

EVERGREEN UNDERGROUND WATER CONSERVATION DISTRICT

ANNUAL FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2025

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CPAs | ADVISORS

CLIENT **FOCUSED.** RELATIONSHIP **DRIVEN.**

EUWCD

EVERGREEN UNDERGROUND WATER CONSERVATION DISTRICT

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For the fiscal year ended September 30, 2025

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FINANCIAL SECTION

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Evergreen Underground Water Conservation District
110 Wyoming Boulevard
Pleasanton, Texas 78064

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Evergreen 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 our opinion, the accompanying financial statements present, fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information 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 Opinions

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

Responsibilities of Management for the Financial Statements

The District's management is responsible for the preparation and fair presentation of these 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 Responsibility for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and schedule of revenues, expenditures, and changes in fund balance – budget and actual – general fund, as listed in the table of contents, 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.

ABIP, PC

San Antonio, Texas
May 29, 2026

EVERGREEN UNDERGROUND WATER CONSERVATION DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

September 30, 2025

In accordance with Governmental Accounting Standards Board (GASB) Statement No. 34, the management of the Evergreen Underground Water Conservation District (the District) offers the following narrative on the financial performance of the District for the year ended September 30, 2025. Please read it in connection with the District's financial statements that follow.

For purposes of GASB Statement No. 34, the District is considered a special purpose government. The requirement for fund financial statements that are prepared on the modified accrual basis of accounting is met in the "Total Governmental Funds" column. Government-wide statements are comprised of the Statement of Net Position and the Statement of Activities.

FINANCIAL HIGHLIGHTS

- The District's total combined net position was \$5,986,195 at September 30, 2025.
- During the year, the District's expenses were \$292,444 less than the \$1,684,026 generated in taxes, service fees, and other revenues for governmental activities.
- The total cost of the District's programs were \$108,348 more than last year.
- The general fund reported a fund balance this year of \$4,258,457.
- The Science and Conservation fund was created in the current year which reported an ending fund balance of \$1,200,000.
- The District's net position increased \$291,359, which represents a 13.6 percent increase from 2024, after the restatement.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts – management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District. The government-wide financial statements include the Statement of Net Position and the Statement of Activities. 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 report the District's operations by individual funds. For governmental activities, these statements tell how services are financed in the short-term as well as what resources remain for future spending. They reflect the flow of current financial resources.

The notes to the financial statements provide narrative explanations or additional data needed for full disclosure in the government-wide statements or the fund financial statements.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

The District’s combined net position was \$5,976,711 at September 30, 2025 (see Table A-1).

TABLE A-1

NET POSITION
(in thousands)

	Governmental Activities		Total Percentage Change
	2025	2024	2025-2024
Current assets:			
Cash and cash equivalents	\$ 5,417	\$ 5,208	4.01%
Property taxes receivable	88	95	-7.08%
Accounts receivable	20	11	81.82%
Due from other governments	-	4	-100.00%
Prepaid expenses	58	12	380.32%
Total current assets	<u>5,583</u>	<u>5,330</u>	4.74%
Noncurrent assets:			
Capital assets	944	848	11.37%
Less accumulated depreciation	<u>(474)</u>	<u>(424)</u>	11.71%
Total noncurrent assets	<u>471</u>	<u>424</u>	11.04%
Total assets	<u>6,054</u>	<u>5,754</u>	5.21%
Current liabilities:			
Accounts payable and accrued liabilities	36	39	-8.48%
Right to use liability - leases	3	7	-59.20%
Compensated absences	<u>28</u>	<u>14</u>	103.36%
Total liabilities	<u>67</u>	<u>59</u>	13.59%
Net position			
Net investment in capital assets	468	418	11.95%
Unrestricted	<u>5,518</u>	<u>5,277</u>	4.57%
Total net position	<u>\$ 5,986</u>	<u>\$ 5,695</u>	5.11%

The District’s unrestricted net position, which can be used to finance day to day operations, totaled \$5,986,195. The overall financial condition of the District increased from 2024 to 2025.

Changes in net position – the District’s total revenues were \$1,684,026. A significant portion, 68 percent of the District’s revenue comes from property taxes (see figure A-1). 17 percent comes from investment earnings, 10 percent comes from EAA Pass-Thru, and 4 percent relates to permits and fees.

The total cost of all programs and services was \$1,391,582; 100 percent of these costs are for general government.

TABLE A-2

CHANGES IN NET POSITION
(in thousands)

	Governmental Activities		Total Percentage Change
	2025	2024	2025-2024
General revenue			
Property taxes	\$ 1,170	\$ 1,249	-6.3%
Permits and fees	69	15	360.9%
EAA Weather Modification Pass-Thru	166	150	10.9%
Other	<u>279</u>	<u>126</u>	121.3%
Total revenues	<u>1,684</u>	<u>1,540</u>	9.4%
Program expenses			
General government	<u>1,392</u>	<u>1,283</u>	8.5%
Total expenses	<u>1,392</u>	<u>1,283</u>	8.5%
Change in net position	292	257	13.6%
Other financing sources (uses)			
Transfers out	-	(7)	-100.0%
Net position at beginning of year	<u>5,695</u>	<u>5,453</u>	
Prior period adjustment	<u>(1)</u>	<u>(8)</u>	
Net position at beginning of year (restated)	<u>5,694</u>	<u>5,445</u>	
Net position at end of year	<u>\$ 5,986</u>	<u>\$ 5,695</u>	

FIGURE A-1

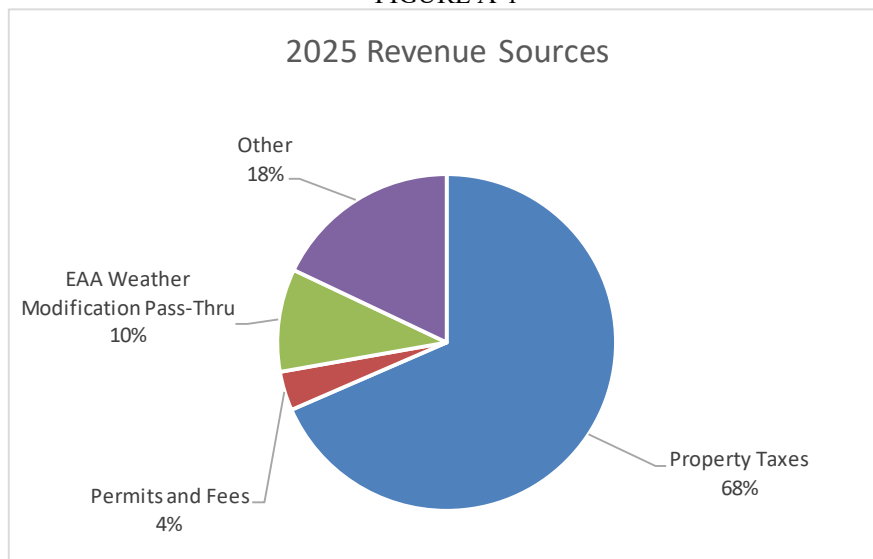


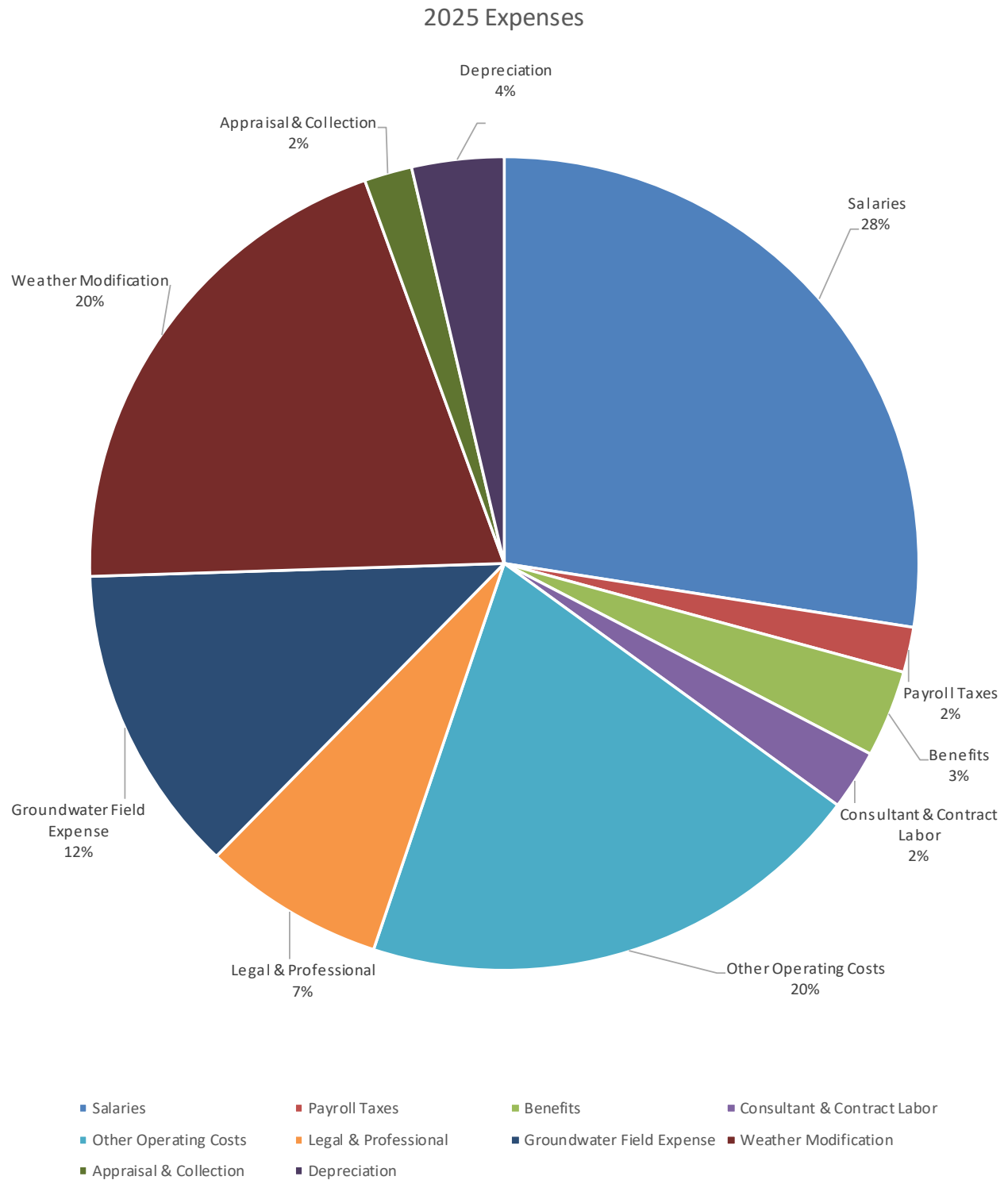
TABLE A-3

NET COST OF SELECTED DISTRICT FUNCTIONS AND
MAJOR ADMINISTRATIVE CATEGORIES
(in thousands)

	Total Cost of Services		Total Percentage Change
	2025	2024	2025-2024
Salaries	\$ 383	\$ 396	-3.3%
Payroll taxes	25	31	-19.4%
Benefits	48	97	-50.5%
Consultant & contract labor	33	39	-15.4%
Utilities	19	22	-13.6%
Cell phones	5	3	66.7%
Postage	2	3	-33.3%
Miscellaneous	13	-	100.0%
Office supplies	5	7	-28.6%
Computer / software expense	69	33	109.1%
Notice fees / printing	4	6	-33.3%
Scholarships	11	14	-21.4%
Vehicle repair & maintenance	12	3	300.0%
Office maintenance	39	13	200.0%
Meeting, education & training	5	5	0.0%
Education materials	17	-	100.0%
Election	23	-	100.0%
Travel	6	6	0.0%
Dues & subscriptions	3	3	0.0%
Legal & professional	99	82	20.7%
Legislative	21	15	40.0%
Audit	15	9	66.7%
Insurance	9	7	28.6%
Groundwater monitoring / testing	40	9	344.4%
Field equipment maintenance	19	4	375.0%
Projects & studies	112	104	7.7%
GMA13	-	23	-100.0%
GMA15	-	5	-100.0%
Weather Modification - Pass thru	166	150	10.7%
Weather Modification - EUWCD	113	150	-24.7%
Appraisal & collection	26	23	13.0%
Interest on right to use leases	-	-	100.0%
Depreciation	<u>50</u>	<u>21</u>	138.1%
Total cost of services	<u>\$ 1,392</u>	<u>\$ 1,283</u>	

Table A-3 presents the cost of each of the District’s largest functions as well as the major administrative categories:

- The cost of all governmental activities this year was \$1,392 thousand.
- The cost of all governmental activities in the previous year was \$1,282 thousand.



FINANCIAL ANALYSIS OF THE DISTRICT’S FUNDS

General Fund Budgetary Highlights

Over the course of the year, the District revised its budget. After these adjustments, actual expenditures were \$263,400 below final budget amounts. Resources available were \$900 below the final budgeted amount.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2025, the District had invested \$470,791 in a broad range of capital assets, including land, equipment, buildings and vehicles (see Table A-4).

TABLE A-4

CAPITAL ASSETS
(in thousands)

	<u>Governmental Activities</u>		<u>Total Percentage Change</u>
	<u>2025</u>	<u>2024</u>	<u>2025-2024</u>
Land	\$ 5	\$ 5	0.0%
Buildings and improvements	191	191	0.0%
Aquifer recharge signs	8	8	0.0%
Monitor well	281	281	0.0%
Field equipment	68	58	17.4%
Office furniture and equipment	188	146	28.7%
Vehicles	<u>203</u>	<u>159</u>	27.7%
Totals at historical cost	944	848	11.3%
Total accumulated depreciation	<u>(474)</u>	<u>(424)</u>	11.7%
Net capital assets	<u>\$ 471</u>	<u>\$ 424</u>	11.0%

Long-Term Liabilities

The District’s liabilities consisted of compensated absences of \$28,471 and right to use liability – leases of \$2,856 at the end of the fiscal year.

CONTACTING THE DISTRICT’S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District’s finances and to demonstrate the District’s accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District’s Business Services Department.

BASIC FINANCIAL STATEMENTS

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EVERGREEN UNDERGROUND WATER CONSERVATION DISTRICT

STATEMENT OF NET POSITION

September 30, 2025

ASSETS

Cash and investments	\$ 5,416,947
Taxes receivable (net)	88,274
Accounts receivable	19,563
Prepaid expenses	57,638
Capital assets (net of accumulated depreciation)	
Land, buildings and equipment	<u>470,791</u>

Total assets 6,053,213

LIABILITIES

Accounts payable	8,094
Payroll liabilities	27,597
Right to use liability - leases	2,856
Compensated absences	<u>28,471</u>

Total liabilities 67,018

NET POSITION

Net investment in capital assets	467,935
Unrestricted	<u>5,518,260</u>

Total net position \$ 5,986,195

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

EVERGREEN UNDERGROUND WATER CONSERVATION DISTRICT

STATEMENT OF ACTIVITIES

For the fiscal year ended September 30, 2025

Revenues:

Property taxes	\$ 1,152,550
Penalty and interest	17,157
Permit fees	63,245
Miscellaneous	15,672
Transportation fees	5,887
EAA - Weather Modification Pass-Thru	166,387
Investment earnings	263,128
Total revenues	<u>1,684,026</u>

Expenses:

Service operations:

Salaries	382,520
Payroll taxes	25,153
Benefits	47,883
Consultant & contract labor	32,807
Utilities	19,134
Cell phones	4,600
Postage	1,875
Miscellaneous	12,603
Office supplies	4,690
Computer / software expense	69,167
Notice fees / printing	3,993
Scholarships	11,000
Vehicle repair & maintenance	12,032
Office maintenance	39,625
Meeting, education & training	4,622
Education materials	17,650
Election	22,844
Travel	5,876
Dues & subscriptions	3,484
Legal & professional	98,647
Legislative	21,005
Audit	15,000
Insurance	8,799
Groundwater monitoring / testing	39,742
Field equipment maintenance	18,604
Projects & studies	112,432

(continued)

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

EVERGREEN UNDERGROUND WATER CONSERVATION DISTRICT

STATEMENT OF ACTIVITIES

For the fiscal year ended September 30, 2025

Expenses (continued):

Service operations (continued):

Weather Modification - Pass thru	\$	166,387
Weather Modification - EUWCD		112,830
Appraisal & collection		26,431
Interest on right to use leases		369
Depreciation		<u>49,778</u>
Total expenses		<u>1,391,582</u>
Change in net position		292,444
Net position, beginning of year		<u>5,694,836</u>
Prior period adjustment		<u>(1,085)</u>
Net position, beginning of year (restated)		<u>5,693,751</u>
Net position, end of year	\$	<u>5,986,195</u>

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

EVERGREEN UNDERGROUND WATER CONSERVATION DISTRICT

BALANCE SHEET – GOVERNMENTAL FUNDS

September 30, 2025

	<u>General Fund</u>	<u>Science and Conservation Fund</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash and investments	\$ 4,216,947	\$ 1,200,000	\$ 5,416,947
Taxes receivable (net)	88,274	-	88,274
Accounts receivable	19,563	-	19,563
Prepaid expenses	<u>57,638</u>	<u>-</u>	<u>57,638</u>
 Total assets	 <u>\$ 4,382,422</u>	 <u>\$ 1,200,000</u>	 <u>\$ 5,582,422</u>
LIABILITIES			
Accounts payable	\$ 8,094	\$ -	\$ 8,094
Payroll liabilities	<u>27,597</u>	<u>-</u>	<u>27,597</u>
Total liabilities	<u>35,691</u>	<u>-</u>	<u>35,691</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - property taxes	<u>88,274</u>	<u>-</u>	<u>88,274</u>
FUND BALANCE			
Nonspendable:			
Prepays	57,638	-	57,638
Committed	-	1,200,000	1,200,000
Unassigned	<u>4,200,819</u>	<u>-</u>	<u>4,200,819</u>
Total fund balance	<u>4,258,457</u>	<u>1,200,000</u>	<u>5,458,457</u>
 Total liabilities, deferred inflows of resources, and fund balance	 <u>\$ 4,382,422</u>	 <u>\$ 1,200,000</u>	 <u>\$ 5,582,422</u>

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

EVERGREEN UNDERGROUND WATER CONSERVATION DISTRICT

**RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET POSITION**

September 30, 2025

Total fund balance - governmental funds balance sheet	\$ 5,458,457
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in governmental funds.	944,442
Accumulated depreciation has not been included in the general fund financial statements.	(473,651)
Right to use liabilities are not due and payable in the current period, and therefore, are not reported in the governmental funds.	(2,856)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to the accrual basis of accounting.	(28,471)
Revenue reported as deferred revenue in the general fund was recorded as revenue in the government-wide financial statements.	<u>88,274</u>
Net position of governmental activities - statement of net position	<u>\$ 5,986,195</u>

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

EVERGREEN UNDERGROUND WATER CONSERVATION DISTRICT

**STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE – GOVERNMENTAL FUNDS**

For the fiscal year ended September 30, 2025

	General Fund	Science and Conservation Fund	Total Governmental Funds
	<u> </u>	<u> </u>	<u> </u>
Revenues:			
Property taxes	\$ 1,159,595	\$ -	\$ 1,159,595
Penalty and interest	17,157	-	17,157
Permit fees	63,245	-	63,245
Miscellaneous	15,672	-	15,672
Transportation fees	5,887	-	5,887
EAA - Weather Modification Pass-Thru	166,387	-	166,387
Investment earnings	263,128	-	263,128
Total revenues	<u>1,691,071</u>	<u>-</u>	<u>1,691,071</u>
Expenditures:			
Service operations:			
Salaries	369,316	-	369,316
Payroll taxes	25,153	-	25,153
Benefits	47,883	-	47,883
Consultant & contract labor	32,807	-	32,807
Utilities	19,134	-	19,134
Cell phones	4,600	-	4,600
Postage	1,875	-	1,875
Miscellaneous	12,603	-	12,603
Office supplies	4,690	-	4,690
Computer / software expense	69,167	-	69,167
Notice fees / printing	3,993	-	3,993
Scholarships	11,000	-	11,000
Vehicle repair & maintenance	12,032	-	12,032
Office maintenance	39,625	-	39,625
Meeting, education & training	4,622	-	4,622
Education materials	17,650	-	17,650
Election	22,844	-	22,844
Travel	5,876	-	5,876
Dues & subscriptions	3,484	-	3,484
Legal & professional	98,647	-	98,647
Legislative	21,005	-	21,005
Audit	15,000	-	15,000
Insurance	8,799	-	8,799
Groundwater monitoring / testing	39,742	-	39,742

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

EVERGREEN UNDERGROUND WATER CONSERVATION DISTRICT

**STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE – GOVERNMENTAL FUNDS**

For the fiscal year ended September 30, 2025

	General Fund	Science and Conservation Fund	Total Governmental Funds
	<u> </u>	<u> </u>	<u> </u>
Expenditures (continued):			
Service operations (continued):			
Field equipment maintenance	\$ 18,604	\$ -	\$ 18,604
Projects & studies	112,432	-	112,432
Weather Modification - Pass thru	166,387	-	166,387
Weather Modification - EUWCD	112,830	-	112,830
Appraisal & collection	26,431	-	26,431
Principal on right to use leases	3,705	-	3,705
Interest on right to use leases	369	-	369
Capital outlay	96,266	-	96,266
Total expenditures	<u>1,428,571</u>	<u>-</u>	<u>1,428,571</u>
 Excess of revenues over expenditures	 262,500	 -	 262,500
 Other financing sources (uses)			
Transfers in	-	1,200,000	1,200,000
Transfers out	<u>(1,200,000)</u>	<u>-</u>	<u>(1,200,000)</u>
Total other financing sources (uses)	<u>(1,200,000)</u>	<u>1,200,000</u>	<u>-</u>
 Total other financing sources (uses)	 <u>(1,200,000)</u>	 <u>1,200,000</u>	 <u>-</u>
 Net position, beginning of year	 <u>5,195,957</u>	 <u>-</u>	 <u>5,195,957</u>
 Net position, end of year	 <u>\$ 4,258,457</u>	 <u>\$ 1,200,000</u>	 <u>\$ 5,458,457</u>

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

EVERGREEN UNDERGROUND WATER CONSERVATION DISTRICT

**RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCE –
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**

For the fiscal year ended September 30, 2025

Total net change in fund balance - governmental funds	\$ 262,500
Amounts reported for governmental activities in the statement of activities are different because:	
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis.	(20,249)
Governmental funds report capital outlays as expenditures. However, they are reported as increases in capital assets in the government-wide financial statements.	96,266
Depreciation is not recognized as an expense in the governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease net position.	(49,778)
The repayment of the principal of right to use lease liabilities consumes the current financial resources of governmental funds but has no effect on net position.	<u>3,705</u>
Change in net position of governmental activities - statement of activities	<u><u>\$ 292,444</u></u>

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

EVERGREEN UNDERGROUND WATER CONSERVATION DISTRICT

STATEMENT OF FIDUCIARY NET POSITION – CUSTODIAL FUND

September 30, 2025

	<u>GMA 13 Custodial Fund</u>
ASSETS	
Cash and cash equivalents	\$ 44,115
TOTAL ASSETS	<u>\$ 44,115</u>
NET POSITION	
Restricted for other purposes	<u>\$ 44,115</u>
TOTAL NET POSITION	<u>\$ 44,115</u>

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

EVERGREEN UNDERGROUND WATER CONSERVATION DISTRICT

**STATEMENT OF ADDITIONS, DEDUCTIONS, AND CHANGES IN
FIDUCIARY FUND NET POSITION – CUSTODIAL FUND**

For the fiscal year ended September 30, 2025

	<u>GMA 13 Custodial Fund</u>
Revenues:	
Additions	\$ <u> -</u>
Total revenues	<u> -</u>
Expenditures:	
Disbursements	<u> 8,500</u>
Total expenditures	<u> 8,500</u>
Excess (deficiency) of revenues over expenditures	(8,500)
Net position, beginning of year	<u> 52,615</u>
Net position, end of year	<u>\$ 44,115</u>

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

EVERGREEN UNDERGROUND WATER CONSERVATION DISTRICT

NOTES TO FINANCIAL STATEMENTS

For the fiscal year ended September 30, 2025

(1) Summary of significant accounting policies

Reporting entity

The Evergreen Underground Water Conservation District (the District) was created by the 59th Legislature of the State of Texas on April 6, 1965, under House Bill Number 116. The District was, under the provisions of Article 16, Section 59 of the constitution of the State of Texas. The District was established to conserve and assure quality water resources within the District. The District is governed by a board of directors consisting of eight elected members, and one member is appointed by the governor.

The District's Board of Directors, has governance responsibilities over all activities related to the District's operations within the jurisdiction of Evergreen Underground Water Conservation District. Because members of the Board of Directors are elected by the public, they have the primary accountability for fiscal matters. The District is not included in any other governmental "reporting entity" as defined in Section 2100, Codification of Governmental Accounting and Financial reporting Standards.

Government-wide and fund financial statements

The government-wide financial statements report information on all of the activities of the District. The effect of interfund activity has been removed from these statements.

The statement of activities demonstrates what the District did with the revenue it raised. The government-wide financial statements (i.e., the statement of net position and the statement of changes in net position) report information on all of the nonfiduciary activities of the primary government.

Measurement focus, basis of accounting, and financial statement presentation

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. Property taxes are recognized as revenues in the year for which they are levied.

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.

Major revenue sources considered susceptible to accrual include interest income. No accrual for property taxes collected within sixty days of year end has been made as such amounts are deemed immaterial; delinquent property taxes at year end are reported as deferred inflows of resources fund accounting.

The District uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts.

EVERGREEN UNDERGROUND WATER CONSERVATION DISTRICT

NOTES TO FINANCIAL STATEMENTS

For the fiscal year ended September 30, 2025

(1) Summary of significant accounting policies (continued)

Measurement focus, basis of accounting, and financial statement presentation (continued)

Governmental funds

Governmental funds are those through which most governmental functions typically are financed. Governmental funds reporting focuses on the sources, uses, and balance of current financial resources.

Expendable assets are assigned to the various governmental funds according to the purpose for which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance.

The District reports the following major funds:

General fund – the general fund is used to account for all financial resources of the District except those required to be accounted for in another fund.

Science and Conservation fund – the science and conservation fund is used to fund multi-year and longer-term projects that are science and conservation focused, such as groundwater models, aquifer characterization, monitoring, and demonstration projects.

Custodial fund – the custodial fund is used to account for the GMA 13 funds that the District holds on a custodial basis until the funds are paid out for GMA 13 disbursements.

Capital assets

Capital assets generally result from expenditures in the governmental funds.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. The District maintains a capitalization threshold of \$5,000 for equipment, and all additions to infrastructure are capitalized. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not. Wells, furniture and equipment of the District are depreciated using the straight line method over the estimated useful lives. Wells 20 years and equipment 5 years.

Budgetary data

The official budget was prepared on the modified accrual basis of accounting, which is consistent with accounting principles generally accepted in the United states of America, for the general fund. The following procedures are followed in establishing the budgetary data reflected in the basic financial statements:

- During September of the preceding fiscal year, the District prepares a budget for the next succeeding fiscal year beginning October 1. The operating budget includes proposed expenditures and the means of financing them.
- A meeting of the Board is then called for the purpose of adopting the proposed budget.
- Prior to October 1, the budget is legally enacted through passage of a resolution by the Board.

EVERGREEN UNDERGROUND WATER CONSERVATION DISTRICT

NOTES TO FINANCIAL STATEMENTS

For the fiscal year ended September 30, 2025

(1) Summary of significant accounting policies (continued)

Budgetary data (continued)

The budget is prepared and controlled at the function level within each fund and is amended at this level as needed. Amendments are presented to the Board at its regular meetings. Each amendment must have Board approval.

Fund balance

The District classifies its fund balance according to the following categories:

- Non-spendable – amounts that cannot be spent because they are either not in spendable form or are legally or contractually required to be maintained intact. The District's non-spendable fund balances are for items that are no longer in spendable form because they have been spent for inventories and prepaid expenses.
- Restricted – amounts subject to externally imposed and legally enforceable constraints, for example, by creditors, grantors, contributors, or by enabling legislation.
- Committed – amounts subject to internal constraints imposed by formal action of the District's Board of Directors, by the approval of a vote or resolution at a public meeting.
- Assigned – amounts that are intended to be used for specific purposes but are neither restricted nor committed. Intent is established either by the Board of Directors or by the Board delegating this authority to the general manager for specific purposes.
- Unassigned – the residual amount in the general fund that has not been assigned to other funds and that is not restricted, committed, or assigned for specific purposes.

When an expenditure is incurred for purposes for which more than one category of fund balance is available, the District reduces fund balances in the following order: restricted, committed, assigned, and then unassigned.

Net position

Net position on the statement of net position includes the following:

Net investment in capital assets – the difference between capital assets less both the accumulated depreciation and the outstanding balance of debt, excluding any unspent bond proceeds, that is directly attributable to the acquisition, construction, or improvement of those assets.

Unrestricted – the difference between assets and liabilities that is not reported in net investment in capital assets.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

EVERGREEN UNDERGROUND WATER CONSERVATION DISTRICT

NOTES TO FINANCIAL STATEMENTS

For the fiscal year ended September 30, 2025

(2) Deposits, securities, and investments

District policies and legal and contractual provisions governing deposits

Custodial credit risk for deposits – State law requires governmental entities to contract with financial institutions in which funds will be deposited to secure those deposits with insurance or pledged securities with a fair value equaling or exceeding the amount on deposit at the end of each business day. The pledged securities must be in the name of the governmental entity and held by the entity or its agent. As of September 30, 2025, the District's cash balance deposited in banks totaled \$5,515,576 and were entirely covered by Federal Deposit Insurance Corporation (FDIC) insurance or secured by collateral pledged by the depository. Since the District complies with this law, it has no custodial credit risk for deposits.

Foreign currency risk – The District limits the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit by not participating in foreign currency transactions.

District policies and legal and contractual provisions governing investments

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

Statutes authorize the District to invest in (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, (5) repurchase agreements, (6) bankers acceptances, (7) mutual funds, (8) investment pools, (9) guaranteed investment contracts, (10) and common trust funds. The Act also requires the District to have independent auditors perform test procedures related to investment practices as provided by the Act. The District is in substantial compliance with the requirements of the Act and with local policies.

Additional policies and contractual provisions governing deposits and investments are specified below:

Credit risk – To limit the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The District limits investments to deposit bank certificates of deposits and state sponsored investment pools.

Custodial credit risk for investments – To limit the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in possession of an outside party. The District requires counterparties to register the securities in the name of the District and hand them over to the District or its designated agent. All of the securities are in the District's name and held by the District or its agent.

Concentration of credit risk – To limit the risk of loss attributed to the magnitude of a government's investment in a single issuer. The District invests in both depository bank certificates of deposits and state sponsored investment pools

EVERGREEN UNDERGROUND WATER CONSERVATION DISTRICT

NOTES TO FINANCIAL STATEMENTS

For the fiscal year ended September 30, 2025

(2) Deposits, securities, and investments (continued)

District policies and legal and contractual provisions governing investments (continued)

Interest rate risk – To limit the risk that changes in interest rates will adversely affect the fair value of investments. The District requires the investment portfolio to have maturities of less than one year on a weighted average maturity basis.

Foreign currency risk for investments – The District limits the risk that changes in exchange rates will adversely affect the fair value of an investment by not investing in foreign currencies.

(3) Due from other governments

This balance represents taxes, penalty and interest that were collected by the tax assessor-collectors before September 30, 2025, but not remitted to the District. This balance was \$0 as of September 30, 2025.

(4) Capital asset activity

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

	<u>Balance 09/30/24</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance 09/30/25</u>
Capital assets not being depreciated:				
Land	\$ 5,158	\$ -	\$ -	\$ 5,158
Totals	<u>5,158</u>	<u>-</u>	<u>-</u>	<u>5,158</u>
Capital assets being depreciated:				
Building and improvements	191,115	-	-	191,115
Signs	7,800	-	-	7,800
Monitor well	280,872	-	-	280,872
Field equipment	57,771	10,064	-	67,835
Furniture and equipment	146,366	42,056	-	188,422
Vehicles	159,094	44,146	-	203,240
Total capital assets being depreciated	<u>843,018</u>	<u>96,266</u>	<u>-</u>	<u>939,284</u>
Less accumulated amortization for:				
Building and improvements	113,206	2,886	-	116,092
Signs	7,800	-	-	7,800
Monitor well	28,087	14,044	-	42,131
Field equipment	51,428	5,895	-	57,323
Furniture and equipment	87,419	18,727	-	106,146
Vehicles	135,933	8,226	-	144,159
Total accumulated depreciation	<u>423,873</u>	<u>49,778</u>	<u>-</u>	<u>473,651</u>
Total capital assets being depreciated, net	<u>419,145</u>	<u>46,488</u>	<u>-</u>	<u>465,633</u>
Governmental activities capital assets, net	<u>\$ 424,303</u>	<u>\$ 46,488</u>	<u>\$ -</u>	<u>\$ 470,791</u>

EVERGREEN UNDERGROUND WATER CONSERVATION DISTRICT

NOTES TO FINANCIAL STATEMENTS

For the fiscal year ended September 30, 2025

(5) Long-term liabilities

Changes in long-term liabilities

Long-term obligations include debt and other long-term liabilities. Changes in long-term obligations for the year ended September 30, 2025, are as follows:

	Balance 09/30/24 <u>as restated</u>	<u>Additions</u>	<u>Reductions</u>	Balance 09/30/25	Amounts Due Within One Year
Right to use lease liability	\$ 6,561	\$ -	\$ 3,705	\$ 2,856	\$ 2,856
Compensated absences	<u>15,267</u>	<u>13,204</u>	<u>-</u>	<u>28,471</u>	<u>-</u>
Totals	<u>\$ 21,828</u>	<u>\$ 13,204</u>	<u>\$ 3,705</u>	<u>\$ 31,327</u>	<u>\$ 2,856</u>

Right to use lease liability

The District has entered into various leases as a lessee. These leases vary in nature, substance, terms, and conditions dependent upon the asset being leased. Examples of assets leased are copiers. Beginning FY 2022, leases are presented in the financial statements and accompanying footnotes in accordance with GASB 87. GASB 87 requires leases to be categorized as either short-term (12 months or less in length, including renewal options) or long-term. In determining future minimum lease payments and receipts, the District includes the right to extend option terms in the noncancelable lease term. Short-term lease transactions are reflected in the government-wide and fund financial statements.

Future principal and interest payments due to maturity as of the end of the fiscal year are as follows:

<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	<u>\$ 2,856</u>	<u>\$ 49</u>	<u>\$ 2,905</u>
Totals	<u>\$ 2,856</u>	<u>\$ 49</u>	<u>\$ 2,905</u>

EVERGREEN UNDERGROUND WATER CONSERVATION DISTRICT

NOTES TO FINANCIAL STATEMENTS

For the fiscal year ended September 30, 2025

(6) Pension plan obligations

The District has a defined contribution (money purchase) pension plan (plan) that was adopted in 1999. To be eligible for the plan, a participant must be a full-time employee. A participant is fully vested after five (5) years of service. The plan’s benefit provisions were established and may be amended by the District’s Board of Directors. The District is required to contribute a minimum of 6.2% of eligible payroll each year. The plan also allows voluntary after-tax employee contributions.

The District’s total payroll for all employees (full-time and part-time) was \$369,316 for the year ended September 30, 2025. Employer contributions to the plan were \$22,088. The District’s policy is to fund all plan costs as they accrue.

(7) Vacation, sick pay, and other compensated absences

District employees are entitled to certain compensated absences based on their length of employment. Compensated absences for vacation and sick pay have a vesting portion based on hours accumulated times the current rate of pay to be paid upon retirement, release from employment, or resignation. A liability for this amount is reflected in the government-wide financial statements.

(8) Restatement

Effective October 1, 2024, the District adopted and implemented GASB Statement No. 101, “*Compensated Absences*”. This statement changes the measurement of the compensated absences payable reported as of September 30, 2025. As such, the governmental activities in the government-wide statement of net position has been restated. The reconciliation is as follows:

	Governmental Activities
Beginning net position	\$ 5,694,836
Changes to beginning net position	
Implementation of GASB 101, compensated absences	<u>(1,085)</u>
Beginning net position, as restated	<u>\$ 5,693,751</u>

(9) Related parties

The Vice President of the District is the President/Chief Executive Officer and member of the Board of Directors of the bank whom the District has a depository contract with. All the necessary disclosures have been made, and all transactions have been made at arms-length.

(10) Subsequent events

The District has evaluated subsequent events through May 29, 2026, the date in which the financial statements were available to be issued. The District is not aware of any subsequent events that materially impact the financial statements.

EUWCD

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.

EUWCD

EVERGREEN UNDERGROUND WATER CONSERVATION DISTRICT

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL – GENERAL FUND**

For the fiscal ended September 30, 2025

	Budgeted Amounts		Actual	Variance
	Original	Amended		with Final Budget Positive (Negative)
Revenues:				
Property taxes	\$ 1,179,701	\$ 1,180,038	\$ 1,159,595	\$ (20,443)
Penalty and interest	-	-	17,157	17,157
Permit fees	7,500	63,000	63,245	245
Miscellaneous	2,500	12,933	15,672	2,739
Transportation fees	6,000	6,000	5,887	(113)
EAA - Weather Modification Pass-Thru	175,000	167,000	166,387	(613)
Investment earnings	208,250	263,000	263,128	128
Total revenues	1,578,951	1,691,971	1,691,071	(900)
Expenditures:				
Service operations:				
Salaries	474,010	425,000	369,316	55,684
Payroll taxes	63,474	53,146	25,153	27,993
Benefits	60,000	60,000	47,883	12,117
Consultant & contract labor	15,300	35,000	32,807	2,193
Utilities	24,500	24,800	19,134	5,666
Cell phones	6,000	6,000	4,600	1,400
Postage	2,000	2,000	1,875	125
Miscellaneous	550	18,050	12,603	5,447
Office supplies	7,500	7,500	4,690	2,810
Computer / software expense	32,625	75,000	69,167	5,833
Notice fees / printing	4,000	6,500	3,993	2,507
Scholarships	14,000	14,000	11,000	3,000
Vehicle repair & maintenance	15,000	66,000	12,032	53,968
Office maintenance	28,152	97,000	39,625	57,375
Meeting, education & training	6,250	9,000	4,622	4,378
Education materials	25,000	25,000	17,650	7,350
Election	40,000	24,000	22,844	1,156
Travel	9,500	10,500	5,876	4,624
Dues & subscriptions	3,500	3,500	3,484	16
Legal & professional	100,000	115,000	98,647	16,353
Legislative	16,000	25,000	21,005	3,995
Audit	15,000	16,000	15,000	1,000
Insurance	9,250	9,485	8,799	686
Groundwater monitoring / testing	100,000	65,000	39,742	25,258
Field equipment maintenance	1,000	37,000	18,604	18,396
Projects & studies	100,000	113,150	112,432	718
GMA13	24,000	-	-	-
GMA15	5,000	-	-	-

EVERGREEN UNDERGROUND WATER CONSERVATION DISTRICT

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL – GENERAL FUND**

For the fiscal ended September 30, 2025

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Amended		
Expenditures (continued):				
Service operations (continued):				
WMP Cost Share EAA	\$ 175,000	\$ 167,000	\$ 166,387	\$ 613
WMP Cost Share EUWCD	150,440	150,440	112,830	37,610
Appraisal & collection	31,900	31,900	26,431	5,469
Principal on right to use leases	-	-	3,705	(3,705)
Interest on right to use leases	-	-	369	(369)
Capital outlay	20,000	-	96,266	(96,266)
Total expenditures	<u>1,578,951</u>	<u>1,691,971</u>	<u>1,428,571</u>	<u>263,400</u>
Excess of revenues over expenditures	-	-	262,500	262,500
Other financing sources (uses)				
Transfers out	-	-	(1,200,000)	(1,200,000)
Total transfers to other funds	-	-	(1,200,000)	(1,200,000)
Fund balance, beginning of year	<u>5,195,957</u>	<u>5,195,957</u>	<u>5,195,957</u>	<u>-</u>
Fund balance, ending of year	<u>\$ 5,195,957</u>	<u>\$ 5,195,957</u>	<u>\$ 4,258,457</u>	<u>\$ (937,500)</u>