

WILLACY COUNTY DRAINAGE DISTRICT NO. 2  
FOR THE YEAR ENDED DECEMBER 31, 2022

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# **BUFFO & BERKMAN**

**CERTIFIED PUBLIC ACCOUNTANTS**  
324 E. HIDALGO BOX 710 956-689-2479  
RAYMONDVILLE, TEXAS 78580

## Independent Auditor's Report

Board of Directors  
Willacy County Drainage  
District No. 2  
Raymondville, Texas

### ***Opinions***

We have audited the accompanying financial statements of the governmental activities and the major fund of the Willacy County Drainage District No. 2, as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise Willacy County Drainage District No. 2'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 the Willacy County Drainage District No. 2, as of December 31, 2022, 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.

### ***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 the Willacy County Drainage District No. 2, 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.

### ***Responsibility of Management 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, and for the design, implementation, and maintenance for 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 Willacy County Drainage District No. 2'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 Willacy County Drainage District No. 2'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 Willacy County Drainage District No. 2'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 matter, 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 required supplementary information such as 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 inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, 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.

### ***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Willacy County Drainage District No. 2'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 accompanying supplementary information is fairly stated in all material respects, in relation to the basic financial statements as a whole.

BUFFO & BERKMAN  
Raymondville, Texas  
May 24, 2023

**WILLACY COUNTY DRAINAGE DISTRICT NO. 2  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

**DECEMBER 31, 2022**

**(UNAUDITED)**

Our discussion and analysis of Willacy County Drainage District No. 2's financial performance provides an overview of the District's financial activities for the year ended December 31, 2022. Please read it in conjunction with the District's basic financial statements which begin on page 15.

**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. 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 the non-appropriated budget.

The notes to the financial statements (starting on page 19) provide narrative explanations or additional data needed for full disclosure in the government-wide statements and the fund financial statements.

## **FINANCIAL HIGHLIGHTS**

- The assets of the District exceeded its liabilities at the close of the most recent year by \$2,058,749 (net position). Of this amount \$1,933,762 (unrestricted net position) may be used to meet the District’s ongoing obligations to citizens and creditors.
- This District’s total net position increased by \$176,270.
- As of the close of the current year, the District’s governmental funds reported combined ending fund balances of \$1,897,904. An increase of \$161,539 in comparison with the prior year. \$1,897,904 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 15. 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 and liabilities) provide one measure of the District's financial health or financial position. Over time, increases or decreases in the District's net position are one indicator of whether its financial health is improving or deteriorating. To assess fully the overall health of the District; however, you should consider nonfinancial 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 expenses. Ad valorem tax income 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 increased from \$1,882,479 to \$2,058,749. 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 – increased from \$1,757,492 to \$1,933,762 at December 31, 2022.

This increase in governmental net position was the net result of two factors. First, the District's revenues exceeded the expenditures by \$161,539. Second, the District's net position was increased by miscellaneous reclassifications of income by \$14,731.

TABLE I  
NET POSITION

	<u>Governmental Activities</u>	
	<u>2022</u>	<u>2021</u>
Current and other assets	\$ 2,336,267	\$ 1,855,517
Capital assets	<u>124,987</u>	<u>124,987</u>
Total assets	<u>\$ 2,461,254</u>	<u>\$ 1,980,504</u>
Other liabilities	<u>\$ 7,364</u>	<u>\$ 98,025</u>
Total liabilities	<u>\$ 7,364</u>	<u>\$ 98,025</u>
Deferred inflows of resources	<u>\$ 395,141</u>	<u>\$</u>
Total inflows of resources	<u>\$ 395,141</u>	<u>\$</u>
Net position:		
Invested in capital assets, net of related debt	<u>\$ 124,987</u>	<u>\$ 124,987</u>
Unrestricted	<u>1,933,762</u>	<u>1,757,492</u>
Total net position	<u>\$ 2,058,749</u>	<u>\$ 1,882,479</u>

TABLE II  
CHANGE IN NET POSITION

	<u>Governmental Activities</u>	
	<u>2022</u>	<u>2021</u>
Income:		
Ad valorem taxes	\$ 361,892	\$ 387,276
Interest	6,502	10,024
Penalties and interest	9,833	3,529
TWDB	<u>43,322</u>	<u></u>
Total income	<u>\$ 421,549</u>	<u>\$ 400,829</u>
Expenses:		
Service operations:		
Operating	<u>\$ 245,279</u>	<u>\$ 254,105</u>
Total expenses	<u>\$ 245,279</u>	<u>\$ 254,105</u>
CHANGE IN NET POSITION	\$ 176,270	\$ 146,724
NET POSITION, JANUARY 1	<u>1,882,479</u>	<u>1,735,755</u>
NET POSITION, DECEMBER 31	<u>\$ 2,058,749</u>	<u>\$ 1,882,479</u>

## **CAPITAL ASSET AND DEBT ADMINISTRATION**

### **Capital Assets**

At December 31, 2022, the District had approximately \$124,987 invested in land and easements. There were no major additions in 2022.

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

The District's elected and appointed officials considered many factors when setting the calendar year 2023 budget. The District expects revenues to equal expenditures for the year 2023 due to increased expenditures.

## **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

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

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## **BASIC FINANCIAL STATEMENTS**

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WILLACY COUNTY DRAINAGE DISTRICT NO. 2  
STATEMENT OF NET POSITION AND GOVERNMENTAL FUNDS BALANCE SHEET  
DECEMBER 31, 2022

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$1,974,484	\$	\$1,974,484
Ad valorem taxes receivable	341,594		341,594
Allowance for uncollectible taxes	( 8,585)		( 8,585)
Accounts receivable	28,774		28,774
Capital assets (net of accumulated depreciation)			
Land and easements	_____	124,987	124,987
Total assets	<u>\$2,336,267</u>	<u>\$ 124,987</u>	<u>\$2,461,254</u>
<b>LIABILITIES</b>			
Accounts payable	\$ 7,364	\$ _____	\$ 7,364
Total liabilities	<u>\$ 7,364</u>	<u>\$ _____</u>	<u>\$ 7,364</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable revenue			
Ad valorem taxes	\$ 35,858	\$( 35,858)	\$ -0-
TWDB	395,141	_____	395,141
Total inflows of resources	<u>\$ 430,999</u>	<u>\$( 35,858)</u>	<u>\$ 395,141</u>
<b>FUND BALANCE/NET POSITION</b>			
Fund balances:			
Unassigned	\$1,897,904	\$(1,897,904)	
Total fund balances	\$1,897,904	\$(1,897,904)	
Total liabilities, deferred inflows and fund balances	<u>\$2,336,267</u>		
Net position:			
Invested in capital assets, net of related debt		\$ 124,987	\$ 124,987
Unrestricted		1,933,762	1,933,762
Total net position		<u>\$2,058,749</u>	<u>\$2,058,749</u>

The accompanying notes are an integral part of this statement

WILLACY COUNTY DRAINAGE DISTRICT NO. 2  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE  
STATEMENT OF NET POSITION  
DECEMBER 31, 2022

<b>Total Fund Balances - Governmental Funds</b>	\$ 1,897,904
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 \$124,987. The net effect of including the beginning balances for capital assets in the governmental activities is to increase net position.	124,987
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. This include recognizing deferred inflows as income. The net effect of this reclassification is to increase net position.	<u>35,858</u>
<b>Net Position of Governmental Activities</b>	<u>\$ 2,058,749</u>

The accompanying notes are an integral part of this statement.

WILLACY COUNTY DRAINAGE DISTRICT NO. 2  
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS  
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED DECEMBER 31, 2022

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
<b>REVENUES/INCOME</b>			
Ad valorem taxes	\$ 347,161	\$ 14,731	\$ 361,892
Interest	6,502		6,502
Penalties and interest	9,833		9,833
TWDB	<u>43,322</u>	<u>          </u>	<u>43,322</u>
Total revenues/income	<u>\$ 406,818</u>	<u>\$ 14,731</u>	<u>\$ 421,549</u>
<b>EXPENDITURES/EXPENSES</b>			
Service operations:			
Operating	<u>\$ 245,279</u>	<u>\$          </u>	<u>\$ 245,279</u>
Total expenditures/expenses	<u>\$ 245,279</u>	<u>\$          </u>	<u>\$ 245,279</u>
Excess (deficiency) of revenues over expenditures	\$ 161,539	\$ 14,731	
Other financing sources:	<u>          </u>	<u>          </u>	
Excess (deficiency) of revenues and other sources over expenditures	\$ 161,539	\$( 161,539)	
Change in net position		176,270	\$ 176,270
<b>Fund balances/net position:</b>			
Beginning of the year	<u>1,736,365</u>	<u>146,114</u>	<u>1,882,479</u>
End of the year	<u>\$1,897,904</u>	<u>\$ 160,845</u>	<u>\$ 2,058,749</u>

The accompanying notes are an integral part of this statement.

WILLACY COUNTY DRAINAGE DISTRICT NO. 2  
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, 2022

**Total Net Change in Fund Balances - Governmental Funds** \$ 161,539

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 as income, adjusting current year income to show the income earned from the current year's tax levy. The net effect of these reclassifications and recognitions is to increase net position.

14,731

**Change in Net Position of Governmental Activities** \$ 176,270

The accompanying notes are in integral part of this statement.

WILLACY COUNTY DRAINAGE DISTRICT NO. 2  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2022

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. CREATION OF DISTRICT

The Willacy County Drainage District No. 2 was organized as a drainage district in 1969 under the provisions of Section 53, Texas Water Code.

B. REPORTING ENTITY

The Board of Supervisors (the “Board”), a five 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 sources and must comply with the requirements of this funding source.

C. 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.

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

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

WILLACY COUNTY DRAINAGE DISTRICT NO. 2  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2022

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION (continued)

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 and fund balances are included on the balance sheet. Operating statements of these funds present net increases and decreases in current assets (i.e., revenues and other financing sources and expenditures and other financing uses).

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

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.

E. OTHER ACCOUNTING POLICIES

1. Cash and cash equivalent include cash in checking accounts and certificates of deposit 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 reserved for the same amount.
3. Capital assets, which include land and easements, are reported in the applicable governmental 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

WILLACY COUNTY DRAINAGE DISTRICT NO. 2  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2022

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. OTHER ACCOUNTING POLICIES (Continued)

estimated historical cost if purchased or constructed, Donated capital assets are recorded at estimated fair market value at the date of 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.

4. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepayments within the deferred expenditures (expenses) line item 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 includes 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 Manger is authorized to change 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 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. 2. Expenditures are recognized when the goods purchased are received or when services have been performed.

WILLACY COUNTY DRAINAGE DISTRICT NO. 2  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2022

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. FUND BALANCE POLICIES

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

Nonspendable-prepayments	
Restricted	
Committed	
Assigned	
Unassigned	\$ 1,897,904

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

The Board of Directors 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.

II. DETAILED NOTES ON ALL FUNDS

A. DEPOSITS AND INVESTMENTS

District Polices and Legal and Contractual Provisions Governing Deposits

*Custodial Credit Risk for Deposits* State law requires governmental entities to contract with financial institutions in which funds will be deposited to secure those deposits with insurance or pledged securities with a fair value equaling or exceeding the amount of deposit at the end of each business day. The pledged securities must be in the name of the governmental entity and held by the entity or its agent. Since the District complies with law, it has no custodial credit risk for deposits.

**Compliance with the Public Funds Investment Act**

The **Public Funds Investment Act** (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports, and establishment of appropriate policies. Among other things, it requires a governmental entity 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

WILLACY COUNTY DRAINAGE DISTRICT NO. 2  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2022

II. DETAILED NOTES ON ALL FUNDS (Continued)

A. DEPOSITS AND INVESTMENTS (Continued)

allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, (9) and bid solicitation preferences for certificates of deposit

Statutes authorize the entity to invest in (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas; (2) certificates of deposits, (3) certain municipal securities, (4) money market saving 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 requires the entity to have independent auditors perform test procedures related to investment practices as provided by the Act. Willacy County Drainage District No. 2 is in compliance with the requirements of the Act and with the local policies.

Additional policies and contractual provisions governing deposits and investments for Willacy County Drainage District No. 2's are specified below:

Credit Risk To limit the risk that an issuer or other counterparty to an investment will not fulfill its obligation the District limits investments to Certificates of Deposit and Bank Money Market Savings Account.

Custodial Credit Risk for Investments All of the District's investments are registered in the District's name; therefore, the District is not exposed to custodial credit risk.

Concentration of Credit Risk As of December 31, 2022, None.

Interest Rate Risk To limit the risk that changes in interest rates will adversely affect the fair of investments, the District requires investments to have maturities of less than one year on a weighted average maturity basis.

B. 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 attaches to property to secure the payment of all taxes, penalties and interest ultimately imposed.

C. 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.

WILLACY COUNTY DRAINAGE DISTRICT NO. 2  
 NOTES TO THE FINANCIAL STATEMENTS  
 YEAR ENDED DECEMBER 31, 2022

II. DETAILED NOTES ON ALL FUNDS (Continued)

D. CAPITAL ASSET ACTIVITY

Capital asset activity for the District, for the year ended December 31, 2021, was as follows:

	<u>Beginning Balance</u>	<u>Addition</u>	<u>Deletion</u>	<u>Ending Balance</u>
Governmental Activities:				
Land and easement	\$ 124,987	\$ _____	\$ _____	\$ 124,987
Total at historical cost	<u>\$ 124,987</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 124,987</u>

E. PENSION COVERAGE FOR DISTRICT EMPLOYEES

The District has no employees and, therefore, no pension plan.

F. DEFERRED INFLOW OF RESOURCES

Deferred inflow of resources at December 31, 2022, consisted of the following:

	<u>General Fund</u>
Net ad valorem taxes	\$ 35,859
TWDB	<u>395,141</u>
	<u>\$ 431,000</u>

G. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets, errors and omissions; injuries to employees; and natural disasters. The District is a member of the Texas Farm Bureau, which provides liability and property coverage for the District.

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.

WILLACY COUNTY DRAINAGE DISTRICT NO. 2  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2022

II. DETAILED NOTES ON ALL FUNDS (Continued)

H. SUSEQUENT EVENTS

Subsequent events have been evaluated through May 24, 2023 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.

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## **REQUIRED SUPPLEMENTARY INFORMATION**

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WILLACY COUNTY DRAINAGE DISTRICT NO. 2  
 BUDGETARY COMPARISON SCHEDULE - GENERAL FUND  
 FOR THE YEAR ENDED DECEMBER 31, 2022

	Actual	Original And Final Budget	Variance Positive (Negative)
Revenues:			
Ad valorem taxes	\$ 347,161	\$ 304,970	\$ 42,191
Interest	6,502	3,529	2,973
Penalties and interest	9,833	10,024	( 191)
TWDB	43,322		43,322
Total revenues	\$ 406,818	\$ 318,523	\$ 88,295
Expenditures:			
Service operations:			
Operatin	\$ 245,279	\$ 318,523	\$ 73,244
Total expenditures	\$ 245,279	\$ 318,523	\$ 73,244
Excess (deficiency) of revenues over expenditures	\$ 161,539	\$ -0-	\$ 161,539
Fund balances:			
Beginning of the year	1,736,365	1,736,365	-0-
End of the year	\$ 1,897,904	\$ 1,736,365	\$ 161,539

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## **SUPPLEMENTARY INFORMATION**

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WILLACY COUNTY DRAINAGE DISTRICT NO. 2  
SCHEDULE OF CASH AND CASH EQUIVALENTS  
FOR THE YEAR ENDED DECEMBER 31, 2022

	<u>General Fund</u>
<u>Cash:</u>	
First Community Bank:	
Checking account	\$ 15,896
Money Market Saving Account	345,926
Texas Regional Bank:	
Construction	386,162
Escrow	<u>395,141</u>
Total cash	<u>\$ 1,143,125</u>
<u>Cash Equivalents:</u>	
First Community Bank:	
Certificate of Deposit	<u>\$ 831,359</u>
Total cash equivalents	<u>\$ 831,359</u>
Total cash and cash equivalents	<u>\$ 1,974,484</u>

WILLACY COUNTY DRAINAGE DISTRICT NO. 2  
 SCHEDULE OF AD VALOREM TAXES RECEIVABLE  
 FOR THE YEAR ENDED DECEMBER 31, 2022

Changes in taxes receivable:

Taxes receivable at beginning of year	\$ 156,192	
Adjustments	( <u>1,280</u> )	\$ 154,912
 2022 year - levy	 \$ 345,321	
Adjustments	<u>18,945</u>	364,266
 2022 collections:		
Current year	\$ 141,667	
Prior years	<u>35,917</u>	<u>177,584</u>
 Taxes receivable at end of year		 <u>\$ 341,594</u>

Taxes receivable by year:

2022		\$ 328,349
2021		3,347
2020		1,705
2019		1,804
2018		1,443
2017		1,134
2016		1,003
2015		781
2014		337
2013 and prior		<u>1,691</u>
		<u>\$ 341,594</u>

WILLACY COUNTY DRAINAGE DISTRICT NO. 2  
SCHEDULE OF OPERATING EXPENDITURES  
FOR THE YEAR ENDED DECEMBER 31, 2022

	<u>2022</u>
Professional services	\$ 72,470
Insurance	2,277
Tax collecting fees	5,634
Willacy County Appraisal District	8,032
Ditch maintenance	96,702
Office administration	54,855
IT services	4,820
Legal advertising	294
Miscellaneous	<u>195</u>
 Total operating expenditures	 <u>\$ 245,279</u>