governmental Funds	$ (417,070)
Curent year capital outlays are expenditures in the fund financial statements, but they should be shown as increases in capital assets in the government-wide financial statements. The net effect of removing the 2025 capital outlays is to increase net position.	130,552
Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease net position.	(324,649)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred inflows of revenue and adjusting current year income to show the resources earned from the current year's ad valorem tax. The net effect of these reclassifications and recognitions is to increase net position.	62,571
Change in Net Position of Governmental Activities	$ (548,596)

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

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Creation of District

The Willacy County Drainage District No. 1 was organized as a drainage district in 1969 under the provisions of Section 53, Texas Water Code.

2. The Reporting Entity

The Board of Directors (the "Board"), a seven member group, has governance responsibilities over all activities related to the Drainage District. The District is a financial reporting entity as defined by the Government Accounting Standards Board (GASB) in its Statement No. 14, "The Financial Reporting Entity", since the board members are elected by the public and have decision making authority, the power to designate management, the responsibility to significantly influence operations and primary accountability for fiscal matters. There are no component units included within the reporting entity. The District receives funding from local and federal sources and must comply with the requirements of the federal sources.

3. Government-Wide and Fund Financial Statements

The Statement of Net Position and the Statement of Activities are government-wide financial statements. They report information on all of the District's activities. *Governmental activities* include operations supported primarily by tax assessments.

The fund financial statements provide reports on the financial condition and results of operations for the general fund.

4. Measurement Focus, Basis of Accounting and Basis of Presentation

The government-wide financial statements use the economic resources measurement focus and the accrual basis of accounting. Income is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Flat rate assessments are recognized as income in the year for which they are levied.

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

The modified accrual basis of accounting recognizes revenues in the accounting period in which they become measurable and available, and it recognizes expenditures in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest and principal on long-term debt, which is recognized when due. The District considers flat rate and lawn contracts as available if they are collectible within 60 days after year end.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (*Continued)*

The District's accounts are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts which are comprised of each fund's assets, liabilities, equity, revenues, and expenditures. The District reports the following major governmental fund:

General Fund – The General Fund is used to account for financial resources used for general operations. It is the basic fund of the District and covers all activities. Any fund balances are considered resources available for current operations.

5. Other Accounting Policies

1. Cash includes cash on hand, in bank checking and savings accounts, and bank certificate of deposits with maturity dates of less than 90 days.

2. The District records purchases of supplies as expenditures. If any supplies are on hand at the end of the year, their total cost is recorded as inventory and the fund balance is restricted for the same amount.

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

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

   The term of the lease must be the non-cancelable period during which the City has the right to use the tangible assets of another entity plus any periods in which either the lessee or the lessor has the sole option to extend the lease if it is reasonably certain the option will be exercised plus any period in which either the lessee or the lessor has the sole option to terminate the lease if it is reasonably certain the option will not be exercised by that party and must not meet the definition of a short-term lease under GASB 87.

   Structures and improvements and equipment of the District are depreciated using the straight line method over the following estimated useful lives:

Asset Class	Estimated Useful Lives
Structures & improvements	50 years
Equipment	5-15 years

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (*Continued)*

4. Certain prepayments to vendors reflect costs applicable to future accounting period and are recorded as prepayments within the deferred expenditures (expenses) line in both government-wide and fund financial statements.

5. The Drainage District follows these procedures in establishing the budgetary data reflected in the financial statements:

    1. Prior to September 1, the General Manager submits to the Board of Directors a proposed operating budget for the year commencing the following January 1. The operating budget included proposed expenditures and the means of financing them.
    2. Public hearings are conducted to obtain taxpayer comments.
    3. Prior to January 1, the budget is legally enacted by Board approval.
    4. The General Manager is authorized to change the spending of budgeted amounts between expenditure categories within the General Fund however, any revisions that alter the total expenditures of the General Fund must be approved by the Board of Directors.
    5. Formal budgetary integration is employed as a management control device during the year for the General Fund.
    6. The official Non-Appropriated Budget for the General Fund is adopted on a basis consistent with generally accepted accounting principles (GAAP). The budget for the General Fund was not amended during the year.

6. Encumbrance Accounting

Encumbrance accounting which uses purchase orders, contracts and other commitments for the expenditure of resources is not utilized in the Governmental Fund of the Willacy County Drainage District No. 1. Expenditures are recognized when the goods purchased are received or when services have been performed.

7. Fund Balance Policies

The District has classified its fund balances in the following classifications:

Nonspendable	$	33,237
Restricted		
Committed		
Assigned		
Unassigned	$	4,571,242

The Board of Trustees is the District's decision making authority for both committing and restricting fund balances.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (*Continued)*

The Board of Trustees must by formal board action establish, modify or rescind a fund balance commitment.

When the District incurs an expense for which it may use either restricted or unassigned assets, it uses the restricted assets first unless unassigned assets will have to be returned because they were not used.

8. Use of Estimates

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

9. Deferred Outflows/Inflows of Resources

Unavailable tax assessment revenues are classified as deferred inflows and are defined as an acquisition of net assets by the District that is applicable to a future reporting period.

NOTE B – DEPOSITS AND INVESTMENTS

Legal and Contractual Provisions Governing Deposits and Investments

The Public Funds Investment Act (Government Code Chapter 2256) contains specific provisions in the area of investment practices, management reports and establishment of appropriate policies. Among other things, it requires the District to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels. (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity data for the portfolio, (8) investment staff quality and capabilities, (9) and bid solicitation preferences for certificates of deposit. Statutes authorize the District to invest in (1) obligations of the U.S. Treasury, certain U.S. Agencies, and the State of Texas, (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers acceptances, (7) mutual funds, (8) investment pools, (9) guaranteed investment contracts, (10) and common trust funds. The Act also required the District to have independent auditors perform test procedures related to investment practices as provided by the Act. The District is in substantial compliance with the requirements of the Act and with local policies.

Policies Governing Deposits and Investments

In compliance with the Public Funds Investment Acts, the District had adopted a deposit and investment policy. That Policy does address the following risks:

NOTE B – DEPOSITS AND INVESTMENTS - (*Continued)*

a. Custodial Credit Risk – Deposits: In the case of deposits, this is the risk that, in the event of a bank failure, the District's deposits may not be returned to it. The District had no deposits exposed to Custodial Risk at December 31, 2025.

b. Custodial Credit Risk – Investments: For an investment, this is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District had no investments at December 31, 2025, exposed to Custodial Credit Risk.

c. Interest Rate Risk: Investments strategies have as the primary objective of investment liquidity. As a means of minimizing risk of loss due to interest rate fluctuations, certificates of deposit cannot have a stated final maturity date which exceed 365 days.

NOTE C – AD VALOREM TAXES

Ad valorem taxes are levied by October 1. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which levied. On January 1 of each year, a lien attached to property to secure the payment of all taxes, penalties and interest ultimately imposed.

NOTE D – DELINQUENT TAXES RECEIVABLES

Delinquent taxes are accounted for in the General Fund. Allowances for uncollectible tax receivables accounts within the General Fund are based on historical experience in collecting taxes.

NOTE E – CAPITAL ASSETS ACTIVITY

Capital asset activity for the District, for the year ended December 31, 2025, was as follows:

	Beginning Balance 12-31-2024	Additions	Deletions	Ending Balance 12-31-2025
Governmental Activities:				
Land	$ 4,108,694	$ -	$ -	$ 4,108,694
Structures and improvements	4,060,246	111,980	-	4,172,226
Equipment	3,428,094	18,572		3,446,666
Total at historical cost	$ 11,597,034	$ 130,552	$ -	$ 11,727,586
Less accumulated depreciation for:				
Structures and improvements	(2,958,362)	(44,697)	-	(3,003,059)
Equipment	(1,881,627)	(279,952)		(2,161,579)
Total accumulated depreciation	(4,839,989)	(324,649)	-	(5,164,638)
Governmental activities capital assets, net	$ 6,757,044	$ (194,097)	$ -	$ 6,562,948

NOTE F – PENDING LITIGATION

The District currently has no pending litigation and is not aware of any litigation.

NOTE G – PENSION COVERAGE FOR DISTRICT EMPLOYEES

The District provides pension benefits for all of tis full-time employees through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Employees are eligible to participate after completing two years of service. The District contributes 3% of the employee's base salary each month.

The District's total payroll for 2025 was $432,116. The District's contribution was calculated using a base salary amount of $193,441. The District made the required contribution of $42,375.

NOTE H – DEFERRED INFLOWS OF RESOURCES

Deferred Inflows of Resources at December 31, 2025, consisted of the following:

	General Fund
Net ad valorem taxes	$ 646,483

NOTE I – RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, theft of, damage of, and destruction of assets, errors and omissions; injuries to employees; and natural disasters. The District is a member of the Texas Municipal League Intergovernmental Risk Pool, a joint self-insurance pool of Texas Political Subdivision, which provides workers' compensation coverage and liability and property coverage for the District based upon a sharing of risks among members of the pool.

The District continues to carry commercial insurance for the risks of loss from employee dishonesty and for the bonding of its directors. There have been no claims resulting from these risks in any of the past three fiscal years. There has been no significant reduction in insurance coverage from coverage in the prior year.

NOTE J – SUBSEQUENT EVENTS

Subsequent events have been evaluated through August 24, 2026, which is the date the financial statements were available to be issued. Events occurring after that date have not been evaluated to determine whether a change in the financial statements would be required.

REQUIRED SUPPLEMENTARY INFORMATION

WILLACY COUNTY DRAINAGE DISTRICT NO. 1
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
For the fiscal year ended December 31, 2025

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Ad valorem taxes	$ 1,494,184	$ 1,494,184	$ 437,400	$ (1,056,784)
Interest	-	-	100,179	100,179
Penalties and interest	27,783	27,783	23,104	(4,679)
Machine hire	-	-	-	0
Administrative	73,076	73,076	49,799	(23,277)
Miscellaneous	952	952	95,690	94,738
Total revenues	1,595,995	1,595,995	706,171	(889,824)
Expenses				
Service operations:				
Operating	827,850	827,850	992,689	(164,839)
Capital Outlays	768,145	768,145	130,552	637,593
Total expenses	1,595,995	1,595,995	1,123,241	472,754
Excess (deficiency) of revenues over expenditures	-	-	(417,070)	(417,070)
Beginning of the year, Fund Balance	5,021,549	5,021,549	5,021,549	-
End of the year, Fund Balance	$ 5,021,549	$ 5,021,549	$ 4,604,480	$ (417,070)

SUPPLEMETARY SCHEDULES

WILLACY COUNTY DRAINAGE DISTRICT NO. 1
SCHEDULE OF CASH
For the year ended December 31, 2025

Cash:	General Fund
Petty cash	$ 46
Cash on deposit at	
First Community Bank:	
Checking account	94,874
Certificates of Deposit	2,054,475
Money market account	1,699,409
Payroll account	81,642
Total cash	$ 3,930,446

WILLACY COUNTY DRAINAGE DISTRICT NO. 1
SCHEDULE OF OPERATING EXPENDITURES
For the year ended December 31, 2025

	2025
Salaries	$ 432,116
Professional services	27,774
Insurance	142,633
Willacy County Appraisal District	39,909
Telephone	2,112
Operating supplies	75,338
Payroll taxes	36,198
Equipment and building maintenance	27,101
Utilities	4,117
Ditch maintenance	76,352
Legal advertising	294
Office	70,856
Miscellaneous	15,320
Reitrement	42,375
Total operating expenditures	$ 992,689