ORANGE COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1
VIDOR, TEXAS

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2026

TABLE OF CONTENTS

	PAGE
Annual Filing Affidavit	1
Independent Auditor's Report	2-4
Management's Discussion and Analysis	5-10
Basic Financial Statements	
Government-Wide Financial Statements	
Statement of Net Position	11
Statement of Activities	12
Fund Financial Statements	
Balance Sheet – Governmental Funds	13
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	14
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	15
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of the Governmental Funds to the Statement of Activities	16
Statement of Net Position – Proprietary Fund	17
Statement of Revenues, Expenses, and Changes in Net Position – Proprietary Fund	18
Statement of Cash Flows - Proprietary Fund	19
Notes to the Financial Statement	20-41
Required Supplementary Information	
Schedule of Changes in Employer's Net Pension Liability and Related Ratios	42
Schedule of Employer Contributions	43
Texas Supplementary Information	
Notes Required by the Texas Commission on Environmental Quality	44
Schedule of Revenues, Expenses, and Changes in Net Position- Budget and Actual – Water and Sewer Fund	45
Schedule of Services and Rates	46
Schedule of Water and Sewer Fund Expenditures	47
Schedule of Temporary Investments	48
Analysis of Taxes Levied and Receivable	49
Waterworks and Sewer Revenue Bonds Debt Service Requirements by Year	50-52
General Long-Term Debt Service Requirements by Year	53-54
Analysis of Changes in Long - Term Bonded Debt	55
Comparative Statement of Revenues and Expenses – Water and Sewer Fund	56
Comparative Statement of Revenues and Expenditures - Debt Service Fund	57
Board Members, Key Personnel and Consultants	58-59

ANNUAL FILING AFFIDAVIT

THE STATE OF TEXAS §

COUNTY OF Orange §

I, Frank Inzer of the Orange County Water Control and Improvement District No. 1 hereby swear, or affirm, that the District named above has reviewed and approved at a meeting of the Board of Directors of the District on the 2nd day of Nov., 2026 its annual report for the fiscal year or period ended June 30, 2026 and that copies of the annual audit have been filed in the District office, located at 460 E. Bolivar, Vidor, TX 77662. The annual filing affidavit and the attached copy of the annual audit report are being submitted to the Texas Commission on Environmental Quality in satisfaction of all annual filing requirements within Section 49.194 of the Texas Water Code.

Date: November 2, 2026

By: _____
(Signature of District Representative)

Frank Inzer - Board President
(Typed Name and Title of above District Representative)

DENISE DAVILLE
Notary Public, State of Texas
Comm. Expires 06-12-2029
Notary ID# 135519818

Sworn to and subscribed to before me this 2nd day of November, 2026.

(Seal)

_____
(Signature of Notary)

My commission expires on June 12, 2029, Notary Public in and for the State of Texas.

November 2, 2026

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Orange County Water Control & Improvement District No. 1
Vidor, Texas

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, business-type activities, and each major fund and the aggregate remaining fund information of the Orange County Water Control & Improvement District No. 1 (the District), as of and for the year ended June 30, 2026, and the related notes to the financial statements, which collectively comprise the Orange County Water Control & Improvement District No. 1'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, business-type activities, each major fund, and the aggregate remaining fund information of the Orange County Water Control & Improvement District No. 1, as of June 30, 2026, and the respective changes in financial position, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). 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.

Emphasis of Matter

As discussed in Note 14 to the financial statements, the District determined during the year ended June 30, 2026 that its water and wastewater utility operations met the criteria for reporting as an enterprise fund and as business-type activities, and that those operations had been reported in prior periods within the governmental funds and governmental activities.

Accordingly, the beginning net position of the governmental activities and business-type activities, beginning fund balance of the Debt Service Fund, and beginning fund net position of the Water and Sewer Fund as of July 1, 2025 have been corrected. Our opinion is not modified with respect to this matter.

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 GAAS 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 GAAS, 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 on page 5 through 10 and the Schedules of Changes in Employer's Net Pension Liability and Related Ratios and Employer Contributions on pages 42 through 43 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the Texas Supplementary Information listed in the Table of Contents on page 44 through 59 but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Wathen, DeShong & Juncker, L.L.P.

WATHEN, DeSHONG & JUNCKER, L.L.P.
Certified Public Accountants

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Orange County Water Control & Improvement District No. 1 we offer readers of the Orange County Water Control & Improvement District No. 1 financial statements this narrative overview and analysis of the financial activities of the Orange County Water Control & Improvement District No. 1 for the fiscal year ended June 30, 2026. We encourage readers to consider the information presented here in conjunction with the independent auditor's report and the District's financial statements, which follow.

FINANCIAL HIGHLIGHTS

- The assets of the Orange County Water Control & Improvement District No. 1 exceeded its liabilities at the close of 2026, by $18,599,587. Of this amount, $7,574,050 is considered unrestricted.
- The Orange County Water Control & Improvement District No. 1's total net position increased by $1,902,173 in fiscal year 2026.
- As of the close of the current fiscal year, the District's governmental fund reported an ending fund balance of $1,212,915, an increase of $77,583 net change and a decrease of $15,532,797 from a correction of error - see footnote 14.
- During fiscal year 2026, the District determined that its water and sewer utility should have been reported as an enterprise fund and as business-type activities. The utility is financed with revenue debt secured solely by System net revenues, and customer charges are its principal revenue source. In prior years, the utility was reported in the General Fund, Contingency Fund, and Construction and Capital Projects Funds within governmental activities. The District corrected the error by restating beginning balances as of July 1, 2025. Governmental activities net position decreased by $37,633,472, to $(20,936,058), and business-type activities net position increased by the same amount. Total net position of the District was unchanged at $16,697,414. See Note 14.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Orange County Water Control & Improvement District No. 1's basic financial statements. These basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements are designed to provide readers with a broad overview of the Orange County Water Control & Improvement District No. 1's finances, in a manner similar to a private-sector business.

The Statement of Net Position presents information on all of the Orange County Water Control & Improvement District No. 1's assets and liabilities, with the difference between the two 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 Orange County Water Control & Improvement District No. 1 is improving or deteriorating.

The Statement of Activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., earned but unused vacation).

The Statement of Activities includes collection and disbursement of ad valorem taxes to pay off long-term debt.

The government-wide financial statements can be found on pages 11 and 12 of this report.

Fund financial statements are a grouping of related accounts that are used to maintain control over resources that have been segregated for specific activities or objectives. The Orange County Water Control & Improvement District No. 1, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statements of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Orange County Water Control & Improvement District No. 1 maintains one governmental fund. Information is presented in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balance for the Debt Service Fund which is considered to be a major fund.

Proprietary funds. The District maintains one type of proprietary fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The District uses an enterprise fund to account for its water and sewer operations. Proprietary funds provide the same type of information as the government-wide financial statements. The Water and Sewer Fund is considered a major enterprise fund for the District.

Notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the Financial Statements can be found on pages 20 through 41.

Other information. In addition to the basic financial statements and accompanying notes, required supplementary information presents a schedule of changes in employer's net pension liability and related ratios, a schedule of employer contribution, and a schedule of revenues, expenditures, and changes in fund balance-budget and actual to demonstrate compliance with the budget. The required supplementary information can be found on pages 42 through 43. Texas Supplementary Information is presented on pages 44 through 59.

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Orange County Water Control & Improvement District No. 1, assets exceeded liabilities by $18,599,587 at June 30, 2026.

THE DISTRICT'S NET POSITION

	Statement of Net Position June 30, 2026			
	Governmental Activities	Business-type Activities	Reclassifications	Total
Current and other assets	$ 1,771,399	$ 16,471,334	$ -	$ 18,242,733
Noncurrent assets	-	34,073,314	-	34,073,314
Total Assets	1,771,399	50,544,648	-	52,316,047
Deferred Outflow of Resources	-	178,077	-	178,077
Current and other liabilities	2,080,162	2,937,683	-	5,017,845
Long-term liabilities	18,991,479	9,561,338	-	28,552,817
Total Liabilities	21,071,641	12,499,021	-	33,570,662
Deferred Inflow of Resources	-	323,875	-	323,875
Net Position:				
Invested in capital assets, net of related debt	-	27,787,079	(20,952,244)	6,834,835
Restricted	1,652,002	2,538,700	-	4,190,702
Unrestricted	(20,952,244)	7,574,050	20,952,244	7,574,050
Total Net Position	$ (19,300,242)	$ 37,899,829	$ -	$ 18,599,587

	Statement of Net Position June 30, 2025			
	Governmental Activities	Business-type Activities	Reclassifications	Total
Current and other assets	$ 17,841,822	$ -	$ -	$ 17,841,822
Noncurrent assets	34,740,603	-	-	34,740,603
Total Assets	52,582,425	-	-	52,582,425
Deferred Outflow of Resources	224,698	-	-	224,698
Current and other liabilities	3,948,678	-	-	3,948,678
Long-term liabilities	32,100,673	-	-	32,100,673
Total Liabilities	36,049,351	-	-	36,049,351
Deferred Inflow of Resources	60,358	-	-	60,358
Net Position:				
Invested in capital assets, net of related debt	12,537,764	-	-	12,537,764
Restricted	2,870,246	-	-	2,870,246
Unrestricted	1,289,404	-	-	1,289,404
Total Net Position	$ 16,697,414	$ -	$ -	$ 16,697,414

For the fiscal years ended June 30, 2026, the District has a reclassification of $20,952,244 to move the debt associated with the construction of capital assets from Unrestricted net position to Net investment in capital assets, net of related debt. The capital assets are reported in the business-type activities and the debt is reported in both the governmental activities and business-type activities.

Changes in net position

The District's total revenues were $8,675,922. A significant portion, 57.3%, of the District's revenue comes from charges for water and sewer services. Approximately 24.5% of the revenue comes from taxes. The total cost of all programs and services was $6,773,749. Only $536,097 or 7.9% did not relate to water and sewer services.

Governmental Activities

Property tax rates decreased by approximately .02 cents per $100 valuation. Property valuations increased $47.9 million. Taxes levied for the year decreased $32,317.

CHANGES IN THE DISTRICT'S NET POSITION

	Governmental Activities		Business-Type Activities		Total	
	2026	2025	2026	2025	2026	2025
Revenues						
Program revenues						
Charges for services						
Water	$ -	$ 2,277,431	$ 2,448,271	$ -	$ 2,448,271	$ 2,277,431
Sewer	-	2,275,534	2,383,516	-	2,383,516	2,275,534
Service Fees	-	133,498	140,649	-	140,649	133,498
Grants and contributions	-	43,585	26,852	-	26,852	43,585
General revenues						
Property taxes	2,066,070	2,120,531	-	-	2,066,070	2,120,531
Penalty and interest	59,386	65,834	-	-	59,386	65,834
Interest on investments	45,158	412,322	326,935	-	372,093	412,322
Revenue note collections	-	1,039,101	1,026,187	-	1,026,187	1,039,101
Miscellaneous revenues	1,299	157,507	152,159	-	153,458	157,507
Gain (loss) on dispositions	-	7,500	(560)	-	(560)	7,500
Total Revenues	2,171,913	8,532,843	6,504,009	-	8,675,922	8,532,843
Expenses						
Water and sewer services	-	1,189,075	1,311,102	-	1,311,102	1,189,075
Salaries, benefits, and taxes	-	2,132,329	2,305,854	-	2,305,854	2,132,329
Professional fees	-	97,406	86,298	-	86,298	97,406
Administrative expenses	-	358,180	335,323	-	335,323	358,180
Other	36,629	73,321	60,060	-	96,689	73,321
Interest and fiscal charges	499,468	728,317	179,223	-	678,691	728,317
Depreciation	-	1,956,842	1,959,792	-	1,959,792	1,956,842
Total Expenses	536,097	6,535,470	6,237,652	-	6,773,749	6,535,470
Increase (decrease) in net position	1,635,816	1,997,373	266,357	-	1,902,173	1,997,373
Net position - beginning	16,697,414	14,700,041	-	-	16,697,414	14,700,041
Correction of beginning balance	(37,633,472)	-	37,633,472	-	-	-
Net position - ending	$(19,300,242)	$ 16,697,414	$ 37,899,829	$ -	$ 18,599,587	$ 16,697,414

The following presents information of each of the District's largest functions:

- The cost of all governmental activities this year was $536,097.
- The cost of all business-type activities this year was $6,237,652.
- Property tax revenue was $2,066,070.
- $4,972,436 was paid by those who directly received service.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Water and Sewer Fund Budgetary Highlights

There were no amendments to the original budget during the fiscal year ended June 30, 2026. See the Schedule of Revenues, Expenses, and Changes in Net Position – Budget to Actual – Water and Sewer Fund on page 45 in the Texas Supplementary Information . Actual expenses were $1,604,735 or 36% above budgeted amounts in the Water and Sewer Fund. The deficit is due to the addition of depreciation expense. Before depreciation, expenditures were $355,057 below budgeted amounts. Operating revenues were $341,825 or 5.9% above budgeted amounts.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2026, the District had invested $68,991,393 in a broad range of capital assets, including land, buildings, water and sewer systems, equipment, and vehicles.

District's Capital Assets
Business-Type Activities

	2026	2025
Land	$ 319,650	$ 319,650
Buildings and Improvements	422,608	410,703
Water and Sewer System	66,229,416	65,546,319
Machinery and Equipment	730,617	692,819
Autos and Trucks	535,303	535,303
Office Furniture and Fixtures	194,641	194,641
Construction in Progress	193,294	223,325
SBITA	265,864	
Impaired Assets	100,000	100,000
Totals at historical cost	68,991,393	68,022,760
Total Accumulated Depreciation	(35,455,343)	(33,442,317)
Net Capital Assets	$ 33,536,050	$ 34,580,443

Long-Term Debt and Liabilities

At year-end the District had $31,648,018 in bonded debt outstanding. More detailed information about the District's debt is presented in the notes to the financial statements.

Bonds Payable:	Beginning Balance	Additions	Retirements	Ending Balance	Due Within One Year
General Obligation					
2019 Refunding	$ 5,895,000	$ -	$ (940,000)	$ 4,955,000	$ 985,000
Premium - 2019 Refunding	286,061	-	(81,760)	204,301	68,726
2022 Refunding	8,335,000	-	(610,000)	7,725,000	630,000
Premium - 2022 Refunding	384,694	-	(78,793)	305,901	70,674
Revenue Bonds					
2021 Refunding	6,325,000	-	(865,000)	5,460,000	885,000
Premium - 2021 Refunding	42,996	-	(12,222)	30,774	9,436
2023A Revenue Notes	390,000	-	(20,000)	370,000	20,000
2023B Revenue Notes	5,050,000	-	(215,000)	4,835,000	220,000
Capital Appreciation		-			
2022 Refunding	693,440	-	-	693,440	-
Accreted Interest Payable					
2022 Refunding Bonds	6,867,592	201,010	-	7,068,602	206,365
Total Bonded Debt	34,269,783	201,010	(2,822,775)	31,648,018	3,095,201
Compensated Absences Payable	252,383	4,925	-	257,308	-
OPEB Liability	124,946	-	(22,718)	102,228	-
Customer Deposits	491,612	33,183	-	524,795	-
SBITA Liability	84,988	129,410	(40,002)	174,396	40,781
Total Long-Term Liabilities	$ 35,223,712	$ 368,528	$ (2,885,495)	$ 32,706,745	$ 3,135,982

CURRENTLY KNOWN FACTS, DECISIONS, OR CONDITIONS

The 2026-2027 budget was presented with an increase of $0.03 per 100 gallons in the rates for all usages over the first 2,000 gallon minimum. The revenue for the 2026-2027 budget is $6,037,009, which is a 1.38% increase from the 2025-2026 budget of $5,956,857. Major expenditures anticipated, other than operating expenditures expected in servicing the customers of the District, include capital improvements and maintenance. Health and life insurance costs are expected to increase as well. The budget for 2026-2027 expenses is $6,037,009 which is an 1.38% increase from the 2025-2026 budget of $5,956,857, including transfers.

The ad valorem tax roll for the 2026 tax year is $795,822,873 with an adopted tax rate of $0.268 per $100 valuation. All proceeds from ad valorem tax collection are used for debt service retirement.

Remaining commitments on construction contracts, primarily the chloramine treatment system and Well No. 8 projects financed by the Series 2023B notes and TWDB principal forgiveness, total $6,556,830.

Contacting The District's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the District's offices, located at 460 E. Bolivar Street, Vidor Texas 77662.

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

ORANGE COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1

STATEMENT OF NET POSITION
JUNE 30, 2026

	Primary Government			
	Governmental Activities	Business-type Activities	Reclassifications	Total
ASSETS				
Cash and Cash Equivalents	$ 1,177,918	$ 6,993,402	$ -	$ 8,171,320
Taxes Receivable, Net	593,481	-	-	593,481
Accounts Receivable, Net	-	1,044,833	-	1,044,833
Inventories	-	143,676	-	143,676
Prepaid Insurance	-	32,868	-	32,868
Restricted Cash	-	8,256,555	-	8,256,555
Capital Assets:				
Land	-	319,650	-	319,650
Improvements other than buildings, net	-	32,164,190	-	32,164,190
Buildings, Net	-	124,750	-	124,750
Machinery and Equipment, Net	-	467,314	-	467,314
Construction in Progress	-	193,294	-	193,294
Impaired Asset	-	100,000	-	100,000
SBITA Assets, Net	-	166,852	-	166,852
Net Pension Asset	-	537,264	-	537,264
Total Assets	1,771,399	50,544,648	-	52,316,047
DEFERRED OUTFLOWS OF RESOURCES				
Deferred Outflow Related to Pension Plan	-	178,077	-	178,077
Total Deferred Outflows of Resources	-	178,077	-	178,077
LIABILITIES				
Accounts Payable	-	168,424	-	168,424
Wages and Salaries Payable	-	55,373	-	55,373
Unearned Revenues	-	408,213	-	408,213
Other Current Liabilities	-	7,867	-	7,867
OPEB Liability	-	102,228	-	102,228
Compensated Absences	-	257,308	-	257,308
SBITA Liability	-	174,396	-	174,396
Accrued Interest	119,397	104,643	-	224,040
Customer Deposits	-	524,795	-	524,795
Bonds Payable:				
Due Within One Year	1,960,765	1,134,436	-	3,095,201
Due in More Than One Year	18,991,479	9,561,338	-	28,552,817
Total Liabilities	21,071,641	12,499,021	-	33,570,662
DEFERRED INFLOWS OF RESOURCES				
Deferred Inflow Related to Pension Plan	-	323,875	-	323,875
Total Deferred Inflows of Resources	-	323,875	-	323,875
NET POSITION				
Net Investment in Capital Assets	-	27,787,079	(20,952,244)	6,834,835
Restricted for Debt Service	1,652,002	2,477,680	-	4,129,682
Restricted for Capital Projects	-	61,020	-	61,020
Unrestricted	(20,952,244)	7,574,050	20,952,244	7,574,050
Total Net Position	$ (19,300,242)	$ 37,899,829	$ -	$ 18,599,587

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

ORANGE COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2026

		Program Revenues		Net (Expense) Revenue and Changes in Net Position Primary Government		
	Expenses	Charges for Services	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Primary Government:						
GOVERNMENTAL ACTIVITIES:						
Bond Interest and Fiscal Charges	$ 536,097	$ -	$ -	$ (536,097)	$ -	$ (536,097)
TOTAL GOVERNMENTAL ACTIVITIES	536,097	-	-	(536,097)	-	(536,097)
BUSINESS-TYPE ACTIVITIES						
Water and Sewer Service	6,237,652	5,998,623	26,852	-	(212,177)	(212,177)
TOTAL BUSINESS-TYPE ACTIVITIES	6,237,652	5,998,623	26,852	-	(212,177)	(212,177)
Total Primary Government	$ 6,773,749	$ 5,998,623	$ 26,852	(536,097)	(212,177)	(748,274)
General Revenues						
Taxes:						
Property Taxes				2,066,070	-	2,066,070
Penalty and Interest				59,386	-	59,386
Miscellaneous Revenue				1,299	152,159	153,458
Investment Earnings				45,158	326,935	372,093
Loss on Disposition of Capital Assets				-	(560)	(560)
Total General Revenues				2,171,913	478,534	2,650,447
Change in Net Position				1,635,816	266,357	1,902,173
Net Position - Beginning				16,697,414	-	16,697,414
Correction of beginning balance - see footnote 14				(37,633,472)	37,633,472	-
Net Position - Ending				$ (19,300,242)	$ 37,899,829	$ 18,599,587

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

FUND FINANCIAL STATEMENTS

ORANGE COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2026

	Debt Service Fund
ASSETS	
Cash and Cash Equivalents	$ 1,177,918
Taxes Receivable	698,213
Allowance for Uncollectible Taxes	(104,732)
Total Assets	1,771,399
DEFERRED INFLOWS OF RESOURCES	
Unavailable Revenue - Property Taxes	558,484
Total Deferred Inflows of Resources	558,484
FUND BALANCES	
Restricted Fund Balance:	
Retirement of Long-Term Debt	1,212,915
Total Fund Balances	1,212,915
Total Liabilities, Deferred Inflows And Fund Balances	$ 1,771,399

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

ORANGE COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION FOR THE YEAR ENDED JUNE 30, 2026

Total Fund Balances - Governmental Funds	$ 1,212,915
Property taxes receivables are not available to pay for current period expenditures and, therefore, are deferred in the governmental funds	558,484
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds	
General obligation bonds payable	(20,952,244)
Accrued interest expense	(119,397)
Net Position of Governmental Activities	$ (19,300,242)

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

ORANGE COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2026

	General Fund	Debt Service Fund	Contingency Fund	Construction And Capital Projects Funds	Total Governmental Funds
REVENUES					
Taxes:					
Property Taxes	$ -	$ 2,033,484	$ -	$ -	$ 2,033,484
Penalty and Interest on Taxes	-	59,386	-	-	59,386
Other Service Fees	-	1,299	-	-	1,299
Investment Earnings	-	45,158	-	-	45,158
Total Revenues	-	2,139,327	-	-	2,139,327
EXPENDITURES					
Current:					
Other	-	36,629	-	-	36,629
Debt Service					
Bond Principal	-	1,550,000	-	-	1,550,000
Bond Interest and Fiscal Charges	-	475,115	-	-	475,115
Total Expenditures	-	2,061,744	-	-	2,061,744
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	77,583	-	-	77,583
Net Change in Fund Balances	-	77,583	-	-	77,583
Fund Balance - July 1 (Beginning)	5,186,781	1,135,332	2,661,199	7,684,817	16,668,129
Correction of beginning balance	(5,186,781)	-	(2,661,199)	(7,684,817)	(15,532,797)
Fund Balance - June 30 (Ending)	$ -	$ 1,212,915	$ -	$ -	$ 1,212,915

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

ORANGE COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF THE GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2026

Total Net Change in Fund Balances - Governmental Funds	$ 77,583
Property tax revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the governmental funds.	32,586
The repayment of the principal portion of long-term debt consumes current financial resources of the governmental funds; however, it has no impact on the net position of the government-wide activities.	1,550,000
Interest on long-term governmental debt is not due and payable in the current period and, accordingly, is not reported as a current period expenditure. Interest expense on the long-term debt of governmental activities is accrued and accreted in the Statement of Activities.	(24,353)
Change in Net Position of Governmental Activities	$ 1,635,816

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

ORANGE COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1

STATEMENT OF NET POSITION – PROPRIETARY FUND
JUNE 30, 2026

	Water and Sewer Fund
CURRENT ASSETS	
Cash and Cash Equivalents	$ 6,993,402
Accounts Receivable, Net	1,044,833
Inventories	143,676
Prepaid Insurance	32,868
Total Current Assets	8,214,779
NONCURRENT ASSETS	
Restricted Cash and Cash Equivalents	8,256,555
Capital Assets	
Land	319,650
Improvements other than buildings, Net	32,164,190
Buildings, Net	124,750
Machinery and Equipment, Net	467,314
Construction in Progress	193,294
Impaired Asset	100,000
SBITA Asset, Net	166,852
Net Pension Asset	537,264
Total Noncurrent Assets	42,329,869
Total Assets	50,544,648
DEFERRED OUTFLOW OF RESOURCES	178,077
CURRENT LIABILITIES	
Accounts Payable	168,424
Wages and Salaries Payable	55,373
Unearned Revenues	408,213
Customer Deposits	524,795
Compensated Absences	257,308
OPEB Liability	102,228
SBITA Liability	174,396
Accrued Interest payable	104,643
Bonds Payable - Current	1,134,436
Other Current Liabilities	7,867
Total Current Liabilities	2,937,683
NONCURRENT LIABILITIES	
Bonds Payable - Noncurrent	9,561,338
Total Liabilities	12,499,021
DEFERRED INFLOW OF RESOURCES	323,875
NET POSITION	
Net Investment in Capital Assets	27,787,079
Restricted for Debt Service	2,477,680
Restricted for Capital Projects	61,020
Unrestricted Net Position	7,574,050
TOTAL NET POSITION	$ 37,899,829

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

ORANGE COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1

STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2026

CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	$ 6,115,424
Customer security deposits	33,183
Payments to suppliers and service providers	(1,681,779)
Payments to employees	(2,464,887)
Net cash provided by operating activities	2,001,941
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
SBITA principal payments	(40,002)
Purchases of fixed assets	(708,371)
Interest payments	(207,222)
Retirement of long-term debt	(1,100,000)
Net cash provided (used) by capital and related financing activities	(2,055,595)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest income	326,935
Net cash provided (used) by investing activities	326,935
INCREASE (DECREASE) IN CASH	273,281
CASH, beginning of period	14,976,676
CASH, end of period	$ 15,249,957
Cash is presented in the Statement of Net Position as follows:	
Current Assets - Cash	$ 6,993,402
Noncurrent Assets - Restricted Cash	8,256,555
	$ 15,249,957
Reconciliation of operating income to net cash provided by operating activities	
Operating income	$ 92,353
Adjustments to reconcile operating loss to net cash provided by operating activities	
Depreciation and amortization	1,959,792
(Increase) decrease in assets	
Receivables	(35,358)
Prepaid expenses	2,840
Inventory	5,757
Net pension asset	(455,283)
Increase (decrease) in liabilities	
Accounts payable	102,407
Accrued liabilities	3,905
OPEB liability	(22,718)
Compensated absences	4,925
Customer deposits	33,183
(Increase) decrease in outflow/inflow of resources	310,138
Net cash provided by operating activities	$ 2,001,941
Noncash investing, capital, and financing activities	
Subscription assets acquired through subscription liabilities	$ 129,410
Amortization of bond premium	12,222
Write-off of fully amortized subscription assets	37,530
Recognition of TWDB proceeds from unearned revenue	26,852

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

ORANGE COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1

STATEMENT OF REVENUES, EXPENSES AND CHANGES TO NET POSITION – PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2026

	Water and Sewer Fund
OPERATING REVENUES	
Water service fees	$ 2,448,271
Sewer service fees	2,383,516
Other service fees	140,649
Revenue note collections	1,026,187
Other revenue	152,159
Total operating revenues	6,150,782
OPERATING EXPENSES	
Cost of services	1,311,102
Salaries and wages	2,305,854
Professional services	86,298
Administrative expenses	335,323
Other expenses	60,060
Depreciation and amortization	1,959,792
Total operating expenses	6,058,429
OPERATING INCOME (LOSS)	92,353
NON-OPERATING REVENUES (EXPENSES)	
Gain (loss) on disposal of assets	(560)
Capital grants and contributions	26,852
Interest revenue	326,935
Interest expense	(179,223)
Total non-operating revenues (expenses)	174,004
CHANGE IN NET POSITION	266,357
NET POSITION, beginning of period	-
Correction of beginning balance	37,633,472
NET POSITION, end of period	$ 37,899,829

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

NOTES TO THE FINANCIAL STATEMENTS

ORANGE COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2026

NOTE 1 – GENERAL STATEMENT

Orange County Water Control and Improvement District No. 1, Vidor, Texas (the District) was created by an order of the Texas State Board of Water Engineers on January 26, 1948 and confirmed by the electorate of the District in a confirmation election held on April, 24, 1948. The District was validated by the 57th Legislature of Texas in 1965 and operates under Chapter 51 of the Texas Water Code. The Board of Directors held its first meeting on February 4, 1948 and the first bonds were sold on May 27, 1955. The general purpose financial statements of the District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the District's significant accounting policies.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The District provides water and sewer to the Vidor area of Orange County. In evaluating how to define the government for financial reporting purposes, management has considered all potential component units. The decision to include or exclude a potential component unit in the reporting entity was made by applying the criteria set forth by generally accepted accounting principles. Based upon these principles, the basic criteria for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant criteria is financial interdependency. Other factors affecting the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public services. Based upon these criteria, there are no component units to the District, nor is the District a component unit of any governmental body.

B. Excluded from the reporting entity

Water and sewer development and improvement grants received from the Texas Department of Housing and Community Affairs through the City of Vidor, the City of Rose City, or the County of Orange are administered by those entities and are not included in the District's general purpose financial statements except for those costs incurred by the District as the project progresses.

C. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of the interfund activity has been removed from these statements.

The statement of activities demonstrates the degree to which the direct expenses of given functions or segments are offset by program revenue. Program revenue includes charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment. Taxes and other items not properly included among program revenue are reported instead as general revenue.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Government-wide and Fund Financial Statements (Continued)

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting.* Revenue is recorded when earned and expenses are recorded when liability is incurred, regardless of the timing of related cash flows.

Governmental fund financial statements are reported using the *current financial resources measurement focus and the modified accrual basis of accounting.* Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available when it is collectible during the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenue to be available if it is collected within 60 days of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, accounts receivable for service, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the District.

The District has the following major Governmental Funds:

> *Debt Service Fund* – The Debt Service Fund accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

The District has the following major Proprietary Funds:

> *Enterprise Fund* – The Water and Sewer Fund is the District's primary operating fund. It accounts for operations that are financed and operated in a manner similar to private business enterprises when the intent of the governing body is that the costs of providing goods or services to the general public on a continuing basis be financed primarily through user charges. The predominant function of the District's operations are maintained within the water and sewer operating fund. The water and sewer operating fund is accounted for as an enterprise activity.

Amounts reported as program revenue include 1) charges to customers or applicants for goods, services, or privileges provided; 2) operating grants and contributions; and 3) capital grants and contributions. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

Proprietary funds distinguish operating revenue and expenses from non-operating items. Operating revenue and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of the Water and Sewer Fund are charges to customers for sales and services. Operating expenses for Enterprise Funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as non-operating revenue and expenses.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Basis of Accounting

The basis of accounting is the method by which revenues, and expenditures or expenses are recognized in the accounts and reported in the financial statements. The District uses the modified accrual basis of accounting for governmental funds where revenues are recognized when they become susceptible to accrual, i.e., both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Most revenue sources are recorded as revenues when received in cash because they are generally not measurable until actually received. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred, except for interest on long-term debt, which is recognized when due. The District also uses the accrual basis of accounting for enterprise funds where revenues are recognized when they are earned and expenses when they are incurred, and capital assets and long-term liabilities are recognized.

E. Cash and Investments

Cash includes amounts in demand deposits as well as money market accounts. The District Board has approved making investments in the Lone Star Investment Pool, but the District had no investments in the pool at June 30, 2026.

The District, in compliance with legal requirements, has a written investment policy and the District's investment officers have received the required hours of training on the Texas Public Funds Investment Act and related investment issues for the year.

F. Encumbrances

The District does not use encumbrance accounting.

G. Materials and Supplies Inventories

Inventories are valued at cost using the first-in, first-out basis which approximates market. Inventories for all funds consist of expendable supplies held for consumption and the cost thereof is recorded as expenditure as the individual inventory items are issued (consumption method).

H. Interfund Transactions

Interfund Receivable and Payable – Short-term advances between funds are accounted for in the appropriate interfund receivable and payable accounts.

Transactions Between Funds – Transactions between funds that would be treated as revenues, expenditures, or expenses if they involved organizations external to the District are accounted for as revenues, expenditures, or expenses in the funds involved.

I. Land, Buildings and Equipment

General plant, property, and equipment have been acquired or constructed for general governmental purposes. Infrastructure assets and other plant, property, and equipment are capitalized at cost and recorded in the enterprise fund. Gifts or contributions of general plant, property, and equipment are recorded at estimated fair market value upon receipt. Interest has been capitalized as appropriate.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. Land, Buildings and Equipment (Continued)

It is the policy of the District to capitalize assets with an individual cost of $5,000 or more and a useful life of at least two years. Depreciation is computed using the straight-line method over the following useful lives:

Assets	Years
Buildings and Improvements	35
Water and Sewer System	35
Machinery and Equipment	5-10

J. Long-term Liabilities

General long-term liabilities that will be financed from governmental fund are recorded in the government-wide financial statements. The general long-term debt is secured by the general credit and taxing powers of the District. Revenue-supported long-term liabilities will be financed from net revenues of the enterprise fund.

K. Compensated Absences

Employees of the District are granted vacation benefits in varying amounts based upon tenure with the District. Unused vacation has a maximum allowable accumulation of twenty-five days. Each December 31, any excess balance will be reduced to the maximums by paid compensation. Unused vacation leave shall by paid upon termination of employment with the District. Sick leave accrues to regular full-time employees to a maximum of one hundred twenty days. Each December 31, any excess of the maximum is reduced to the maximum without compensation. Unused sick leave is not compensatory upon separation from employment with the District, except that after twelve years of employment and for qualified retirement, the equivalent of one-half of accumulated sick leave shall be paid not to exceed a total of sixty days. The District recorded expense of $4,925 for the year ended June 30, 2026.

In the year ended June 30, 2025, the District adopted Governmental Accounting Standards Board Statement 101 *Compensated Absences*. The statement 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. Leave is attributable to services already rendered when an employee has performed the services required to earn the leave. Leave that accumulates is carried forward from the reporting period in which it is earned to a future reporting period during which it may be used for time off or otherwise paid or settled. In estimating the leave that is more likely than not to be used or otherwise paid or settled, the District considered relevant factors such as employment policies related to compensated absences and historical information about the use or payment of compensated absences. Leave that is more likely than not to be settled through conversion to defined benefit postemployment benefits is not included in the liability for compensated absences.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

L. Post-Retirement Benefits

The District currently pays one-half of the medical insurance premiums for its retirees from retirement to age 65. Liability for this benefit for one year is currently estimated to be $102,228.

Financial reports information pertaining to the District's participation in the Texas County and District Retirement System (TCDRS) was prepared in accordance with Governmental Accounting Standards Board ("GASB") Statement No. 68, *Accounting and Financial Reporting for Pensions*, as amended by GASB statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date.*

M. Property Taxes

Ad valorem taxes, penalties and interest are reported as revenue in the fiscal year in which they become available to finance expenditures of the fiscal year.

N. Tax Abatements

The Orange County Water Control and Improvement District No. 1 is committed to an expansion of its tax base, an increase to its population, the promotion of development in the District, and to an ongoing improvement in the quality of life for its residents. The District offers residential tax abatements for residents within the boundaries of the District Reinvestment Zones designated by the City of Vidor Ordinances Nos. 1247, 1248, 1249, 1250 and 1251 as a stimulus for economic development in the District. Property eligible for tax abatement per the guidelines and criteria is defined as: all property used as a single-family residence, located within a designated Reinvestment Zone, and within the boundaries of the District. As provided in the Act, abatement may only be granted for the value of eligible property subsequent to and listed in an abatement agreement between the District and the property owner, or the City of Vidor and the property owner where the District has, by official action, expressed an intent to be bound by the terms of the agreement in accordance with Section 312.206(a) of the Texas Property Code.

Upon determination that all requirements for tax abatement have been satisfied by the applicant, the value and terms of the abatements will be for a period of eight (8) years in accordance with the Schedule of Taxes Assessed stated in resolution No. 01-2018 of the Board of Directors of the District. Abatement shall be granted effective with the January 1 valuation date immediately following the date of approval of the abatement agreement and completion of construction of the property.

For the fiscal year ended June 30, 2026, the District abated property valued at $17,495,681, which resulted in abated property taxes totaling $47,262. All abatement agreements were in relation to residential property, and no single abatement exceeded 15% of the total abated value.

O. Budget

The District adopts an annual budget for the water and sewer fund only. The budget is adopted prior to the start of the fiscal year and is based on the accrual basis of accounting which is consistent with generally accepted accounting principles. Appropriations lapse at year end.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

P. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumption that affect the reported amounts off assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts and expenses during the reporting periods. Actual results could differ from those estimates.

Q. Application of Resources

It is the District's policy to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

R. Fund Equity

The District has adopted GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balance more transparent. Restricted fund balance – amounts that are restricted to specific purposes externally imposed by creditors, grantors, contributors, or imposed by the laws or regulations of other governments. The District establishes (and modifies or rescinds) fund balance commitments, other than restricted, by passage of a motion or resolution by the Board of Directors. This is done through adoption and amendment of the budget.

In the government-wide financial statements, net position represents the difference between assets and liabilities. Net position invested in capital assets represents capital asset balances reduced by accumulated depreciation and by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets. Net position is reported as restricted when there are external limitations imposed by creditors, grantors or laws or regulations of other governments. When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, and then unrestricted resources as they are needed.

S. Subsequent Events

In accordance with GASB Statement No. 56, the Management of the District has evaluated subsequent events through November 2, 2026, the date on which the financial statements were available for issue.

T. New Accounting Pronouncements

During the year ended June 30, 2026, the District implemented GASB Statement No. 103, Financial Reporting Model Improvements. Statement No. 103 establishes requirements for the content of management's discussion and analysis, the presentation of unusual or infrequent items, the definitions of operating and nonoperating revenues and expenses in the proprietary fund statement of revenues, expenses, and changes in fund net position, and the presentation of budgetary comparison information as required supplementary information. Implementation affected the format of management's discussion and analysis and the proprietary fund statement of revenues, expenses, and changes in fund net position. It did not affect beginning net position.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

T. New Accounting Pronouncements (Continued)

The District also implemented GASB Statement No. 104, Disclosure of Certain Capital Assets. Statement No. 104 requires subscription assets and other intangible assets to be disclosed separately by major class in the capital asset note, and requires additional disclosures for capital assets held for sale. Subscription assets are presented separately in Note 5. The District had no capital assets held for sale at June 30, 2026. Implementation did not affect beginning net position.

NOTE 3 – CASH AND INVESTMENTS

Texas statute and the District's investment policy authorize the District to invest in U.S. Treasury, bills, notes and bonds, which are backed by the full faith and credit of the United States government, U.S. governmental agency securities, and insured or collateralized time deposits issued by banks domiciled in the State of Texas.

At the year-end, the carrying amount of the District's deposits was $16,427,876 and the bank balance was $16,586,099. Three accounts relating to debt issuance are held in a trust. The remaining amount of $10,753,643 were insured by FDIC coverage or collateralized by an Irrevocable Standby Letter of Credit for $13,000,000 held by FHLBank of Dallas through December 31, 2025 and as of the financial statement date were insured for $11,000,000, effective January 1, 2026 through December 31, 2026.

Following are the components of the District's cash and investments at June 30, 2026:

	Total	Bond Revenue Requirements
Governmental Activities	$ 1,177,918	$ -
Business-Type Activities - Unrestricted	6,993,402	-
Business-Type Activities - Restricted		
Interest and Sinking	1,267,328	-
Revenue Bonds Reserve	1,314,995	1,302,241
Grant Proceeds	408,213	-
Bond Proceeds	5,266,020	-
	$ 16,427,876	$ 1,302,241

In August 2023 the district received two additional Revenue Note bonds. The total bond reserve requirement for Series 2021, Series 2023A and Series 2023B is listed above. The district had 60 months from the date of receipt to accumulate the required funds and as of the financial statement date were fully funded, covering the bond revenue requirements.

NOTE 4 – PROPERTY TAXES

The District's ad valorem property tax is levied each October 1 on the assessed value listed as of January 1 for all real property located in the District. The assessed value of the roll upon which the levy for the 2025 calendar year was based was $789,062,187. The tax rate assessed for the year ended June 30, 2026, to service bonded indebtedness was $0.2701 per $100 valuation.

Property taxes attach as an enforceable lien on the property as of February 1 following the levy date. Taxes are due October 1 and become delinquent by February 1 following the October 1 levy date. Current tax collections for the year ended June 30, 2026 were 90.5% of the tax.

NOTE 5 – CAPITAL ASSETS

Following is a summary of the District's capital asset activity:

	Balance July 1, 2025	Additions	Retire-ments	Impair-ments / Transfers	Balance June 30, 2026
Capital Assets					
Capital assets, not being depreciated					
Land	$ 319,650	$ -	$ -	$ -	$ 319,650
Construction-in-progress	223,325	639,820	-	(669,851)	193,294
Impaired Assets	100,000	-	-	-	100,000
Total capital assets, not being depreciated	642,975	639,820	-	(669,851)	612,944
Capital assets, being depreciated					
Buildings	410,703	11,905	-	-	422,608
Improvements other than buildings	65,546,319	13,246	-	669,851	66,229,416
Machinery and equipment	1,422,763	43,400	(5,602)	-	1,460,561
SBITA asset	173,984	129,410	(37,530)	-	265,864
Total capital assets, being depreciated	67,553,769	197,961	(43,132)	669,851	68,378,449
Less accumulated depreciation					
Buildings	280,659	17,199	-	-	297,858
Improvements other than buildings	32,248,329	1,816,897	-	-	34,065,226
Machinery and equipment	913,330	84,959	(5,042)	-	993,247
SBITA asset	95,805	40,737	(37,530)	-	99,012
Total accumulated depreciation	33,538,123	1,959,792	(42,572)	-	35,455,343
Total capital assets, being depreciated, net	34,015,646	(1,761,831)	(560)	669,851	32,923,106
Total capital assets, net	$34,658,621	$(1,122,011)	$ (560)	$ -	$ 33,536,050

Depreciation expense was $1,959,792 for the fiscal year ended June 30, 2026.

NOTE 5 – CAPITAL ASSETS (CONTINUED)

The following represents the District's construction commitments for the year ended June 30, 2026:

	Project	Commitment	Spent to Date	Remaining Commitment
Contract 5	Surplus Funds Water Systems SCADA Project	$ 248,798	$ 24,880	$ 223,918
Contract 6	Special Project Water Systems Well No. 7 Rehab	386,476	1,270	385,206
TWDB	Chloramine Treatment System - Series 2023A	388,650	-	388,650
TWDB	Chloramine Treatment System - Loan Forgiveness	500,000	91,787	408,213
TWDB	Well No 8 & Chloramine Treatment System	5,226,200	75,357	5,150,843
	Totals	$ 6,750,124	$ 193,294	$ 6,556,830

NOTE 6 – ADVANCE REFUNDING OF DEBT

2021 Revenue Bonds Refunding

On May 19, 2021, the District issued $8,825,000 in revenue refunding bonds with an interest rate of 1.25% - 2.0%. The proceeds were used to advance refund $9,330,000 of outstanding 2011 revenue notes which had interest rates ranging from 2.85% to 4.1%. From the net proceeds of $8,951,606 plus an additional $863,231 of District funds, $104,163 was used to pay the cost of issuance and $9,499,019 to call the bonds on August 15, 2021.

The advance refunding of the 2011 revenue notes reduced the total debt service payments over 11 years by $1,011,384. The present value of the saving from cash flow is $941,625.

2022 Unlimited Tax Bonds Refunding

On January 7, 2022, the District issued $10,300,000 in current interest refunding bonds with an interest rate of 3% - 4% and issued $693,444 of capital appreciation bonds with an interest rate of 2.48% - 2.77%. The proceeds were used to advance refund $17,885,250 of outstanding 2012 capital appreciation bonds which had interest rates ranging from 1.25% to 5.3%. From the net proceeds of $17,888,175, $484,149 was used to pay the cost of issuance and $17,404,026 was placed in escrow to call the bonds on February 15, 2022.

The advance refunding of the 2012 capital appreciation bonds reduced the total debt service payments over 16 years by $5,720,134. The present value of the saving from cash flow is $4,367,972.

NOTE 7 – LONG-TERM DEBT

The District issues General Obligation, Capital Appreciation, and Revenue bonds to provide funds for the acquisition and construction of major capital facilities. General Obligation and Capital Appreciation bonds are direct obligations and pledge the full faith and credit of the District. Revenue bonds are direct obligations and pledge the net revenues of the District.

The following is a schedule of the open bond series at the end of the fiscal year:

Governmental Activities

Bond Series	Interest Rates	Payable At
2019 General Obligation Refunding	2.0-4.0%	UMB Bank, N.A., Austin, Texas
2022 General Obligation Refunding	2.0-4.0%	BOKF, N.A., Dallas, Texas
2022 Capital Appreciation	2.48-2.77%	N/A Zero Coupon Bonds

Business-Type Activities

Bond Series	Interest Rates	Payable At
2021 Revenue Refunding	1.25-2%	UMB Bank, N.A., Austin, Texas
2023A Revenue Notes	0%	BOKF, N.A., Dallas, Texas
2023B Revenue Notes	2.04%-3.07%	BOKF, N.A., Dallas, Texas

Except for the revenue refunding bonds, bonds are payable from the proceeds of ad valorem taxes levied on all property subject to taxation in the District without limit as to rate or amount with no revenue pledge. Payment of the principal and interest on the bonds when due is guaranteed by a municipal bond insurance policy issued with the delivery of the bonds by MBIA Insurance Corporation. The revenue refunding bonds are payable from the District's revenues and ad valorem taxes may not be used for their repayment.

Annual debt service requirements to maturity for the bonds are as follows:

Due During Fiscal Year Ended	General Obligation Bonds		Due During Fiscal Year Ended	Revenue Bonds	
	Principal	Interest		Principal	Interest
2027	$ 1,615,000	$ 410,700	2027	$ 1,125,000	$ 178,825
2028	1,660,000	346,100	2028	1,140,000	160,739
2029	1,750,000	279,700	2029	1,155,000	146,974
2030	1,820,000	209,700	2030	1,170,000	133,038
2031	1,950,000	145,850	2031	1,185,000	117,766
2032-2036	9,885,000	116,900	2032-2036	2,310,000	428,316
2037-2038	4,000,000	-	2037-2041	1,535,000	252,438
			2042-2044	1,045,000	45,107
Total	$ 22,680,000	$ 1,508,950	Total	$ 10,665,000	$ 1,463,203

NOTE 7 – LONG-TERM DEBT (CONTINUED)

Changes in long-term liabilities

Long-term liability activity for the year ended June 30, 2026, was as follows:

Bonds Payable:	Interest Rate	Amounts at Original Issue	Beginning Balance	Additions	Retirements	Ending Balance	Due Within One Year
General Obligation							
2019 Refunding	2.0%-4.0%	$ 9,015,000	$ 5,895,000	$ -	$ (940,000)	$ 4,955,000	$ 985,000
Premium - 2019 Refunding			286,061	-	(81,760)	204,301	68,726
2022 Refunding	2.0%-4.0%	10,300,000	8,335,000	-	(610,000)	7,725,000	630,000
Premium - 2022 Refunding			384,694	-	(78,793)	305,901	70,674
Revenue Bonds							
2021 Refunding	1.25%-2%	8,825,000	6,325,000	-	(865,000)	5,460,000	885,000
Premium - 2021 Refunding			42,996	-	(12,222)	30,774	9,436
2023A Revenue Notes	0%	410,000	390,000	-	(20,000)	370,000	20,000
2023B Revenue Notes	2.04%-3.07%	5,260,000	5,050,000	-	(215,000)	4,835,000	220,000
Capital Appreciation							
2022 Refunding	2.48%-2.77%	693,440	693,440	-	-	693,440	-
Accreted Interest Payable							
2022 Refunding Bonds			6,867,592	201,010	-	7,068,602	206,365
Total Bonded Debt			34,269,783	201,010	(2,822,775)	31,648,018	3,095,201
Compensated Absences Payable			252,383	4,925	-	257,308	-
OPEB Liability			124,946	-	(22,718)	102,228	-
Customer Deposits			491,612	33,183	-	524,795	-
SBITA Liability			84,988	129,410	(40,002)	174,396	40,781
Total Long-Term Liabilities			$ 35,223,712	$ 368,528	$ (2,885,495)	$ 32,706,745	$ 3,135,982

The Debt Service Fund on June 30, 2026 had combined cash, time deposits, and accrued interest amounting to $1,177,918. The provisions of the bond resolutions relating to debt service requirements are being met and the cash allocated for these purposes is sufficient to meet upcoming debt service requirements for the remainder of the calendar year.

The District has pledged the net revenues of the System to repay the Series 2021 Revenue Refunding Bonds and the Series 2023A and 2023B Revenue Notes. That debt financed System improvements and refunded prior System debt. The pledge continues through fiscal year 2044. Total principal and interest remaining on the revenue debt is $12,128,203. For the year ended June 30, 2026, principal and interest paid were $1,301,163, and System net revenues (operating revenues less operating expenses excluding depreciation and amortization) were $2,046,886.

The required reserve account balance for the Series 2021, Series 2023A, and Series 2023B revenue notes is $1,302,241 at June 30, 2026, and the actual account balance is $1,314,995. The district has 60 months from the date of receipt to accumulate the required funds. The district is depositing $6,000 monthly into the reserve account.

2023 Revenue Notes Series 2023A and 2023B
In July 2023, the district issued Revenue Notes Series 2023A in the amount of $410,000. Principal payments are due annually beginning August 15, 2024 through 2043. No interest is due on this note.

NOTE 7 – LONG-TERM DEBT (CONTINUED)

2023 Revenue Notes Series 2023A and 2023B (Continued)
In August 2023, the district issued Revenue Notes Series 2023B in the amount of $5,260,000. Interest rates on note maturities range from 2.04% to 3.07% with biannual interest payments due beginning February 15, 2024. Principal payments are due annually beginning August 15, 2024 through 2043. The district paid $124,413 interest on the note in the year ended June 30, 2026.

NOTE 8 – PENSION PLAN

Plan Description

Orange County Water Control & Improvement District No. 1 participates in the Texas County & District Retirement System (TCDRS), which is a statewide, agent multiple-employer, public employee retirement system. All full-time and part time non-temporary employees participate in the plan, regardless of the number of hours they work in a year. Employees in a temporary position are not eligible for membership.

The plan provides retirement, disability, and survivor benefits. TCDRS is a savings-based plan. For the district's plan 7% of each employee's pay is deposited into his or her TCDRS account. By law, employee accounts earn 7% interest on beginning of year balances annually. At retirement, the account is matched at an employer set percentage (current match is 200%) and is then converted to an annuity.

There are not automatic COLAs. Each year, the district may elect an ad hoc COLA for its retirees (if any). There are two COLA types, each limited by actual inflation.

Benefit terms are established under the TCDRS Act. They may be amended as of January 1 each year, but must remain in conformity with the Act.

The district's contribution rate is calculated annually on an actuarial basis, although the employer may elect to contribute at a higher rate. The Orange County Water Control and Improvement District #1 contribution rate is based on the TCDRS funding policy adopted by the TCDRS Board of Trustees and must conform with the TCDRS Act. The employee contribution rates are set by the district and are currently 7%.

The most recent annual comprehensive financial report for TCRDS can be found at TCDRS.org/Employer.

At June 30, 2026, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	16
Inactive employees entitled to but not yet receiving benefits	16
Active employees	25
	57

NOTE 8 – PENSION PLAN (CONTINUED)

Funding Policy

TCDRS is a model for responsible, disciplined funding. TCDRS does not receive any state funding. As an agent, multiple-employer plan, each participating employer in the system funds its plan independently. A combination of three elements funds each employer's plan: employee deposits, employer contributions and investment income.

- The deposit rate for employees is 4%, 5%, 6%, or 7% of compensation, as adopted by the employer's governing body.
- Participating employers are required to contribute at actuarially determined rates to ensure adequate funding for each employer's plan. Employer contribution rates are determined annually and approved by the TCDRS Board of Trustees.
- Investment income funds a large part of the benefits employees earn.

The employer contributed using the actuarially determined rate of 10.67% for the months of the accounting year in 2025 and 10.76% for the months of the accounting year in 2026. The contribution rate payable by the employee members for calendar years 2025 and 2026 is the rate of 7.00%, as adopted by the governing body of the employer. The employee contribution rate and the employer contribution rate may be changed by the governing body of the employer within the options available in the TCDRS Act.

Actuarial Cost Method

TCDRS has adopted the replacement life entry age cost method, a conservative cost method and an industry standard. The goal of this cost method is to fund benefits in an orderly manner for each participant over his or her career so that sufficient funds are accumulated by the time benefit payments begin. Under this approach, benefits are funded in advance as a level percentage of pay. This portion of the contribution rate is called the normal cost rate and generally remains stable from year to year.

Amortization Policy

The portion of the contribution rate that funds any remaining unfunded amounts for benefits that are not covered by the normal cost is called the unfunded actuarial accrued liability (UAAL) rate. UAAL amounts occur when benefit enhancements are adopted that have not been funded in advance, or when actual investment or demographic experience varies from the actuarial assumptions (actuarial gains and losses). UAAL amounts are amortized on a level-dollar basis over a closed period with a layered approach. UAAL layers established Dec. 31, 2022 and earlier are amortized on a level-percentage-of-covered-payroll basis. The closed periods ensure all unfunded liabilities are financed over no more than 20 years from the time they occur. Each year new layers are established to amortize changes in the UAAL due to actuarial gains or losses, as well as any plan benefit changes elected by an employer for that year.

Asset valuation method

When determining the actuarial value of assets used for measuring a plan's funded status, TCDRS smooths each year's actuarial investment gains and losses and recognizes them over a five-year period to better reflect the system's long-term investment horizons and to keep employer contribution rates more stable. As actuarial asset investment gains and losses are recognized, they become part of the actuarial gains and losses for the year and are funded according to the amortization policy. The five-year period helps stabilize employer rates while still ensuring that rates are reflective of current market conditions.

NOTE 8 – PENSION PLAN (CONTINUED)

Annual Pension Expense (Income)

For the employer's accounting year ended June 30, 2026, the annual pension cost for the TCDRS plan for its employees was $38,526 and the actual contribution was $183,672.

Net Pension Liability (Asset)

	December 31, 2024	December 31, 2025
Total pension liability	$ 6,381,166	$ 6,749,675
Fiduciary net position	6,463,147	7,286,939
Net pension liability / (asset)	$ (81,981)	$ (537,264)
Fiduciary net position as a % of total pension liability	101.28%	107.96%
Pensionable covered payroll[(1)]	$ 1,568,766	$ 1,655,708
Net pension liability as a % of covered payroll	-5.23%	-32.45%

(1) Payroll is calculated based on contributions as reported to TCDRS.

The total pension liability was determined by an actuarial valuation as of the valuation date, calculated based on the discount rate and actuarial assumptions below.

Discount Rate

	December 31, 2024	December 31, 2025
Discount rate[(2)]	7.60%	7.60%
Long-term expected rate of return, net of investment expenses[(2)]	7.60%	7.60%
Municipal bond rate[(3)]	Does not apply	Does not apply

(2) This rate reflects the long-term rate of return funding valuation assumption of 7.50%, plus 0.10% adjustment to be gross of administrative expenses required by GASB 68.

(3) The plan's fiduciary net position is projected to be available to make all projected future benefit payments of current active, inactive and retired members. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return, and the municipal bond rate does not apply.

NOTE 8 – PENSION PLAN (CONTINUED

Other Key Actuarial Assumptions

The demographic assumptions were developed from an actuarial experience investigation of TCDRS over the years 2021-2024. They were recommended by Milliman and adopted by the TCDRS Board of Trustees in December of 2025. These assumptions, except where required to be different by GASB 68, are used to determine the total pension liability as of December 31, 2025. The assumptions are reviewed annually for continued compliance with the relevant actuarial standards of practice.

Valuation date	December 31, 2024	December 31, 2025
Measurement date	December 31, 2024	December 31, 2025
Employer's fiscal year	June 30, 2025	June 30, 2026

Actuarial Methods and Assumptions Used for GASB Calculations

Valuation Timing	Actuarially determined contribution rates are calculated on a calendar year basis as of December 31, two years prior to the end of the fiscal year in which contributions are reported.
Actuarial Cost Method	Entry Age (level percent of pay)[1]
Amortization Method	
Recognition of economic/demographic gains or losses	Straight-Line amortization over Expected Working Life
Recognition of assumptions changes or inputs	Straight-Line amortization over Expected Working Life
Asset Valuation Method	
Smoothing period	5 years
Recognition method	Non-asymptotic
Corridor	None
Inflation	2.50%
Salary Increases	Varies by age and service. 4.7% average over career including inflation.
Investment Rate of Return	7.6% (Gross of administrative expenses)
Cost-of-Living Adjustments	Cost-of-Living Adjustments for Orange County Water Control and Improvement District #1 are not considered to be substantively automatic under GASB 68. Therefore, no assumption for future cost-of-living adjustments is included in the GASB calculations. No assumption for future cost-of-living adjustments is included in the funding valuation.
Retirement Age	61 and above
Mortality	135% of Pub-2010 General Employees Amount-Weighted Mortality Table for males and 120% Pub-2010 General Employees Amount-Weighted Mortality Table for females, both projected with 100% of the MP-2021 Ultimate scale after 2010.

[1] *Individual entry age normal cost method, as required by GASB 68, used for GASB calculations. Note that a replacement life entry age cost method is used for the funding actuarial valuation, which differs from the GASB-required approach in that it assumes that the current benefit provisions always applied.*

NOTE 8 – PENSION PLAN (CONTINUED)

Long-term Expected Rate of Return

The Long-term expected rate of return on TCDRS assets is determined by adding expected inflation to expected long-term real returns, and reflecting expected volatility and correlation. The capital market assumptions and information shown below are provided by TCDRS' investment consultant, NEPC, LLC. The numbers shown are based on January 2026 information for a 10 year time horizon.

Note that the valuation assumption for long-term expected return is re-assessed in detail at a minimum of every four years, and is set based on a long-term time horizon. The TCDRS Board of Trustees adopted the current assumption at their December 2025 meeting. The assumption for the long-term expected return is reviewed annually for continued compliance with the relevant actuarial standards of practice. The actuary relies on the expertise of NEPC in this assessment.

Asset Class	Benchmark	Target Allocation [1]	Geometric Real Rate of Return [2]
US Equities	Dow Jones U.S. Total Stock Market Index	13.00%	2.00%
Global Equities	MSCI World (net) Index	4.00%	2.20%
Int'l Equities - Developed Markets	MSCI World Ex USA (net) Index	6.00%	1.80%
Int'l Equities - Emerging Markets	MSCI Emerging Markets (net) Index	0.00%	2.50%
Investment - Grade Bonds	Bloomberg U.S. Aggregate Bond Index	3.00%	2.20%
Strategic Credit	FTSE High-Yield Cash-Pay Index	9.00%	5.60%
Direct Lending	Morningstar LSTA US Leveraged Loan TR USD Index	16.00%	5.40%
Distressed Debt	Cambridge Associates Distressed Securities Index [3]	4.00%	5.30%
Gold	Bloomberg Gold Sub Index	3.00%	0.60%
REIT Equities	67% FTSE NAREIT All Equity REITs Index + 33% S&P Global REIT (net) Index	1.00%	3.30%
Master Limited Partnership	Alerian MLP Index	1.00%	2.50%
Commodities	Bloomberg Commodities Index	1.00%	0.70%
Private Real Estate Partnerships	Cambridge Associates Real Estate Index [4]	6.00%	4.60%
Private Equity	Cambridge Associates Global Private Equity & Venture Capital Index [5]	25.00%	5.60%
Hedge Funds	Hedge Fund Research, Inc. (HFRI) Fund of Funds Composite Index	6.00%	3.30%
Cash Equivalents	90-Day U.S. Treasury	2.00%	1.30%

[1] *Target asset allocation adopted at the March 2026 TCDRS Board Meeting.*

[2] *Geometric real rates of return equal the expected return for the asset class minus the assumed inflation rate of 2.50%, per NEPC's 2026 capital market assumptions.*

[3] *Includes vintage years 2005-present of Quarter Pooled Horizon IRRs.*

[4] *Includes vintage years 2007-present of Quarter Pooled Horizon IRRs.*

[5] *Includes vintage years 2006-present of Quarter Pooled Horizon IRRs.*

NOTE 8 – PENSION PLAN (CONTINUED)

Changes in Net Pension Liability/ (Asset)

	Total Pension Liability (a)	Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balances as of December 31, 2024	$ 6,381,166	$ 6,463,147	$ (81,981)
Changes for the year:			
Service Cost	209,148	-	209,148
Interest on total pension liability[1]	490,361	-	490,361
Effect of plan changes[2]	-	-	-
Effect of economic/demographic gains or losses	(69,124)	-	(69,124)
Effect of assumptions changes or inputs	19,669	-	19,669
Refund of contributions	(78,926)	(78,926)	-
Benefit payments	(202,619)	(202,619)	-
Administrative expenses	-	(3,757)	3,757
Member contributions	-	115,900	(115,900)
Net Investment income	-	813,331	(813,331)
Employer contributions	-	176,302	(176,302)
Other [3]	-	3,561	(3,561)
Balances as of December 31, 2025	$ 6,749,675	$ 7,286,939	$ (537,264)

[1] *Reflects the change in the liability due to the time value of money. TCDRS does not charge fees or interest.*

[2] *No plan changes valued.*

[3] *Relates to allocation of system-wide items.*

Sensitivity Analysis

The following presents the net pension liability of the employer, calculated using the discount rate of 7.60%, as well as what the Orange County Water Control & Improvement District No. 1 net pension liability would be if it were calculated using a discount rate that is 1 percent point lower (6.60%) or 1 percent higher (8.60)% than the current rate.

	1% Decrease 6.60%	Current Discount Rate 7.60%	1% Increase 8.60%
Total pension liability	$ 7,676,131	$ 6,749,675	$ 5,981,341
Fiduciary net position	7,286,939	7,286,939	7,286,939
Net pension liability / (asset)	$ 389,192	$ (537,264)	$ (1,305,598)

NOTE 8 – PENSION PLAN (CONTINUED)

Pension Expense/ (Income)

	January 1, 2025 to December 31, 2025
Service cost	$ 209,148
Interest on total pension liability[1]	490,361
Effect on plan changes	-
Administrative expenses	3,757
Member contributions	(115,900)
Expected investment return net of investment expenses	(491,589)
Recognition of deferred inflows/outflows of resources	
Recognition of economic/demographic gains or losses	9,314
Recognition of assumption changes or inputs	46,816
Recognition of investment gains or losses	(109,820)
Other[2]	(3,561)
Pension expense / (income)	$ 38,526

[1] *Reflects the change in the liability due to the time value of money. TCDRS does not charge fees or interest.*

[2] *Relates to allocation of system-wide items.*

Deferred Inflows/ Outflows of Resources

As of December 31, 2025, the deferred inflow and outflow resources are as follows:

	Deferred Inflows of Resources	Deferred Outflows of Resources
Differences between expected and actual experience	$ 55,299	$ 73,078
Changes of assumption	-	15,735
Net difference between projected and actual earnings	268,576	-
Contributions made subsequent to measurement date	-	89,264
	$ 323,875	$ 178,077

Amounts currently reported as deferred outflows of resources and deferred inflow of resources related to pensions, excluding contributions made subsequent to the measurement date, will be recognized in pension expense as follows:

Year ended December 31:	
2026	$ 31,959
2027	(116,259)
2028	(90,285)
2029	(60,477)
2030	-
Thereafter	-

NOTE 9 –OTHER REQUIRED INDIVIDUAL FUND DISCLOSURES

Generally accepted accounting principles require disclosure, as part of the basic financial statements, of certain information concerning individual funds including the following:

In the Water and Sewer Fund, actual expenditures exceeded the budget by the following amounts:

	Amount	Percent of Line Item
Water and Sewer Service Expenses	$ (68,108)	-5.5%
Depreciation Expense	(1,959,792)	-100.0%

NOTE 10 – COMMITMENTS AND CONTINGENCIES

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the District obtains insurance coverage through commercial insurance carriers. Workers' compensation and auto liability insurance are covered through participation in a public entity risk pool, where risk is transferred to the pool within policy limits purchased. There have been no significant reductions in insurance coverage from the preceding year and settlement amounts have not exceeded insurance coverage for the current year.

NOTE 11 – TEXAS WATER DEVELOPMENT BOARD PRINCIPAL FORGIVENESS AGREEMENT

On August 16, 2023, the Texas Water Development Board approved the District's Project No. 62949 for $500,000 from the Drinking Water State Revolving Fund with 100 percent of the loan to be forgiven. The $500,000 was deposited into an escrow account controlled by the Texas Water Development Board. Money is transferred from the escrow account to the District's account as project milestones are achieved and approved by the Texas Water Development Board. Interest income is credited to the escrow account and is used for payment before principal. The unspent balance in the escrow account of $408,213 is shown as restricted cash. Unearned revenue at June 30, 2026 for this project is $408,213. Project activity through June 30, 2026 is shown below:

	6/30/2026
Escrow balance Beginning of Year	$ 435,065
Project milestones transferred to the District	(26,852)
Escrow balance End of Year	$ 408,213

NOTE 12 – SUBSCRIPTION BASED INFORMATION TECHOLOGY ARRANGEMENT – GASB 96

General Description

Orange County Water Control and Improvement District No. 1 has several existing arrangements and some new arrangements subject to the requirements of GASB 96. These agreements can be described in groups of those relating to technological needs in keeping the district's computer network system up to date for administrative purposes; to those relating to Public Board Meetings, agendas, and minutes; and to those relating to the preservation of all the district's documents as required by the Local Government Code, Chapter 203. The district makes monthly, quarterly, or annual payments and the agreements are for varying terms. The SBITA liability is the present value of these payments using the district's incremental borrowing rate. The liability is amortized providing the principal and interest components of the payments over the SBITA term. The SBITA asset is measures as the SBITA liability plus any capitalized expenditures/expenses incurred in the initial implementation stage. The SBITA asset is depreciated (amortized) using the straight-line depreciation method over the term of the SBITA arrangement.

The total amount of the Subscription Assets and Accumulated Amortization

	Term in Months	Total Asset Amounts	Total Accumulated Amortization
Proprietary Funds:			
Preservation of district documents	24	$ 6,152	$ 3,076
Public Board Meetings & Agendas	12	42,829	7,306
Technological needs	71	216,883	88,630
Total Business-type Activities		$ 265,864	$ 99,012

Outflow of Resources:

The District paid $46,061 during the year for these SBITA arrangements, $6,059 of which is classified as interest expense.

The SBITA Liabilities and Associated Principal and Interest Requirements:

	Interest Rate	Beginning Liability	Term in Months	Ending Balance
Proprietary Funds:				
Preservation of district documents	4.00%	$ 487	24	$ 3,138
Public Board Meetings & Agendas	4.00%	5,297	12	35,560
Technological needs	4.00%	79,204	71	135,698
Total Business-type Activities				$ 174,396

NOTE 12 – SUBSCRIPTION BASED INFORMATION TECHOLOGY ARRANGEMENT – GASB 96 (CONTINUED)

The future principal and interest SBITA arrangement payments as of fiscal year-end are as follows:

	Principal	Interest	Total
Proprietary Funds:			
Year Ended June 30			
2027	$ 40,781	$ 5,729	$ 46,510
2028	38,878	4,493	43,371
2029	38,639	2,914	41,553
2030	19,748	1,814	21,562
2031	6,349	1,313	7,662
2032	6,608	1,054	7,662
2033	6,877	785	7,662
2034	7,157	505	7,662
2035	7,448	214	7,662
2036	1,911	6	1,917
	$ 174,396	$ 18,827	$ 193,223

NOTE 13 – NET POSITION (DEFICIT)

The District utilizes the proceeds of general obligation and revenue bonds to purchase and construct its Water and Sewer system improvements. Those assets are reported as Business-type Activities but the liabilities relating to the bonds are reported both as Governmental Activities and Business-type Activities depending on whether said bonds are general obligation or revenue bonds. Since the Governmental Activities report the liability of $20,952,244 general obligation bonds but do not report any assets associated with those bonds, net position reflects a deficit of $19,300,242.

NOTE 14 – CORRECTION OF AN ERROR AND RESTATEMENT OF BEGINNING BALANCES

During the year ended June 30, 2026, Orange County Water Control and Improvement District No. 1 (the District) determined that its water and wastewater utility operations should be reported as an enterprise fund and as business-type activities. The District's utility operations are financed, in part, with debt secured by pledged net revenues of the utility system, and water and wastewater service charges are a principal revenue source of the utility operations. Accordingly, the utility operations meet the enterprise fund reporting criteria in *GASB Codification Section 1300.109*.

In prior years, the District reported the utility operations within governmental funds and governmental activities. The District has corrected this error in the year ended June 30, 2026 by reclassifying the utility operations from governmental funds and governmental activities to an enterprise fund and business-type activities. The correction has been reported retroactively by restating beginning net position, fund balance, and fund net position, as applicable, as of July 1, 2025.

REQUIRED SUPPLEMENTARY INFORMATION

ORANGE COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1

SCHEDULE OF CHANGES IN EMPLOYER'S NET PENSION LIABILITY AND RELATED RATIOS
FOR THE YEAR ENDED JUNE 30, 2026

	Year Ended December 31, 2025	Year Ended December 31, 2024	Year Ended December 31, 2023	Year Ended December 31, 2022	Year Ended December 31, 2021
Total Pension Liability					
Service cost	$ 209,148	$ 189,872	$ 178,230	$ 176,990	$ 188,247
Interest on total pension liability	490,361	452,219	406,098	377,260	353,125
Effect of plan changes	-	-	197,088	-	-
Effect of assumption changes or inputs	19,669	-	-	-	(8,157)
Effect of economic/demographic (gains)or losses	(69,124)	82,594	20,170	29,843	(10,094)
Benefit payments/refunds of contributions	(281,545)	(204,069)	(208,571)	(203,314)	(185,588)
Net change in total pension liability	368,509	520,616	593,015	380,779	337,533
Total pension liability, beginning	6,381,166	5,860,550	5,267,535	4,886,756	4,549,223
Total pension liability, ending (a)	6,749,675	6,381,166	5,860,550	5,267,535	4,886,756
Fiduciary Net Position					
Employer contributions	176,302	166,631	137,327	134,122	85,703
Member contributions	115,900	109,814	106,867	104,355	103,264
Investment income net of investment expenses	813,331	592,359	570,643	(323,729)	985,331
Benefit payments/refunds of contributions	(281,545)	(204,069)	(208,571)	(203,314)	(185,588)
Administrative expenses	(3,756)	(3,518)	(3,027)	(3,041)	(2,960)
Other	3,560	5,700	3,865	9,523	1,331
Net change in fiduciary net position	823,792	666,917	607,104	(282,084)	987,081
Fiduciary net position, beginning	6,463,147	5,796,230	5,189,126	5,471,210	4,484,129
Fiduciary net position, ending (b)	7,286,939	6,463,147	5,796,230	5,189,126	5,471,210
Net pension liability / (asset), ending = (a) - (b)	$ (537,264)	$ (81,981)	$ 64,320	$ 78,409	$ (584,454)
Fiduciary net position as a % of total pension liability	107.96%	101.28%	98.90%	98.51%	111.96%
Pensionable covered payroll	$ 1,655,708	$ 1,568,766	$ 1,526,676	$ 1,490,782	$ 1,475,197
Net pension liability as a % of covered payroll	-32.45%	-5.23%	4.21%	5.26%	-39.62%

Year Ended December 31, 2020	Year Ended December 31, 2019	Year Ended December 31, 2018	Year Ended December 31, 2017	Year Ended December 31, 2016
$ 177,798	$ 185,603	$ 147,806	$ 124,504	$ 122,477
327,748	300,406	269,777	243,472	215,074
-	-	119,853	-	-
267,100	-	-	15,212	56,100
(314)	17,058	(64,815)	40,659	-
(179,667)	(136,574)	(128,153)	(116,871)	(98,503)
592,665	366,493	344,468	306,976	295,148
3,956,558	3,590,065	3,245,597	2,938,621	2,643,473
4,549,223	3,956,558	3,590,065	3,245,597	2,938,621
96,596	110,283	56,294	47,633	50,942
115,859	123,329	104,248	95,265	114,310
417,035	555,445	(63,263)	432,303	197,926
(179,667)	(136,574)	(128,153)	(116,871)	(98,503)
(3,282)	(3,076)	(2,717)	(2,271)	(2,150)
1,370	3,885	1,308	327	28,507
447,911	653,292	(32,283)	456,386	291,032
4,036,218	3,382,926	3,415,209	2,958,823	2,667,791
4,484,129	4,036,218	3,382,926	3,415,209	2,958,823
$ 65,094	$ (79,660)	$ 207,139	$ (169,612)	$ (20,202)
98.57%	102.01%	94.23%	105.23%	100.69%
$ 1,655,124	$ 1,761,843	$ 1,489,257	$ 1,360,927	$ 1,235,678
3.93%	-4.52%	13.91%	-12.46%	-1.63%

ORANGE COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1

SCHEDULE OF EMPLOYER CONTRIBUTIONS
FOR THE YEAR ENDED JUNE 30, 2026

Year Ending December 31,	Actuarially Determined Contribution[1]	Actual Employer Contribution[1]	Contribution Deficiency (Excess)	Pensionable Covered Payroll[2]	Actual Contribution as a % of Covered Payroll
2016	$ 50,910	$ 50,942	$ (32)	$ 1,235,678	4.1%
2017	47,633	47,633	-	1,360,927	3.5%
2018	56,294	56,294	-	1,489,257	3.8%
2019	110,283	110,283	-	1,761,843	6.3%
2020	96,163	96,596	(433)	1,655,124	5.8%
2021	84,971	85,703	(732)	1,475,197	5.8%
2022	120,455	134,122	(13,667)	1,490,782	9.0%
2023	116,485	137,327	(20,842)	1,526,676	9.0%
2024	166,631	166,631	-	1,568,766	10.6%
2025	176,302	176,302	-	1,655,708	10.6%

[1] TCDRS calculates actuarially determined contributions on a calendar year basis. GASB Statement No. 68 indicates the employer should report employer contribution amounts on a fiscal year basis.

[2] Payroll is calculated based on contribution as reported to TCDRS

TEXAS SUPPLEMENTARY INFORMATION

ORANGE COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1

SCHEDULE OF REVENEUES, EXPENSES AND CHANGES IN NET POSITION – BUDGET AND ACTUAL – WATER AND SEWER FUND
FOR THE YEAR ENDED JUNE 30, 2026

	Budgeted Amounts			Variance With Final Budget Favorable
	Original	Final	Actual	(Unfavorable)
REVENUES:				
Water Services	$2,302,007	$2,302,007	$ 2,448,271	$ 146,264
Sewer Services	2,279,850	2,279,850	2,383,516	103,666
Other Service Fees	107,100	107,100	140,649	33,549
Revenue Note Collections	1,035,000	1,035,000	1,026,187	(8,813)
Other Revenue	85,000	85,000	152,159	67,159
Total Operating Revenues	5,808,957	5,808,957	6,150,782	341,825
EXPENSES:				
Current:				
General Government:				
Water and Sewer Service	1,242,994	1,242,994	1,311,102	(68,108)
Salaries, Benefits and Payroll Taxes	2,495,200	2,495,200	2,305,854	189,346
Professional Fees	89,500	89,500	86,298	3,202
Administrative Expenses	407,000	407,000	335,323	71,677
Other	36,000	36,000	35,497	503
Depreciation Expense	-	-	1,959,792	(1,959,792)
Miscellaneous Expenses	183,000	183,000	24,563	158,437
Total Expenses	4,453,694	4,453,694	6,058,429	(1,604,735)
OPERATING INCOME (LOSS) - BUDGET BASIS	1,355,263	1,355,263	92,353	(1,262,910)
NON-OPERATING REVENUE (EXPENSES)				
Investment Earnings	145,000	145,000	326,935	181,935
Interest Expense	(201,163)	(201,163)	(179,223)	21,940
Grants and Contributions	-	-	26,852	26,852
Gain (Loss) on Disposition of Assets	-	-	(560)	(560)
Total Non-Operating Revenues (Expenses)	(56,163)	(56,163)	174,004	230,167
NON GAAP BUDGET ITEMS				
Bond Principal Payments	(1,100,000)	(1,100,000)	-	1,100,000
Other Revenues (Expenses)	(199,100)	(199,100)	-	199,100
Total Non GAAP Budget Items	(1,299,100)	(1,299,100)	-	1,299,100
Net Change in Net Positions	-	-	266,357	266,357
Net Position - July 1 (Beginning)	-	-	-	-
Correction of beginning balance	-	-	37,633,472	37,633,472
Net Position - June 30 (Ending)	$ -	$ -	$ 37,899,829	$ 37,899,829
			4,098,637	355,057

ORANGE COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1

SCHEDULE OF SERVICES AND RATES
FOR THE YEAR ENDED JUNE 30, 2026

1) SERVICES PROVIDED BY DISTRICT:

X Retail Water ___ Wholesale Water ___ Drainage
X Retail Wastewater ___ Wholesale Wastewater ___ Irrigation
___ Parks/recreation ___ Fire Protection ___ Security
___ Solid Waste ___ Flood Control ___ Roads
___ Participates in joint venture, regional system, and/or wastewater service (other then emergency interconnect)
___ Other (specify): _____

2) RETAIL RATES BASED ON 5/8" METER:

	Residential Minimum Charge	Residential Minimum Usage	Flat Rate Y/N	Rate per 100 Gallons over Minimum Use	Usage Levels
Water:	$ 17.84	2,000	N	$ 0.51	2,000 Gal & Over
Wastewater:	$ 21.21	2,000	N	$ 0.51	2,000 Gal & Over
Surcharge:	$ -	-	-	$ -	-

Total Charges per 10,000 gallons usage: Water: $58.64 Sewer: $62.01

	Commercial Minimum Charge	Commercial Minimum Usage	Flat Rate Y/N	Rate per 1000 Gallons over Minimum Use	Usage Levels
Water:	$ 19.91	2,000	N	$ 0.537	2,000 Gal & Over
Wastewater:	$ 24.38	2,000	N	$ 0.537	2,000 Gal & Over
Surcharge:	$ -	-	-	$ -	-

Total Charges per 10,000 gallons usage: Water: $62.87 Sewer: $67.34
District employs winter averaging for wastewater usage? Yes___ No X

Water and Wastewater Retail connections:

Meter Size	Total Connections	Active Connections	ESFC Factor	Active ESFC'S
Unmetered		7	1.0	7
< = 3/4"		4,696	1.0	4,696
1"		78	2.5	195
1 1/2"		55	5.0	275
2"		65	8.0	520
3"		5	16.0	80
4"		4	25.0	100
6"		5	50.0	Firelines
8"		1	80.0	Firelines
10"		-	115.0	-
Total Water		4,916		5,873
Total Wastewater		4,173	1.0	4,173

3) TOTAL WATER CONSUMPTION DURING THE FISCAL YEAR (ROUNDED TO THE NEAREST THOUSAND):

Gallons pumped into system:	392,296,000	Water Accountability Ratio: (Gallons billed/Gallons pumped)
Gallons billed to customers	351,123,437	90%

ORANGE COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1

NOTES REQUIRED BY THE TEXAS COMMISSION ON ENVIRONMENTAL QUALITY

Note A – Creation of District

See the General Statement in Note 1 to the Financial Statements.

Note B – Contingent Liabilities

The District has no contingent liabilities. See Note 10 to the Financial Statement

Note C – Pension Coverage

See Schedule of Funding Progress.

Note D – Pledge of Revenues

See Note 7 to the Financial Statements.

Note E – Compliance with Debt Service Requirements

See Note 7 to the Financial Statements.

Note F – Bond Redemption

See Note 6 to the Financial Statements.

ORANGE COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1

SCHEDULE OF WATER AND SEWER FUND EXPENSES
FOR THE YEAR ENDED JUNE 30, 2026

OPERATING EXPENSES	
Personnel Expenditures (Including benefits)*	$ 2,021,974
Professional fees:	
Engineering	23,374
Accounting	25,050
Legal	37,873
Utilities	349,344
Repairs and Maintenance	672,101
Administrative Expenditures	
Office Expense	35,334
Insurance	362,712
Other Expenses	21,236
Solid Waste Disposal	53,679
Plant Operations	495,960
Depreciation Expense	1,959,792
Total operating expenses	6,058,429
NON-OPERATING EXPENSES	
Interest	179,223
Total non-operating expenses	179,223
TOTAL EXPENSES	$ 6,237,652

*Number of persons employed by the District: 25 Full-Time, and 5 Part-Time

ORANGE COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1

SCHEDULE OF TEMPORARY INVESTMENTS
JUNE 30, 2026

As of June 30, 2026, the District had no reportable temporary investments.

ORANGE COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1

ANALYSIS OF TAXES LEVIED AND RECEIVABLE
JUNE 30, 2026

Taxes Receivable, Beginning of Year		$ 659,877
2025 Original Tax Levy		2,131,548
Plus (Less): Net adjustments		(65,089)
Total to be Accounted for		2,726,336
Tax Collections:		
Current Year	$ 1,929,042	
Prior Years	99,081	
Total Collections		2,028,123
Taxes Receivable, End of Year		$ 698,213

Property valuations	2025	2024	2023	2022
Land	$ 115,782,630	$ 116,487,222	$107,842,432	$ 96,067,823
Improvements	797,397,841	749,638,104	687,240,301	585,223,858
Personal Property	71,562,190	69,990,996	63,750,805	60,193,383
Less Exemptions	(195,680,474)	(194,976,192)	(169,745,332)	(119,138,031)
TOTAL	$ 789,062,187	$ 741,140,130	$689,088,206	$622,347,033
Tax rate per $100 Valuation (All Debt Service)	$ 0.2701	$ 0.2920	$ 0.3144	$ 0.3376
Original Tax Levy	$ 2,131,548	$ 2,163,865	$ 2,166,493	$ 2,097,028
Percent of Taxes Collected to Taxes Levied	90.50%	91.34%	92.15%	91.88%

NOTE: Debt service taxes are the only taxes levied by the District.

ORANGE COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1

WATER AND SEWER OPERATING FUND
WATERWORKS AND SEWER REVENUE BONDS
DEBT SERVICE REQUIREMENTS BY YEAR
JUNE 30, 2026

	Series 2021 Revenue Refunding Bonds		
Due During Fiscal Years Ending June 30,	Principal	Interest	Total Principal and Interest
2027	$ 885,000	$ 59,250	$ 944,250
2028	895,000	45,925	940,925
2029	905,000	36,925	941,925
2030	915,000	27,825	942,825
2031	925,000	17,469	942,469
2032	935,000	5,844	940,844
	$ 5,460,000	$ 193,238	$ 5,653,238

	2023A Revenue Bonds	
Due During Fiscal Years Ending June 30,	Total Maturity Value Due	Total Due
2027	$ 20,000	$ 20,000
2028	20,000	20,000
2029	20,000	20,000
2030	20,000	20,000
2031	20,000	20,000
2032	20,000	20,000
2033	20,000	20,000
2034	20,000	20,000
2035	20,000	20,000
2036	20,000	20,000
2037	20,000	20,000
2038	20,000	20,000
2039	20,000	20,000
2040	20,000	20,000
2041	20,000	20,000
2042	20,000	20,000
2043	25,000	25,000
2044	25,000	25,000
	$ 370,000	$ 370,000

NOTE 14 – CORRECTION OF AN ERROR AND RESTATEMENT OF BEGINNING BALANCES (CONTINUED)

The error affected the classification and presentation of the District's utility-related assets, deferred outflows of resources, liabilities, deferred inflows of resources, revenues, expenses/expenditures, capital assets, accumulated depreciation, long-term debt, restricted assets, and related net position or fund balances. The primary financial statement line items affected include cash and investments, restricted cash, receivables, capital assets, accumulated depreciation, accounts payable and accrued liabilities, long-term debt, deferred inflows and outflows of resources, charges for services, operating expenses, depreciation expense, capital outlay, debt service expenditures, interest expense, transfers, governmental activities net position, business-type activities net position, governmental fund balances, and enterprise fund net position. The following table summarizes the effects of the correction on beginning balances as of July 1, 2025.

	Balance as previously reported July 1, 2025	Reclassificaton / restatement adjustment	Balance as restated July 1, 2025
Reporting Unit			
Governmental activities - net position	$16,697,414	$ (37,633,472)	$(20,936,058)
Business-type activities - net position	-	37,633,472	37,633,472
Total primary government - net position	$16,697,414	$ -	$ 16,697,414
General Fund - fund balance	$ 5,186,781	$ (5,186,781)	$ -
Debt Service Fund - fund balance	1,135,332	-	1,135,332
Contingency Fund - fund balance	2,661,199	(2,661,199)	-
Construction and Capital Projects Funds - fund balance	7,684,817	(7,684,817)	-
Total governmental funds - fund balance	$16,668,129	$ (15,532,797)	$ 1,135,332
Water and Sewer Enterprise Fund - fund net position	$ -	$ 37,633,472	$ 37,633,472
Total proprietary funds - fund net position	$ -	$ 37,633,472	$ 37,633,472

The reclassification/restatement adjustments in the table above represent utility-related balances that were previously included in governmental activities and governmental funds and are now reported in business-type activities and the Water and Wastewater Enterprise Fund.

The correction did not result from a change in the District's utility operations. The correction reflects the proper financial statement presentation of the utility operations as an enterprise fund and business-type activities under generally accepted accounting principles for state and local governments.

ORANGE COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1

WATER AND SEWER OPERATING FUND
WATERWORKS AND SEWER REVENUE BONDS
DEBT SERVICE REQUIREMENTS BY YEAR
JUNE 30, 2026

	2023B Revenue Bonds		
Due During Fiscal Years Ending June 30,	Principal	Interest	Total Principal and Interest
2027	$ 220,000	$ 119,575	$ 339,575
2028	225,000	114,814	339,814
2029	230,000	110,049	340,049
2030	235,000	105,213	340,213
2031	240,000	100,297	340,297
2032	245,000	95,326	340,326
2033	250,000	90,214	340,214
2034	255,000	84,886	339,886
2035	260,000	79,154	339,154
2036	265,000	72,892	337,892
2037	270,000	66,136	336,136
2038	280,000	58,804	338,804
2039	285,000	50,935	335,935
2040	295,000	42,640	337,640
2041	305,000	33,923	338,923
2042	315,000	24,777	339,777
2043	325,000	15,192	340,192
2044	335,000	5,138	340,138
	$ 4,835,000	$ 1,269,965	$ 6,104,965

ORANGE COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1

WATER AND SEWER OPERATING FUND
WATERWORKS AND SEWER REVENUE BONDS
DEBT SERVICE REQUIREMENTS BY YEAR
JUNE 30, 2026

Due During Fiscal Years Ending June 30,	Annual Requirements for Revenue Bond Series		
	Total Principal Due	Total Interest Due	Total Principal and Interest Due
2027	$ 1,125,000	$ 178,825	$ 1,303,825
2028	1,140,000	160,739	1,300,739
2029	1,155,000	146,974	1,301,974
2030	1,170,000	133,038	1,303,038
2031	1,185,000	117,766	1,302,766
2032	1,200,000	101,170	1,301,170
2033	270,000	90,214	360,214
2034	275,000	84,886	359,886
2035	280,000	79,154	359,154
2036	285,000	72,892	357,892
2037	290,000	66,136	356,136
2038	300,000	58,804	358,804
2039	305,000	50,935	355,935
2040	315,000	42,640	357,640
2041	325,000	33,923	358,923
2042	335,000	24,777	359,777
2043	350,000	15,192	365,192
2044	360,000	5,138	365,138
	$ 10,665,000	$ 1,463,203	$ 12,128,203

ORANGE COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1

GENERAL LONG – TERM DEBT SERVICE REQUIREMENTS BY YEAR
JUNE 30, 2026

Due During Fiscal Years Ending June 30,	Series 2019 Unlimited Tax Refunding Bonds		
	Principal	Interest	Total Principal and Interest
2027	$ 985,000	$ 198,200	$ 1,183,200
2028	1,020,000	158,800	1,178,800
2029	1,060,000	118,000	1,178,000
2030	925,000	75,600	1,000,600
2031	965,000	38,600	1,003,600
	$ 4,955,000	$ 589,200	$ 5,544,200

Due During Fiscal Years Ending June 30,	Series 2022 Unlimited Tax Refunding Bonds		
	Principal	Interest	Total Principal and Interest
2027	$ 630,000	$ 212,500	$ 842,500
2028	640,000	187,300	827,300
2029	690,000	161,700	851,700
2030	895,000	134,100	1,029,100
2031	985,000	107,250	1,092,250
2032	1,925,000	77,700	2,002,700
2033	1,960,000	39,200	1,999,200
	$ 7,725,000	$ 919,750	$ 8,644,750

Due During Fiscal Years Ending June 30,	Series 2022 Capital Appreciation Refunding Bonds	
	Total Maturity Value Due	Total Due
2034	$ 2,000,000	$ 2,000,000
2035	2,000,000	2,000,000
2036	2,000,000	2,000,000
2037	2,000,000	2,000,000
2038	2,000,000	2,000,000
	$ 10,000,000	$ 10,000,000

ORANGE COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1

GENERAL LONG – TERM DEBT SERVICE REQUIREMENTS BY YEAR
JUNE 30, 2026

Due During Fiscal Years Ending June 30,	Annual Requirements for Tax Bond Series		
	Total Principal Due	Total Interest Due	Total Principal and Interest Due
2027	$ 1,615,000	$ 410,700	$ 2,025,700
2028	1,660,000	346,100	2,006,100
2029	1,750,000	279,700	2,029,700
2030	1,820,000	209,700	2,029,700
2031	1,950,000	145,850	2,095,850
2032	1,925,000	77,700	2,002,700
2033	1,960,000	39,200	1,999,200
2034	2,000,000	-	2,000,000
2035	2,000,000	-	2,000,000
2036	2,000,000	-	2,000,000
2037	2,000,000	-	2,000,000
2038	2,000,000	-	2,000,000
	$ 22,680,000	$ 1,508,950	$ 24,188,950

ORANGE COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1

ANALYSIS OF CHANGES IN LONG-TERM BONDED DEBT
FOR THE YEAR ENDED JUNE 30, 2026

	Series 2019	Series 2021 Rev. Bonds	Series 2022 Tax Refunding	Series 2022 CAB Refunding	Series 2023A Rev. Bonds	Series 2023B Rev. Bonds	Total
Interest rates	2% - 4%	1.25% - 2%	2% - 4%	2.48-2.77%	0.00%	2.04% - 3.07%	
Dates interest payable	02/20 - 02/31	02/22 - 08/31	08/22 - 02/38	N/A	N/A	02/24 - 08/43	
Maturity dates	2031	2031	2038	2038	2044	2044	
Bonds outstanding, beginning of current period	$ 5,895,000	$ 6,325,000	$ 8,335,000	$ 693,440	$ 390,000	$ 5,050,000	$ 26,688,440
Accrued interest, beginning of current period	-	-	-	6,867,592	-	-	6,867,592
Interest accreted on CAB's	-	-	-	201,010	-	-	201,010
Premiums, beginning of current period	286,061	42,996	384,694	-	-	-	713,751
Amortization of premiums	81,760	12,222	78,793	-	-	-	172,775
Retirements, principal	940,000	865,000	610,000	-	20,000	215,000	2,650,000
Bonds outstanding, end of current period	$ 5,159,301	$ 5,490,774	$ 8,030,901	$ 7,762,042	$ 370,000	$ 4,835,000	$ 31,648,018
Interest paid during current period	$ 235,800	$ 76,750	$ 236,900	$ -	$ -	$ 124,413	$ 673,863

Bond authority	Revenue Bonds	Tax Bonds	Totals
Amount authorized by voters	$ 14,495,000	$ 25,608,833	$ 40,103,833
Amount issued	14,495,000	25,608,833	40,103,833
Remaining to be issued	-	-	-
Debt service fund cash and temporary investment balances as of June 30, 2026	1,314,995	1,177,918	2,492,913
Average annual debt service payment (principal and interest) for remaining term of all debt			$ 2,017,620

ORANGE COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1

COMPARATIVE STATEMENT OF REVENUES AND EXPENDITURES – DEBT SERVICE FUND
FOR THE YEAR ENDED JUNE 30, 2026

	AMOUNTS				
	2026	2025	2024	2023	2022
DEBT SERVICE FUND REVENUES					
Tax Revenues	$ 2,033,484	$ 2,084,202	$ 2,124,375	$ 2,056,132	$ 2,154,832
Penalty and Interest	59,386	65,834	73,625	72,062	71,488
Interest on Temporary Investments	45,158	45,121	41,436	23,199	4,690
Miscellaneous Revenues	1,299	1,598	1,489	58	-
TOTAL DEBT SERVICE FUND REVENUES	2,139,327	2,196,755	2,240,925	2,151,451	2,231,010
DEBT SERIVCE FUND EXPENDITURES					
Tax Collection Services	1,215	1,220	1,208	1,585	1,266
Principal Retirement	1,550,000	1,490,000	1,435,000	1,350,000	1,434,309
Debt Service Interest and Fees	510,529	569,536	623,880	711,101	673,152
Bond Issuance Costs	-	-	-	-	484,149
TOTAL DEBT SERVICE FUND EXPENDITURES	2,061,744	2,060,756	2,060,088	2,062,686	2,592,876
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	77,583	135,999	180,837	88,765	(361,866)
OTHER FINANCING SOURCES (USES)					
Issuance of refunding bonds - face value	-	-	-	-	10,993,440
Issuance of refunding bonds - premium	-	-	-	-	6,894,735
Other Uses - payment to refunded - bond escrow agent	-	-	-	-	(17,404,026)
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	-	484,149
NET CHANGE IN DEBT SERVICE FUND FUND BALANCE	$ 77,583	$ 135,999	$ 180,837	$ 88,765	$ 122,283

	AMOUNTS 2026	PERCENT OF REVENUES 2026
WATER & SEWER FUND REVENUES		
Service Revenues	$ 4,879,590	79.0%
Tap connection fees	94,164	1.4%
Revenue Note Collections	1,026,187	17.6%
Other	150,841	2.0%
TOTAL WATER & SEWER FUND REVENUES	6,150,782	100.0%
WATER & SEWER FUND EXPENSES		
Bad debts	33,065	0.6%
Chemicals	48,814	0.8%
Depreciation Expense	1,959,792	0.0%
Employee retirement	183,672	2.8%
Engineering	23,374	0.4%
Fuel and lubricants	51,795	0.8%
Grinder Installations	136,032	1.1%
Insurance	362,712	5.4%
Legal and auditing	62,923	1.2%
Maintenance & repair - Equipment	37,440	0.9%
Maintenance & repair - Water & Sewer	536,982	8.0%
Maintenance & repair - Bldg & Office Eq.	97,679	2.3%
Other	191,090	3.9%
Payroll taxes	147,363	2.2%
Postage	53,547	0.9%
Printing & office supplies	35,334	0.7%
Salaries & wages	1,690,939	28.3%
Utilities	349,344	5.6%
Miscellaneous Expenses	21,236	3.1%
Principal retirement	-	18.3%
TCEQ & Department of Health	35,296	0.6%
TOTAL WATER & SEWER FUND EXPENSES	6,058,429	88.0%
NON-OPERATING REVENUES (EXPENSES)		
Gain (Loss) on Disposition of Assets	(560)	0.0%
Grants and contributions	26,852	0.0%
Interest on Temporary investments	326,935	2.5%
Interest Expense	(179,223)	3.8%
TOTAL NON-OPERATING REVENUES (EXPENSES)	174,004	6.3%
NET CHANGE IN NET POSITION	$ 266,357	14.4%
Total active retail water and/or wastewater connections	5,873	

As this is the District's first year reporting water and sewer activities under a proprietary fund, only the year ended June 30, 2026 is reflected in the above schedule.

PERCENTAGE OF FUND REVENUES				
2026	2025	2024	2023	2022
95.1%	94.9%	94.8%	95.6%	96.6%
2.8%	3.0%	3.3%	3.3%	3.2%
2.1%	2.1%	1.8%	1.1%	0.2%
0.1%	0.1%	0.1%	0.0%	0.0%
100.0%	100.0%	100.0%	100.0%	100.0%
0.1%	0.1%	0.1%	0.1%	0.1%
72.5%	67.8%	64.0%	62.7%	64.3%
23.9%	25.9%	27.8%	33.1%	30.2%
0.0%	0.0%	0.0%	0.0%	0.0%
96.4%	93.8%	91.9%	95.9%	94.5%
3.6%	6.2%	8.1%	4.1%	5.5%
0.0%	0.0%	0.0%	0.0%	492.8%
0.0%	0.0%	0.0%	0.0%	309.0%
0.0%	0.0%	0.0%	0.0%	0.0%
0.0%	0.0%	0.0%	0.0%	801.8%
3.6%	6.2%	8.1%	4.1%	807.3%

ORANGE COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1

BOARD MEMBERS, KEY PERSONNEL, AND CONSULTANTS
FOR THE YEAR ENDED JUNE 30, 2026

Complete District Mailing Address: 460 E. Bolivar
Vidor, TX 77662

District Business Telephone Number: (409) 769-2669

Name and Address	Term of Office Date Elected or Hired	Salary or Fees and Expense Reimbursements Year Ended 6/30/2026	Title at 6/30/2026	Resident of District
Board Members				
Frank Inzer 315 S Main Vidor, TX 77662	Elected 05/24-05/28	None	President	Yes
Tim Beard 4575 Brookhollow Drive Vidor, TX 77662	Elected 05/26-05/30	None	Vice-President	Yes
Trey Haney 1250 Lamar Street Vidor, TX 77662	Elected 05/26-05/30	None	Secretary	Yes
Troy Taylor 650 Jackson Vidor, TX 77662	Elected 05/24-05/28	None	Director	Yes
Joshua Turner 4555 Meadowbrook Vidor, TX 77662	Appointed 05/26-05/30	None	Director	Yes

NOTE: No Director is disqualified from serving on this Board under the Texas Water Code.

ORANGE COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1

BOARD MEMBERS, KEY PERSONNEL, AND CONSULTANTS
FOR THE YEAR ENDED JUNE 30, 2026

Name and Address	Term of Office Date, Date Elected or Hired	Salary or Fees and Expense Reimbursements 6/30/2026	Title at 6/30/2026	Resident of District
Key Administrative Personnel				
Chris Serres 2856 State Hwy. 62 Buna, Texas 77662	04/2009	$ 164,127	General Manager	No
David B. LeJune 305 S Denver Street Vidor, TX 77662	08/1982	$ 125,447	Operations Manager	Yes
David Smyth 4506 Bob Hall Orange, Texas 77632	02/2026	$ 51,926	General Manager	No
Consultants				
Germer PLLC Kate Leverett 550 Fannin Suite 400 Beaumont, TX 77701	06/2022	$ 44,816	Attorney	No
Octavia Guzman Orange County Tax Assessor/Collector PO Box 670 Orange, TX 77631	07/1992	$ 1,214	Tax Assessor/Collector	No
Orange County Appraisal District PO Box 457 Orange, TX 77631	01/1983	$ 36,628	Appraisal District	No
LJA Engineering, Inc. 2929 Briarpark Drive Houston, TX 77042	01/2001	$ 95,811	Engineering Consultants	No
Wathen, DeShong & Juncker, L.L.P. 4140 Gladys Ave. Suite 101 Beaumont, TX 77706	06/2016	$ 20,050	Auditor	No
Keri Michutka, CPA 1906 Texas Avenue Bridge City, TX 77611	08/2019	$ 5,000	CPA	No