
ANNUAL FINANCIAL REPORT

WILLACY COUNTY DRAINAGE DISTRICT NO. 1

DECEMBER 31, 2020

BUFFO & BERKMAN
CERTIFIED PUBLIC ACCOUNTANTS

WILLACY COUNTY DRAINAGE DISTRICT NO. 1
FOR THE YEAR ENDED DECEMBER 31, 2020

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BUFFO & BERKMAN

CERTIFIED PUBLIC ACCOUNTANTS

324 E. HIDALGO BOX 710 956-689-2479

RAYMONDVILLE, TEXAS 78580

May 26, 2021

Independent Auditor's Report

Board of Directors
Willacy County Drainage District No. 1
Lyford, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the major fund for Willacy County Drainage District No. 1, as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America. This includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no audit opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of Willacy County Drainage District No. 1, as of December 31, 2020, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the required supplementary information such as management's discussion and analysis and budgetary comparison information on pages 5 through 10 and page 27 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Willacy County Drainage District No. 1's basic financial statements. The other schedules are presented for purpose of additional analysis and are not a required part of the basic financial statements.

The other schedules are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain 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 other schedules are fairly stated in all material respects, in relation to the basic financial statements as a whole.

BUFFO & BERKMAN
Certified Public Accountant

**WILLACY COUNTY DRAINAGE DISTRICT NO. 1
MANAGEMENT'S DISCUSSION AND ANALYSIS**

DECEMBER 31, 2020

(UNAUDITED)

Our discussion and analysis of Willacy County Drainage District Number 1's financial performance provides an overview of the District's financial activities for the fiscal year ended December 31, 2020. Please read it in conjunction with the District's basic financial statements which begin on page 13.

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 notes to the financial statements (starting on page 17) 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 \$8,536,347 (*net position*). Of this amount \$1,488,026 (*unrestricted net position*) may be used to meet the District's ongoing obligations to citizens and creditors.
- This District's total net position decreased by \$170,676.
- As of the close of the current year, the District's governmental funds reported combined ending fund balances of \$1,317,381. A decrease of \$67,214 in comparison with the prior year. \$1,488,026 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 13. 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 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 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 \$8,707,023 to \$8,536,347. 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 \$1,488,026 at December 31, 2020.

This decrease in governmental net position was the net result of four factors. First, the District's expenditures exceeded the revenues by \$67,214. Second, the District's recognition of depreciation decreased the net position by \$271,181. Third, the District's net position was increased by miscellaneous reclassifications of income by \$7,840. Fourth, the District increased its net position by \$159,879, as the result of the purchase of capital assets.

TABLE I
NET POSITION

	<u>Governmental Activities</u>	
	<u>2020</u>	<u>2019</u>
Current and other assets	\$ 1,503,576	\$ 1,578,627
Capital assets	<u>7,048,321</u>	<u>7,159,623</u>
Total assets	<u>\$ 8,551,897</u>	<u>\$ 8,738,250</u>
Other liabilities	<u>\$ 15,550</u>	<u>\$ 31,227</u>
Total liabilities	<u>\$ 15,550</u>	<u>\$ 31,227</u>
Net position:		
Invested in capital assets, net of related debt	\$ 7,048,321	\$ 7,159,623
Unrestricted	<u>1,488,026</u>	<u>1,547,400</u>
Total net position	<u>\$ 8,536,347</u>	<u>\$ 8,707,023</u>

TABLE II
CHANGE IN NET POSITION

	<u>Governmental Activities</u>	
	<u>2020</u>	<u>2019</u>
Income:		
Ad valorem taxes	\$ 747,869	\$ 768,697
Interest income	3,704	10,147
Penalties and interest	20,881	16,548
Machine hire	22,860	8,494
Administrative	43,541	32,195
Miscellaneous	<u>14,684</u>	<u>2,602</u>
Total income	<u>\$ 853,539</u>	<u>\$ 838,683</u>
Expenses:		
Service operations:		
Operating	\$ 753,034	\$ 655,943
Depreciation	<u>271,181</u>	<u>275,473</u>
Total expenses	<u>\$ 1,024,215</u>	<u>\$ 931,416</u>
CHANGE IN NET POSITION	\$(170,676)	\$(92,733)
NET POSITION, JANUARY 1	<u>8,707,023</u>	<u>8,799,756</u>
NET POSITION, DECEMBER 31	<u>\$ 8,536,347</u>	<u>\$ 8,707,023</u>

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At December 31, 2020, the District had approximately \$7,048,321 (net of accumulated depreciation) invested in a broad range of capital assets, including land, structures and improvements and equipment.

This year's major additions included:

Equipment	\$ 159,879
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ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The District's elected and appointed officials considered many factors when setting the year 2021 budget. The District expects revenues to equal expenditures for year 2021.

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.

BASIC FINANCIAL STATEMENTS

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WILLACY COUNTY DRAINAGE DISTRICT NO. 1
STATEMENT OF NET POSITION AND GOVERNMENTAL FUNDS BALANCE SHEET
DECEMBER 31, 2020

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
ASSETS			
Cash	\$ 639,235	\$	\$ 639,235
Ad Valorm taxes receivable	807,308		807,308
Allowance for uncollectible taxes	(128,103)		(128,103)
Receivables	166,389		166,389
Prepayments	18,347		18,347
Deposits	400		400
Capital assets (net of accumulated depreciation)			
Land and easements		4,108,694	4,108,694
Structures and improvements		1,338,878	1,338,878
Equipment		<u>1,600,749</u>	<u>1,600,749</u>
Total assets	<u>\$ 1,503,576</u>	<u>\$ 7,048,321</u>	<u>\$ 8,551,897</u>
LIABILITIES			
Accounts payable	<u>\$ 15,550</u>	<u>\$</u>	<u>\$ 15,550</u>
Total liabilities	<u>\$ 15,550</u>	<u>\$</u>	<u>\$ 15,550</u>
DEFERRED INFLOW OF RESOURCES			
Unavailable revenue – ad valorem taxes	<u>\$ 170,646</u>	<u>\$(170,646)</u>	<u>\$ -0-</u>
Total infow of resources	<u>\$ 170,646</u>	<u>\$(170,646)</u>	<u>\$ -0-</u>
FUND BALANCE/NET POSITION			
Fund balances:			
Nonspendable	\$ 18,347	\$(18,347)	
Unassigned	<u>1,299,033</u>	<u>(1,299,033)</u>	
Total fund balances	<u>\$ 1,317,380</u>	<u>\$(1,317,380)</u>	
Total liabilities, deferred inflow of resources and fund balances	<u>\$ 1,503,576</u>		
Net position:			
Invested in capital assets, net of related debt		\$ 7,048,321	\$ 7,048,321
Unrestricted		<u>1,488,026</u>	<u>1,488,026</u>
Total net position		<u>\$ 8,536,347</u>	<u>\$ 8,536,347</u>

The accompanying notes are an integral part of this statement.

WILLACY COUNTY DRAINAGE DISTRICT NO. 1
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET POSITION
DECEMBER 31, 2020

Total Fund Balances - Governmental Funds \$ 1,317,380

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 \$10,536,381 and the accumulated depreciation was \$3,376,758. The net effect of including the beginning balances for capital assets (net of depreciation) in the governmental activities is to increase net position. 7,159,623

The 2020 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position. (271,181)

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. The net effect is to increase net position. 170,646

Current year capital outlays are expenditures in the fund financial statements, but should be shown as increases in capital assets in the government-wide financial statements. The net effect of including the 2020 capital outlays is to increase net position. 159,879

Net Position of Governmental Activities \$ 8,536,347

The accompanying notes are an integral part of this statement.

WILLACY COUNTY DRAINAGE DISTRICT NO. 1
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2020

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
REVENUES/INCOME			
Ad valorem taxes	\$ 740,029	\$ 7,840	\$ 747,869
Interest	3,704		3,704
Penalties and interest	20,881		20,881
Machine hire	22,860		22,860
Administrative	43,541		43,541
Miscellaneous	<u>14,684</u>		<u>14,684</u>
Total revenues/income	<u>\$ 845,699</u>	<u>\$ 7,840</u>	<u>\$ 853,539</u>
EXPENDITURES/EXPENSES			
Service operations:			
Operating	\$ 753,034	\$	\$ 753,034
Capital outlay	159,879	(159,879)	
Depreciation	<u>-0-</u>	<u>271,181</u>	<u>271,181</u>
Total expenditures/expenses	<u>\$ 912,913</u>	<u>\$ 111,302</u>	<u>\$ 1,024,215</u>
Excess (deficiency) of revenues over expenditures	\$(67,214)	\$(103,462)	
Other financing sources:	_____	_____	
Excess (deficiency) of revenues and other sources over expenditures	\$(67,214)	\$ 67,214	
Change in net position		(170,676)	\$(170,676)
Fund balances/net position:			
Beginning of the year	<u>1,384,594</u>	<u>7,322,429</u>	<u>8,707,023</u>
End of the year	<u>\$1,317,380</u>	<u>\$ 7,218,967</u>	<u>\$ 8,536,347</u>

The accompanying notes are an integral part of this statement.

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, 2020

Total Net Change in Fund Balances - Governmental Funds \$(67,214)

Current 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 2020 capital outlays is to increase net position. 159,879

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. (271,181)

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 ad valorem taxes. The net effect of these reclassifications and recognitions is to increase net position. 7,840

Change in Net Position of Governmental Activities \$(170,676)

The accompanying notes are an integral part of this statement.

WILLACY COUNTY DRAINAGE DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2020

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. 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.

B. 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.

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. Revenues are 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 revenues 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 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).

WILLACY COUNTY DRAINAGE DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2020

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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 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 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 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.

WILLACY COUNTY DRAINAGE DISTRICT NO. 1
 NOTES TO THE FINANCIAL STATEMENTS
 YEAR ENDED DECEMBER 31, 2020

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. OTHER ACCOUNTING POLICIES (Continued)

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

<u>Assets</u>	<u>Years</u>
Structures and improvements	50
Equipment	5-15

4. Certain prepayments to vendors reflect costs applicable to future accounting periods 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 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 Manager 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. 1. Expenditures are recognized when the goods purchased are received or when services have been performed.

WILLACY COUNTY DRAINAGE DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2020

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. FUND BALANCE POLICIES

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

Nonspendable	\$ 18,347
Restricted	
Committed	
Assigned	
Unassigned	\$1,299,033

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.

II. DETAILED NOTES ON ALL FUNDS

A. 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) investments pools, (9) guaranteed investment contracts, (10) and common trust funds. The Act also requires the District to have independent

WILLACY COUNTY DRAINAGE DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2020

II. DETAILED NOTES ON ALL FUNDS (Continued)

A. DEPOSITS AND INVESTMENTS (Continued)

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 has adopted a deposit and investment policy. That policy does address the following risks:

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 Credit Risk at December 31, 2020.

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, 2020, 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.

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. 1
 NOTES TO THE FINANCIAL STATEMENTS
 YEAR ENDED DECEMBER 31, 2020

II. DETAILED NOTES ON ALL FUNDS (Continued)

D. CAPITAL ASSET ACTIVITY

Capital asset activity for the District, for the year ended December 31, 2020, was as follows:

	<u>Balance</u> <u>12-31-19</u>	<u>Addition</u>	<u>Deletion</u>	<u>Balance</u> <u>12-31-20</u>
Governmental Activities:				
Land	\$ 4,108,694	\$	\$	\$ 4,108,694
Structures and improvements	4,048,257			4,048,257
Equipment	<u>2,379,430</u>	<u>159,879</u>	<u>(56,000)</u>	<u>2,483,309</u>
Total at historical cost	<u>\$10,536,381</u>	<u>\$ 159,879</u>	<u>\$(56,000)</u>	<u>\$ 10,640,260</u>
Less accumulated depreciation for:				
Structures and improvements	\$(2,628,415)	\$(80,964)	\$	\$(2,709,379)
Equipment	<u>(748,343)</u>	<u>(190,217)</u>	<u>56,000</u>	<u>(882,560)</u>
Total accumulated depreciation	<u>\$(3,376,758)</u>	<u>\$(271,181)</u>	<u>\$ 56,000</u>	<u>\$(3,591,939)</u>
Governmental activities capital assets, net	<u>\$ 7,159,623</u>	<u>\$(111,302)</u>	<u>\$ -0-</u>	<u>\$ 7,048,321</u>

E. PENSION COVERAGE FOR DISTRICT EMPLOYEES

The District provides pension benefits for all of its 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 2020 was \$341,001. The District's contribution was calculated using a base salary amount of \$326,445. The District made the required contribution of \$8,391.

WILLACY COUNTY DRAINAGE DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2020

II. DETAILED NOTES ON ALL FUNDS (Continued)

F. DEFERRED INFLOWS OF RESOURCES

Deferred Inflows of Resources at December 31, 2020, consisted of the following:

General Fund

Net ad valorem taxes	<u>\$ 170,646</u>
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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 Municipal League Intergovernmental Risk Pool, a joint self-insurance pool of Texas Political Subdivisions, 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.

H. SUBSEQUENT EVENTS

Subsequent events have been evaluated through May 26, 2021, 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. 1
 BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
 FOR THE YEAR ENDED DECEMBER 31, 2020

	<u>Actual</u>	<u>Final and Original Budget</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Ad valorem taxes	\$ 740,029	\$ 703,985	\$ 36,044
Interest	3,704	8,314	(4,610)
Penalties and interest	20,881	19,111	1,770
Machine hire	22,860	36,348	(13,488)
Administrative	43,541	38,278	5,263
Miscellaneous	<u>14,684</u>	<u>538</u>	<u>14,146</u>
Total revenues	<u>\$ 845,699</u>	<u>\$ 806,574</u>	<u>\$ 39,125</u>
Expenditures:			
Service operations:			
Operating	\$ 753,034	\$ 706,574	\$(46,460)
Capital outlays	<u>159,879</u>	<u>100,000</u>	<u>(59,879)</u>
Total expenditures	<u>\$ 912,913</u>	<u>\$ 806,574</u>	<u>\$(106,339)</u>
Excess (deficiency) of revenues over expenditures	\$(67,214)	\$ -0-	\$(67,214)
Fund balances:			
Beginning of the year	<u>1,384,594</u>	<u>1,384,594</u>	<u>-0-</u>
End of the year	<u>\$ 1,317,380</u>	<u>\$ 1,384,594</u>	<u>\$(67,214)</u>

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OTHER SCHEDULES

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WILLACY COUNTY DRAINAGE DISTRICT NO. 1
SCHEDULE OF CASH
FOR THE YEAR ENDED DECEMBER 31, 2020

	<u>General Fund</u>
<u>Cash:</u>	
Petty cash	\$ 40
Cash on deposit at	
First Community Bank:	
Checking account	22,335
Money market account	587,128
Payroll account	<u>29,732</u>
 Total cash	 <u>\$ 639,235</u>

WILLACY COUNTY DRAINAGE DISTRICT NO. 1
 SCHEDULE OF TAXES RECEIVABLE
 FOR THE YEAR ENDED DECEMBER 31, 2020

Changes in taxes receivable:

Taxes receivable at beginning of year	\$ 791,349	
Adjustments	<u>(2,788)</u>	\$ 788,561
2020 year – levy	\$ 758,097	
Adjustments	<u>(1,063)</u>	757,034
2020 collections:		
Current year	\$ 164,816	
Prior years	<u>573,471</u>	<u>738,287</u>
Taxes receivable at end of year		<u>\$ 807,308</u>

Taxes receivable by year:

2020		\$ 592,218
2019		33,550
2018		21,729
2017		17,381
2016		14,494
2015		12,185
2014		11,082
2013		11,863
2012		11,033
2011 and prior		<u>81,773</u>
		<u>\$ 807,308</u>

WILLACY COUNTY DRAINAGE DISTRICT NO. 1
SCHEDULE OF OPERATING EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2020

	<u>2020</u>
Salaries	\$ 341,001
Professional services	43,532
Insurance	80,451
Tax collecting fees	16,705
Willacy County Appraisal District	22,411
Telephone	4,758
Operating supplies	75,113
Travel and meals	2,405
Payroll taxes	27,746
Equipment and building maintenance	51,928
Utilities	4,263
Ditch maintenance	38,630
Legal advertising	221
Office	27,514
Miscellaneous	6,563
Retirement	<u>9,793</u>
 Total operating expenditures	 <u>\$ 753,034</u>