

TAX CODE

TITLE 1. PROPERTY TAX CODE

SUBTITLE D. APPRAISAL AND ASSESSMENT

CHAPTER 26. ASSESSMENT

Sec. 26.18. POSTING REQUIREMENTS

(1) the name of each member of the governing body of the taxing unit:

Diana Thomas	General Manager
Ashley Masters	Technician
Jack Clark	Board Chairman
Kade Hodges	Board Vice-Chairman
Evan Canady	Board Secretary
Wesley Glass	Board Member
Cliff Caldwell	Board Member

(2) the mailing address, e-mail address, and telephone number of the taxing unit:

PO Box 873
Sterling City, TX 76951

scuwcd@verizon.net

325-378-2704

(3) the official contact information for each member of the governing body of the taxing unit, if that information is different from the information described by Subdivision (2):

Jack Clark	janiceclark12@yahoo.com
Kade Hodges	kade@sterlinglamb.com
Evan Canady	evanrcanady@gmail.com
Cliff Caldwell	Ubranch1968@gmail.com
Wesley Glass	wildcatranchsterlingcity@gmail.com

(4) the taxing unit's budget for the preceding two years:

	ADOPTED
	FY 2024-25
VEHICLE EXPENSE	\$7,000
FIELD & LAB	\$4,500
CLOUD SEEDING	\$28,500
OFFICE EXPENSE	\$16,800
INSURANCE EXPENSE	\$7,100
PROFESSIONAL FEES	\$25,250
PAYROLL EXPENSE	\$85,500
TRAVEL	\$3,700
MERIT PAY	\$5,000
ICWCD INTERLOCAL AGREEMENT	\$30,000
ICWCD Interlocal Credit	-\$40,100
TOTAL OPERATING EXPENSES	\$173,250

		ADOPTED
		FY 2025-26
VEHICLE EXPENSE		\$7,000
FIELD & LAB		\$4,500
CLOUD SEEDING		\$28,500
OFFICE EXPENSE		\$16,500
INSURANCE EXPENSE		\$7,350
PROFESSIONAL FEES		\$27,200
PAYROLL EXPENSE		\$88,000
TRAVEL		\$3,700
MERIT PAY		\$5,000
ICWCD Interlocal Credit		-\$41,500
ICWCD INTERLOCAL AGREEMENT		\$30,000
TOTAL OPERATING EXPENSES		\$176,250

(5) the taxing unit's **proposed** ~~or adopted budget~~ for the current year:

		PROPOSED
		FY 2026-27
VEHICLE EXPENSE		\$ 8,000
FIELD & LAB		\$ 4,500
CLOUD SEEDING		\$ 27,200
OFFICE EXPENSE		\$ 18,000
INSURANCE EXPENSE		\$ 8,750
PROFESSIONAL FEES		\$ 25,200
PAYROLL EXPENSE		\$ 91,500
TRAVEL		\$ 3,700
MERIT PAY		\$ 5,000
ICWCD INTERLOCAL AGREEMENT		\$ 31,000
ICWCD Interlocal Credit		-\$ 43,000
TOTAL OPERATING EXPENSES		\$ 179,850

(6) the change in the amount of the taxing unit's budget from the preceding year to the current year, by dollar amount and percentage:

	CHANGE	CHANGE
	\$ AMOUNT	PERCENTAGE
VEHICLE EXPENSE	+ \$1,000	+ 14.3%
FIELD & LAB	\$0	0%
CLOUD SEEDING	-\$1,300	-4.6%
OFFICE EXPENSE	+ \$1,500	+9.1%
INSURANCE EXPENSE	+\$1,400	+ 19.0%
PROFESSIONAL FEES	-\$2,000	-7.4%
PAYROLL EXPENSE	+\$3,500	+ 4.0%
TRAVEL	\$0	0%
MERIT PAY	\$0	0%
ICWCD INTERLOCAL AGREEMENT	+ \$1,000	+ 3.3%
ICWCD Interlocal Credit	+ \$1,500	+ 3.6%
TOTAL OPERATING EXPENSES	+\$3,600	+ 2.0%

(7) in the case of a taxing unit other than a school district, the amount of property tax revenue budgeted for maintenance and operations for:

(A) the preceding two years:

All revenue of the Sterling County Underground Water Conservation District is allocated to maintenance and operations.

(B) the current year:

All revenue of the Sterling County Underground Water Conservation District is allocated to maintenance and operations.

(8) in the case of a taxing unit other than a school district, the amount of property tax revenue budgeted for debt service for:

(A) the preceding two years:

Not applicable for the Sterling County Underground Water Conservation District

(B) the current year:

Not applicable for the Sterling County Underground Water Conservation District

(9) the tax rate for maintenance and operations adopted by the taxing unit for the preceding two years:

2024	0.01415
2025	0.015588

(10) in the case of a taxing unit other than a school district, the tax rate for debt service adopted by the taxing unit for the preceding two years:

Not applicable for the Sterling County Underground Water Conservation District

(11) in the case of a school district, the interest and sinking fund tax rate adopted by the district for the preceding two years:

Not applicable for the Sterling County Underground Water Conservation District

(12) the tax rate for maintenance and operations proposed by the taxing unit for the current year:

2026	0.016964
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(13) in the case of a taxing unit other than a school district, the tax rate for debt service proposed by the taxing unit for the current year:

Not applicable for the Sterling County Underground Water Conservation District

(14) in the case of a school district, the interest and sinking fund tax rate proposed by the district for the current year:

Not applicable for the Sterling County Underground Water Conservation District

(15) the most recent financial audit of the taxing unit:

Most recent financial audit attached below.

STERLING COUNTY UNDERGROUND WATER CONSERVATION DISTRICT

FINANCIAL STATEMENTS

SEPTEMBER 30, 2025



RICHARD A. BOWMAN

Certified Public Accountant

**STERLING COUNTY UNDERGROUND WATER CONSERVATION DISTRICT
ANNUAL FINANCIAL REPORT
YEAR ENDED SEPTEMBER 30, 2025**

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RICHARD A. BOWMAN

Certified Public Accountant

RBowman@rbcpa.us

June 1, 2026

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Sterling County Underground Water Conservation District
Sterling City, Texas

Opinion

I have audited the accompanying financial statements of the governmental activities and the general fund of the Sterling County Underground Water Conservation District (the 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 my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, and the general fund of the Sterling County Underground Water Conservation District, as of September 30, 2025, and the respective changes in financial position; and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am required to be independent of Sterling County Underground Water Conservation District and to meet my other ethical responsibilities in accordance with the relevant ethical requirements relating to my audit. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my 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 Sterling County Underground Water Conservation District's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

My 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 my 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, including omissions, 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, I:

- 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 Sterling County Underground Water Conservation 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 my judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Sterling County Underground Water Conservation District's ability to continue as a going concern for a reasonable period of time.

I am 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 I 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. I 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 I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.



Richard A. Bowman
Certified Public Accountant

STERLING COUNTY UNDERGROUND WATER CONSERVATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2025

In this section of the Annual Financial and Compliance Report, I, the manager of the Sterling County Underground Water Conservation District (the District), discuss and analyze the District's financial performance for the fiscal year ended September 30, 2025. Please read it in conjunction with the independent auditor's report on page 1, and the District's Basic Financial Statements which begin on page 7.

FINANCIAL HIGHLIGHTS

- The District's Net Position decreased by \$4,279 as a result of this year's operations.
- The General Fund ended the year with a fund balance of \$204,253.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The government-wide financial statements include the Statement of Net Position and the Statement of Activities (on pages 7 and 8). These provide information about the activities of the District as a whole and present a longer-term view of the District's property and debt obligations and other financial matters. They reflect the flow of total economic resources in a manner similar to the financial reports of a business enterprise.

Fund financial statements (starting on page 9) report the District's operations in a more short-term way as well as what resources remain for future spending.

The notes to the financial statements (starting on page 13) provide narrative explanations or additional data needed for full disclosure in the government-wide statements or the fund financial statements.

Reporting the District as a Whole

The Statement of Net Position and the Statement of Activities

The analysis of the District's overall financial condition and operations begins on page 7. Its primary purpose is to show whether the District is better off or worse off as a result of the year's activities. The Statement of Net Position includes all the District's assets and liabilities at the end of the year while the Statement of Activities includes all the revenues and expenses generated by the District's operations during the year. These apply the accrual basis of accounting, which is the basis used by private sector companies.

These two statements report the District's Net Position and changes in them. The District's Net Position (the difference between assets and liabilities) provide one measure of the District's financial health, or financial position. Over time, increases or decreases in the District's Net Position are one indicator of whether its financial health is improving or deteriorating. To fully assess the overall health of the District, however, you should consider nonfinancial factors as well.

Reporting the District's Most Significant Funds

Fund Financial Statements

The fund financial statements begin on page 9 and provide detailed information about the most significant funds—not the District as a whole.

Governmental funds—Most of the District's basic services are reported in governmental funds. These use modified accrual accounting (a method that measures the receipt and disbursement of cash and all other financial assets that can be readily converted to cash) and report balances that are available for future spending. The governmental fund statements provide a detailed short-term view of the District's general operations and the basic services it provides. We describe the differences between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in reconciliation schedules following each of the fund financial statements.

STERLING COUNTY UNDERGROUND WATER CONSERVATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2025

THE DISTRICT AS A WHOLE

The District's combined net position decreased from a year ago – from \$229,085 to \$224,805 a total of (\$4,279) compared to last year's increase of \$3,277. Looking at the net position and net expenses of governmental and business-type activities separately can give valuable information. Our analysis below focuses on the net position (Table 1) and changes in net position (Table 2) of the District's governmental and business-type activities.

Table 1 – Net Position

	Governmental Activities	
	<u>2025</u>	<u>2024</u>
Current and Other Assets	\$ 215,847	\$ 236,348
Capital Assets	18,431	24,198
Total assets	<u>234,277</u>	<u>260,547</u>
Current Liabilities	9,472	31,462
Total liabilities	<u>9,472</u>	<u>31,462</u>
Net position:		
Invested in capital assets, net of debt	18,431	24,198
Unrestricted	206,374	204,887
Total net position	<u>\$ 224,805</u>	<u>\$ 229,085</u>

Table 2 – Changes in Net Position

	Governmental Activities	
	<u>2025</u>	<u>2024</u>
Revenues		
General Revenues:		
Property Taxes	\$ 153,153	\$ 153,253
Interest Income	6,198	3,084
Total Revenues	<u>159,352</u>	<u>156,337</u>
Expenses:		
Governmental activities	<u>163,631</u>	<u>152,960</u>
Increase in net position	<u>(4,279)</u>	<u>3,277</u>
Net position – beginning	229,805	225,808
Net position – ending	<u>\$ 224,805</u>	<u>\$ 229,085</u>

CAPITAL ASSET ADMINISTRATION

Capital Assets

At the end of September 30, 2025, the District had \$18,431 invested in capital assets.

Capital Assets at Year-end

(Net of Depreciation)

	Governmental Activities	
	<u>2025</u>	<u>2024</u>
Land	\$ 1,880	\$ 1,880
Buildings	9,642	10,607
Autos and Equipment	6,909	11,711
Total	<u>\$ 18,431</u>	<u>\$ 24,198</u>

STERLING COUNTY UNDERGROUND WATER CONSERVATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2025

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

Budgeted expenditures are expected to be \$175,400. Revenues are also budgeted at \$175,400, with the jurisdictions served by the Sterling County Underground Water Conservation District billed their proportionate share of this budget. This budget results in the fund balance remaining unchanged.

If these estimates are realized, the District's budgetary general fund balance is expected to be unchanged at the end of fiscal year 2026.

CONTACTING THE STERLING COUNTY UNDERGROUND WATER CONSERVATION DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the Sterling County Underground Water Conservation District's finances and to demonstrate the district's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional financial information should be directed to the Office of the Sterling County Underground Water Conservation District, P.O. Box 873, Sterling City, Texas, 76951.

Financial Section

STERLING COUNTY UNDERGROUND WATER CONSERVATION DISTRICT
STATEMENT OF NET POSITION
SEPTEMBER 30, 2025

	Primary Government Governmental Activities
ASSETS	
Cash and Cash Equivalents	\$ 203,957
Taxes Receivable, Net	2,121
Accounts Receivable, Net	1,090
Prepaid Items	8,679
Capital Assets:	
Land	1,880
Buildings, Net	9,642
Autos and Equipment, Net	6,909
Total Assets	<u>234,277</u>
LIABILITIES	
Accounts Payable	-
Employee Benefits Payable	1,849
Bank Overdraft - Checking	7,623
Total Liabilities	<u>9,472</u>
NET POSITION	
Net Investment in Capital Assets	18,431
Unrestricted	206,374
Total Net Position	<u>\$ 224,805</u>

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

STERLING COUNTY UNDERGROUND WATER CONSERVATION DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2025

				Net (Expense) Revenue and Changes in Net Position
				Primary Government
				Governmental Activities
	Expenses	Charges for Services	Program Revenues Operating Grants and Contributions	
Primary Government:				
GOVERNMENTAL ACTIVITIES:				
Wages and Related Expenses	\$ 50,419	\$ -	\$ -	\$ (50,419)
Auto Expense	3,239	-	-	(3,239)
Travel	2,542	-	-	(2,542)
Office Expense	14,659	-	-	(14,659)
Professional Fees	23,472	-	-	(23,472)
Insurance	6,478	-	-	(6,478)
Cloud Seeding	27,108	-	-	(27,108)
Field and Lab	2,097	-	-	(2,097)
ICWCD Interlocal Agreement	27,849	-	-	(27,849)
Depreciation	5,767	-	-	(5,767)
	<u>\$ 163,631</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (163,631)</u>
General Revenues:				
Taxes:				
Property Taxes, Levied for General Purposes				152,957
Penalty and Interest on Taxes				196
Miscellaneous Revenue				-
Interest Income				6,198
Total General Revenues				<u>159,352</u>
Change in Net Position				(4,279)
Net Position - Beginning				229,085
Net Position - Ending				<u>\$ 224,805</u>

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

STERLING COUNTY UNDERGROUND WATER CONSERVATION DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2025

	General Fund
ASSETS	
Cash and Cash Equivalents	\$ 203,957
Taxes Receivable	2,356
Allowance for Uncollectible Taxes	(236)
Accounts Receivable, Net	1,090
Prepaid Items	8,679
Total Assets	<u>\$ 215,846</u>
LIABILITIES	
Employee Benefits Payable	\$ 1,849
Bank Overdraft - Checking	7,623
Total Liabilities	<u>9,472</u>
DEFERRED INFLOWS OF RESOURCES	
Unavailable Revenue - Property Taxes	2,121
Total Deferred Inflows of Resources	<u>2,121</u>
FUND BALANCE	
Committed Fund Balance - Reserved for Auto Purchase	5,000
Unassigned Fund Balance	199,254
Total Fund Balance	<u>204,253</u>
Total Liabilities, Deferred Inflows, & Fund Balance	<u>\$ 215,845</u>

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

**STERLING COUNTY UNDERGROUND WATER CONSERVATION DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET POSITION
SEPTEMBER 30, 2025**

Total Fund Balances - Governmental Funds	\$ 204,253
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in governmental funds. The net effect of, including the beginning balances for capital assets (net of depreciation), in the governmental activities is to increase net position.	24,198
The 2025 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position.	(5,767)
Various other reclassification and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred revenue as revenue. The net effect of these reclassifications and recognitions is to increase net position.	2,121
Net Position of Governmental Activities	<u><u>\$ 224,805</u></u>

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

STERLING COUNTY UNDERGROUND WATER CONSERVATION DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2025

	General Fund
REVENUES:	
Taxes:	
Property Taxes	\$ 152,495
Penalty and Interest on Property Taxes	196
Investment Earnings	6,198
Total Revenues	<u>158,890</u>
EXPENDITURES:	
Water Conservation District Expenditures:	
Wages and Related Expenses	50,419
Auto And Related Expenses	3,239
Travel	2,542
Office Expense	14,659
Professional Fees	23,472
Insurance	6,478
Cloud Seeding	27,108
Field and Lab	2,097
ICWCD Interlocal Agreement	27,849
Total Expenditures	<u>157,864</u>
Net Change in Fund Balance	1,026
Fund Balance - October 1 (Beginning)	<u>203,227</u>
Fund Balance - September 30 (Ending)	<u>\$ 204,253</u>

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

**STERLING COUNTY UNDERGROUND WATER CONSERVATION DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2025**

Total Net Change in Fund Balances - Government Funds	\$ 1,026
Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. This net effect of the current year's depreciation is to decrease the change in net position.	(5,767)
Current year capital outlays are expenditures in the fund financial statements but they should be shown as increases in capital assets in the government-wide financial statements. The net effect of including the 2025 capital outlays is to increase net position.	-
Various other reclassification and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred revenue. The net effect of these reclassifications and recognitions is to increase the change in net position.	460
Change in Net Position of Governmental Activities	<u><u>\$ (4,279)</u></u>

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

STERLING COUNTY UNDERGROUND WATER CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2025

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

A. General Statement

The Sterling County Underground Water Conservation District (the “District”) was created, organized, and exists by Acts of the 70th Legislature under and pursuant to Section 59 of Article XVI of the Texas Constitution and Chapter 36 of the Texas Water Code. The District was established January 2, 1988, for the purpose of conserving, preserving, protecting, recharging, and preventing waste of the underground water reservoirs located in Sterling County, Texas through monitoring and protecting the quality of the groundwater. The District is governed by a five-member Board of Directors who are elected by its citizens.

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

B. Financial Reporting Entity

The District’s basic financial statements include the accounts of all District operations.

C. Basis of Presentation

The government-wide financial statements (the statement of net position and the statement of activities) report information on all of the activities of the District.

Governmental funds are those funds through which most governmental functions typically are financed. The measurement focus of governmental funds is on the sources, uses and balance of current financial resources. The District has presented the following major governmental fund:

General Fund -

General Fund is the main operating fund of the District. This fund is used to account for all financial resources not accounted for in other funds. All general revenues and other receipts that are not restricted by law or contractual agreement to some other fund are accounted for in this fund.

D. Measurement Focus/Basis of Accounting

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting related to the timing of the measurement made, regardless of the measurement focus applied.

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. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

STERLING COUNTY UNDERGROUND WATER CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2025

E. Budgetary Control

As set forth in the District charter, the District Board adopts an annual budget for the General Fund. The annual budget for the General Fund is prepared in accordance with the basis of accounting utilized by that fund. Amendments are made to these budgets as needed throughout the year.

F. Cash and Cash Equivalents

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

G. Nature and Purpose of Reservations and Designations of Fund Equity

Net position flow assumption:

Sometimes the District will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted - net position and unrestricted - net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted - net position to have been depleted before unrestricted - net position is applied.

As of these financial statements, the District has adopted GASB Statement No. 54, which redefined how fund balances of the governmental funds are presented in the financial statements. Fund balances are classified as follows:

Nonspendable—Amounts that cannot be spent either because they are not in a spendable form or because they are legally or contractually required to be maintained intact.

Restricted—Amounts that can be spent only for specific purposes because of the District Charter, District Code, state or federal laws, or externally imposed conditions by grantors or creditors.

Committed—Amounts that can be used only for specific purposes determined by a formal action by District Board ordinance or resolution. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken to remove or revise the limitation.

Assigned—Amounts that are designated by the Board for a specific purpose but are not spendable until an action is approved by the District Board.

Unassigned—All amounts not included in other spendable classifications.

The details of the fund balances are included in the Governmental Funds Balance Sheet (page 9). Assigned funds are reduced to the extent that expenditure authority has been budgeted by Board or the assignment has been changed by the District Manager. Decreases to fund balance first reduce unassigned fund balance; in the event that unassigned fund balance becomes zero, then assigned and committed fund balances are used in that order.

General Fund

The General Fund has unassigned fund balance of \$199,254, a non-spendable fund balance of \$-0-, and a committed fund balance for auto replacement of \$5,000.

H. Net Position

Net position represents the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent proceeds. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislations adopted

STERLING COUNTY UNDERGROUND WATER CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2025

by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

NOTE 2. DETAILED NOTES ON ALL FUNDS

Deposits

The cash and investments policies of the District are governed by state statutes and the adopted investment policy. These policies require that depositories be insured by the Federal Deposit Insurance Corporation (FDIC) and must fully collateralize all deposits in excess of FDIC insurance limits.

At September 30, 2025, the carrying amount of the District's deposits (Cash, MMAs, and CDs) was \$225,298 and the bank balance was \$225,298. The District's deposits at September 30, 2025 and during the year then ended were covered by FDIC insurance.

The District's deposits are invested only in a money market and certificate of deposit account and are not subject to any credit risk other than the risk noted above.

NOTE 3. CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2025, was as follows:

Primary Government

Governmental-type activities:

	Balance <u>10/1/2024</u>	<u>Increases</u>	<u>Decreases</u>	Balance <u>9/30/2025</u>
Capital assets not being depreciated:				
Land	\$ 1,880	\$ -	\$ -	\$ 1,880
Capital assets being depreciated:				
Buildings	28,938	-	-	28,938
Field Equipment	6,335	-	-	6,335
Autos	26,192	-	-	26,192
Total capital assets being depreciated:	<u>\$ 63,345</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 63,345</u>
Less: Accumulated depreciation for:				
Buildings	\$ 18,331	\$ 965	\$ -	\$ 19,296
Field Equipment	3,759	1,267	-	5,026
Autos	17,057	3,535	-	20,892
Total accumulated depreciation	<u>\$ 39,147</u>	<u>\$ 5,767</u>	<u>\$ -</u>	<u>\$ 45,214</u>
Capital assets, net	<u>\$ 24,198</u>			<u>\$ 18,131</u>

NOTE 4. SELF INSURANCE

The District has entered into an interlocal participation agreement with the Texas Municipal League Joint Self-Insurance Fund (the Fund). The Fund is an unincorporated association of political subdivisions of the State of Texas that was created to provide property and liability coverage to its members pursuant to the provisions of Article 4413(32c), Texas Revised Civil Statutes Annotated. Coverage provided by the Fund may differ from member to

STERLING COUNTY UNDERGROUND WATER CONSERVATION DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2025

member based on the nature of the risk to be covered. The District made contributions to the Fund based upon rates approved by the Board of Trustees of the Fund. Contributions are adjusted annually based upon the District's loss experience. The District's participation is on a nonassessable basis. The District has no joint and several liability other than the maximum annual contribution required to be paid into the Fund; however, this contribution may include surcharges specifically related to the District's loss experience. The District's participation in the Fund provides property and general liability coverage, errors and omissions coverage and automobile liability coverage.

NOTE 5. IRION COUNTY WATER CONSERVATION DISTRICT INTERLOCAL AGREEMENTS

As authorized by the Board of Directors, the District has agreed to share the services of a manager and a technician with the Irion County Water Conservation District (ICWCD). This agreement calls for the District to reimburse ICWCD for 50% of the technician's salary, taxes, retirement, and insurance. The total amount paid on this agreement was \$32,849. The District is reimbursed by ICWCD for 50% of the manager's salary, taxes, and insurance. The total amount received under this part of the agreement was \$40,173.

NOTE 6. SUBSEQUENT EVENTS

The District has evaluated subsequent events through June 1, 2026, the date which the financial statements were available to be issued.

Required Supplementary Information

Required supplementary information includes financial information and disclosures required by the Governmental Accounting Standards Board but not considered a part of the basic financial statements.

STERLING COUNTY UNDERGROUND WATER CONSERVATION DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2025

	Budgeted Amounts		Actual Amounts	Variance With
	Original	Final	(GAAP Basis)	Final Budget Positive or (Negative)
REVENUES:				
Taxes				
Property Taxes	\$ 151,835	\$ 152,450	\$ 152,495	\$ 45
Penalty/Interest on Taxes, and Other	250	200	196	(4)
Investment Earnings	2,500	5,000	6,198	1,198
Total Revenues	154,585	157,650	158,890	1,240
EXPENDITURES:				
Water Conservation District Expenditures:				
Wages and Related Expenses	50,400	50,700	50,419	281
Auto Expense	7,000	7,000	3,239	3,761
Travel	3,700	3,700	2,542	1,158
Office Expense	16,800	16,500	14,659	1,841
Professional Fees	25,250	25,250	23,472	1,778
Insurance	7,100	6,850	6,478	372
Cloud Seeding	28,500	28,500	27,108	1,392
Field and Lab	4,500	4,500	2,096	2,404
ICWCD Interlocal Agreement	30,000	28,000	27,849	151
Total Expenditures	173,250	171,000	157,863	13,137
Net Change	(18,665)	(13,350)	1,027	(11,897)
Fund Balance-October 1 (Beginning)	203,227	203,227	203,227	-
Fund Balance-September 30 (Ending)	\$ 184,562	\$ 189,877	\$ 204,253	\$ 14,377

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

STERLING COUNTY UNDERGROUND WATER CONSERVATION DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
SEPTEMBER 30, 2025

NOTE I BUDGETS AND BUDGETARY ACCOUNTING

The Board adopts an Annual Budget no later than the September meeting of each year for the fiscal year commencing the following October 1st. The District follows these procedures in establishing the budgetary data reflected in the financial statements.

1. During August of each year, the District Manager submits to the Board a proposed operating budget for the next following fiscal year. The operating budget includes proposed revenues and expenditures.
2. After a review by the Board, a public hearing is conducted and further comment is received from the Board and the general public.
3. Upon completion of the hearings and modifications, if any, to the proposed budget, it is adopted by the Board through passage of an appropriate resolution.
4. Generally, the budget is amended in the middle of the year and at the end of the year. All approved additional appropriations are added to the adopted budget and an amended budget is presented to the Board, which adopts it after due review.
5. The District Manager is authorized to transfer, from time to time, budget amounts of operational expenditure categories within departments as deemed necessary in order to meet the District's needs.
6. Board approval is required for all fund to fund transfers, department to department transfers, fund reserve to appropriations transfers, for new revenue sources with offsetting appropriations, and for transfer to/from the capital expenditure category.