FAYETTE COUNTY GROUNDWATER CONSERVATION DISTRICT

LA GRANGE, TEXAS

ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2025

FAYETTE COUNTY GROUNDWATER CONSERVATION DISTRICT

TABLE OF CONTENTS

	Exhibit	Page
Independent Auditor's Report		1 - 2
Management's Discussion and Analysis		3 - 6
Basic Financial Statements		
Government-wide Financial Statements		
Statement of Net Position		7
Statement of Activities		8
Fund Financial Statements		
Balance Sheet-Governmental Funds		9
Statements of Revenues and Expenditures and Changes in Fund Balances-Governmental Funds		10
Notes to Financial Statements		11 - 19
Required Supplementary Information		
Budgetary Comparison Schedule		20 - 21
Notes to Required Supplementary Information		22

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Fayette County Groundwater Conservation District

Opinion

We have audited the accompanying financial statements of the governmental activities of the Fayette County Groundwater Conservation District (District), as of and for the year ended September 30, 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 governmental activities of the District, as of September 30, 2025, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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 opinion.

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 opinion. 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 judgement made by a reasonable user based on the financial statements.

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

- Exercise professional judgement 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 judgement, 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 on pages 3 through 6 and 20 through 21 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.

Tulloch + Co., P.C.

La Grange, Texas
September 30, 2026

Management's Discussion and Analysis

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Overview of the Financial Statements

This financial report of Fayette County Groundwater Conservation District consists of the following three parts: Management's Discussion and Analysis, Basic Financial Statements and Required Supplementary Information. The financial statements include notes that explain in detail some of the information included in the basic financial statements.

Financial Highlights for Year Ended September 30, 2025

- The District's net position increased by $16,092 or 2.55% from $630,558 to $646,650. Excluding depreciation expense of $1,251 in 2025, net position increased $17,343.
- Operating revenues increased by $56,074 or 12.92% from $433,956 to $490,030. Revenue in 2025 was comprised of tax revenues of $482,412, permit fees of $1,000 and interest and other income of $6,618. Revenue in 2024 was comprised of tax revenues of $423,508, permit fees of $760 and interest and other income of $9,688.
- Operating expenses increased $50,211 or 11.85% from $423,727 to $473,938, primarily attributable to increased expenses for personnel and professional hydrologist fees.
- There were no capital acquisitions in 2025 and $8,757 capital acquisitions in 2024.

Financial Analysis of the District as a Whole

The Statements of Net Position and the Statements of Revenues, Expenses and Changes in Net Position provide an indication of the District's financial condition and also indicate that the financial condition of the District remained relatively consistent during the last fiscal year. The District's net position reflects the difference between assets and liabilities. The Statements of Revenues, Expenses and Change in Net Position identify the various revenue and expense items that affect the change in net position.

A summary of the District's Statements of Net Position is presented below.

	2025	2024	Dollar Change	Percent Change
Current and other assets	$ 649,339	$ 635,645	$ 13,694	2.15%
Capital assets, net	7,089	8,340	(1,251)	-15.00%
Total assets	656,428	643,985	12,443	1.93%
Other liabilities	9,778	13,427	(3,649)	-27.18%
Total liabilities	9,778	13,427	(3,649)	-27.18%
Net investment in capital assets	7,089	8,340	(1,251)	-15.00%
Unrestricted	639,561	622,218	17,343	2.79%
Total net position	$ 646,650	$ 630,558	$ 16,092	2.55%

Financial Analysis of the District as a Whole (Continued)

As the above table indicates, total assets increased by $12,443 from $643,985 to $656,428 during the year ended September 30, 2025. This is comprised of an increase in current and other assets of $13,694 and a decrease in capital assets of $1,251. Total liabilities reflect a decrease of $3,649. This includes accounts payable and accrued payroll taxes.

Total net position increased $16,092 from $630,558 to $646,650. The District does not have any debt.

A summary of the District's Statements of Revenues, Expenses and Changes in Net Position is presented below.

	2025	2024	Dollar Change	Percent Change
Tax revenues	$ 482,412	$ 423,508	$ 58,904	13.91%
Permit fees	1,000	760	240	31.58%
Interest revenue/other	6,618	9,688	(3,070)	-31.69%
Total revenues	490,030	433,956	56,074	12.92%
Depreciation expense	1,251	1,978	(727)	-36.75%
Other operating expenses	472,687	421,749	50,938	12.08%
Total expenses	473,938	423,727	50,211	11.85%
Changes in net position	16,092	10,229	5,863	57.32%
Beginning net position	630,558	620,329	10,229	1.65%
Ending net position	$ 646,650	$ 630,558	$ 16,092	2.55%

Total revenues in 2025 reflected an increase of $56,074 or 12.92% to $490,030 from $433,956 in 2024.

Total expenses increased $50,211 or 11.85% from $423,727 in 2024 to $473,938 in 2025. The increase is primarily attributable to increased personnel and professional hydrologist expenses.

Financial Analysis of Government Funds

The District maintains one separate governmental fund. The General Fund is used to account for all financial transactions. The principle sources of revenue of the General Fund are property taxes and interest. Expenditures are for administration, personnel, occupancy other recurring operating expenditures

During the year ended September 30, 2025, the District's General Fund reflected revenues of $487,797 comprised of $480,179 in property tax revenues, $1,000 in permit fees, $6,408 in interest income and $210 in other income. During the year ended September 30, 2024, the District's General Fund reflected revenues of $431,053, comprised of $420,605 in property tax revenues, $760 in permit fees, $9,673 in interest income and $15 in other income. Overall, revenues increased approximately 13.16%. Operating expenses totaled $472,687 in 2025 as compared to $430,508 in 2024. As stated above, the increase in operating expenses was primarily attributable to increased personnel expenses and professional fees for a hydrologist. For 2025, the General Fund reflected a net increase in fund balance of $15,110. As of September 30, 2025, and September 30, 2024, the General Fund reflected a fund balance of $621,435 and $606,325, respectively.

Analysis of Changes in Capital Assets and Long-Term Debt

Capital Assets

As of September 30, 2025, and September 30, 2024, the District had total capital assets, net of accumulated depreciation of $7,089 and $8,340, respectively. During the year ended September 30, 2025, the District had no capital asset additions. The net change in capital assets was a decrease of $1,251, which was comprised of depreciation expense. During the year ended September 30, 2024, the District had $8,757 capital asset additions. The net change in capital assets in 2024 was an increase of $6,779, which was comprised of capital asset additions offset by depreciation expense of $1,978.

Long-Term Debt

The District did not have any debt as of September 30, 2025.

Economic Factors and Next Year's Budget and Rates

The Board of Directors adopted the District's 2025-2026 budget on September 3, 2025. The approval of the budget provides funding for the District's operating costs for the 2026 fiscal year. The District's tax rate and permit fees are reviewed by the Board of Directors on an annual basis and adjusted based on current operating costs, customer demand and usage, and other pertinent factors affecting the operation of the groundwater district.

Additional Financial Information

This financial report is designed to provide the District's customers, regulators and other interested parties with an overview of the District's financial operations and financial condition. Should the reader have questions regarding the information included in this report or wish to request additional financial information, please contact the Fayette County Groundwater Conservation District at P.O. Box 625, La Grange, Texas 78945.

Basic Financial Statements

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FAYETTE COUNTY GROUDNWATER CONSERVATION DISTRICT
STATEMENT OF NET POSITION
SEPTEMBER 30, 2025

	Governmental Activities	Total
ASSETS		
Current assets		
Cash and investments	$ 626,624	$ 626,624
Property tax receivables (net of allowance of $2,014)	18,126	18,126
Due from Fayette County Appraisal District	1,232	1,232
Prepaid expenses	3,357	3,357
Total current assets	649,339	649,339
Noncurrent assets		
Capital assets, net	7,089	7,089
Net capital assets	7,089	7,089
Total assets	$ 656,428	$ 656,428
LIABILITIES AND NET POSITION		
Current liabilities		
Accounts payable	$ 6,457	$ 6,457
Payroll taxes payable	3,321	3,321
Total current liabilities	9,778	9,778
Net position		
Net investment in capital assets	7,089	7,089
Unrestricted	639,561	639,561
Total net position	646,650	646,650
Total liabilities and net position	$ 656,428	$ 656,428

See accompanying notes to financial statements.

FAYETTE COUNTY GROUDNWATER CONSERVATION DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2025

Function/Program	Expenses	Program Revenues Charges for Services	Net (Expense) Revenue and Changes in Net Position Governmental Activities	Business-type Activities	Total
Administration	$ 274,061	$ -	$ (274,061)	$ -	$ (274,061)
Personnel	188,042	-	(188,042)	-	(188,042)
Occupancy	5,960	-	(5,960)	-	(5,960)
County wide water sampling	375	-	(375)	-	(375)
Database engineering	5,500	-	(5,500)	-	(5,500)
Total	473,938	-	(473,938)	-	(473,938)
General revenues					
Property taxes	-	-	482,412	-	482,412
Permit fees	-	-	1,000	-	1,000
Interest income	-	-	6,408	-	6,408
Other income	-	-	210	-	210
Total general revenues	$ -	$ -	490,030	-	490,030
Change in net position			16,092	-	16,092
Net position-beginning of year			630,558	-	630,558
Net position-end of year			$ 646,650	$ -	$ 646,650

See accompanying notes to financial statements.

FAYETTE COUNTY GROUNDWATER CONSERVATION DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
SEPTEMBER 30, 2025

	General Fund	Total Governmental Funds
ASSETS		
Cash and investments	$ 626,624	$ 626,624
Property taxes receivable		
Deliquent	20,140	20,140
Less allowance for doubtful property taxes	(2,014)	(2,014)
Total property taxes receivable, net	18,126	18,126
Due from Fayette County Appraisal District	1,232	1,232
Prepaid expenses	3,357	3,357
Total assets	$ 649,339	$ 649,339
LIABILITIES		
Accounts payable	$ 6,457	$ 6,457
Payroll taxes payable	3,321	3,321
Total liabilities	9,778	9,778
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows	18,126	18,126
Total deferred inflows of resources	18,126	18,126
FUND BALANCES		
Unassigned	621,435	621,435
Total fund balances	621,435	621,435
Total liabilities, deferred inflows, and fund balances	$ 649,339	$ 649,339
Differences in amount reported for governmental activities in the Statement of Net Position		
Fund balance-Governmental funds	$ 621,435	$ 621,435
Capitalization of capital assets, net of accumulated depreciation of $125,504	7,089	7,089
Recognization of unearned property taxes (net of allowance) as revenue	18,126	18,126
Net position-Governmental Activities	$ 646,650	$ 646,650

See accompanying notes to financial statements

FAYETTE COUNTY GROUNDWATER CONSERVATION DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED SEPTEMBER 30, 2025

	General Fund	Total Governmental Funds
REVENUES		
Ad valorem taxes		
Current	$ 469,777	$ 469,777
Delinquent	6,188	6,188
Penalty and interest	4,214	4,214
Total Ad valorem taxes	480,179	480,179
Permit fees	1,000	1,000
Interest income	6,408	6,408
Other income	210	210
Total revenues	487,797	487,797
EXPENDITURES		
Administration expenditures	272,810	272,810
Personnel expenditures	188,042	188,042
Occupancy	5,960	5,960
County wide water sampling	375	375
Database engineering	5,500	5,500
Total expenditures	472,687	472,687
Excess of revenues over expenditures	15,110	15,110
Fund balance, beginning of year	606,325	606,325
Fund balance, end of year	$ 621,435	$ 621,435

Reconciliation of Statement of Revenues, Expenditures and Changes in Fund balance to Statement of Changes in Net Position

Excess of revenues over expenditures-Governmental funds	$ 15,110
Capital outlay not recorded as an expense in the statement of activities	-
Increase in property tax revenues	2,233
Depreciation expense	(1,251)
Changes in net position	$ 16,092

See accompanying notes to the financial statements.

NOTE 1 - ORGANIZATION

The Fayette County Groundwater Conservation District ("the District") was created and established pursuant to Chapter 36 of the Texas Water Code, in Section 59 of Article 16 of the Texas Constitution, effective December 1, 2001, and confirmed by the electorate of Fayette County at a confirmation election held on November 6, 2001. The Board of Directors was elected in May 2002. The purpose of the District is to provide for the conservation, preservation and management of groundwater and the related issues of waste.

The District has a separately elected Board, which is elected by the registered voters within the District's boundaries. The District is independent in that it selects its own management staff, sets user charges, establishes budgets and controls all aspects of daily activities. The District receives no direct funding from any other entity.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies are described below:

A. Reporting Entity

In evaluating how to define the District for reporting purposes, management has considered all potential component units. The decision to exclude all potential component units from the reporting entity was made by applying the criteria set forth in GAAP. The basic, but not the only, criterion for evaluating inclusion or exclusion of a potential component unit within or from the reporting entity is the District's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of 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 service. Application of this criterion involves considering whether the activity is conducted within the geographic boundaries of the District and is generally available to its citizens. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the District is able to exercise oversight responsibilities. Based upon the application of these criteria, the following is a brief review of the potential component units addressed in defining the District's reporting entity.

All potential component units such as Fayette County and La Grange Independent School District have been excluded from the reporting entity.

These potential component units have separate elected boards and provide services to residents, generally within the geographic boundaries of the District. The entities are independent governmental units operating in accordance with applicable statutes for political subdivisions of the State of Texas. These potential component units are excluded from the reporting entity because the government does not have the ability to exercise influence over the daily operations, approve budgets or provide funding.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Fund Accounting

Basic financial statements are presented at both the government-wide and fund financial level. Both levels of statements categorize primary activities as either governmental or business-type.

Government-wide financial statements report information about the reporting unit as a whole. For the most part, the effect of interfund activity has been removed from these statements. These statements focus on the sustainability of the District as an entity and the change in aggregate financial position resulting from the activities of the year. These aggregated statements consist of the Statement of Net Position and the Statement of Activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or business-type activity are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or business-type activity. Program revenues include charges to customers or applicants who purchase, use, or directly benefit from services or privileges provided by a given function or business-type activity. Other items not reported as program revenues are reported instead as general revenues.

Fund financial statements report information at the individual fund level. Each fund is considered to be a separate accounting entity. The District reports governmental type funds.

The District reports the following fund:

Governmental Fund Types

General Fund

The General Fund is used to account for all financial transactions not properly includable in other funds. The principle sources of revenue of the General Fund are property taxes and interest. Expenditures are for capital outlays, payroll, professional fees, purchased and contracted services, supplies and other recurring operating expenditures.

The Fayette County Groundwater Conservation District does not have proprietary funds or internal service funds.

C. Basis of Accounting

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. A one-year availability period is used for revenue recognition. Expenditures are recorded when the related fund liability is incurred.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Accounting (Continued)

The District reports deferred revenue on its governmental fund balance sheet. Deferred revenues arise when a potential revenue does not meet both the "measurable" and "available" criteria for recognition on the current period. In subsequent periods, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the balance sheet and revenue is recognized.

D. Budgets

The District follows these procedures in establishing the budget as reflected in the financial statements:

1. Prior to the beginning of each fiscal year, the District prepares a budget; it is prepared in accordance with the same basis of accounting utilized by that fund. The operating budget includes proposed expenditures and the means of financing those expenditures. If situations arise whereby certain items need to be amended, they are done with Board approval. This final amended budget is used in presenting the Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual.

2. Public hearings are conducted, at which time the Board of Directors vote on and accepts the budget.

3. The District adopts a budget for the General Fund.

Encumbrance accounting is not utilized in the District's budgeting and accounting.

E. Cash and Investments

The District's cash and investments are considered to be cash on hand, demand deposits and any short-term investments with original maturities of three months or less from the date of acquisition.

F. Receivables

Revenue is recognized when receivables are measurable and available. If the revenues are neither measurable nor available, they are classified as deferred revenues. Estimated uncollectible receivables are reflected in an allowance for doubtful accounts.

G. Fund Equity

Reserved fund balances have been established by the District to indicate tentative plans for future use of financial resources. Fund balances not reserved are recorded as unreserved or unrestricted by the District.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Employment Related Cost

The District has two employees. There are no related employment costs or liability for these items (i.e. pension plan, compensated absences, vacation and sick leave, and post-employment retirement benefits).

I. Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District maintains commercial insurance coverage covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the District. Settled claims have not exceeded this commercial coverage, in any of the past three fiscal years.

J. Total Columns on Combined Statements

Total columns on the combined statements are captioned (Memorandum Only) to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position or results of operations in conformity with generally accepted accounting principles. Interfund eliminations have not been made in the aggregation of this data.

K. Fund Balances – Governmental Funds

Fund balances of the governmental funds are classified as follows:

Nonspendable Fund Balance represents amounts that cannot be spent because they are either not in spendable form (such as inventory or prepaid insurance) or legally required to remain intact (such as notes receivable or principal of a permanent fund).

Restricted Fund Balance represents amounts that are constrained by external parties, constitutional provisions or enabling legislation.

Committed Fund Balance represents amounts that can only be used for a specific purpose because of a formal action by the District's governing board. Committed amounts cannot be used for any other purpose unless the governing board removes those constraints by taking the same type of formal action. Committed fund balance amounts may be used for other purposes with appropriate due process by the governing board. Commitments are typically done through adoption and amendment of the budget. Committed fund balance amounts differ from restricted balances in that the constraints on their use do not come from outside parties, constitutional provisions, or enabling legislation.

Assigned Fund Balance represents amounts which the District intends to use for a specific purpose, but that do not meet the criteria to be classified as restricted or committed. Intent may be stipulated by the governing board or by an official or body to which the governing board delegates the authority. Specific amounts that are not restricted or committed in a special revenue, capital projects, debt service or permanent fund are assigned for purposes in accordance with the nature of their fund type or the fund's primary purpose. Assignments within the General Fund convey that the intended use of those amounts is for a specific purpose that is narrower than the general purposes of the District itself.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

K. Fund Balances – Governmental Funds (Continued)

Unassigned Fund Balance represents amounts which are unconstrained in that they may be spent for any purpose. Only the general fund reports a positive unassigned fund balance. Other governmental funds might report a negative balance in this classification because of overspending for specific purposes for which amounts had been restricted, committed or assigned.

When an expenditure is incurred for a purpose for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds.

L. Deferred Outflows and Inflows of Resources

In addition to assets, the statements of financial position (the government-wide Statement of Net Position and governmental funds balance sheet) will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position and/or fund balance that applies to one or more future periods and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statements of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to one or more future periods and so will not be recognized as an inflow of resources (revenue) until that time.

NOTE 3 - DEPOSITS, SECURITIES AND INVESTMENTS

The District's funds are required to be deposited and invested under the terms of a depository contract pursuant to Texas Water Code Section 54.307 and 54.308. The depository bank deposits for safekeeping and trust with the District's agent bank, approved pledged securities in an amount sufficient to protect District funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation (FDIC) Insurance.

The District's cash deposits at September 30, 2025 were entirely covered by FDIC insurance or by pledged collateral held by the District's agent bank. The deposits were collateralized in accordance with Texas Law. Deposits were properly secured at all times.

NOTE 3 - DEPOSITS, SECURITIES AND INVESTMENTS (Continued)

Temporary Investments (Continued)

The cash deposits held at financial institutions can be categorized according to three levels of risk. These three levels of risk are:

Category 1	Deposits which are insured or collateralized with securities held by the entity or by its agent in the entity's name.
Category 2	Deposits which are collateralized with securities held by the pledging financial institutions trust department or agent in the entity's name.
Category 3	Deposits which are not collateralized.

Based on these three levels of risk, all the District's cash deposits are classified as category 1.

Temporary Investments

Texas Water Code Section 54.308 authorizes the District to invest in direct or indirect obligations of the United States, the state, or any county, city, school district, or other political subdivision of the state, certificates of deposit of state or national banks or savings and loan associations within the state provided that they are secured in the manner provided for the security of the funds of counties of the State of Texas.

Similar to cash deposits, investments held at a financial institution can be categorized according to three levels of risk. These three levels of risk are:

Category 1	Investments that are insured, registered or held by the entity or by its agent in the entity's name.
Category 2	Investments that are uninsured and unregistered held by the counterparty's trust department or agent in the entity's name.
Category 3	Uninsured and unregistered investments held by the counterparty, its trust department or its agent, but not in the entity's name.

Based on these three levels of risk, all of the District's investments are classified as category 1.

District's deposits and investments at year-end are shown below:

Cash	$389,996
Certificates of deposit	236,628
	$626,624

NOTE 4 - AD VALOREM TAXES

Ad valorem taxes attach as an enforceable lien on property as of February 1. Taxes for each year are levied on approximately September 30 and are due upon receipt of the District's tax bill and become delinquent on February 1 of the following year. Appraised values are established by the Fayette County Appraisal District through procedures established by the Texas Legislature. The Fayette County Appraisal District bills and collects property taxes for the District.

The District approved an annual tax rate of $0.0080 per $100 valuation for the 2024 tax year at the September 9, 2024 board meeting.

NOTE 5 - CAPITAL ASSETS

The following is a summary of changes in general fixed assets:

	Balance 9/30/2024	Additions	Deletions	Balance 9/30/2025
Computer Hardware/Software	$ 59,298	$ -	$ -	$ 59,298
Furniture and Fixtures	7,734	-	-	7,734
Vehicles	42,203	-	-	42,203
Well Monitoring Equipment	22,602	-	-	22,602
Public Education Materials	756	-	-	756
Total General Fixed Assets	132,593	-	-	132,593
Accumulated Depreciation:				
Computer Hardware/Software	(59,298)	-	-	(59,298)
Furniture and Fixtures	(7,734)	-	-	(7,734)
Vehicles	(42,203)	-	-	(42,203)
Well Monitoring Equipment	(14,262)	(1,251)	-	(15,513)
Public Education Materials	(756)	-	-	(756)
Total Accumulated Depreciation	(124,253)	(1,251)	-	(125,504)
Net General Fixed Assets	$ 8,340	$ (1,251)	$ -	$ 7,089

Depreciation expense for the year ended September 30, 2025 was $1,251.

NOTE 6 - APPRAISAL DISTRICT

The District, pursuant to acts of the Legislature of the State of Texas, is a participating unit in a county-wide appraisal district. The District's fee to the Fayette County Appraisal District for ad valorem tax assessment are determined by prescribed formula based on total dollar amount of taxes levied. The District paid $12,117 for the year ended September 30, 2025.

NOTE 7 – OTHER RECEIVABLES

Other accounts receivable at September 30, 2025, consists of the following:

	General Fund
Taxes collected by appraisal district but not remitted to the District	$ 1,232

NOTE 8 – UNEARNED REVENUE

According to GASB Cod. Sec. 1600.106, revenues should be recognized in the accounting period in which they become available and measurable under the modified accrual basis of accounting. The term available means collectible in the current period or soon enough thereafter to be used to pay liabilities that are owed at the balance sheet date. Any revenue that was collected within 60 days following the end of the year has not been recognized as revenue for the year ended September 30, 2025 and has been classified as deferred inflows. As of September 30, 2025, deferred inflows were $18,125.

NOTE 9 – ANALYSIS OF SPECIFIC DEPOSIT AND INVESTMENT RISKS

GASB Statement No. 40 requires a determination as to whether the District was exposed to the following specific investment risks at year end and if so, the reporting of certain related disclosures:

Credit Risk

The risk that an issuer or other counterparty to an investment will not fulfill its obligations. The ratings of securities by nationally recognized rating agencies are designed to give an indication of credit risk. At year end, the District was not exposed to credit risk.

Custodial Credit Risk

Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the District's name.

Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government or are held by either the counterparty or the counterparty's trust department or agent but not in the District's name.

At year end, the District was not exposed to custodial credit risk.

Concentration of Credit Risk

The risk of loss attributed to the magnitude of a government's investment in a single issuer. At year end, the District was not exposed to concentration of credit risk.

Interest Rate Risk

The risk that changes in interest rates will adversely affect the fair value of an investment. At year end, the District was not exposed to interest rate risk.

Foreign Currency Risk

The risk that exchange rates will adversely affect the fair value of an investment. At year end, the District was not exposed to foreign currency risk.

NOTE 10 – DATE OF MANAGEMENT'S REVIEW

Management has evaluated subsequent events through September 30, 2026, the date the financial statements were available to be issued.

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Required Supplementary Information

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FAYETTE COUNTY GROUNDWATER CONSERVATION DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
COMPARED TO BUDGET - GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2025

	Budget			Difference in final budget
	Original	Final	Actual	to actual
REVENUES				
Property taxes				
Current	$ 449,878	$ 449,878	$ 469,777	$ 19,899
Delinquent	-	-	6,188	6,188
Penalty and interest	-	-	4,214	4,214
Total property taxes	449,878	449,878	480,179	30,301
Permit fees	2,000	2,000	1,000	(1,000)
Interest income	2,000	2,000	6,408	4,408
Other income	-	-	210	210
Total revenues	453,878	453,878	487,797	33,919
EXPENDITURES				
Administration				
Bank service charges	250	250	40	210
Contingency	5,000	5,000	1,284	3,716
Insurance expense				
Liability	3,250	3,250	4,149	(899)
Workmen compensation	1,000	1,000	1,050	(50)
Life	-	-	1,097	(1,097)
Health	75,000	75,000	82,551	(7,551)
Printing and reproduction	1,000	1,000	887	113
Repairs and maintenance	14,000	14,000	14,450	(450)
Well closures	600	600	257	343
Office supplies	3,000	3,000	1,194	1,806
Postage and box rental	800	800	925	(125)
Professional fees				
Legal fees	32,000	32,000	32,000	-
Election	5,000	5,000	-	5,000
Auditing fees	5,300	5,300	5,500	(200)
Appraisal District	12,000	12,000	12,117	(117)
Hydrologist	70,000	110,000	101,306	8,694
Legal notices/publications	1,000	1,000	532	468
Travel and entertainment				
Airfare and hotels	1,000	1,000	3,652	(2,652)
Mileage	4,000	4,000	4,161	(161)
Meals	1,000	1,000	1,854	(854)
Education and training	2,000	2,000	3,601	(1,601)
Dues and subscriptions	-	-	203	(203)
Total administration	237,200	277,200	272,810	4,390

FAYETTE COUNTY GROUNDWATER CONSERVATION DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
COMPARED TO BUDGET - GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2025

	Budget			Difference in final budget
	Original	Final	Actual	to actual
Personnel				
Wages	161,025	161,025	156,842	4,183
Director compensation	12,000	12,000	14,200	(2,200)
Payroll taxes	15,000	15,000	11,998	3,002
Employee savings plan	3,550	3,550	5,002	(1,452)
Total personnel	191,575	191,575	188,042	3,533
Occupancy				
Office lease space	250	250	-	250
Telephone	4,300	4,300	3,762	538
Internet services	2,100	2,100	2,198	(98)
Total occupancy	6,650	6,650	5,960	690
County wide water sampling	4,000	4,000	375	3,625
Database engineering	5,500	5,500	5,500	-
Total expenditures	444,925	484,925	472,687	12,238
Excess of revenues over expenditures	$ 8,953	$ (31,047)	15,110	$ 46,157
Fund balance, beginning of year			606,325	
Fund balance, end of year			$ 621,435	

FAYETTE COUNTY GROUNDWATER CONSERVATION DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED SEPTEMBER 30, 2025

Budget

The official budget was prepared for adoption for all Governmental Fund Types. The budget was prepared in accordance with accounting practices generally accepted in the United States of America. The following procedures are followed in establishing the budgetary data:

a. Prior to the end of the current fiscal year, the District prepares a budget for the next succeeding fiscal year. The operating budget includes proposed expenditures and the means of financing them.

b. A meeting of the Board is then called for the purpose of adopting the proposed budget after ten days' public notice of the meeting has been given.

c. Prior to the beginning of the fiscal year, the budget is legally enacted through passage of a resolution by the Board.

Once a budget is approved, it can be amended on a line item level only by approval of a majority of the members of the Board. Amendments are presented to the Board at its regular meetings.

Each amendment must have Board approval. Such amendments are made before the fact, are reflected in the official minutes of the Board and are not made after fiscal year end as required by law. There were two amendments made during the fiscal year ended September 30, 2025.

All budget appropriations lapse at year end.

Encumbrances for goods or purchased services are documented by purchase orders or contracts. Under Texas law, appropriations lapse at September 30, and encumbrances outstanding at that time are to be either cancelled or appropriately provided for in the subsequent year's budget. There were no end-of-year outstanding encumbrances that were provided for in the subsequent year's budget.