SOUTHERN TRINITY GROUNDWATER CONSERVATION DISTRICT

Audited Financial Statements

For the Year Ended September 30, 2025

Together with Independent Auditors' Report Thereon and Supplementary Information

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Southern Trinity Groundwater Conservation District
Waco, Texas

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of Southern Trinity Groundwater Conservation 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 and each major fund of Southern Trinity Groundwater 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 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 Southern Trinity Groundwater Conservation 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 Southern Trinity Groundwater Conservation 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 Southern Trinity Groundwater 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 our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Southern Trinity Groundwater Conservation 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 3-8 and 18 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.

Lindsey, Montgomery & Stone, PC

Temple, Texas
February 6, 2026

In this section of the annual financial report, we, the managers of Southern Trinity Groundwater Conservation District (the District), discuss and analyze the District's financial performance. Please read it in conjunction with the independent auditors' report on page 1 and the District's basic financial statements, which begin on page 9.

FINANCIAL HIGHLIGHTS

- The District's net position increased by $49,722 as a result of this year's operations.
- The ending net position was $649,398.
- During the year, the District had expenses that were $49,722 less than the $230,217 generated in revenues.
- Total expenditures of all the District's programs were $180,495, for the fiscal year ended September 30, 2025.
- The resources available for appropriation were $69,524 more than budgeted due to decreases in various operating expenses and increases in application fees over expected amounts.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts: (1) Management's Discussion and Analysis (this section), (2) government-wide and fund financial statements, and (3) notes to the financial statements. The government-wide financial statements include the Statement of Net Position and Statement of Activities (on pages 6 and 7). These provide information about the activities of the District as a whole. 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) are shown in conjunction with the government-wide financial statements. These fund financial statements report the District's operations in more detail than the government-wide statements by providing information about the District's most significant funds. For governmental activities, these statements tell how services were financed in the short-term, as well as what resources remain for future spending. They reflect the flow of current resources and supply the basis for any tax levies and the appropriations budget.

The notes to the financial statements, starting on page 11, provide narrative explanations or additional data needed for full disclosure in the government-wide statements and fund financial statements. This report also contains the budgetary comparison schedule as required supplementary information in addition to the government-wide and fund financial statements themselves.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business. The government-wide financial statements use the economic resources measurement 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 the related cash flow.

The statement of net position presents information on all of the District's assets and liabilities, with the difference between the two reported as net position. The District's net position (the difference between assets and

GOVERNMENT-WIDE FINANCIAL STATEMENTS (CONTINUED)

liabilities) provide one measure of the District's financial health or financial position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating. To fully assess the overall health of the District, however, you should consider nonfinancial factors as well. The analysis of the District's overall financial condition and operations begins on page 6.

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

These two statements report the District's net position and changes in them.

FUND FINANCIAL STATEMENTS

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The District has only one fund, namely the general fund.

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

The District maintains one general fund in the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balance.

Because the focus of the general fund is narrower than that of the government-wide financial statements, it is useful to compare the information presented in the general fund with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financial decisions. Both the governmental fund balance sheet and the general fund statement of revenues, expenditures, and changes in fund balance provide a reconciliation to facilitate this comparison between the governmental fund and government-wide financial statements. The governmental fund financial statements are shown in conjunction with the government-wide financial statements on pages 9 and 10.

NOTES TO THE FINANCIAL STATEMENTS

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 11 through 17 of this report.

REQUIRED SUPPLEMENTARY INFORMATION

The budgetary comparison schedule is presented for purposes of additional analysis as required by accounting principles generally accepted in the United States of America. The schedule can be found on page 18 of this report.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The District implemented GASB 34 during the fiscal year ended September 30, 2004. The following analysis focuses on the Net Position (Table I) and Changes in Net Position (Table II) of the District's governmental fund activities.

Net position increased from $599,676 to $649,398. Unrestricted net position which can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements was $649,398 at September 30, 2025.

The District's total revenues increased by $60,439 when comparing the year 2025 to 2024. The cost of all governmental activities this year was $180,495 compared to $176,456 in the previous year. Therefore, revenues increased, and expenses increased.

Table I
SOUTHERN TRINITY GROUNDWATER CONSERVATION DISTRICT

STATEMENT OF NET POSITION

	Governmental Funds 2025	Governmental Funds 2024
Assets:		
Cash	$ 221,107	$ 180,369
Temporary investments	419,793	409,410
Accounts receivable	12,143	14,408
Total Assets	653,043	604,187
Liabilities:		
Current liabilities	3,645	4,511
Total Liabilities	3,645	4,511
Net Position		
Unrestricted	649,398	599,676
Total Net Position	$ 649,398	$ 599,676

Table II
SOUTHERN TRINITY GROUNDWATER CONSERVATION DISTRICT

STATEMENT OF ACTIVITIES

	Governmental Funds 2025	Governmental Funds 2024
Revenues		
Well fees	$ 38,700	$ 18,775
Production fees	132,909	133,411
NHUPP application fees	42,000	-
Transfer fees	1,000	-
Interest income	15,608	17,015
Fines and penalties	-	577
Total Revenues	230,217	169,778
Expenses		
Operating expenses	180,495	176,456
Total Expenses	180,495	176,456
Increase in net position	49,722	(6,678)
Net position - beginning of the year	599,676	606,354
Net position - end of the year	$ 649,398	$ 599,676

FUND FINANCIAL ANALYSIS

The focus of the District's governmental fund is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, fund balance may serve as a useful measure of a government's net resources available for spending for program purposes at the end of the fiscal year.

As the District completed the current fiscal year, its governmental fund, which consists of one general fund, as presented in the governmental fund balance sheet on page 9 reported an ending fund balance of $649,398, which is $49,722 higher than last year's total of $599,676. The District's major source of revenue is from well production fees. The fund balance represents funds available for operations.

FUND FINANCIAL ANALYSIS (CONTINUED)

The District's fund balance of $649,398 reported on page 18 differs from the budgetary fund balance of $579,874 reported on the same schedule. This is principally due to an increase in application fee and well production fee income, and a decrease in various expenses.

CAPITAL ASSETS

In February of 2012, the District enacted, through Board action, a capitalization policy of $25,000. All new items at a cost of $25,000 or less per item, will be expensed as budgeted. This policy is also consistent with the District's bid protocol for purchases of $25,000 or more.

DEBT

The District had no debt during the year or at year-end.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The District's board considered many factors when setting the fiscal year 2026 budget. Additionally, the economy and population growth were considered.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens and taxpayers with a general overview of the District's finances and to show the District's accountability for the funds it receives. If you have questions about this report or need additional financial information, contact the District's business office, Southern Trinity Groundwater Conservation District , P.O. Box 2205, Waco, TX 76703.

SOUTHERN TRINITY GROUNDWATER CONSERVATION DISTRICT
Governmental Fund Balance Sheet and Reconciliation to the Statement of Net Position
September 30, 2025

	General Fund	Adjustments	Statement of Net Position
Assets			
Cash and cash equivalents	$ 221,107	$ -	$ 221,107
Temporary investments	419,793	-	419,793
Accounts Receivable	12,143	-	12,143
Total Assets	$ 653,043	-	653,043
Liabilities			
Accounts payable	3,645	-	3,645
Total Liabilities	3,645	-	3,645
Fund Balance			
Unassigned	649,398	(649,398)	-
Total Fund Balance	649,398	(649,398)	-
Total Liabilities and Fund Balance	$ 653,043		
Net Position			
Unrestricted		649,398	649,398
Total Net Position		$ 649,398	$ 649,398

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

SOUTHERN TRINITY GROUNDWATER CONSERVATION DISTRICT
Statement of Revenues, Expenditures, and Changes in Fund Balance
and Reconciliation to the Statement of Activities
For the Year Ended September 30, 2025

	Governmental Funds	Adjustments	Statement of Activities
Revenues			
Annual well fees	$ 8,200	$ -	$ 8,200
Well production fees	132,909	-	132,909
Well drilling permit fees	24,000	-	24,000
Well registration fees	6,500	-	6,500
NHUPP application fees	42,000	-	42,000
Transfer Fees	1,000	-	1,000
Interest income	15,608	-	15,608
Total Revenues	230,217	-	230,217
Expenditures			
Equipment expense	1,834	-	1,834
Insurance	5,331	-	5,331
Intern	27,789	-	27,789
Membership dues	500	-	500
Mileage reimbursement	2,558	-	2,558
Miscellaneous	6,548	-	6,548
Office supplies and expenses	498	-	498
Payroll taxes	6,462	-	6,462
Postage	916	-	916
Professional fees	43,514	-	43,514
Salary	82,000	-	82,000
Utilities	2,545	-	2,545
Total Expenditures	180,495	-	180,495
Excess of revenues over expenditures	49,722	(49,722)	-
Change in net position	-	49,722	49,722
Fund balance/net position:			
Beginning of year	599,676	-	599,676
End of year	$ 649,398	$ -	$ 649,398

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

1. Nature of Activities

The Southern Trinity Groundwater Conservation District (the "District") was created by the Texas State Legislature in 2007 in order to carry out groundwater conservation. The purpose of the District is to determine policy and regulate the withdrawal and use of groundwater within the boundaries of the District. The District is governed by a five member Board of Directors ("the Board") appointed by the McLennan County Commissioners.

2. Summary of Significant Accounting Policies

The following is a summary of certain significant accounting policies followed in the preparation of the financial statements of Southern Trinity Groundwater Conservation District.

The District is a governmental entity with its principal office in Waco, Texas from which it oversees operations in surrounding areas. Principal revenues are well production fees from cities for the purpose of controlling the groundwater of McLennan County. The board of directors constitutes an on-going entity and is the level of government which has governance responsibilities over all activities.

Reporting Entity

The accounting policies of the District conform to U.S. generally accepted accounting principles, as applicable to special purpose governmental units. Since the District has a separately appointed governing body, and is legally separate and is fiscally independent of other state and local governments, it is treated as a primary government unit not included in any other governmental financial reporting entity. No other entities were identified or included within the "reporting entity" as defined by Governmental Accounting Standards Board (GASB) Statement No. 61, The Financial Reporting Entity.

The District has developed criteria to determine if the activities of any outside agencies or organizations should be included within its financial statements. The criteria includes the amount of oversight responsibility exercised by the District over the activities of an agency or organization, the scope of public service of an agency or organization, and the nature of any special financing relationships which may exist between the District and an agency or organization. Oversight responsibility includes financial interdependency, selection of the governing District, designation of management, the ability to significantly influence operations, and accountability for fiscal matters. The District's financial statements include all funds over which the District exercises oversight responsibility. The District does not exercise oversight responsibility over any other reporting entity. Also, the District is not included as a part of any other reporting entity.

Government-wide and Fund Financial Statements

The Statement of Net Position and the Statement of Activities are government-wide financial statements. They report information on all of Southern Trinity Groundwater Conservation District. The fund financial statements provide reports on the financial condition and results of operations for the governmental funds.

2. Summary of Significant Accounting Policies (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements use 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 the related cash flows.

Governmental fund financial statements use the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets, current liabilities and fund balances are included on the balance sheet. Operating statements of these funds present net increases and decreases in current assets (i.e., revenues and other financing sources and expenditures and other financing uses).

GASB 34 provides that special-purpose governments engaged in a single governmental program may combine the fund financial statements and the government-wide financial statements. The District has elected to present its financial statements under this combined approach.

The modified accrual basis of accounting recognizes revenues in the accounting period in which they become both measurable and available, and it recognizes expenditures in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest and principal on long-term debt, which is recognized when due. The expenditures related to certain compensated absences and claims and judgments are recognized when the obligations are expected to be liquidated with expendable available financial resources. Southern Trinity Groundwater Conservation District considers all revenues available if they are collectible within 60 days after year end.

Revenues from local sources consist primarily of well production fees. These revenues are recognized under the susceptible-to-accrual concept. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available.

Cash and Cash Equivalents

Cash and cash equivalents includes all short-term liquid investments convertible into cash and includes cash and money market accounts with an original maturity of less than three months.

Accounts Receivable

Accounts receivable are the amount of well productions fees that have been collected by the District during the ensuing sixty-day period.

2. Summary of Significant Accounting Policies (Continued)

The following summarizes the Accounts Receivable balances for the years ended September 30:

	September 30 2025	2024
Accounts Receivable	$ 12,143	$ 14,408

Capital Assets

Capital assets, which include office equipment and furniture, are reported in the government-wide financial statements. Assets are recorded at historical cost or estimated historical cost. A capitalization threshold of $25,000 is used. As of September 30, 2025, the District has no capital assets.

Leases

In June 2017, The Governmental Accounting Standards Board ("GASB") issued GASB Statement No. 87, *Leases.* We adopted the requirements of the new statement effective October 1, 2021. As of September 30, 2025, the District had no material leases.

Budget

The Board of Directors adopts an official budget at the beginning of each fiscal year. The Board approves amendments to the budget as needed throughout the year.

Estimates

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

Fund Accounting

The District reports the following major governmental funds:

General Fund
This is the District's primary operating fund. It accounts for all financial resources of the District.

Fund Balance
Fund balance is reported in the following classifications.

Non-spendable – amounts that cannot be spent because it is not in a spendable form (prepaid expenses, deposits, etc.) or legally or contractually required to be maintained, Non-spendable classification includes items not expected to be converted to cash.

2. Summary of Significant Accounting Policies (Continued)

Restricted – resources which have spending constraints that are externally imposed by creditors, debt covenants, contributors, grantors, law, etc.

Committed – amounts that are to be used only for a specific purpose, which is determined internally by formal action of the government's highest level of decision making authority. Changes can only be made by taking the same formal action that was used to place the constraints. Formal actions are noted in board meeting minutes. The board of directors has the highest level of decision making authority.

Fund Balance (Continued)

Assigned – amounts in this category are constrained by the government's intent to be used for a specific purpose, but are neither restricted nor committed. The board of directors or an individual authorized by the Board is able to assign amounts to a specific purpose.

Unassigned – fund balance remaining after allocation of non-spending, restricted, committed, and assigned funds. This is the residual balance of the general fund.

If restricted and unrestricted assets are available for the same purpose, then restricted assets will be used before unrestricted assets.

Long-term Debt

Southern Trinity Groundwater Conservation District does not have any long-term debt for the year ended September 30, 2025.

3. Deposits and Investments

The District is required by Government Code Chapter 2256, *The Public Funds Investment Act*, 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, and (9) bid solicitation preferences for certificates of deposit.

The Public Funds Investment Act ("the Act") requires an annual audit of investment policies. Audit procedures in this area conducted as a part of the audit of the financial statements disclosed that in the areas of investment practices, management reports and establishment of appropriate policies, the District adhered to the requirements of the Act. Additionally, investment practices of the District were in accordance with local policies.

The Act determines the types of investments which are allowable for the District. These include, with certain restrictions, (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas, (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts,

3. Deposits and Investments (Continued)

(5) repurchase agreements, (6) bankers acceptances, (7) mutual funds, (8) investment pools, (9) guaranteed investment contracts, and (10) common trust funds.

Additional contractual provisions governing deposits and investments are as follows:

The funds of the Southern Trinity Groundwater Conservation District must be deposited and invested under the terms of a contract, contents of which are set out in the Depository Contract Law. The depository bank places approved pledged securities for safekeeping and trust with the District's agent bank 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.

At September 30, 2025, cash deposits in excess of the FDIC insured amount were $2,685.

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:

a. Credit Risk - Credit risk is the risk that an issuer or other counter party 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's investments, other than those which are obligations of or guaranteed by the U.S. Government, are related as to credit quality.

   The Southern Trinity Groundwater Conservation District does not invest in debt securities.

b. 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, and are held by either the counterparty or the counterparty's trust department or agency but not in the District's name.

   At year end, the District was exposed to a custodial credit risk of $-0-.

c. Concentration of Credit Risk - This risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. At year end, the District had no positions of 5% or more in the securities of a single issuer.

3. Deposits and Investments (Continued)

The District's undesignated temporary investments at September 30, 2025, are shown below:

	Carrying Amount	Fair Value
Certificates of Deposit	$ 419,793	$ 419,793
	$ 419,793	$ 419,793

d. Interest Rate Risk - This is the risk that changes in interest rates will adversely affect the fair value of an investment. At year end, the District has a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

e. Foreign Currency Risk - This is the risk that exchange rates will adversely affect the fair value of an instrument. At year end, the District was not exposed to foreign currency risk.

4. Capital Assets

The District had no assets over the capitalization threshold of $25,000 at September 30, 2025.

5. Long-Term Debt

The District has no long-term debt.

6. Risk Management

The District is exposed to various risks of loss related to torts, thefts, damage or destruction of assets, errors and omissions, injuries to employees, and natural disasters. The District purchased commercial insurance to cover general liabilities. There were no significant reductions in coverage in the past fiscal year and there were no settlements exceeding insurance coverage.

7. Retirement/Social Security

The District does not participate in any retirement or pension plan; however, they contribute to the Social Security system.

8. Litigation

At September 30, 2025, the District was not involved in any litigation.

9. Concentration of Business

As of September 30, 2025, five of the entities that pay production fees, comprise thirty-three percent of the total revenue from these fees.

10. Management Review of Subsequent Events

Management has evaluated subsequent events through February 6, 2026, the date on which the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

BUDGETARY SUPPLEMENTARY INFORMATION

SOUTHERN TRINITY GROUNDWATER CONSERVATION DISTRICT

Required Supplementary Information
Budgetary Comparison Schedule - General Fund
For the Year Ended September 30, 2025

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Postive (Negative)
	Original	Final		
Revenues				
Annual well fees	$ 8,400	$ 8,400	$ 8,200	$ (200)
Well production fees	126,198	126,198	132,909	6,711
Well drilling permit fees	15,000	15,000	24,000	9,000
Well registration fees	-	-	6,500	6,500
NHUPP application fees	-	-	42,000	42,000
Transfer Fees	-	-	1,000	1,000
Interest income	14,100	14,100	15,608	1,508
Total Revenues	163,698	163,698	230,217	66,519
Expenditures				
Advertising	1,200	1,200	-	1,200
Education and seminars	500	500	-	500
Equipment expense	3,000	3,000	1,834	1,166
Insurance	2,738	2,738	5,331	(2,593)
Intern	20,000	20,000	27,789	(7,789)
Meeting expenses	1,000	1,000	-	1,000
Membership dues	2,090	2,090	500	1,590
Mileage reimbursement	3,750	3,750	2,558	1,192
Miscellaneous	11,401	11,401	6,548	4,853
Office supplies and expenses	1,100	1,100	498	602
Payroll taxes	6,273	6,273	6,462	(189)
Postage	780	780	916	(136)
Professional fees	44,440	44,440	43,514	926
Salary	82,000	82,000	82,000	-
Utilities	3,228	3,228	2,545	683
Total Expenditures	183,500	183,500	180,495	3,005
Excess Revenues Over (Under) Expenditures	(19,802)	(19,802)	49,722	69,524
Fund Balance - Beginning of the Year	599,676	599,676	599,676	-
Fund Balance - End of the Year	$ 579,874	$ 579,874	$ 649,398	$ 69,524

See independent auditors' report.