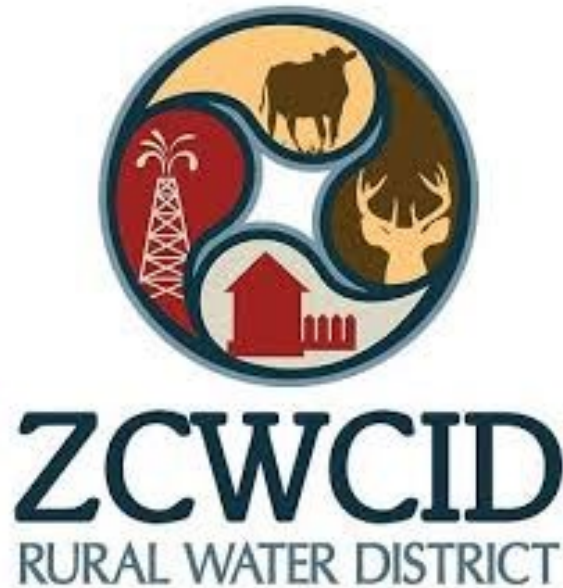


ZAPATA COUNTY WATER CONTROL & IMPROVEMENT DISTRICT (HIGHWAY 16E)

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED AUGUST 31, 2025



ADRIAN WEBB, CPA

Certified Public Accountant

THE STATE OF TEXAS }
COUNTY OF ZAPATA }

Zapata County Water Control and Improvement District

This filing affidavit and the attached copy of the audit report will be submitted to the Texas Commission on Environmental Quality to satisfy the annual filing requirements of Texas Water Code

Date 12/18/25


By

Sergio A. Lozano, Vice-President

Sworn to and subscribed to before me this 18th day of December, 2025

Muraja Bustamante

My Commission Expires on: Jan 14, 2027

 **MIREYA BUSTAMANTE**
My Notary ID # 131853831
Expires January 14, 2027

ADRIAN WEBB, CPA

Certified Public Accountant

Independent Auditor's Report

To the Board of Directors
Zapata County Water Control & Improvement District
Zapata, Texas

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Zapata County Water Control & Improvement District (the "District") as of and for the year ended August 31, 2025, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund, and the aggregate remaining fund information of the District as of August 31, 2025, 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 District, 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, 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 the 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 me 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 supplementary information required by the Texas Commission on Environmental Quality as published in the *Water District Financial Management Guide* is presented for purposes of additional analysis and is 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 supplementary information, excluding that portion marked "Unaudited" on which we express no opinion or provide an assurance, 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.

Adrian Webb, CPA

Adrian Webb, CPA
Edinburg, Texas
December 16, 2025

Zapata County Water Control & Improvement District (Highway 16E)
Management's Discussion and Analysis
For the Year Ended August 31, 2025

This section of Zapata County Water Control & Improvement District (Highway 16E) (the "District") discussion and analysis is designed to provide an objective and easy to read analysis of the District's financial activities for the fiscal year ended August 31, 2025, based on currently known facts, decisions, or conditions. Specifically, this section is designed to assist the reader in focusing on significant financial issues, provide an overview of the District's financial activity and identify changes in the District's financial position. As with other sections of this financial report, the information contained within this MD&A should be considered only a part of a greater whole. The reader of this statement should take time to read and evaluate all sections of this report, including the notes that are provided in addition to this MD&A.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The basic financial statements include: (1) combined fund financial statements and government-wide financial statements and (2) notes to financial statements. The combined fund financial statements and government-wide financial statements combine both (1) the Statement of Net Position and Governmental Funds Balance Sheet and (2) the Statement of Activities and Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances. This report also includes required and other supplementary information in addition to the basic financial statements.

FINANCIAL HIGHLIGHTS

Government-Wide Statements

Statement of Financial Position

- The District's net position as of August 31, 2025, and August 31, 2024, were \$7,889,830, and \$7,630,323, respectively.
- The District's net position increased by \$259,507 for the current fiscal year.

Statement of Activity

- Services fees and other revenues for the year ended August 31, 2025, and August 31, 2024, totaled \$1,015,735 and \$1,125,386, the decrease was mainly due to lower property tax revenue.
- Expenses for the year ended August 31, 2025, and August 31, 2024, totaled \$756,228, and \$800,654, which came from decreased material and supply costs.

Governmental Fund Statements

- The District's General Fund balance as of August 31, 2025, was \$4,287,372, a decrease of \$171,821 from the previous year.
- General Fund revenues totaled \$1,024,729, and \$1,074,904, resulting in a decrease of \$50,175.
- General Fund expenditures totaled \$1,196,551 and \$974,035, resulting in an increase of \$222,516 due primarily to capital outlay expenditures.

General Information

- The District had no authorized and unissued debt.

Zapata County Water Control & Improvement District (Highway 16E)
Management's Discussion and Analysis
For the Year Ended August 31, 2025

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The District's annual report includes two financial statements combining the government-wide financial statements and the fund financial statements. The government-wide financial statements provide both long-term and short-term information about the District's overall status. Financial reporting at this level uses a perspective like that found in the private sector with its basis in full accrual accounting and elimination or reclassification of internal activities. The Statement of Net Position includes all the District's assets, liabilities and deferred inflows and outflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District as a whole is improving or deteriorating. Evaluation of the overall health of the District would extend to other non-financial factors. The Statement of Activities reports how the District's net position changed during the current fiscal year. All current year revenues and expenses are included regardless of when cash is received or paid. These activities are financed primarily by user fees.

FUND FINANCIAL STATEMENTS

The combined statements also include fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District has two governmental fund types. The General Fund accounts for resources not accounted for in another fund, customer service revenues, operating costs, and general expenditures. The Capital Projects Fund accounts for financial resources restricted, committed, or assigned for acquisition or construction of facilities and related costs.

The District has only one of the three different types of funds.

- *Governmental funds*—All of the District's services are included in governmental funds, which focus on (1) how *cash and other financial assets* that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed *short-term* view that helps one determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's services. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information that explains the relationship (or differences) between the two financial statements.

GENERAL FUND BUDGETARY HIGHLIGHTS

Over the course of the year, the District did not revise its budget. Although the District is required to adopt an annual budget, the adopted budget does not represent the District's legal authority to make expenditures or incur liabilities. Management utilizes the budget primarily for planning purposes. Budget variances are "Favorable" if actual revenues exceed budgeted amounts and if actual expenditures are under budgeted amounts. Variances are "Unfavorable" if actual revenues are under budgeted amounts and if actual expenditures are over budgeted amounts. Favorable variances are indicated by showing amounts without brackets and unfavorable variances are indicated by bracketed amounts. Excluding interfund transfers, overall budget variances for the current year were favorable.

NOTE TO THE FINANCIAL STATEMENTS

The accompanying notes to the financial statements provide information essential to a full understanding of the government-wide and fund financial statements.

Zapata County Water Control & Improvement District (Highway 16E)
Management's Discussion and Analysis
For the Year Ended August 31, 2025

OTHER INFORMATION

In addition to the financial statements and accompanying notes, this report also presents certain required supplementary information ("RSI") and other supplementary information. A budgetary comparison schedule is included as RSI for the General Fund.

FINANCIAL ANALYSIS OF THE DISTRICT'S GOVERNMENTAL FUNDS

The District's fund balance as of August 31, 2025, was \$4,287,372, a decrease of \$171,821 from the prior year.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of the District's financial position. In the case of the District, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$7,889,830, as of August 31, 2025. A portion of the District's net position reflects its net investment in capital assets (land, buildings, and equipment as well as the water and wastewater facilities, less any debt used to acquire those assets that are still outstanding). The following table provides a summary of the district's operations for the year ending August 31, 2025:

Exhibit 1 – Statement of Net Position

	August 31, 2025	August 31, 2024	Increase (Decrease)	
			\$	%
ASSETS				
Current & Other Assets	\$ 4,367,061	\$ 4,549,788	\$ (182,727)	-4.02%
Capital & Non-Current Assets	3,538,941	3,094,477	444,464	14.36%
Total Assets	7,906,002	7,644,265	261,737	3.42%
LIABILITIES				
Current & Other Liabilities	16,172	13,942	2,230	15.99%
Total Liabilities	16,172	13,942	2,230	15.99%
NET POSITION				
Net Investment in Capital Assets	3,538,941	3,094,477	444,464	14.36%
Unrestricted	4,350,889	4,535,845	(184,956)	-4.08%
Total Net Position	7,889,830	7,630,323	259,508	3.40%
LIABILITIES AND NET POSITION	\$ 7,906,002	\$ 7,644,265	\$ 261,738	3.42%

Zapata County Water Control & Improvement District (Highway 16E)
Management's Discussion and Analysis
For the Year Ended August 31, 2025

Exhibit 2 – Statement of Activities

	August 31, 2025	August 31, 2024	Increase (Decrease)	
			\$	%
Revenues:				
Program Revenues:				
Charges for Water Services	\$ 158,457	\$ 136,509	\$ 21,948	16.08%
Lease of Water Rights	-	15,000	(15,000)	100.00%
General Revenues:				
Maintenance & Operations Tax	699,577	805,721	(106,144)	-13.17%
Interest Income	157,701	163,150	(5,449)	-3.34%
Other Income	-	5,006	(5,006)	100.00%
Total Revenues	1,015,735	1,125,386	(109,651)	-9.74%
Expenses:				
General Government	135,512	167,829	(32,317)	-19.26%
Water Utilities Department	620,716	632,825	(12,109)	-1.91%
Total Expenses	756,228	800,654	(44,426)	-5.55%
Increase (Decrease) in Net Position	259,507	324,732	(65,225)	-20.09%
Net Position - Beginning, as restated	\$ 7,630,323	\$ 7,305,590	\$ 65,225	0.89%
Net Position - Ending	\$ 7,889,830	\$ 7,630,323	\$ (12,109)	-0.16%

CAPITAL ASSETS

The District has invested (net of depreciation) in a broad range of capital assets, including buildings, water system infrastructure, equipment, and vehicles.

	Governmental Activities		%
	2025	2024	Change
Land	29,517	29,517	0.00%
Water Rights	1,003,453	1,003,453	0.00%
Buildings & Improvements	262,681	262,681	0.00%
Water System Infrastructure	3,653,801	3,653,801	0.00%
Equipment	91,015	91,015	0.00%
Vehicles	200,523	143,222	40.01%
Construction in Progress	864,468	311,718	100.00%
Total Capital Assets	6,105,458	5,495,407	11.10%
Accumulated Depreciation	(2,566,516)	(2,400,929)	6.90%
Capital Assets, Net	3,538,941	3,094,477	14.36%

Zapata County Water Control & Improvement District (Highway 16E)
Management's Discussion and Analysis
For the Year Ended August 31, 2025

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS

- The District's 2025-2026 General Operating revenues are budgeted to increase by \$77,197 to a total of \$1,002,279, from \$925,082.
- General Operating fund spending for next year is budgeted to increase by \$15,934 to a total of \$930,993, from \$915,059.
- Payroll expenses are expected to increase as sales of water is expected to increase. Changes in personnel expenditures are due to the salary increases and other personnel costs that are directly related to wages paid. The cost of recurring operations is not expected to change significantly.

CONTACTING THE DISTRICT'S MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, patrons, investors, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District's Office at 504 St. Hwy 16E, Zapata, Texas 78076 or call (956) 765-9650.

Zapata County Water Control and Improvement District
Statement of Net Position and Governmental Funds Balance Sheet
As of August 31, 2025

	General Fund	Total	Adjustments	Statement of Net Position
ASSETS				
Cash and Cash Equivalents	\$ 1,264,591	\$ 1,264,591	\$ -	\$ 1,264,591
Investments, at Cost	3,000,000	3,000,000	-	3,000,000
Receivables				
Property Taxes Receivable	118,361	118,361	-	118,361
Less: Allowance for Uncollectible Tax	(41,098)	(41,098)	-	(41,098)
Water Sales Receivable	19,102	19,102	-	19,102
Accrued Interest	6,104	6,104	-	6,104
Capital Assets, Net	-	-	3,538,941	3,538,941
TOTAL ASSETS	4,367,061	4,367,061	3,538,941	7,906,002
LIABILITIES				
Accounts Payable	\$ 9,742	\$ 9,742	\$ -	\$ 9,742
Accrued Expenses	2,290	2,290	-	2,290
Compensated Absences	-	-	4,141	4,141
TOTAL LIABILITIES	12,031	12,031	4,141	16,172
DEFERRED INFLOWS OF RESOURCES				
Deferred Inflows - Property Tax	67,658	67,658	(67,658)	-
TOTAL DEFERRED INFLOWS OF RESOURCES	67,658	67,658	(67,658)	-
FUND BALANCES				
Unassigned	4,287,372	4,287,372		
TOTAL FUND BALANCES	4,287,372	4,287,372		
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
	\$ 4,367,061	\$ 4,367,061		
NET POSITION				
Net Investment in Capital Assets			3,538,941	3,538,941
Unrestricted			4,350,889	4,350,889
TOTAL NET POSITION			7,889,830	7,889,830
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION				\$ 7,906,002

Zapata County Water Control and Improvement District
Reconciliation of the Governmental Funds
Balance Sheet to the Statement of Net Position
As of August 31, 2025

Exhibit C-2

Total Fund Balances - Governmental Funds	\$	4,287,372
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Amounts Reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds:

Capital Assets Not Being Depreciated	1,897,438	
Capital Assets Being Depreciated	4,208,019	
Accumulated Depreciation	<u>(2,566,516)</u>	
Total Capital Assets, Net		3,538,941

Compensated Absences expensed as paid in governmental fund statements, expensed as incurred in entity wide statements, and reflected as a liability on Statement of Net Position.

Compensated Absences	<u>(4,141)</u>	
Total Compensated Absences		(4,141)

Because some property taxes will not be collected for several months after the District's year end, they are not considered "available" revenues in the governmental funds. This represents the change in unavailable revenue from the prior year.

Deferred Inflows - Property Tax	<u>67,658</u>	
Total Deferred Inflows of Resources		<u>67,658</u>

Net position of Governmental Activities	\$	<u><u>7,889,830</u></u>
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Zapata County Water Control and Improvement District
Statement of Activities and Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balance
For the Year Ended August 31, 2025

	General Fund	Total	Adjustments	Statement of Net Position
REVENUE				
Water Sales	\$ 158,457	\$ 158,457	\$ -	\$ 158,457
Property Tax Revenue	708,571	708,571	(8,995)	699,577
Interest Income	157,701	157,701	-	157,701
TOTAL REVENUE	<u>1,024,729</u>	<u>1,024,729</u>	<u>(8,995)</u>	<u>1,015,735</u>
EXPENDITURES/EXPENSES				
Purchased Water Costs	101,334	101,334	-	101,334
Other Direct Water Costs	7,192	7,192	-	7,192
Professional Fees	21,709	21,709	-	21,709
Contract Services	69,942	69,942	-	69,942
Insurance	16,179	16,179	-	16,179
Payroll and Related Costs	272,520	272,520	4,141	276,661
Utilities	19,250	19,250	-	19,250
Materials and Supplies	41,189	41,189	-	41,189
Repairs and Maintenance	19,626	19,626	-	19,626
Other Administrative Expenses	17,560	17,560	-	17,560
Capital Outlay	610,051	610,051	(610,051)	-
Depreciation	-	-	165,587	165,587
TOTAL EXPENDITURES/EXPENSES	<u>1,196,551</u>	<u>1,196,551</u>	<u>(440,323)</u>	<u>756,228</u>
NET CHANGE IN FUND BALANCE	(171,821)	(171,821)	171,821	-
CHANGE IN NET POSITION	-	-	259,507	259,507
FUND BALANCE/NET POSITION:				
Beginning of the Year	\$ 4,459,193	\$ 4,459,193		\$ 7,630,323
End of the Year	<u>\$ 4,287,372</u>	<u>\$ 4,287,372</u>		<u>\$ 7,889,830</u>

The accompanying notes to the financial statements are an integral part of this report.

Zapata County Water Control and Improvement District
Reconciliation of the Governmental Funds Statement of Revenues,
Expenditures, and Changes in Fund Balances to the Statement of Activities
For the Year Ended August 31, 2025

Exhibit C-4

Net Change in fund balance - governmental funds	\$	(171,821)
Amounts reported in the statement of activities are different because:		
Governmental funds report capital outlay additions as expenditures. However, in the statement of activities, the cost of those assets is allocated over their useful lives as depreciation expense.		
Additions to capital assets	610,051	
Depreciation on capital assets	<u>(165,587)</u>	
		444,464
Compensated Absences expensed as paid in governmental fund statements, expensed as incurred in entity wide statements, and reflected as a liability on Statement of Net Position.		
Compensated absences	<u>(4,141)</u>	
		(4,141)
Because property taxes and accounts receivable will not be collected for several months after the District's end, they are not considered "available" revenues in the governmental funds.		
Deferred Inflows - Property Tax	<u>(8,995)</u>	
		<u>(8,995)</u>
Change in Net Position of Governmental Activities	\$	259,507

ZAPATA COUNTY WATER CONTROL & IMPROVEMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2025

NOTE 1 – CREATION OF DISTRICT

Zapata County Water Control & Improvement District (Highway 16E) (the “District”) was created and established by the Zapata County Commissioners Court on September 12, 1988, and confirmed by an election held on November 5, 1988, in accordance with the provisions of the Texas Water Code Chapter 51. Bonds were issued on June 1, 1990, and were purchased in their entirety by the Texas Water Development Board through its Water Supply Account. The five-member Board of Directors (Board) is elected by the citizens who are registered voters in Zapata County and own land within the boundaries of the Water District. The District was enacted to construct facilities necessary to obtain potable water from the Zapata County Water Works and deliver it to customers within the Water District. At a Board meeting during April 2008, it was elected to change the District’s year end to August 31st.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America as promulgated by the Governmental Accounting Standards Board (“GASB”). In addition, the accounting records of the District are maintained generally in accordance with the Water District Financial Management Guide published by the Texas Commission on Environmental Quality (the “Commission”).

The District is a political subdivision of the State of Texas governed by an elected board. GASB has established the criteria for determining whether an entity is a primary government or a component unit of a primary government. The primary criteria are that it has a separately elected governing body, it is legally separate, and it is fiscally independent of other state and local governments. Under these criteria, the District is considered a primary government and is not a component unit of any other government. Additionally, no other entities meet the criteria for inclusion in the District’s financial statement as component units.

A. Financial Statement Presentation

These financial statements have been prepared in accordance with GASB Codification of Governmental Accounting and Financial Reporting Standards Part II, Financial Reporting (“GASB Codification”).

The GASB Codification sets forth standards for external financial reporting for all state and local government entities, which include a requirement for a Statement of Net Position and a Statement of Activities. It requires the classification of net position into three components: Net Investment in Capital Assets; Restricted; and Unrestricted. These classifications are defined as follows:

- *Net Investment in Capital Assets* – This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.
- *Restricted Net Position* – This component of net position consists of external constraints placed on the use of assets imposed by creditors (such as through debt covenants, grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation).
- *Unrestricted Net Position* – This component of net position consists of assets that do not meet the definition of Restricted or Net Investment in Capital Assets.

When both restricted and unrestricted resources are available for use, generally it is the District’s policy to use restricted resources first.

ZAPATA COUNTY WATER CONTROL & IMPROVEMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2025

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES - Continued

B. Government-Wide Financial Statements

The Statement of Net Position and the Statement of Activities display information about the District as a whole. The District's Statement of Net Position and Statement of Activities are combined with the governmental fund financial statements. The District is viewed as a special-purpose government and has the option of combining these financial statements.

The Statement of Net Position is reported by adjusting the governmental fund types to report on the full accrual basis, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. Any amounts recorded due to and due from other funds are eliminated in the Statement of Net Position.

The Statement of Activities is reported by adjusting the governmental fund types to report only items related to current year revenues and expenditures. Items such as capital outlay are allocated over their estimated useful lives as depreciation expense. Internal activities between governmental funds, if any, are eliminated by adjustment to obtain net total revenue and expense of the government-wide Statement of Activities.

C. Fund Financial Statements

As discussed above, the District's fund financial statements are combined with the government-wide financial statements. The fund financial statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances.

D. Governmental Funds

The District has one governmental fund, which is considered a major governmental fund.

General Fund – To account for resources not required to be accounted for in another fund, customer service revenues, operating costs, and general expenditures. This is the District's primary operating fund.

E. Basis of Accounting

The District uses the modified accrual basis of accounting for governmental fund types. The modified accrual basis of accounting recognizes revenues when both "measurable and available." Measurable means the amount can be determined. Available means collectable within the current period or soon enough thereafter to pay current liabilities. The District considers revenues reported in the governmental funds to be available if they are collectable within 60 days after year-end. Also, under the modified accrual basis of accounting, expenditures are recorded when the related fund liability is incurred except for principal and interest on long-term debt, which are recognized as expenditures when payment is due. A one-year availability period is used for revenue recognition for all other governmental fund revenues except for FEMA grant revenue, which is recognized when eligible costs are incurred regardless of when funds are received. Expenditures, other than interest on long-term debt, are recorded when the related fund liability is incurred, if measurable. General capital assets acquisitions are reported as expenditures in governmental funds.

ZAPATA COUNTY WATER CONTROL & IMPROVEMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2025

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES - Continued

Revenues considered susceptible to accrual are property tax revenues, revenues received from the State, grants, entitlements, and interest income. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until received. Investment earnings are recorded as earned, since they are both measurable and available. Grant funds are earned to the extent of expenditures made under the provisions of the grant. Deferred revenues arise when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when the District receives resources before it has legal claim to them, as when grant money is received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the District has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized. Amounts transferred from one fund to another fund are reported as other financing sources or uses. Loans by one fund to another fund and amounts paid by one fund for another fund are reported as interfund receivables and payables in the Governmental Funds Balance Sheet if there is intent to repay the amount and if the debtor fund could repay the advance on a timely basis.

F. Budgeting

An annual unappropriated budget is adopted for all funds by the District's Board of Directors. The budget is prepared using the same method of accounting as for financial reporting. The original General Fund budget for the current fiscal year was not amended. The Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund presents the original and revised budget amounts, if revised, compared to the actual amounts of revenues and expenditures for the current year.

G. Measurement Focus

Measurement focus is a term used to describe which transactions are recognized within the various financial statements. In the government-wide Statement of Net Position and Statement of Activities, the governmental activities are presented using the economic resources measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position, financial position, and cash flows.

All assets, liabilities, and deferred inflows and outflows of resources associated with the activities are reported. Fund equity is classified as net position. Governmental fund types are accounted for on a spending or financial flow measurement focus. Accordingly, only current assets and current liabilities are included on the Balance Sheet, and the reported fund balances provide an indication of available spendable or appropriable resources. Operating statements of governmental fund types report increases and decreases in available spendable resources. Fund balances in governmental funds are classified using the following hierarchy:

Non-spendable: amounts that cannot be spent either because they are in non-spendable form or because they are legally or contractually required to be maintained intact.

Restricted: amounts that can be spent only for specific purposes because of constitutional provisions, or enabling legislation, or because of constraints that are imposed externally.

ZAPATA COUNTY WATER CONTROL & IMPROVEMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2025

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES - Continued

Committed: amounts that can be spent only for purposes determined by a formal action of the Board of Directors. The Board is the highest level of decision-making authority for the District. This action must be made no later than the end of the fiscal year. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the Board.

Assigned: amounts that do not meet the criteria to be classified as restricted or committed, but that are intended to be used for specific purposes. The District has not adopted a formal policy regarding the assignment of fund balances and does not have any assigned fund balances.

Unassigned: all other spendable amounts in the General Fund.

When expenditures are incurred for which restricted, committed, assigned or unassigned fund balances are available, the District considers amounts to have been spent first out of restricted funds, then committed funds, then assigned funds and finally unassigned funds.

H. Accounting Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

I. Cash and Investments

The District considers time deposits with a maturity of three months or less as cash and cash equivalents. Cash and Investments are deposited and invested under the terms of a depository contract.

J. Property Taxes

In conformity with Subtitle E, Texas Property Tax Code, property taxes attach, as an enforceable lien, on property as of January 1. Property taxes for real and business personal property located in the District are levied each September 1 on the basis of assessed values at the date the enforceable lien attaches. Taxes are due on receipt of the tax bill and are delinquent if not paid before January 1 of the year following the year in which levied. Penalty and interest charges are applicable to all delinquent collections. Property tax revenues are considered available when they become due or past due and receivable within the current period.

Allowances for uncollectible tax receivables within the General Fund are based upon historical experience in collecting property taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the District is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature.

ZAPATA COUNTY WATER CONTROL & IMPROVEMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2025

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES - Continued

K. Accounts Receivable

Receivables are reported at gross value and, where appropriate, allowances for uncollectible amounts are reported. The District uses the direct write off method for uncollectible water and wastewater receivables. This method does not result in a write-off that is materially different from GAAP.

L. Inventories

Inventories are recorded using the consumption method and are stated at cost (weighted average cost). Inventories consist of materials and supplies used in operations.

M. Prepaid Expense

Prepaid expenses record payments to vendors that benefit future reporting periods and are reported on the consumption method.

N. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the government-wide Statement of Net Position. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. When purchased or constructed, capital assets are recorded as expenditures in the governmental funds and capitalized (recorded and accounted for) in the General Capital Asset Account Group at historical cost or estimated historical cost. Costs for infrastructure type assets such as water collection and distribution lines and wastewater collection lines have been included with these capitalized costs. Donated assets are valued at their fair market value on the date donated. Repairs and maintenance are recorded as expenditures in the governmental fund incurred and as an expense in the government-wide Statement of Activities. The District has set \$5,000 as the minimum amount required for an item to be capitalized. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the assets' lives are not capitalized. Capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Description</u>	<u>Useful Life</u>
Infrastructure	40
Buildings	40
Improvements	25
Vehicles	5 - 15
Equipment	7 - 15

ZAPATA COUNTY WATER CONTROL & IMPROVEMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2025

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES - Continued

O. Compensated Absences

The District allows employees to accumulate unused vacation and sick time in varying amounts. However sick days do not vest, and accordingly, employees can be paid sick leave only when sick. Since an employee's right to receive compensation for future absences is contingent upon the absences being caused by future illnesses and such amounts cannot be reasonably estimated, as such, the liability for unused sick leave is not recorded in the financial statements. The District has no liability for accumulated sick leave beyond that incurred in the current year, as all sick leave is either used or lost if not taken each year. The liability for accumulated vacation is \$4,141 as of August 31, 2025.

P. Post-Employment Benefits

The District does not participate in a public retirement system, but the District's employees are covered by Social Security. Social Security coverage is required to be provided by government employers for political subdivision employers who are not participating in a public retirement system.

Q. Fair Value of Financial Instruments

The District complies with GASB Statement No. 72, Fair Value Measurement and Application, which defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction. Fair value accounting requires characterization of the inputs used to measure fair value into a three-level fair value hierarchy as follows:

- Level 1 inputs are based on unadjusted quoted market prices for identical assets or liabilities in an active market the entity has the ability to access.
- Level 2 inputs are observable inputs that reflect the assumptions market participants would use in pricing the asset or liability developed based on market data obtained from sources independent from the entity.
- Level 3 are unobservable inputs that reflect the entity's own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available.

There are three general valuation techniques that may be used to measure fair value:

- Market approach - uses prices generated by market transactions involving identical or comparable assets or liabilities.
- Cost approach - uses the amount that currently would be required to replace the service capacity of an asset (replacement cost).
- Income approach - uses valuation techniques to convert future amounts to present amounts based on current market expectations.

ZAPATA COUNTY WATER CONTROL & IMPROVEMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2025

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES - Continued

R. Leases

The right-to-use lease asset capitalization level is determined by management. The term of the lease must be the noncancelable period during which the Company has the right to use the tangible assets of another entity plus any periods in which either the lessee or the lessor has the sole option to extend the lease if it is reasonably certain the option will be exercised, plus any periods in which either the lessee or the lessor has the sole option to terminate the lease if it is reasonably certain the option will not be exercised by that party and must not meet the definition of a short-term lease. The District has no lease agreements which meets this definition as of August 31, 2025.

S. Subscription-Based Information Technology Agreements (SBITAs)

The District complies with Statement No. 96, Subscription-Based Information Technology Arrangements. This statement provides guidance on the accounting and financial reporting of subscription-based information technology arrangements (SBITAs) for government end users. This statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription intangible asset and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for the SBITAs are based on the standards established in GASB No. 87, Leases, as amended. The District has no contracts that qualify as SBITA; therefore, the financial statements were not affected by this Statement as of August 31, 2025.

T. New Accounting Pronouncements

GASB Statement No. 101, *Compensated Absences*, was issued June 2022 and provides guidance which requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. The requirements of this Statement are effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter. The requirements of this statement did not apply to the District in the current fiscal year.

GASB Statement No. 102, *Certain Risk Disclosures*, was issued December 2023 and provides guidance which establishes financial reporting requirements for risk related to vulnerabilities due to certain concentrations or constraints regarding concerns about risks that the District may face that limited the ability of the District to acquire resources or control spending. The requirements of this Statement are effective for fiscal years beginning after June 15, 2024, and all reporting periods thereafter. The requirements of this statement did not apply to the District in the current fiscal year.

ZAPATA COUNTY WATER CONTROL & IMPROVEMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2025

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES - Continued

Future possible applicable accounting standards to the District that have been issued by the Governmental Accounting Standards Board are:

- Statement No. 103, *Financial Reporting Model Improvements*
- Statement No. 104, *Disclosure of Certain Capital Assets*

NOTE 3 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

a. Budgetary Data

The Board of Directors adopts a budget for the District. In accordance with Government Accounting Standards Board (GASB) Statement No. 34, a District is required to present the adopted and final amended budgeted revenues and expenditures for the General Fund. The District compares the final amended budget to actual revenues and expenditures.

The following procedures are followed in establishing the budgetary data reflected in the general-purpose financial statements:

1. Prior to the beginning of the fiscal year, the District prepares a budget for the succeeding fiscal year. The operating budget includes proposed expenditures and the means of financing these expenditures.
2. A meeting of the Board is then called for the purpose of adopting the proposed budget. At least ten days' public notice of the meeting must be given.
3. Prior to the start of the fiscal year, the budget is legally enacted through passage of a resolution by the Board of Directors.

Once a budget is approved, it may be amended only by approval of a majority of the members of the Board of Directors. As required by law, such amendments are made before the fact, are reflected in the official minutes of the Board of Directors and are not made after fiscal year end. During the year, the budget was not amended. All budget appropriations lapse at year end.

NOTE 4 – DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS

A. Deposits and Investments

The depository bank deposits for safekeeping and trust with a third-party bank, approved pledged securities as authorized by Chapter 2257 Collateral for Public Funds of the Government Code in an amount sufficient to protect District funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation ("FDIC") Insurance. Texas statutes authorize the District to invest in:

- 1) obligations of the U.S. Treasury or its agencies and instrumentalities;
- 2) direct obligations of the State of Texas or its agencies;
- 3) other obligations, the principal of and interest on which are unconditionally guaranteed or insured by the State of Texas or the United States;
- 4) obligations of states, agencies, counties or cities rated A or better by a national investment rating firm;

ZAPATA COUNTY WATER CONTROL & IMPROVEMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2025

NOTE 4 – DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS - Continued

- 5) certificates of deposit that are insured by the FDIC or secured by obligations having a market value of at least the principal amount of the certificates; and
- 6) fully collateralized direct repurchase agreements.

As of August 31, 2025, the District's cash and cash equivalents consisted of the following:

Description	Account Type	Carrying Amount	Bank Balance
International Bank of Commerce	Money Market	\$ 1,261,702	1,389,940
International Bank of Commerce	General Checking	2,860	8,372
Cash on Hand	Petty Cash	30	-
Total Cash and Cash Equivalents		\$ 1,264,591	\$ 1,398,312

The District's investments are stated at fair value, which is determined using selected bases. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Cash deposits are reported at carrying amount, which reasonably estimates fair value. The net change in fair value of investments is recognized and reported as investment income in the financial statements. Accrued interest, if any, is shown under the caption accrued interest receivable.

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 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 Date for the Portfolio
- (8) Investment Staff Quality And Capabilities
- (9) Bid Solicitation Preferences For Certificates Of Deposit

ZAPATA COUNTY WATER CONTROL & IMPROVEMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2025

NOTE 4 – DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS - Continued

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) Banker's Acceptances
- (7) Mutual Funds
- (8) Investment Pools
- (9) Guaranteed Investment Contracts
- (10) Common Trust Funds

The Act also requires 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.

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The District's recurring fair value measurements for investments, which are all Level 1 inputs, temporary investments and Certificates of Deposits held by the District as of August 31, 2025, are as follows:

Description	Account Number	Carrying Amount
Zapata National Bank	27118	\$ 500,000
Zapata National Bank	27426	1,000,000
Zapata National Bank	27470	1,500,000
		<u>\$ 3,000,000</u>

As of August 31, 2025, the District's investment in the Treasury Money Market Fund (Fund) was rated AAAM by Standard & Poor's and AAA-mf by Moody's Investors Service. These are the highest ratings available for money markets. The Fund operates in accordance with state law, which requires it to meet all the requirements of Rule 2a-7 of the Securities and Exchange Commission. Local government investment pools in this rating category standards for credit quality, conservative investment policies, and safety of principal. The fund invests in a high-quality portfolio of debt securities investments legally permissible for municipalities and school districts in the state.

ZAPATA COUNTY WATER CONTROL & IMPROVEMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2025

NOTE 4 – DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS - Continued

Additional policies and contractual provisions governing deposits and investments for the District are specified below:

Credit Risk - To limit the risk that an issuer or other counterparty to an investment will not fulfill its obligations the District limits investments to Certificates of Deposits, Public Funds Investment Pools and Guaranteed Investment Contracts, collateralized by U.S. Government Securities. As of August 31, 2025, the District's deposits and investments were secured by FDIC Insurance and securities collateral. The District was not exposed to custodial credit risk at year end.

Custodial Credit Risk for Investments - 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 on 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 this law, it has no custodial credit risk for deposits.

Concentration of Credit Risk - To limit the risk of loss attributed to the magnitude of a government's investment in a single issuer, the investment portfolio shall be diversified in terms of investment instruments maturity scheduling, and financial institutions. Currently, the District only has Certificates of Deposit and does not have Concentration of Credit Risk.

Interest Rate Risk - To limit the risk that changes in interest rates will adversely affect the fair value of investments, the District requires that the investments be monitored by using specific identification.

Foreign Currency Risk for Investments - The District limits the risk that changes in exchanges rates will adversely affect the fair value of an investment. At year-end, the District was not exposed to foreign currency risk.

B. Capital Assets

The District's capital asset activity for the year ended August 31, 2025, is summarized below:

Description	Beginning Balance	Additions	Retirements	Ending Balance
Non-Depreciable Assets				
Land	\$ 29,517	\$ -	\$ -	\$ 29,517
Water Rights and Easements	1,003,453	-	-	1,003,453
Construction in Progress	311,718	552,750	-	864,468
Total Non-Depreciable Assets	1,344,688	552,750	-	1,897,438
Depreciable Assets				
Building and Improvements	262,681	-	-	262,681
Water System	3,653,801	-	-	3,653,801
Machinery and Equipment	64,656	-	-	64,656
Automobiles and Trucks	143,222	57,301	-	200,523
Office Furniture and Equipment	26,359	-	-	26,359
Total Depreciable Assets	4,150,718	57,301	-	4,208,019
Less: Accumulated Depreciation	(2,400,929)	(165,587)	-	(2,566,516)
Total Depreciable Assets, Net	1,749,789	(108,286)	-	1,641,503
Capital Assets, Net	\$ 3,094,477	\$ 444,464	\$ -	\$ 3,538,941

ZAPATA COUNTY WATER CONTROL & IMPROVEMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2025

NOTE 5 – 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 uses general liability insurance coverage at a cost that is considered to be economically justifiable by joining together with other governmental entities in the State as a member of the Texas Municipal League Intergovernmental Risk Pool (“TML”). TML is a self-funded pool operating as a common risk management and insurance program. The District pays an annual premium to TML for its above insurance coverage. The agreement for the formation of TML provides that TML will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of acceptable risk levels; however, each category of coverage has its own level of reinsurance. The District continues to carry commercial insurance for other risks of loss. There were no significant reductions in commercial insurance coverage in the past fiscal year and settled claims resulting from these risks have not exceeded coverage in any of the past three fiscal years.

NOTE 6 – HEALTH CARE COVERAGE

During the year ended August 31, 2025, the District paid \$400 per month to each employee in order for the employee to obtain health insurance. The District does not provide group health insurance to its employees.

NOTE 7 – COMMITMENTS AND CONTINGENCIES

a) CONTINGENCIES

The District participates in various grant programs which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the District has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectability of any related receivable may be impaired. In the opinion of the District, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying basic financial statements for such contingencies.

b) LITIGATION

Management has determined there to be no reportable litigation pending against the District as of August 31, 2025.

NOTE 8 – COMMITMENTS

The District’s balance for project commitments as of August 31, 2025, is as follows:

Description	Estimated Commitment	Paid in Previous Years	Paid in Current Year	Commitments
Booster Station	\$ 926,218	\$ 311,718	\$ 552,750	\$ 61,750

NOTE 9 – SUBSEQUENT EVENTS

Management has evaluated subsequent events and transactions that have occurred as of December 16, 2025, the date the financial statements were available to be issued.

Zapata County Water Control and Improvement District
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET TO ACTUAL
For the Year Ended August 31, 2025

	BUDGETED AMOUNTS			FAVORABLE (UNFAVORABLE) FINAL TO ACTUAL
	ORIGINAL	FINAL	ACTUAL	
REVENUES				
Customer Service Fees	\$ 875,082	\$ 875,082	\$ 867,028	\$ (8,054)
Interest	50,000	50,000	157,701	107,701
TOTAL REVENUES	\$ 925,082	\$ 925,082	\$ 1,024,729	\$ 99,647
EXPENDITURES				
Water Purchased	183,000	183,000	178,469	4,531
Personnel Cost	330,500	330,500	272,520	57,980
Professional Services	33,000	33,000	21,709	11,292
Repairs and Maintenance	29,500	29,500	19,626	9,874
Recurring Expenses	113,559	113,559	94,178	19,381
Capital Outlay	225,500	225,500	610,051	(384,551)
TOTAL EXPENDITURES	915,059	915,059	1,196,551	(281,492)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	10,023	10,023	(171,821)	(181,844)
NET CHANGE IN FUND BALANCE	10,023	10,023	(171,821)	(181,844)
Fund Balance at Beginning of Period	\$ 4,459,193	\$ 4,459,193	\$ 4,459,193	\$ 4,459,193
Fund Balance at End of Period	<u>\$ 4,469,216</u>	<u>\$ 4,469,216</u>	<u>\$ 4,287,372</u>	<u>\$ 4,277,349</u>

Zapata County Water Control and Improvement District
TEXAS SUPPLEMENTARY INFORMATION REQUIREMENTS
For the Year Ended August 31, 2025

No.	SCHEDULE	APPLICABLE	NOT APPLICABLE
TSI - 1	Service and Rates	X	
TSI - 2	General Fund Expenditures	X	
TSI - 3	Temporary Investments	X	
TSI - 4	Taxes Levied and Receivable	X	
TSI - 5	Changes in General Fixed Assets	X	
TSI - 6	Long-Term Debt Service Requirements by Year		X
TSI - 7	Changes in Long-Term Bonded Debt		X
TSI - 8	Comparative Schedule of Revenues and Expenditures - Five Years	X	
TSI - 9	Insurance Coverage	X	
TSI - 10	Board Members, Key Personnel, and Consultants	X	

Zapata County Water Control and Improvement District
TSI - 1 - SCHEDULE OF SERVICES AND RATES (Unaudited)
For the Year Ended August 31, 2025

1. Services Provided by district :

Retail Water

2. Total Water Consumption During the Fiscal Year

Gallons Pumped Into System:

Not Available

Gallons Billed to Customers

29,467,470

3. Retail Rates Based on 5/8th" Meter

a) Retail Rates not applicable

	Minimum Charge	Minimum Usage	Flat Rate Y/N	Rate Per 1000 Gallons Over Minimum Usage	Usage Levels
Water	20.00	0.00	Y	2.50	0 Gal. Plus
Wastewater	N/A	N/A	N/A	N/A	N/A
Surcharge	N/A	N/A	N/A	N/A	N/A
Industrial	20.00	0.00	N/A	6.00	N/A

District Employs Winter Averaging for Wastewater Usage?

NO

Total water charges Per 10,000 Gallons Usage:

\$ 45.00

4. Number of Retail Water Retail Connections

Type	Active Connections	Inactive Connections
Single-Family	64	19
Multi-Family	17	-
Commercial	-	-
Other - Industrial, Agricultural, Institutional	136	-
TOTAL	217	19

5. Standby Fees

Does the District have Service Standby fees?

NO

If Yes, Date of the most recent Commission Order:

N/A

Does the District have Operations and

Maintenance Standby Fees?

NO

If Yes, Date of the most recent Commission Order:

N/A

6. Anticipated sources of funds to be used for debt service payments in the District's subsequent fiscal year:

	Amount
a. Debt Service tax receipts	\$ -
b. Surplus construction funds	-
c. Water Revenue	-
d. Standby fees	-
e. Beginning Debt Service fund balances	-
TOTAL ANTICIPATED FUNDS TO BE USED	\$ -

Zapata County Water Control and Improvement District
TSI - 2 - GENERAL FUND EXPENDITURES
For the Year Ended August 31, 2025

Personnel (Including Benefits)	\$ 275,640
Professional Fees:	
Engineering	21,709
Purchased Services for Resale:	
Bulk Water and Sewer Service Purchases	108,526
Contracted Services:	
Tax Collector	40,825
Other Contracted Services	25,997
Utilities	19,250
Repairs and Maintenance	60,815
Administrative Expenditures:	
Office Supplies	1,361
Insurance	16,179
Other Administrative Expense	16,199
Capital Outlay	610,051
	<hr/>
TOTAL EXPENDITURES	\$ 1,196,551

Zapata County Water Control and Improvement District
TSI - 3 - SCHEDULE OF TEMPORARY INVESTMENTS
For the Year Ended August 31, 2025

Fund Name	Financial Institution	Account Type	Account Number	Interest Rate	Maturity Date	Balance 8/31/2025	Accrued Interest
General	Zapata National Bank	Certificate of Deposit	27118	3.75%	1/8/26	\$ 500,000	531
General	Zapata National Bank	Certificate of Deposit	27426	3.75%	6/27/26	1,000,000	3,185
General	Zapata National Bank	Certificate of Deposit	27470	3.75%	11/15/25	1,500,000	2,389
						\$ 3,000,000	\$ 6,104

Zapata Coutny Water Control and Improvement District
TSI - 4 - ANALYSIS OF TAXES LEVIED AND RECEIVABLE
For the Year Ended August 31, 2025

	Maintenance Taxes	Debt Service Taxes
TAXES RECEIVABLE - BEGINNING	117,751	-
2024 ORIGINAL TAX ROLL	737,706	-
Total to be accounted for	737,706	-
Prior tax year adjustments		
tax collections		
Current Year	(680,634)	-
Current Year Allowed Discounts	(19,198)	-
Prior Years	(37,263)	-
Total Collections	(737,095)	-
TAXES RECEIVABLE - ENDING	118,361	-
TAXES RECEIVABLE BY YEAR		
2024	25,514	-
2023	13,554	-
2022	8,741	-
2021	7,966	-
2020 & Prior	62,587	-
TOTAL TAXES RECEIVABLE	118,361	-

PROPERTY VALUATIONS

	2024	2023	2022	2021
Land & Minerals	189,123,532	212,042,012	161,257,987	145,758,364
TOTAL PROPERTY VALUATION	189,123,532	212,042,012	161,257,987	145,758,364

TAX RATE PER \$100 VALUATION

Maintenance Tax Rate	0.38000	0.38000	0.38000	0.39000
Debt Service Tax Rate	-	-	-	-
TOTAL TAX RATE	0.38000	0.38000	0.38000	0.39000

TAX ROLL

For the year ended August 31, 2025:

Percent of current taxes collected to current taxes levied 92.26%

Percent of current and delinquent taxes collected and prior year adjustments to
current year levied and delinquent taxes outstanding at the beginning of the year 86.10%

Zapata Coutny Water Control and Improvement District
TSI - 4 - ANALYSIS OF TAXES LEVIED AND RECEIVABLE
For the Year Ended August 31, 2025

Tax rates or all overlapping jurisdictions. Include any taxing entities which would overlap 10% or more of the District.

Taxing Jurisdiction		Tax Rate	
a.	Zapata County	\$	0.8953190
b.	City of Zapata		0.0000000
c.	Zapata Independent School District		0.9587000
d.	Special District not shown above:		
	None		0.0000000
e.	Total Special District (top of page)		0.0000000
f.	Total District (previous page)		0.6980430
	Total Overlapping Tax Rate (a-f)	\$	2.5520620

Zapata Coutny Water Control and Improvement District
TSI - 5 - ANALYSIS OF CHANGES IN GENERAL FIXED ASSETS
For the Year Ended August 31, 2025

**WATER RIGHTS, FACILITIES,
AND EASEMENTS**

	Beginning Balance	Additions	Retirements	Ending Balance
Construction Costs, Land, Buildings, and Equipment:				
Water Rights	\$ 991,500	\$ -	\$ -	\$ 991,500
Water System	3,004,973	-	-	3,004,973
Engineering Fees	601,101	-	-	601,101
Land, Buildings, & Easements	304,151	-	-	304,151
Furniture, Fixtures, & Equipment	234,236	57,301	-	291,537
Construction in Progress	311,718	552,750	-	864,468
Total	5,447,679	610,051	-	6,057,730

**Organizational, Financing, and
Indirect Costs:**

Legal Fees	13,513	-	-	13,513
Financial Consultant Fees	22,000	-	-	22,000
Other Costs	12,214	-	-	12,214
Total	47,727	-	-	47,727

Total General Fixed Assets	5,495,406	610,051	-	6,105,457
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ADDITIONS PROVIDED BY:

General Fund	4,701,204	610,051	-	5,311,255
Capital Projects Fund	764,779	-	-	764,779
Debt Service Fund	-	-	-	-
(Capitalization of bond interest during construction period)	29,423	-	-	29,423
Total	\$ 5,495,406	\$ 610,051	\$ -	\$ 6,105,457

TOTAL

Zapata County Water Control and Improvement District
TSI - 8 - COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES - GENERAL FUND
FIVE YEARS ENDED AUGUST 31, 2025

	AMOUNTS					PERCENT OF FUND TOTAL REVENUES				
	2025	2024	2023	2022	2021	2025	2024	2023	2022	2021
REVENUE										
Water Sales	158,457	136,509	143,813	125,076	121,845	15.46%	12.70%	18.35%	17.69%	18.09%
Tap Fees & Nonrefundable Deposits	-	-	-	11,193	2,350	0.00%	0.00%	0.00%	1.58%	0.35%
Lease of Water Rights	-	15,000	-	-	-	0.00%	1.40%	0.00%	0.00%	0.00%
Property Tax Revenue	708,571	760,245	589,199	555,659	529,731	69.15%	70.73%	75.16%	78.59%	78.65%
Interest Income	157,701	163,150	50,864	15,119	19,619	15.39%	15.18%	6.49%	2.14%	2.91%
TOTAL REVENUE	1,024,729	1,074,904	783,876	707,047	673,545	100.00%	100.00%	100.00%	100.00%	100.00%
EXPENDITURES										
Purchased Water Costs	101,334	88,250	113,565	115,828	128,886	9.89%	8.21%	14.49%	16.38%	19.14%
Other Direct Water Costs	7,192	7,632	19,948	24,540	14,952	0.70%	0.71%	2.54%	3.47%	2.22%
Professional Fees	21,709	18,179	22,942	25,907	20,231	2.12%	1.69%	2.93%	3.66%	3.00%
Contract Services	69,942	62,808	69,792	79,581	67,413	6.83%	5.84%	8.90%	11.26%	10.01%
Payroll and Related Costs	272,520	288,589	256,994	231,028	220,508	26.59%	26.85%	32.79%	32.68%	32.74%
Utilities	19,250	20,846	16,153	15,678	14,082	1.88%	1.94%	2.06%	2.22%	2.09%
Materials and Supplies	41,189	63,844	21,105	39,679	33,361	4.02%	5.94%	2.69%	5.61%	4.95%
Repairs and Maintenance	19,626	35,778	10,602	15,354	31,643	1.92%	3.33%	1.35%	2.17%	4.70%
Other Administrative Expenses	33,739	29,182	29,416	25,534	26,563	3.29%	2.71%	3.75%	3.61%	3.94%
Capital Outlay	610,051	358,926	-	15,652	219,027	59.53%	33.39%	0.00%	2.21%	32.52%
TOTAL EXPENDITURES	1,196,551	974,035	560,517	588,781	776,666	116.77%	90.62%	71.51%	83.27%	115.31%
NET CHANGE IN FUND BALANCES	\$ (171,821)	\$ 100,869	\$ 223,359	\$ 118,266	\$ (103,121)	-16.77%	9.38%	28.49%	16.73%	-15.31%

Zapata County Water Control and Improvement District
TSI - 9 - Insurance Coverage
As of August 31, 2025

Type of Coverage	Coverage Period	Amount of Coverage	Insurer Name	Policy Clause Coinsurance
GENERAL LIABILITY				
District	10/1/2024 to 10/1/2025	\$300K/600K	Texas Municipal League Risk Pool	None
ERRORS & OMISSIONS LIABILITY				
Directors & Employees	10/1/2024 to 10/1/2025	\$300K/600K	Texas Municipal League Risk Pool	None
WORKERS COMPENSATION LIABILITY				
Employees	10/1/2024 to 10/1/2025	\$200K	Texas Municipal League Risk Pool	None
VEHICLE & EQUIPMENT INSURANCE				
Listed Trucks & Equipment	10/1/2024 to 10/1/2025	\$1,651,112	Texas Municipal League Risk Pool	None

Zapata County Water Control and Improvement District
TSI-10 - BOARD MEMBERS, KEY PERSONNEL, AND CONSULTANTS
For the Year Ended August 31, 2025

Complete District Mailing Address: Zapata County Water Control and Improvement District
P.O. Box 427
Zapata, Texas 78076

District Business Telephone No.: (956) 765-9650

Name (Board Members)	Address	Term of Office	Fees & Expense Reimbursements	Title at Year-End	Resident of District
Ramiro Ramirez	411 Del Mar Blvd., Laredo, Texas 78041	5/22-5/26	-	President	No
Sergio A. Lozano	P.O. Box 696, Zapata, Texas 78076	5/22-5/26	-	Vice-President	Yes
Jesse A. Porras	8903 Navajo Lane, Laredo, Texas 78040	5/24-5/28	-	Secretary/Treasurer	No
Gabriela De Los Santos	1621 Santa Cecilia, Kingsville, Texas 78363	5/24-5/28	-	Director	No
Santiago Hernandez	1207 Laredo Ave., Zapata, Texas 78076	5/22-5/26	-	Director	Yes

Notes: No Director has any business or family relationships (as defined by the Texas Water Code) with Major landowners in the District, with the Districts developers or with any of the District's consultants.

Zapata County Water Control and Improvement District
TSI-10 - BOARD MEMBERS, KEY PERSONNEL, AND CONSULTANTS
For the Year Ended August 31, 2025

Name (Key Personnel)	Address	Date Hired	Expense Reimbursement	Title
Manuel Gonzalez, Jr. Premier Civil Engineering	1505 Calle de Norte, #220 Laredo, Texas 78041	9/1/2008	-	Engineer
Mireya I. Bustamante	P.O. Box 427 Zapata, Texas 78076	1/16/2017	-	Office Manager
Juan F. Delgado	P.O. Box 427 Zapata, Texas 78076	2/4/2008	-	Field Supervisor
Zapata County Appraisal District	P.O. Box 2315 Zapata, Texas 78076	8/16/1990	-	Appraiser
Delia R. Mendoza Zapata County Tax Collector	P.O. Box 1008 Zapata, Texas 78076	8/16/1990	-	Tax Collector
B.R. Dossett Dossett Law Office	P.O. Box 2903 Harlingen, Texas 78551	5/15/2008	-	Attorney
Adrian Webb, CPA	3623 W Alberta Rd Edinburg, Texas 78539	4/3/2024	-	Auditor

Zapata County Water Control and Improvement District
TSI - 10 - LOCATION OF DISTRICT
August 31, 2025

County in which District is located: Zapata County, Texas

Is the District located entirely in one county? Yes X No

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

City in which District is located: None (Offices located within the City of Zapata)

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

Is the general membership of the Board appointed by an office
outside of the District? Yes No X

If yes, by whom? Not Applicable