WILLACY COUNTY DRAINAGE DISTRICT NO. 2

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED DECEMBER 31, 2024

WILLACY COUNTY DRAINAGE DISTRICT NO. 2
ANNUAL FINANCIAL REPORT
FOR YEAR ENDED DECEMBER 31, 2024

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INDEPENDENT AUDITOR'S REPORT

To the 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 Willacy County Drainage District No. 2 (the "District"), as of and for the year ended December 31, 2024, 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. 2, as of December 31, 2024, 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. 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.

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.

Supplementary 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 8, 2025

WILLACY COUNTY DRAINAGE DISTRICT NO. 2
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2024

This discussion and analysis of Willacy County Drainage District No. 2's financial performance provides an overview of the District's financial activities for the fiscal year ended December 31, 2024. 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 $1,712,267 (net position). Of this amount $1,587,281 (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 $283,125.
- As of the close of the current year, the District's governmental funds reported combined ending fund balances of $1,294,059. A decrease of $318,765 in comparison with the prior year. $1,294,059 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 $1,995,392 to $1,712,267. 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 – decreased from $1,870,405 to $1,587,281 at December 31, 2024.

This decrease in governmental net position was the net result of four factors. First, the District's expenditures exceeded the revenues by $285,080. Second, the District's net position was increased by miscellaneous reclassifications of income by $311,198.

MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2024

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

Table I
NET POSITION
DECEMBER 31,

	2024	2023
Assets:		
Current and other assets	$ 1,667,798	$ 2,198,871
Capital assets	124,987	124,987
Total assets	1,792,785	2,323,858
Liabilities:		
Other liabilities	-	6,909
Total liabilities	-	6,909
Deferred inflows of resources:		
Deferred inflows	80,518	321,557
Total inflows of resources	80,518	321,557
Net Position:		
Net invested in Capital Assets, net of related debt	124,987	124,987
Unrestricted	1,587,281	1,870,405
Total Net Position	$ 1,712,267	$ 1,995,392

Table II
CHANGES IN NET POSITION
DECEMBER 31,

	2024	2023
Revenues:		
Ad valorem taxes	$ 403,631	$ 393,776
Interest income	14,492	42
Penalties and interest	2,851	2,648
Other income	5,108	24,370
TWDB	241,040	62,336
Total Revenues	$ 667,122	$ 483,171
Expenses:		
Service Operation	942,678	546,530
Total Expenses	$ 942,678	$ 546,530
Change in Net Position:	(275,556)	(63,359)
Beginning Net position	1,995,392	2,058,749
Prior period adjustment	(7,567)	-
Ending Net Position	$ 1,712,267	$ 1,995,392

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At December 31, 2024, the District had approximately $124.987 (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 2025 budget. The District expects revenues to equal expenditures for the year 2025.

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.

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BASIC FINANCIAL STATEMENTS

WILLACY COUNTY DRAINAGE DISTRICT NO. 2
STATEMENT OF NET POSITION AND GOVERNMENTAL FUNDS BALANCE SHEET
December 31, 2024

	General Fund	Adjustments	Statement of Net Position
Assets			
Cash and cash equivalents	$ 1,275,306	$ -	$ 1,275,306
Ad valorem taxes receivable	373,268	-	373,268
Allowance for ucollectible taxes	(10,088)	-	(10,088)
Accounts receivable	29,313	-	29,313
Capital assets (net of accumulated depreciation)			
Land and easements	-	124,987	124,987
Total Assets	1,667,798	124,986	1,792,785
Liabilities			
Accounts payable	-	-	-
Total Liabilities	-	-	-
Deferred Inflows of Resources			
Unavailable revenue:			
Ad valorem taxes	293,222	(293,222)	-
TWDB	80,518	-	80,518
Total Deferred Inflows of Resources	373,740	(293,222)	80,518
Fund Balance/Net Position			
Fund balances:			
Nonspendable:			
Unassigned	1,294,059	(1,294,059)	-
Total (deficit) fund balances	1,294,059	(1,294,059)	-
Total Liabilities and Fund Balance	1,667,798		
Net Position			
Net invested in capital assets		124,986	124,986
Unrestricted net position		1,587,281	1,587,281
Total Net Position		$ 1,712,267	$ 1,712,267

The accompanying notes are an integral part of these financial statements

WILLACY COUNTY DRAINAGE DISTRICT NO. 2
RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET TO THE STATEMENT OF NET POSITION
December 31, 2024

Total Fund Balances - Governmental Funds	$	1,294,059
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 (net of depreciation) 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.		293,222
Net Position of Governmental Activities	$	1,712,267

WILLACY COUNTY DRAINAGE DISTRICT NO. 2
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS, REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
For the year ended December 31, 2024

	General Fund	Adjustments	Statement of Net Position
Revenues/Income			
Ad valorem taxes	$ 367,989	$ 35,642	$ 403,631
Interest	14,492	-	14,492
Penalties and interest	2,851	-	2,851
Other income	5,108		5,108
TWDB	241,040	-	241,040
Total Revenues/Income	631,480	35,642	667,122
Expenditures/Expenses			
Service operations:			
Operating	942,678	-	942,678
Total Expenditures/Expenses	942,678	-	942,678
Excess (deficiency) of revenues over expenditures/expenses	(311,198)	35,642	
Other financing sources:			
Excess (deficiency) of revenues and other sources over expenditures	(311,198)	311,198	
Change in net position		(275,556)	(275,556)
Fund balance/net position			
Beginning of the year	1,612,824	382,566	1,995,390
Prior period adjustment	(7,567)	-	(7,567)
End of the year	$ 1,294,059	$ 418,208	$ 1,712,267

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. 2024

Total Net Change in Fund Balance - Governmental Funds	$ (311,198)
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 tax levy. The net effect of these reclassifications and recognitions is to increase net position.	35,642
Change in Net Position of Governmental Activities	$ (275,556)

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. 2 was organized as a drainage district in 1969 under the provisions of Section 53, Texas Water Code.

2. The Reporting Entity

The Board of Directos (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 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. Tax 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 taxes 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 and easements, 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.

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.

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

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. 2. 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		
Restricted		
Committed		
Assigned		
Unassigned	$	1,294,059

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

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

10. Leases

The District has adopted FASB ASC 842, Leases, with a date of initial application of January 1, 2022. For leases with a lease term greater than one year, the District recognizes a lease asset for its right to use the underlying leased asset and a lease liability for the corresponding lease obligation. The District determines whether an arrangement is or contains a lease at contract inception. Operating leases with a duration greater than one year are included in operating lease right-of-use assets, current portion operating lease liabilities, and operating lease liabilities, net of current portion, the District's Statement of Net Position at December 31, 2024. Operating lease right-of-use assets and operating lease liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. In determining the present value of lease payments, the District uses a risk free rate of a period comparable with that of the lease term. The District considers the lease term to be noncancelable period that it has the right to use the underlying asset, including all periods covered by an option to (1) extend the lease if the District is reasonably certain not to exercise the option, and (3) extend, or not to terminate, the lease in which exercise of the option is controlled by the lessor.

The operating lease right-of-use assets also include any lease payments and exclude lease incentives received or receivable. Lease expense is recognized on a straight-line basis over the expected lease term. Variable lease expenses are recorded when incurred.

NOTE B – DEPOSITS AND INVESTMENTS

Legal and Contractual Provisions Governing Deposits and Investments

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 risk for deposits.

Compliance with the Public Fund Investment Act

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

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

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:

a. Custodial Risk – To limit the risk that an issues or other counterparty to an investment will not fulfill its obligation the District limits investments to Certificates of Deposit and Bank Money Market Savings Accounts.
b. 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.
c. Concentration of Credit Risk – As of December 31, 2024, none.
d. 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.

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 is 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 – FASB ASC 606 NEW ACCOUNTING GUIDANCE

The Financial Accounting Standards Board (FASB) issued new guidance that created Topic 606, *Revenue from Contracts with Customers,* in the Accounting Standards Codification (ASC). Topic 606 supersedes the revenue recognition requirements in FASB ASC 605, *Revenue Recognition,* and required the recognition of revenue when promised goods or services are transferred to customers in an amount that reflects the consideration to which an entity expects to be entitle in exchange for good or services. The new guidance also added Subtopic 340-40,
Other Assets and Deferred Costs – Contracts with Customers, to the ASC to require the deferral of incremental costs of obtaining a contract with a customer. Collectively, we refer to the new

NOTE E – FASB ASC 606 NEW ACCOUNTING GUIDANCE – (*Continued)*

Topic 606 and Subtopic 640-40 as the "new guidance." No retrospective transition was necessary from the adoption of the new guidance.

NOTE F – CAPITAL ASSETS ACTIVITY

Capital asset activity for the District, for the year ended December 31, 2024, was as follows:

	Beginning Balance 12-31-2023	Additions	Deletions	Ending Balance 12-31-2024
Governmental Activities:				
Land and easement	$ 124,987	$ -	$ -	$ 124,987
Total at historical cost	$ 124,987	$ -	$ -	$ 124,987

NOTE G – PENDING LITIGATION

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

NOTE H – PENSION COVERAGE FOR DISTRICT EMPLOYEES

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

NOTE I – DEFERRED INFLOWS OF RESOURCES

Deferred Inflows of Resources at December 31, 2024, consisted of the following:

	General Fund
Net ad valorem taxes	$ 293,222
TWDB	80,518
	$ 373,740

NOTE J – 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 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.

NOTE K – SUBSEQUENT EVENTS

Subsequent events have been evaluated through August 8, 2025, 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.

NOTE L – PRIOR PERIOD ADJUSTMENT

Prior Period Adjustment	
$ (7,567)	*To adjust beginning net position*
$ (7,567)	

REQUIRED SUPPLEMENTARY INFORMATION

WILLACY COUNTY DRAINAGE DISTRICT NO. 2
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
For the fiscal year ended December 31, 2024

	Budgeted Amounts		Actual	Variance with Final Budget - Positive
	Original	Final	Amounts	(Negative)
Revenues				
Ad valorem taxes	$ 347,850	$ 347,850	$ 367,989	$ 20,139
Interest	6,502	6,502	14,492	7,990
Penalties and interest	9,833	9,833	2,851	(6,982)
Other income	-	-	5,108	5,108
TWDB	43,322	43,322	241,040	197,718
Total revenues	407,507	407,507	631,480	223,973
Expenses				
Service operations:				
Operating	371,570	371,570	942,678	(571,108)
Capital Outlays	35,937	35,937	-	35,937
Total expenses	407,507	407,507	942,678	(535,171)
Excess (deficiency) of revenues over expenditures	-	-	(311,198)	(311,198)
Beginning of the year, Fund Balance	1,612,824	1,612,824	1,612,824	-
Prior period adjustment	-	-	(7,567)	(7,567)
End of the year, Fund Balance	$ 1,612,824	$ 1,612,824	$ 1,294,059	$ (318,765)

SUPPLEMETARY SCHEDULES

WILLACY COUNTY DRAINAGE DISTRICT NO. 2
SCHEDULE OF CASH
For the year ended December 31, 2024

Cash:		General Fund
First Community Bank:		
Checking account	$	14,251
Money Market Savings Account		315,972
Texas Regional Bank:		
Construction		24,018
Escrow		80,518
Total Cash		434,758
Cash Equivalents:		
First Community Bank:		
Certificate of Deposit		840,548
Total cash equivalents		840,548
Total cash and cash equivalents	$	1,275,306

WILLACY COUNTY DRAINAGE DISTRICT NO. 2
SCHEDULE OF OPERATING EXPENDITURES
For the year ended December 31, 2024

	2024
Professional services	$ 728,251
Insurance	2,945
Tax collecting fees	11,040
Willacy County Appraisal District	2,248
Ditch maintenance	138,831
Office administration	48,469
IT services	1,800
Legal advertising	294
Miscellaneous	8,801
Total operating expenditures	$ 942,678