**ORANGE COUNTY WATER
CONTROL AND IMPROVEMENT
DISTRICT NO. 2**

**ANNUAL
FINANCIAL REPORT
FOR THE YEAR ENDED
APRIL 30, 2026**

TABLE OF CONTENTS

INTRODUCTORY SECTION

ANNUAL FILING AFFIDAVIT

THE STATE OF TEXAS} 6240000

COUNTY OF ORANGE} ORANGE CO WCID 2

I, Tom Woolley, President of the Orange County Water Control and Improvement District No. 2 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 10 day of August its annual audit report for the fiscal year or period ended April 30, 2026, and that copies of the annual audit have been filed in the district office, located at

2526 WESTERN AVENUE, ORANGE, TEXAS

The annual filing affidavit and the attached copy of the annual audit report are being submitted to the Texas Commission on Environmental Quality satisfaction of all annual filing requirements within Section 49.194 of the Texas Water Code.

Date: 8·10·26

By:

Tom Woolley, President

Sworn to and subscribed to before me this 10th day of August 2026.

(SEAL) (Signature of Notary)

My Commission Expires on: 11·14·26, Notary Public in and for the State of Texas.

FINANCIAL SECTION

MANAGEMENT'S DISCUSSION AND ANALYSIS
APRIL 30, 2026 AND 2025

Our discussion and analysis of Orange County Water Control and Improvement District No. 2's (District) financial performance provides an overview of the District's financial activities for the year ended April 30, 2026. Please read it in conjunction with the basic financial statements and the accompanying notes to the financial statements.

FINANCIAL HIGHLIGHTS

As a result of the year's operations, assets exceeded liabilities by $10,003,309 (net position) for the fiscal year 2026. This compares to the previous year when assets exceeded liabilities by $9,974,890. The net position increased by $28,419 or 0.28%.

Total net position is comprised of the following:

1) Capital assets, net of related debt, of $6,971,266 included in property and equipment, net of accumulated depreciation, net of long-term debt.

2) Net position of $1,756,381 are restricted by debt covenants and future water security.

3) Net Position Unrestricted:
    a) Unrestricted net position of $1,275,662 which represents the portion available to maintain current and on-going obligations other than debt and construction.

Total spending for all District operating activities was $1,812,782 for the year, which is $300,294 less than the revenue from operations. Operating revenues for the year increased by $161,248 and operating expenses increased by $75,145 compared to the prior year. The majority of the increase in operating expenses is attributed to significant increase in group insurance.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual financial report consists of three parts: Management's Discussion and Analysis (MD&A): The Financial Section (basic financial statements); and Texas Required Supplemental Information. The financial section includes notes that disclose in more detail the financial operations and position of the District than is presented in the financial statements. The Comparative Statement of Net Position and the Comparative Statements of Revenues, Expenses and Change in Net Position (Activity) provide both long range and short-term information about the District's overall financial status. The Comparative Statements of Net Position include all assets and liabilities and provide information about the District's overall financial status. The Comparative Statements of Net Position include all assets and liabilities and provide information about the nature and amounts of investments in resources (assets) and the obligations to creditors (liabilities). This financial section reports net position and how they have changed.

FINANCIAL ANALYSIS AS A WHOLE

The District's restricted net position decreased by $1,256,673, from $3,013,054 at April 30, 2025 to $1,756,381 at April 30, 2026. Restricted net position represents resources subject to external restrictions, including debt covenant requirements, future water security amounts, and other restricted deposits. The decrease primarily reflects the use of restricted resources for capital-related purposes during the year, including construction activity, which also contributed to the $1,061,808 increase in net investment in capital assets. As a result, total net position increased modestly by $28,419, while the composition of net position shifted from restricted resources to net investment in capital assets.

Net position is not the same as available cash or working capital. A substantial portion of the District's net position is invested in capital assets or restricted for specific purposes and therefore is not available for general operating needs. The unrestricted net position of $1,275,662 represents the portion of net position available to support current operations and ongoing obligations, subject to the District's normal operating, capital, and debt service requirements.

Condensed Statement of Net Position

Table 1

ASSETS	2026	2025	Change
Current Assets	$ 1,039,094	$ 1,210,184	$ (171,090)
Capital Assets	12,181,266	11,344,458	836,808
Other Assets	2,290,367	3,533,455	(1,243,088)
Total Assets	15,510,727	16,088,097	(577,370)
LIABILITIES			
Other Liabilities	522,418	903,207	(380,789)
Long-Term Debt	4,985,000	5,210,000	(225,000)
Total Liabilities	5,507,418	6,113,207	(605,789)
NET POSITION			
Net Investment in Capital Assets	6,971,266	5,909,458	1,061,808
Restricted	1,756,381	3,013,054	(1,256,673)
Unrestricted (Deficit)	1,275,662	1,052,378	223,284
Total Net Position	$ 10,003,309	$ 9,974,890	$ 28,419

Condensed Statement of Revenues, Expenses, and Changes in Net Position

Table 2

	2026	2025	Change
Operating Income	$ 2,113,076	$ 1,951,828	$ 161,248
Non-Operating Income	310,466	806,759	(496,293)
TOTAL REVENUES	2,423,542	2,758,587	(335,045)
Depreciation	488,463	553,645	(65,182)
Operating Expenses	1,812,782	1,737,637	75,145
Non-Operating Expenses	93,878	96,353	(2,475)
TOTAL EXPENSES	2,395,123	2,387,635	7,488
Increase (Decrease) in Net Position	28,419	370,952	(342,533)
Net Position, Beginning of Year	9,974,890	9,603,938	370,952
Net Position, End of Year	$ 10,003,309	$ 9,974,890	$ 28,419

BUDGETARY HIGHLIGHTS

As required by state statue the District adopts an annual budget to include operating, debt and capital expenditures.

Budgetary Highlights

	Budget	Actual	Variance Favorable (Unfavorable)
Operating Income	$ 2,529,251	$ 2,113,076	$ (416,175)
Non-Operating Income	50,000	310,466	260,466
Total Revenues	2,579,251	2,423,542	(155,709)
Depreciation	-	488,463	(488,463)
Operating Expenses	1,845,821	1,812,782	33,039
Non-Operating Expenses	93,878	93,878	-
Total Expenses	1,939,699	2,395,123	(455,424)
Increase (Decrease) in Net Position	639,552	28,419	611,133
Net Position, Beginning of Year	9,974,890	9,974,890	-
Net Position, End of Year	$ 10,614,442	$ 10,003,309	$ 611,133

CAPITAL ASSET AND DEBT ADMINISTRATION

CAPITAL ASSETS

As of April 30, 2026 and 2025, the cost of property, plant, and equipment, net of accumulated depreciation, was $12,181,266 and $11,344,458, respectively. Current-year acquisitions included $1,271,356 that was invested in construction projects that remain in progress at year-end.

LONG-TERM DEBT

The District has two bonds through the Texas Water Development Board for $2,000,000 and $3,980,000 to finance water and sewer projects. Details about these bonds can be found in Note 4.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The Board of Directors, when setting budgets for fiscal year 2026-2027, concerned themselves with narrowing the margin of revenues over expenses, and rates for next year will be influenced by several economic factors, including persistent inflation, high capital costs for aging infrastructure. The district will need to balance necessary infrastructure needs which will potentially leading to rate increases.

CONTACTING MANAGEMENT

This Annual Financial Report is designed to provide our citizens, customers and others with a 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 Orange County Water Control and Improvement District's Office Manager, April Lombardo, 2526 Western Avenue, Orange, Texas 77630. Phone number (409) 883-4003.

FINANCIAL SECTION

MITCHELL T FONTENOTE CPA, INC.
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Management
Orange County Water Control and Improvement District No. 2
Orange, Texas

Opinions

We have audited the accompanying financial statements of the business-type activities of Orange County Water Control and Improvement District No. 2 (the "District") as of and for the years ended April 30, 2026 and 2025, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, and the aggregate remaining fund information of the District, as of April 30, 2026 and 2025, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The Texas Supplementary Information Schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Texas Supplementary Information Schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Mitchell T. Fontenote CPA. Inc.

Port Neches, Texas
August 6, 2026

ORANGE COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 2

STATEMENT NET POSITION
APRIL 30, 2026 AND 2025

	2026	2025
ASSETS		
Current Assets:		
Cash	$ 744,237	$ 844,011
Accounts Receivable, net	210,990	199,443
Due from Other Governments	24,671	87,057
Inventory	44,047	65,964
Prepaid Insurance	15,149	13,709
Total Current Assets	1,039,094	1,210,184
Capital Assets:		
Land	321,042	321,042
Other Capital Assets	17,539,293	17,290,723
Accumulated Depreciation	(11,342,946)	(10,881,183)
Construction in Progress	5,663,877	4,613,876
Total Capital Assets	12,181,266	11,344,458
Other Assets:		
Loan Proceeds Receivable	294,240	284,439
Cash and Certificates of Deposits, Restricted	1,996,127	3,249,016
Total Other Assets	2,290,367	3,533,455
TOTAL ASSETS	$ 15,510,727	$ 16,088,097
LIABILITIES		
Current Liabilities:		
Accounts Payable	$ 14,180	$ 391,280
Payroll Liabilities Payable	43,492	50,965
Future Water Security and Other Held Deposits	239,746	235,962
Current Portion of Bonds Payable	225,000	225,000
Total Current Liabilities	522,418	903,207
Long-Term Liabilities		
Bonds Payable	4,985,000	5,210,000
Total Long-Term Liabilities	4,985,000	5,210,000
TOTAL LIABILITIES	5,507,418	6,113,207
NET POSITION		
Net Investment in Capital Assets	6,971,266	5,909,458
Restricted	1,756,381	3,013,054
Unrestricted	1,275,662	1,052,378
TOTAL NET POSITION	$ 10,003,309	$ 9,974,890

The accompanying notes are integral to the financial statements.

ORANGE COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 2

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE FISCAL YEARS ENDED APRIL 30, 2026 AND 2025

	2026	2025
Revenue from Operations		
Water	$ 1,156,946	$ 1,071,443
Sewer	881,163	808,231
Reconnection and Other Fees	21,314	24,085
Tapping Fees	5,973	5,344
Late Charges	38,664	36,315
Services Charges & Misc	9,016	6,410
Total Revenue from Operations	2,113,076	1,951,828
Operating Expenses		
Water	425,040	355,570
Sewer	487,904	534,384
General and Administration	899,838	847,683
Total Operating Expenses	1,812,782	1,737,637
Excess of Revenues before Depreciation	300,294	214,191
Depreciation	488,463	553,645
Net Income (Loss) from Operations	(188,169)	(339,454)
Non-Operating Revenues (Expenses)		
Interest Income	106,893	229,162
Other Misc Income	203,573	577,597
Interest Expense	(93,878)	(96,353)
Total Non-Operating Revenues (Expense)	216,588	710,406
Change in Net Position	28,419	370,952
Net Position, Beginning of Year	9,974,890	9,603,938
Net Position, End of Year	$ 10,003,309	$ 9,974,890

The accompanying notes are integral to the financial statements.

ORANGE COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 2

STATEMENT OF CASH FLOWS

FOR THE FISCAL YEARS ENDED APRIL 30, 2026 AND 2025

	2026	2025
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	$ 2,163,915	$ 1,971,087
Cash paid to suppliers for goods and services	(1,621,269)	(1,378,665)
Cash paid to employees	(555,609)	(469,376)
Net Cash Provided (Used) by Operating Activities	(12,963)	123,046
CASH FLOWS FROM NON-CAPITAL AND RELATED ACTIVITIES		
Other income	203,573	577,597
Increase (Decrease) in Future Water Security	3,784	7,681
Net Cash Provided (Used) by Non-Capital and Related Activities	207,357	585,278
CASH FLOWS FROM CAPITAL AND RELATED ACTIVITIES		
Principal paid on bond	(225,000)	(225,000)
Interest paid on bonded debt	(93,878)	(96,353)
Acquisition of fixed assets	(1,325,271)	(3,802,041)
Net Cash Provided (Used) by Capital and Related Activities	(1,644,149)	(4,123,394)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest earned on investments	97,092	217,202
Net Cash Provided (Used) by Investing Activities	97,092	217,202
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(1,352,663)	(3,197,868)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	4,093,027	7,290,895
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 2,740,364	$ 4,093,027

RECONCILIATION TO STATEMENT OF NET POSITION		
Operating Cash	$ 744,237	$ 844,011
Restricted Cash	1,996,127	3,249,016
Total Cash and Cash Equivalents	$ 2,740,364	$ 4,093,027

The accompanying notes are integral to the financial statements.

ORANGE COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 2

STATEMENT OF CASH FLOWS
FOR THE FISCAL YEARS ENDED APRIL 30, 2026 AND 2025

RECONCILIATION OF CHANGE IN NET POSITION TO CASH FLOWS FROM OPERATING ACTIVITIES

Net Operating Income (Loss)	(188,169)	(339,454)
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	488,463	553,645
Changes in assets and liabilities		
(Increase) Decrease in accounts receivable	50,839	19,259
(Increase) Decrease in inventory	21,917	21,555
(Increase) Decrease in prepaid insurance	(1,440)	(1,513)
Increase (Decrease) in accounts payable	(377,100)	(140,313)
Increase (Decrease) in payroll liabilities	(7,473)	9,867
	$ (12,963)	$ 123,046

Disclosures of Accounting Policy:
For purposes of the statement of cash flows, the district considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

The accompanying notes are integral to the financial statements.

GENERAL DESCRIPTION OF DISTRICT

The District is a self-governing body with an elected board of five members. The District was created October 12, 1952 after a petition was made to the State Board of Engineers, who then approved a public election to create the District. The District was created under Title 29, Article 7880, and Sections 1 through 148z of Vernon's Annotated Statutes. The District is required to operate under Chapters 49 and 51 of the Texas Water Code. The Board of Directors held their first meeting on June 22, 1953 and the first bond issue was dated April 1, 1954. Additionally, the District is responsible to the Texas Commission on Environmental Quality (formerly the Texas Natural Resource Conservation Commission, Texas Water Commission and previously its forerunners) for the sale of potable water and the collection, treatment and safe discharge of waste water within the District's boundaries as prescribed in accordance with the Texas Water Code. The District is a primary reporting entity as set forth in the Governmental Accounting Standards Board (GASB) Statement Number 14. The District has an elected governing board, is a legally separate entity under the laws of the State of Texas, has complete and discrete financial accountability for its own affairs, is not dependent upon any other body and has sole authority to hire and fire its employees. Additionally, the District has no component units as defined by GASB 14 referred to above. The District's geographic boundaries coincide with the City of West Orange, Texas but also include small areas that are outside of the City, but contiguous to the City.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Retroactive to May 1, 2002 the District adopted the provisions of Statement No. 34 of Governmental Accounting Standards Board – *"Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments."* Statement 34 established standards for external financial reporting for all state and local governmental entities that includes a statement of net position, a statement of revenues, expenses, and changes in net position, and a statement of cash flows. For Orange County Water Control and Improvement District No. 2, the adoption of Statement 34 had no effect on the basic financial statements except for the classification of net position in accordance with the statement and the reflection of capital contributions as a change (increase) in net position.

The District's accounting records are maintained and its statements are prepared, using the Business Type of accounting as established by the General Accounting Standards Board (GASB). The District keeps its accounts and presents its financial statements as would a privately owned, for profit water and sewer Company. As a result, the following accounting practices are observed:

A. The accrual method of recording income and expenditures is used. Income is recognized when earned and expenditures are recognized when the obligation to pay is incurred.

B. Fixed assets are stated at their cost, or if contributed, at their fair market value. Depreciation is charged over the useful life of an asset using the straight-line method of value allocation. Interest is capitalized as appropriate on short term borrowing for construction.

   The estimated useful lives are as follows:

Buildings	25 – 50 years
Improvements other than buildings	40 – 50 years
Equipment	3 – 10 years

NOTE 1 – SUMMARY OF ACCOUNTING POLICIES CONT'D

C. Accounts receivable are reported net of an allowance for estimated uncollectible amounts, if any. Management evaluates the collectability of receivables at least annually based on customer account status, aging of balances, collection history, subsequent collections, and other relevant facts and circumstances. Amounts determined to be uncollectible are written off after management's review and approval. Based on this evaluation, management records an allowance for doubtful accounts when estimated uncollectible amounts are material. At year-end, management determined that no allowance for doubtful accounts was necessary

D. The District only invests in certificates of deposit and does not have or intend to have any other form of investment.

E. Although Business Type Activities are not required to present a budgetary comparison per generally accepted governmental accounting principles, the District does adopt a budget each year and public notices of a hearing and public consideration of the budget are done prior to the adoption of the budget each year. The budget can be amended by a simple majority vote of the Board of Directors without any restriction. The budget is required by state statue and the District must comply with state law regarding performance in accordance with that budget.

F. Inventory is valued at cost. Acquisition of individual items is recorded in an inventory account and expended when consumed.

G. The District does not accumulate sick pay. Vacation days are earned each year based on the years of service of each employee. District policy allows an employee to sell their unused vacation with the Superintendent's approval and the Superintendent can sell his unused vacation with the approval of the Board of Directors. Vacation time is budgeted as regular wages and is recorded as such when taken during the year. Normally, vacation in excess of the annual amount is insignificant and the amount is not recorded as an accrued liability.

H. The District does not use encumbrance accounting and reporting.

I. Cash presented in the statement of cash flows consists of both restricted and unrestricted cash.

J. The District uses estimates in the preparation of its financial statements and the reader should be advised that the estimates may vary from actual.

K. The District considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

During the fiscal year ended April 30, 2026, the District implemented GASB Statement No. 102, "Certain Risk Disclosures." This statement requires governments to disclosure information about risks related to their vulnerabilities due to certain concentrations or constraints. The implementation of this standard did not have an impact on the District's financial statements.

NOTE 2 – DEPOSITS AND INVESTMENTS

Cash and Cash Equivalents

Cash deposits and certificates of deposit deposited by the District with its fiscal depository can be categorized according to three levels of risk. Based upon these three levels of risk, all the District's cash deposits are classified as Category 1. Currently, the District does not have any investments

The District's policy is to have all cash and certificates of deposits fully collateralized by direct instruments of the US Treasury. The pledged collateral is held by an independent third party and the third party agrees to obtain written authorization from the District before releasing any of the underlying securities pledged as collateral. Each hand receipt names the District as a pledgee.

Cash was fully collateralized as of April 30, 2026 and 2025. The pledged securities at April 30, 2026 and 2025 had market values of $2,867,259 and $3,367,619 respectively. The actual balances to be collateralized were $3,147,936 and $3,727,219. These pledged securities were held by US Federal Reserve Bank, Dallas, Texas. For both years these collateral securities were in addition to the FDIC coverage standard to all governmental depositors of $250,000 in deposits. As a result, the District met its statutory requirement to have 105% of cash deposits collateralized.

The District uses general ledger segregation of restricted cash and pooled cash bank accounts and certificates of deposit unless legally required to maintain a separate bank account.

The restricted cash accounts at April 30, 2026 and 2025 were:

	2026		2025	
	Cash	Total	Cash	Total
Future Water Security	$ 347,040	$ 347,040	$ 338,306	$ 338,306
Reserve Fund 2021	330,918	330,918	324,371	324,371
Sinking & Interest 2021	150,950	150,950	147,964	147,964
Construction Escrow 2021	1,167,219	1,167,219	2,438,375	2,438,375
Total	$ 1,996,127	$ 1,996,127	$ 3,249,016	$ 3,249,016

Investments

Compliance with the Public Funds Investment Act
The Public Funds Investment Act (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports, and establishment of appropriate policies. Among other things, it requires a governmental entity to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, (9) and bid solicitation preferences for certificates of deposit.

NOTE 2 – DEPOSITS AND INVESTMENTS CONT'D

Statutes authorize the entity to invest in (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas and its agencies; (2) guaranteed or secured certificates of deposit issued by state and national banks domiciled in Texas; (3) obligations of states, agencies, counties, cities and other political subdivisions of any state having been rated as to investment quality not less than an "A"; (4) No load money market funds with a weighted average maturity of 90 days or less; (5) fully collateralized repurchase agreements; (6) commercial paper having a stated maturity of 270 days or less from the date of issuance and is not rated less than A-1 or P-1 by two nationally recognized credit rating agencies OR one nationally recognized credit agency and is fully secured by an irrevocable letter of credit; (7) secured corporate bonds rated not lower than "AA-" or the equivalent; (8) public funds investment pools; and (9) guaranteed investment contracts for bond proceeds investment only, with a defined termination date and secured by U.S. Government direct or agency obligations approved by the Texas Public Funds Investment Act in an amount equal to the bond proceeds. The Act also requires the entity to have independent auditors perform test procedures related to investment practices as provided by the Act. The District is in substantial compliance with the requirements of the Act and with local policies.

The Act determines the types of investments which are allowable for the District. These include, with certain restriction, 1) obligations of the U.S. Treasury, U.S. agencies, and the State of Texas, 2) certificates of deposit, 3) certain municipal securities, 4) securities lending program, 5) repurchase agreements, 6) bankers' acceptances, 7) mutual funds, 8) investment pools, 9) guaranteed investment contracts, and 10) commercial paper.

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

Credit Risk: To limit the risk that an issuer or other counterparty to an investment will not fulfill its obligations the District limits investments to the top ratings issued by nationally recognized statistical rating organizations (NRSROs). As of April 30, 2026, the District's investments pools (cash and cash equivalents) were rated AAA.

Custodial Credit Risk for Investments: To limit the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in possession of an outside party the District requires counterparties to register the securities in the name of the district and hand them over to the District or its designated agent. This includes securities in securities lending transactions. All of the securities are in the District's name and held by the District or its agent.

Concentration of Credit Risk: To limit the risk of loss attributed to the magnitude of a government's investment in a single issuer, the District's policy requires that its investment portfolio shall be diversified in terms of investment instruments, maturity scheduling, and financial institutions.

Interest Rate Risk :This is the risk that changes in interest rates will adversely affect the fair value of an investment. To reduce exposure to changes in interest rates that could adversely affect the value of investments, the District shall use final and weighted-average-maturity limits and diversification. The District shall monitor interest rate risk using weighted average maturity and specific identification.

NOTE 2 – DEPOSITS AND INVESTMENTS CONT'D

The District's general policy is to report money market investments and short-term participating interest-earning investment contracts at amortized cost and to report nonparticipating interest-earnings investment contracts using a cost-based measure. However, if the fair value of an investment is significantly affected by the impairment of the credit standing of the issuer or by other factors, it is reported at fair value. All other investments are reported at fair value unless a legal contract exists which guarantees a higher value. The term "short-term" refers to investments which have a remaining term of one year or less at time of purchase. The term "nonparticipating" means that the investment's value does not vary with market interest rate changes. Nonnegotiable certificates of deposit are examples of nonparticipating interest-earning investment contracts.

Public Funds Investment Pools: Public funds investment pools in Texas ("Pools") are established under the authority of the Interlocal Cooperating Act Chapter 79 of the Texas Government Code, and are subject to the provisions of the Public Funds Investment Act (the "Act"), Chapter 2256 of the Texas Government code. In addition to other provisions of the Act designed to promote liquidity and safety of principal, the Act requires Pools to: 1) have an advisory board composed of participants in the pool and other persons who do not have a business relationship with the pool and are qualified to advise the pool, 2) maintain a continuous rating of no lower than AAA or AAA-m or an equivalent rating by at least one nationally recognized rating service, and 3) maintain the market value of its underlying investment portfolio within one half of one percent of the value of its shares.

The District's investments in Pools are reported in an amount determined by the fair value per share of the pool's underlying portfolio, unless the pool is a 2a7-like, in which case they are reported at share value. A 2a7-like pool is one which is not registered with the Securities and Exchange Commission as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940.

The District categorizes its fair value measurements with the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Investments that are measured at fair value using the net asset value per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy below. In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The District's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset or liability.

As of April 30, 2026, the District did not have any investments subject to the fair value measurement.

NOTE 3 – FIXED ASSETS

The changes in fixed assets as of April 30, 2026 and 2025 were as follows:

	Balance 05/01/2025	Additions	Deletions	Reclassification	Balance 04/30/2026
Capital Assets Not Depreciated					
Land	321,042	-	-	-	321,042
Construction in Progress					
Projects	4,162,626	1,271,356	-	(221,355)	5,212,627
Local Match for CDBG	112,730	-	-	-	112,730
WIP CDBG	338,520	-	-	-	338,520
Total Capital Assets Not Depr.	4,934,918	1,271,356	-	(221,355)	5,984,919
Capital Assets Being Depreciated					
Buildings	403,143	-	-	221,355	624,498
Systems	16,145,004	-	-	-	16,145,004
Equipment and Furniture	742,576	53,915	(26,700)	-	769,791
Total Capital Assets Being Depr.	17,290,723	53,915	(26,700)	221,355	17,539,293
Accumulated Depreciation	(10,881,183)	(488,463)	26,700	-	(11,342,946)
Capital Assets, Net	$ 11,344,458	$ 836,808	$ -	$ -	$ 12,181,266

	Balance 05/01/2024	Additions	Deletions	Reclassification	Balance 04/30/2025
Capital Assets Not Depreciated					
Land	321,042	-	-	-	321,042
Construction in Progress					
Projects	1,243,348	3,538,381	-	(619,103)	4,162,626
Local Match for CDBG	112,730	-	-	-	112,730
WIP CDBG	338,520	-	-	-	338,520
Total Capital Assets Not Depr.	2,015,640	3,538,381	-	(619,103)	4,934,918
Capital Assets Being Depreciated					
Buildings	403,143	-	-	-	403,143
Systems	15,262,241	263,660	-	619,103	16,145,004
Equipment and Furniture	742,576	-	-	-	742,576
Total Capital Assets Being Depr.	16,407,960	263,660	-	619,103	17,290,723
Accumulated Depreciation	(10,327,538)	(553,645)	-	-	(10,881,183)
Capital Assets, Net	$ 8,096,062	$ 3,248,396	$ -	$ -	$ 11,344,458

NOTE 4 – LONG TERM DEBT

The District has sufficient revenue from operations to meet its present and future debt service requirements. A summary of change in long-term debt follows. The District has pledged its revenues as security for the payment of its current bonded debt. The District has no authorized unissued bonds.

TWDB Bond Issuance

The District borrowed $500,000 dollars on June 20, 2013 to finance the first phase of an outfall line of sewer effluent to the Sabine River. Below are the remaining years of obligation and the total balance to be paid. The average net interest cost is 1.57% and is paid semi-annually on March 1st and September 1st each year. As of April 30, 2023 the bond has been paid off fully.

During the fiscal year ended April 30, 2021, the District issued two new bonds to finance future water and sewer projects in the amount of $2,000,000 and $3,980,000 through the Texas Water Development Board. Interest payments are due semi-annually on March 1st and September 1st at rates of 1.1% - 2.45%.

Bond activity for the years ended April 30, 2026 and 2025 was as follows:

	Rate	Original Issue	May 1, 2025	Increases	Decreases	April 30, 2026	Due In One Year
Series 2021A	1.1-2.4%	2,000,000	$ 1,800,000	$ -	$ 75,000	$ 1,725,000	$ 75,000
Series 2021B	1.1-2.45%	3,980,000	3,635,000	-	150,000	3,485,000	150,000
			$ 5,435,000	$ -	$ 225,000	$ 5,210,000	$ 225,000

Future debt service requirements are as follows:

Fiscal Year Ending	Principal	Interest	Total
2027	225,000	91,402	316,402
2028	230,000	88,928	318,928
2029	230,000	86,398	316,398
2030	235,000	83,868	318,868
2031	240,000	81,284	321,284
Thereafter	4,050,000	730,050	4,780,050
Total	$ 5,210,000	$ 1,161,930	$ 6,371,930

NOTE 5 – RETIREMENT

The District has purchased a money purchase annuity for each employee. The District contributes six (6) percent of each individual's gross earnings to each employees' annuity. The District has no further obligation to safeguard the previous contributions or to make further contributions. Each year the District's Board makes an annual decision to budget for the next year. The expenses for retirement for the year ended April 30, 2026 and 2025 respectively $34,679 and $28,755. The District's employees are covered by federal social security and the District has made payment directly to the Internal Revenue Service since 1987. The District has no agreements or obligations to the Texas Municipal Employees Retirement System or any other state sponsored system. The District is not obligated for any post- employment benefits to its employees.

NOTE 6 – ECONOMIC DEPENDENCE

The District derives all of its operating revenue from the water and sewer users (customers) that reside within its geographic boundaries. These boundaries significantly correspond but are not identical with the boundaries of the City of West Orange, Texas. Accordingly, it should be concluded that any events affecting the City of West Orange's residents would impact the District's operations directly.

NOTE 7 – WATER AND SEWER FEES

The District had in effect at April 30, 2026 the following rates:

	Water		Sewer	
Gallons	Residential	Commercial	Residential	Commercial
1,000	31.54	49.80	26.82	27.82
2,000	37.05	48.33	31.49	32.49
3,000	42.56	56.86	36.16	37.16
4,000	48.08	65.39	40.83	41.83
5,000	53.58	73.92	45.50	46.50
6,000	59.09	82.45	50.17	51.17
7,000	64.60	90.98	54.84	55.84
8,000	70.11	99.57	59.51	60.57
9,000	75.62	108.04	64.18	65.18
10,000	81.13	116.57	68.85	69.85
15,000	108.68	163.60	94.85	95.85
20,000	136.23	214.48	124.10	125.10

THIS IS NOT A COMPLETE PRESENTATION OF ALL THE RATES

The District collects a surcharge of $3.18 per thousand for certain commercial customers with more solids than an average residential customer. There is no surcharge, other than shown above, or winter averaging for wastewater.

NOTE 8 – PROPERTY TAXES

The District does not collect or receive property taxes.

NOTE 9 – RISK MANAGEMENT

The Districts' Risk Management Policy is to carry adequate insurance to cover casualties, property, plant, equipment and liability.

NOTE 10 – RESTRICTED AND UNRESTRICTED NET POSITION

	2026	2025
Restricted		
Cash and Certificates of Deposits, Restricted	1,996,127	3,249,016
Future Water Security and Other Held Deposits	(239,746)	(235,962)
Total Restricted Net Position	$ 1,756,381	$ 3,013,054
Unrestricted		
Unassigned	1,275,662	1,052,378
Total Unrestricted Net Position	$ 1,275,662	$ 1,052,378

NOTE 11 –PLEDGE OF REVENUES

Water and Sewer revenues are pledged for payment of outstanding bonds. There are no bond redemption provisions.

NOTE 12 – GRANT REVENUE

During the fiscal year ending 2023, the District recorded a receivable in the amount of $390,083 for grant reimbursement from the City of Orange to complete a generator project. As of April 30, 2026, the remaining amount due from the City for this project is $24,671.

NOTE 13 – LITIGATION

None.

NOTE 14 – SUBSEQUENT EVENTS

The District's Management and Board of Directors have reviewed events and conditions from April 30, 2026 to the release of these financial statements, which is August 6, 2026. There are no other conditions, developments or any other matter that should be disclosed to make these statements free of any material misstatement.

REQUIRED SUPPLEMENTARY INFORMATION

ORANGE COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 2

SCHEDULE OF REVENUE AND EXPENDITURES – BUDGET TO ACTUAL
FOR THE FISCAL YEAR ENDED APRIL 30, 2026

	Budget	Actual	Variance Favorable (Unfavorable)
Revenue from Operations			
Water	$ 1,356,085	$ 1,156,946	$ (199,139)
Sewer	1,090,666	881,163	(209,503)
Reconnection and Other Fees	22,000	21,314	(686)
Tapping Fees	10,000	5,973	(4,027)
Late Charges	40,500	38,664	(1,836)
Misc Service Charges	10,000	9,016	(984)
Total Revenue from Operations	2,529,251	2,113,076	(416,175)
Operating Expenses			
Water	436,023	425,040	10,983
Sewer	559,054	487,904	71,150
General and Administration	850,744	899,838	(49,094)
Total Operating Expenses	1,845,821	1,812,782	33,039
Excess of Revenues before Depreciation	683,430	300,294	(383,136)
Depreciation	-	488,463	(488,463)
Net Income (Loss) from Operations	683,430	(188,169)	(871,599)
Non-Operating Revenues (Expenses)			
Interest Income	50,000	106,893	56,893
Other Misc Income	-	203,573	203,573
Interest Expense	(93,878)	(93,878)	-
Total Non-Operating Revenues (Expense)	(43,878)	216,588	260,466
Change in Net Position	639,552	28,419	(611,133)
Net Position, Beginning of Year	9,974,890	9,974,890	-
Net Position, End of Year	$ 10,614,442	$ 10,003,309	$ (611,133)

TEXAS REQUIRED SUPPLEMENTARY INFORMATION

ORANGE COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 2
SCHEDULE OF SERVICES AND RATES
APRIL 30, 2026

1. Services provided by the District:

X	Retail Water		Wholesale Water		Drainage
X	Retail Sewer		Wholesale Sewer		Irrigation
	Parks & Recreation		Fire Protection		Security
	Solid Waste/Garbage		Flood Control		Roads
	Participants in joint venture, regional system and/or wastewater service (other than emergency interconnect)				
	Other (specify):				

2. Retail Service Providers

   a. Retail rates for a 5/8" meter (or equivalent):
   See Note 6 to the Financial Statements

3. There are no standby fees

4. Total water consumption (rounded to the nearest 1,000 gallons)

Gallons pumped	126,707,000
Gallons sold	99,163,000

5. Number of retail water and waste water connections within the District

Connections	Active	Inactive
Single Family	1449	191
Multi-Family	5	0
Commercial	117	9
Commercial Grease	18	1
Institutional	4	0
Total	1593	201

6. Anticipated sources of funds to pay bond debt held by TWDB

Revenues from water and sewer fees	$ 2,113,076

7. The District is located entirely in Orange County, Texas. The District is nearly congruent with the City of West Orange, Texas, except for a small number of customers that are not served by another public water system that reside out of the City's boundaries and have been legally annexed into the District as permitted by law. All five directors are elected by the residents of the District.

ORANGE COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 2

SCHEDULE OF OPERATING EXPENSES
FOR THE YEAR ENDED APRIL 30, 2026 AND 2025

	2026	2025
Water Service Expenses		
Salaries and Wages	$ 139,374	$ 107,062
Testing	1,286	2,750
TCEQ Compliance	3,354	23,528
Chemicals	35,399	24,059
Small Tools	1,183	1,030
Utilities	27,113	27,106
Repairs and Maintenance Materials	217,331	170,035
Total Water Service Expenses	425,040	355,570
Sewer Service Expenses		
Salaries and Wages	204,881	164,458
Chemicals	46,020	50,558
Sludge Removal	52,717	51,041
Small Tools	1,355	903
Repairs and Maintenance	113,410	189,518
Testing Samples	12,013	22,788
Equipment Rental	2,932	2,980
Utilities	54,576	52,027
Total Sewer Service Expenses	487,904	534,384
General and Administrative		
Director's Fees	7,950	8,700
Annual Employee Recognition Day	4,886	4,822
Bad Debt Expense	-	10,278
Office Salaries and Wages	203,881	207,723
Group Insurance	346,298	278,064
Payroll Taxes	41,052	36,102
Professional Fees	7,511	-
Legal Counsel	36,984	21,731
Accounting and Auditing	15,665	18,437
Engineering	11,430	37,899
Office Expense and Other	59,396	64,768
Software Support	28,246	28,513
Postage	10,025	8,341
Internet	2,775	2,543
Small Equipment	-	2,862
Telephone	14,208	13,474
Utilities	7,181	9,665
Insurance	35,276	32,887
Uniforms	7,441	4,163
Gasoline	21,318	24,878
Retirement	34,679	28,755
Training and Certification	3,036	1,978
Fiscal Agent Fee	600	1,100
Total General and Administrative Expenses	899,838	847,683
TOTAL OPERATING EXPENSES	$ 1,812,782	$ 1,737,637

ORANGE COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 2

SCHEDULE OF TEMPORARY INVESTMENTS
FOR THE YEAR ENDED APRIL 30, 2026 AND 2025

04/30/2026

Number	Amount	Date Purchased	Interest Rate	Accrued Interest
N/A	0	N/A	N/A	N/A
Total	0			

04/30/2025

Number	Amount	Date Purchased	Interest Rate	Accrued Interest
N/A	0	N/A	N/A	N/A
Total	0			

ORANGE COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 2

ANALYSIS OF CHANGES IN FIXED ASSETS
FOR THE YEAR ENDED APRIL 30, 2026 AND 2025

	Balance 05/01/2025	Additions	Deletions	Reclassification	Balance 04/30/2026
Capital Assets Not Depreciated					
Land	321,042	-	-	-	321,042
Construction in Progress					
Projects	4,162,626	1,271,356	-	(221,355)	5,212,627
Local Match for CDBG	112,730	-	-	-	112,730
WIP CDBG	338,520	-	-	-	338,520
Total Capital Assets Not Depr.	4,934,918	1,271,356	-	(221,355)	5,984,919
Capital Assets Being Depreciated					
Buildings	403,143	-	-	221,355	624,498
Systems	16,145,004	-	-	-	16,145,004
Equipment and Furniture	742,576	53,915	(26,700)	-	769,791
Total Capital Assets Being Depr.	17,290,723	53,915	(26,700)	221,355	17,539,293
Accumulated Depreciation	(10,881,183)	(488,463)	26,700	-	(11,342,946)
Capital Assets, Net	$ 11,344,458	$ 836,808	$ -	$ -	$ 12,181,266

	Balance 05/01/2024	Additions	Deletions	Reclassification	Balance 04/30/2025
Capital Assets Not Depreciated					
Land	321,042	-	-	-	321,042
Construction in Progress					
Projects	1,243,348	3,538,381	-	(619,103)	4,162,626
Local Match for CDBG	112,730	-	-	-	112,730
WIP CDBG	338,520	-	-	-	338,520
Total Capital Assets Not Depr.	2,015,640	3,538,381	-	(619,103)	4,934,918
Capital Assets Being Depreciated					
Buildings	403,143	-	-	-	403,143
Systems	15,262,241	263,660	-	619,103	16,145,004
Equipment and Furniture	742,576	-	-	-	742,576
Total Capital Assets Being Depr.	16,407,960	263,660	-	619,103	17,290,723
Accumulated Depreciation	(10,327,538)	(553,645)	-	-	(10,881,183)
Capital Assets, Net	$ 8,096,062	$ 3,248,396	$ -	$ -	$ 11,344,458

ORANGE COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 2

GENERAL LONG-TERM DEBT
APRIL 30, 2026

SERIES 2021A

Due	Principal	Interest	Total
9/1/2026	-	14,916	14,916
3/1/2027	75,000	14,916	89,916
9/1/2027	-	14,504	14,504
3/1/2028	75,000	14,504	89,504
9/1/2028	-	14,091	14,091
3/1/2029	75,000	14,091	89,091
9/1/2029	-	13,679	13,679
3/1/2030	80,000	13,679	93,679
9/1/2030	-	13,239	13,239
3/1/2031	80,000	13,239	93,239
9/1/2031	-	12,799	12,799
3/1/2032	80,000	12,799	92,799
9/1/2032	-	12,359	12,359
3/1/2033	80,000	12,359	92,359
9/1/2033	-	11,895	11,895
3/1/2034	80,000	11,895	91,895
9/1/2034	-	11,351	11,351
3/1/2035	80,000	11,351	91,351
9/1/2035	-	10,743	10,743
3/1/2036	85,000	10,743	95,743
9/1/2036	-	10,037	10,037
3/1/2037	85,000	10,037	95,037
9/1/2037	-	9,285	9,285
3/1/2038	85,000	9,285	94,285
9/1/2038	-	8,486	8,486
3/1/2039	90,000	8,486	98,486
9/1/2039	-	7,600	7,600
3/1/2040	90,000	7,600	97,600
9/1/2040	-	6,677	6,677
3/1/2041	90,000	6,677	96,677
9/1/2041	-	5,719	5,719
3/1/2042	95,000	5,719	100,719
9/1/2042	-	4,674	4,674
3/1/2043	95,000	4,674	99,674
9/1/2043	-	3,600	3,600
3/1/2044	100,000	3,600	103,600
9/1/2044	-	2,440	2,440
3/1/2045	100,000	2,440	102,440
9/1/2045	-	1,260	1,260
3/1/2046	105,000	1,260	106,260
	$ 1,725,000	$ 378,708	$ 2,103,708

GENERAL LONG-TERM DEBT
APRIL 30, 2026

SERIES 2021B

Due	Principal	Interest	Total
9/1/2026	-	30,785	30,785
3/1/2027	150,000	30,785	180,785
9/1/2027	-	29,960	29,960
3/1/2028	155,000	29,960	184,960
9/1/2028	-	29,108	29,108
3/1/2029	155,000	29,108	184,108
9/1/2029	-	28,255	28,255
3/1/2030	155,000	28,255	183,255
9/1/2030	-	27,403	27,403
3/1/2031	160,000	27,403	187,403
9/1/2031	-	26,523	26,523
3/1/2032	160,000	26,523	186,523
9/1/2032	-	25,643	25,643
3/1/2033	160,000	25,643	185,643
9/1/2033	-	24,675	24,675
3/1/2034	165,000	24,675	189,675
9/1/2034	-	23,512	23,512
3/1/2035	165,000	23,512	188,512
9/1/2035	-	22,216	22,216
3/1/2036	170,000	22,216	192,216
9/1/2036	-	20,763	20,763
3/1/2037	170,000	20,763	190,763
9/1/2037	-	19,216	19,216
3/1/2038	175,000	19,216	194,216
9/1/2038	-	17,527	17,527
3/1/2039	180,000	17,527	197,527
9/1/2039	-	15,709	15,709
3/1/2040	180,000	15,709	195,709
9/1/2040	-	13,819	13,819
3/1/2041	185,000	13,819	198,819
9/1/2041	-	11,803	11,803
3/1/2042	190,000	11,803	201,803
9/1/2042	-	9,665	9,665
3/1/2043	195,000	9,665	204,665
9/1/2043	-	7,413	7,413
3/1/2044	200,000	7,413	207,413
9/1/2044	-	5,043	5,043
3/1/2045	205,000	5,043	210,043
9/1/2045	-	2,573	2,573
3/1/2046	210,000	2,573	212,573
	$ 3,485,000	$ 783,222	$ 4,268,222

ANALYSIS OF CHANGES IN GENERAL LONG-TERM DEBT
FOR THE YEAR ENDED APRIL 30, 2026

	Series 2021A
Interest Rate	1.1%-2.4%
Dates Interest Payable	3/1 & 9/1
Maturity Dates	3/1/2046
Beginning Bonds Outstanding	1,800,000
Bonds sold during the fiscal year	-
Bonds retired during the fiscal year	75,000
Ending Bonds Outstanding	$ 1,725,000
Interest paid during the fiscal year	$ 30,658

Paying agents name and city:

Series 2021A	Bank of Texas Financial, Austin Texas

	Other Bonds	Refunding Bonds
Amount Authorized	$2,000,000	-
Amount Issued	$2,000,000	-
Remaining to be Issued	-	-

ORANGE COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 2

ANALYSIS OF CHANGES IN GENERAL LONG-TERM DEBT
FOR THE YEAR ENDED APRIL 30, 2026

	Series 2021B
Interest Rate	1.1%-2.45%
Dates Interest Payable	3/1 & 9/1
Maturity Dates	3/1/2046
Beginning Bonds Outstanding	3,635,000
Bonds sold during the fiscal year	-
Bonds retired during the fiscal year	150,000
Ending Bonds Outstanding	$ 3,485,000
Interest paid during the fiscal year	$ 63,220

Paying agents name and city:

Series 2021B	Bank of Texas Financial, Austin Texas

	Other Bonds	Refunding Bonds
Amount Authorized	$3,980,000	-
Amount Issued	$3,980,000	-
Remaining to be Issued	-	-

Average annual debt service payment (principal and interest) for remaining term of all debts:

2025 through 2046	$159,298

ORANGE COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 2

COMPARATIVE STATEMENT OF REVENUE AND EXPENDITURES
FOR THE FIVE YEARS ENDED APRIL 30, 2026

	CHANGES IN REVENUES AND EXPENDITURES				
	2026	2025	2024	2023	2022
Operating Revenues					
Service Revenues	$2,038,109	$1,879,674	$1,796,895	$1,701,817	$1,688,753
Tap Connection Revenues	27,287	29,429	46,995	30,157	23,674
Penalty and Interest Revenues	47,680	42,725	38,415	53,709	46,050
Total Operating Revenues	2,113,076	1,951,828	1,882,305	1,785,683	1,758,477
Operating Expenses					
Payroll Expense	978,115	830,864	745,699	670,383	601,153
Professional Fees	71,590	78,067	65,564	79,051	48,502
Purchased and Contracted Services	383,458	410,594	403,586	469,511	281,071
Consumable Supplies and Materials	83,957	76,550	80,645	81,515	53,722
Recurring Operating Expenses	295,662	341,562	367,275	332,478	265,830
Depreciation	488,463	553,645	551,946	477,546	462,906
Total Operating Expenses	2,301,245	2,291,282	2,214,715	2,110,484	1,713,184
Income from Operations	(188,169)	(339,454)	(332,410)	(324,801)	45,293
Non-Operating Revenues					
Interest Income	106,893	229,162	290,354	76,485	2,228
Contributions and Misc	203,573	577,597	582,733	584,283	402,436
Total Non-Operating Revenues	310,466	806,759	873,087	660,768	404,664
Income before Non-Operating Exp	122,297	467,305	540,677	335,967	449,957
Non-Operating Expenses					
Debt Service and Related	93,878	96,353	98,773	100,423	91,013
Total Non-Operating Expenses	93,878	96,353	98,773	100,423	91,013
Net Income (Loss)	$28,419	$370,952	$441,904	$235,544	$358,944
Active Retail Water Customers	1,593	1,625	1,545	1,532	1,547

ORANGE COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 2

COMPARATIVE STATEMENT OF REVENUE AND EXPENDITURES
FOR THE FIVE YEARS ENDED APRIL 30, 2026

	PERCENTAGE OF TOTAL REVENUE				
	2026	**2025**	**2024**	**2023**	**2022**
Operating Revenues					
Service Revenues	96.45%	96.30%	95.46%	95.30%	96.03%
Tap Connection Revenues	1.29%	1.51%	2.50%	1.69%	1.35%
Penalty and Interest Revenues	2.26%	2.19%	2.04%	3.01%	2.62%
Total Operating Revenues	100.00%	100.00%	100.00%	100.00%	100.00%
Operating Expenses					
Payroll Expense	46.29%	42.57%	39.62%	37.54%	34.19%
Professional Fees	3.39%	4.00%	3.48%	4.43%	2.76%
Purchased and Contracted Services	18.15%	21.04%	21.44%	26.29%	15.98%
Consumable Supplies and Materials	3.97%	3.92%	4.28%	4.56%	3.06%
Recurring Operating Expenses	13.99%	17.50%	19.51%	18.62%	15.12%
Depreciation	23.12%	28.37%	29.32%	26.74%	26.32%
Total Operating Expenses	108.90%	117.39%	117.66%	118.19%	97.42%
Income from Operations	-8.90%	-17.39%	-17.66%	-18.19%	2.58%
Non-Operating Revenues					
Interest Income	5.06%	11.74%	15.43%	4.28%	0.13%
Contributions and Misc	9.63%	29.59%	30.96%	32.72%	22.89%
Total Non-Operating Revenues	14.69%	41.33%	46.38%	37.00%	23.01%
Income before Non-Operating Exp	5.79%	23.94%	28.72%	18.81%	25.59%
Non-Operating Expenses					
Debt Service and Related	4.44%	4.94%	5.25%	5.62%	5.18%
Total Non-Operating Expenses	4.44%	4.94%	5.25%	5.62%	5.18%
Net Income (Loss)	1.34%	19.01%	23.48%	13.19%	20.41%

ORANGE COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 2

INSURANCE COVERAGE
FOR THE YEAR ENDED APRIL 30, 2026

Type of Coverage	Policy Period From	Policy Period To	Amount of Coverage	Insurer	Type of Corporate	Policy Clause Co-Insurance
Property and Casualty	10/1/2025	10/1/2026	$ 5,949,066	TML	N/A	No
Liability	10/1/2025	10/1/2026	$ 500,000	TML	N/A	No
Automobile	10/1/2025	10/1/2026	$ 500,000	TML	N/A	No
Cyber Liability	10/1/2025	10/1/2026	$ 1,000,000	TML	N/A	No

ORANGE COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 2

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

Mailing Address: 2526 Western Ave., PO Box 278, Orange, TX 77631-0278
Direct Phone Number: (409) 883-4003

Name and Address	Term of Office	Fees	Title	Resident of the District
Thomas Wooley 707 Sherrill Orange, Texas	05/2026 - 05/2030	$1,800	President	Yes
Linda Premeaux 700 Westbury Orange, Texas	05/2024 - 05/2028	$1,050	Secretary	Yes
Harold Whatley 1103 Cottage Lane Bridge City, Texas	05/2026 - 05/2030	$1,800	Director	Yes
Lisa Bukowsky 3923 B Kathleen Orange, Texas	05/2026 - 05/2030	$1,800	Vice President	Yes
Jerry Foreman Foreman Rd Orange, Texas	05/2024 - 05/2028	$1,500	Director	No

ORANGE COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 2

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

Key Administrative Personnel	Hire Date	Fees	Title	Resident of the District
Mike Gregory 1924 Houston Orange, Texas 77630	October 2017	$75,489	Superintendent	No
April Lombardo 2630 E. Norman Circle Orange, Texas 77630	Nov 2014	$72,524	Office Manager	No
Consultants				
Jeff Beaver, PE Schaumburg & Polk 8865 College St. S-100 Beaumont, Texas 77707	Nov 1987	$131,163	Engineer	No
Mitchell Fontenote Mitchell T Fontenote CPA, Inc. 2428 Nall Street Port Neches, Texas 77651	June 2017	$12,900	Auditor	No
Kate Leverett Germer PLLC Beaumont, Texas 77701	April 2017	$30,537	Attorney	No
Jeremy Triska Wathen, DeShong & Juncker, LLP 4140 Gladys Ave Ste 101 Beaumont, Texas 77706	March 2017	$9,688	CPA	No

Investment Officer

April Lombardo
2630 E. Norman Circle
Orange, Texas 77630