Lone Wolf Groundwater Conservation District

FINANCIAL STATEMENTS

AND

INDEPENDENT AUDITOR'S REPORT

DECMEBER 31, 2025

Roberts & McGee CPA

LONE WOLF GROUNDWATER CONSERVATION DISTRICT

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ANNUAL FILING AFFIDAVIT

STATE OF TEXAS COUNTY OF Mitchell

I, Darlene Moor, Assistant General Manager of the

(Name of Duly Authorized District Representative)

Lone Wolf Groundwater Conservation District

(Name of District)

hereby swear, or affirm, that the district named above has reviewed and approved at a meeting of the Board of the Directors of the District on the _____ day of _____ its annual audit report for the fiscal year or period ended December 31, 2024 and those copies of the annual audit report have been filed in the district office, located at:

139 West 2nd Street, Colorado City, Texas 79512

(Address of District)

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

Date:_____ By: _____

(Signature of District Representative)

_____

(Typed Name & Title of above District Representative)

Sworn to and Subscribed to before me by this _____ day of _____

(SEAL)

_____

(Signature of Notary)

My Commission Expires On: _____

Notary Public in the State of Texas.

ROBERTS & MCGEE, CPA PLLC

104 PINE STREET, SUITE 408
ABILENE, TEXAS 79601
(325) 701-9502

Stacey L McGee, CPA
stacey.mcgee@rm-cpa.net

Cara Hilbrich, CPA
cara.hilbrich@rm-cpa.net

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Lone Wolf Groundwater Conservation District:

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of Lone Wolf Groundwater Conservation District, as of and for the year ended December 31, 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 Lone Wolf Groundwater Conservation District, as of December 31, 2025, and the respective changes in financial position, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District, and to meet our ethical responsibilities, in accordance with 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 opinion.

Responsibilities of Management for the Financial Statements

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect

a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

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

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risk 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 and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District 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 our 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 3–7 and 19 be presented to supplement the basic financial statements. Such information, 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.

Roberts & McGee, CPA, PLLC

Roberts & McGee, CPA, PLLC

Abilene, Texas,
August 3, 2026

LONE WOLF GROUNDWATER CONSERVATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2025

As management of Lone Wolf Groundwater Conservation District we offer readers of Lone Wolf Groundwater Conservation District financial statements this narrative overview and analysis of the financial activities of Lone Wolf Groundwater Conservation District for the year ended December 31, 2025.

Financial Statement Highlights

- The assets of Lone Wolf Groundwater Conservation District exceeded its liabilities at the close of December 31, 2025 by $650,826 (*net position*). Of this amount, $566,284 (*unrestricted net position*) may be used to meet the District's operating obligations. $84,542 of the District's equity is invested in capital assets, net of its related debt.
- The District's total assets increased by $49,005 during the year ended December 31, 2025.
- The net position (*equity*) of the District increased by $47,391 during the year ended December 31, 2025.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to Lone Wolf Groundwater Conservation District basic financial statements. Lone Wolf Groundwater Conservation District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic 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 District's government-wide financial statements are presented in combination with the fund financial statements due to the allowed reporting format for special purpose governmental entities.

The *statement of net position* presents information on all of Lone Wolf Groundwater Conservation District assets and liabilities, with the difference between the two reported as *net position.* Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of Lone Wolf Groundwater Conservation District is improving or deteriorating.

The *statement of activities* presents information showing how the government'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 (e.g., uncollected taxes).

The government-wide financial statements can be found on pages 8-11 of this report.

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, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Lone Wolf Groundwater Conservation District utilizes only governmental funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions 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. These funds are reported using an accounting method called *modified accrual* basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus on governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* 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 financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditure, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities.*

The governmental fund financial statements can be found on pages 8-11 of this report.

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 12-18 of this report.

Other information. The District adopts an annual appropriated budget for the general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with the budget. This statement is *required supplementary information* that is required by accounting principles generally accepted in the United States and can be found on page 19 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of Lone Wolf Groundwater Conservation District, assets exceeded liabilities by $650,826 at the close of the year ended December 31, 2025.

$84,542 of Lone Wolf Groundwater Conservation District's net position (13 percent) reflects its investment in capital assets and water rights (e.g., buildings and equipment). The District uses these capital assets to provide District services; consequently, these assets are *not* available for future spending.

Lone Wolf Groundwater Conservation District
Summary of the Statement of Net Position

	Governmental Activities	
	12/31/2025	12/31/2024
Current Assets	$ 583,576	$ 524,082
Capital Assets and Water Rights	84,542	95,031
Total Assets	668,118	619,113
Current Liabilities	17,292	15,678
Total Liabilities	17,292	15,678
Net Investment in Capital Assets	84,542	95,031
Unrestricted	566,284	508,404
Total Net Position	$ 650,826	$ 603,435

Lone Wolf Groundwater Conservation District
Changes in Net Position

	Governmental Activities	
	12/31/2025	12/31/2024
Revenues:		
General Revenues		
Property Taxes	$ 274,066	$ 278,609
License and Permits	8,200	14,200
Investment Earnings	10,964	11,236
Rent Income	7,200	7,200
Miscellaneous Income	-	2,000
Total Revenues	300,430	313,245
Expenses:		
General Administration	242,550	252,272
Depreciation Expense	10,489	10,489
Total Expenses	253,039	262,761
Increase in Net Position	47,391	50,484
Beginning Net Position	603,435	552,951
Ending Net Position	$ 650,826	$ 603,435

FINANCIAL ANALYSIS OF THE GOVERNMENTS FUNDS

As previously noted, Lone Wolf Groundwater Conservation District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of Lone Wolf Groundwater Conservation District's *governmental funds* 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, *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the year ended December 31, 2025, Lone Wolf Groundwater Conservation District's general fund reported an ending fund balance of $348,324, of which is unassigned and available for spending at the government's discretion. General fund balance increased $58,941 from the prior year.

Fund Budgetary Highlights

The original budget for the General Fund reflected a balanced budget of $288,036. There were no amendments made to the budget during the year ended December 31, 2025. The actual expenditures for the year ended December 31, 2025 were $45,486 less than the budgeted amounts, and actual revenues were $13,455 more than was budgeted. Actual expenditures exceeded budgeted amounts in several line items however there were available funds in fund balance to cover any overages.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets. Lone Wolf Groundwater Conservation District's investment in capital assets for its governmental activities as of December 31, 2025, amounts to $84,542 (net of accumulated depreciation). This investment in capital assets includes building, equipment, and water rights.

Lone Wolf Groundwater Conservation District
Capital Assets Schedule (net of depreciation)

	12/31/2025	12/31/2024
Equipment	$ 202,439	$ 202,439
Total depreciable assets	202,439	202,439
Less: accumulated depreciation	117,897	107,408
Total capital assets, net	84,542	95,031

Additional information on Lone Wolf Groundwater Conservation District's capital assets can be found in Note 8 on page 16 of this report.

Requests for Information

This financial report is designed to provide a general overview of Lone Wolf Groundwater Conservation District's finances for those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the District Board, Lone Wolf Groundwater Conservation District, 139 West 2th, Colorado City, TX 79512.

BASIC FINANCIAL STATEMENTS

LONE WOLF GROUNDWATER CONSERVATION DISTRICT
Statement of Net Position and Governmental Funds Balance Sheet
December 31, 2025

	General Fund	Adjustments (Note A)	Statement of Net Position
ASSETS			
Cash and cash equivalents	$ 354,254	$ -	$ 354,254
Taxes receivable	229,322	-	229,322
Capital assets, net	-	84,542	84,542
TOTAL ASSETS	$ 583,576	84,542	$ 668,118
LIABILITIES			
Accounts payable	$ 11,166	-	11,166
Accrued payroll taxes	3,242	-	3,242
Compensated absences	2,884	-	2,884
Total Liabilities	17,292	-	17,292
DEFERRED INFLOWS OF RESOURCES			
Unearned revenue - property taxes	217,960	(217,960)	-
Total Deferred Inflows of Resources	217,960	(217,960)	-
FUND BALANCE/NET POSITION			
Fund balances			
Unassigned	348,324	(348,324)	-
Total Fund Balance	348,324	(348,324)	-
TOTAL LIABILITIES AND FUND BALANCE	$ 583,576		
Net Position			
Net investment in capital assets		84,542	84,542
Unrestricted		566,284	566,284
Total Net Position		$ 650,826	$ 650,826

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

LONE WOLF GROUNDWATER CONSERVATION DISTRICT
Adjustments to the Governmental Funds Balance Sheet – Note A
December 31, 2025

Total Fund Balances - Governmental Funds	$	348,324
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets and water rights used in governmental activities are not financial resources and, therefore, are not reported in governmental funds. The cost of these assets was $202,439 and the accumulated depreciation was $117,897. The net effect of which, is an increase to net position.		84,542
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the governmental funds. The deferred revenue of $217,960 in the governmental fund statements must be reversed for the government-wide financial statements. This results in an increase to net position.		217,960
Net Position of Governmental Activities	$	650,826

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

LONE WOLF GROUNDWATER CONSERVATION DISTRICT
Statements of Activities and Governmental Funds Revenues,
Expenditures, and Changes in Fund Balance
Year Ended December 31, 2025

	General Fund	Adjustments (Note B)	Statement of Activities
REVENUES:			
Property tax revenue	$ 275,127	(1,061)	$ 274,066
Interest income	10,964	-	10,964
Licenses and permits	8,200	-	8,200
Rental income	7,200	-	7,200
Miscellaneous revenue	-	-	
Total Revenues	301,491	(1,061)	300,430
EXPENDITURES:			
Current General Government:			
Payroll expenses	135,662	-	135,662
Advertising	355	-	355
Dues and subscriptions	1,455	-	1,455
Field/Lab	-		-
Postage and delivery	197	-	197
Office supplies	15,822	-	15,822
Office utilities	5,569	-	5,569
Insurance	6,821	-	6,821
Miscellaneous	-		-
Professional services	44,578	-	44,578
Conferences and meetings	4,898	-	4,898
Telephone, internet, and utilities	4,049	-	4,049
Vehicle Expense	954	-	954
Permit fees reimbursed	2,000	-	2,000
Water program expense	20,083	-	20,083
Building repairs and maintenance	107	-	107
Depreciation Expense	-	10,489	10,489
Total Expenditures	242,550	10,489	253,039
CHANGE IN FUND BALANCE	58,941	(58,941)	-
CHANGE IN NET POSITION	-	47,391	47,391
FUND BALANCE/NET POSITION BEGINNING OF YEAR, RESTATED	289,383	314,052	603,435
FUND BALANCE/NET POSITION END OF YEAR	$ 348,324	$ 302,502	$ 650,826

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

LONE WOLF GROUNDWATER CONSERVATION DISTRICT
Adjustments to the Governmental Funds Revenues, Expenditures,
And Changes in Fund Balance – Note B
Year Ended December 31, 2025

Net Change in Fund Balances - Governmental Funds	$	58,941

Amounts reported for governmental activities in the statement of net position are different because:

Depreciation expense is not reflected in the governmental funds, but is recorded in the government-wide financial statements as an expense and an increase to accumulated depreciation. The net effect of the current year depreciation expense of $10,489 is to decrease net position.	(10,489)
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the governmental funds. The current year adjustment to revenue recognized in the government-wide financial statements is $1,061. This results in an decrease in net position.	(1,061)

Change in Net Position of Governmental Activities	$	47,391

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

NOTE 1: REPORTING ENTITY

Lone Wolf Groundwater Conservation District (the District) is a governmental agency operating under the applicable laws and regulations of the state of Texas. The District was created as a temporary water district by the 76th Legislature of the State of Texas under Senate Bill 1911. It was approved by the 77th Legislature of the State of Texas and a confirmation vote of the Mitchell County voters on February 2, 2003. The District prepares its financial statements in conformity with generally accepted accounting principles promulgated by the Governmental Accounting Standards Board. The district also complies with the requirements of the Texas Commission on Environmental Quality and all applicable laws under the Texas Water Code including The Water District Accounting Manual and The Annual Report Requirements for Texas Water Districts and authorities.

The financial statements of the District consist only of the funds of the District. The District has no oversight responsibility for any other governmental entity since no other entities are considered to be controlled by or dependent on the District. Control or dependence is determined on the basis of budget adoption, taxing authority, funding, and appointment of the respective governing board.

The Board of Directors (the Board) is elected by the voters of Mitchell County and has the authority to make decisions, appoint administrators and managers, and significantly influence operations. The Board has the primary accountability for fiscal matters. The District is not included in any other governmental "reporting entity" as defined by the Governmental Accounting Standards Board (GASB) in its Statement No. 14, "The Financial Reporting Entity," and related subsequently issued guidance. There are no component units included within the reporting entity.

NOTE 2: 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 the District's governmental activities. Governmental activities include programs supported primarily by taxes, fines and fees, grants, and other intergovernmental revenues.

The Statement of Activities presents a comparison between expenses and program revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include a) fees, fines, and charges paid by the recipients of goods or services offered by the program and b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues.

The fund financial statements provide reports on the financial position and the change in financial position for the General Fund, which is the only fund reported by the District.

NOTE 3: 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.

NOTE 3: MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION - CONTINUED

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.

Property tax revenues are considered measurable and available when collected by the respective intermediary collecting agency and recognized as revenue at that time. Property tax revenues are considered measurable at the time of levy and are recognized, at that time, as deferred revenue and taxes receivable, net of an allowance for estimated uncollectible taxes. Property tax revenues are considered available if collected within 60 days after year end. Licenses and permits, fines and forfeits, and miscellaneous revenues are recorded as revenues when received in cash, because they are generally not measurable until received. Investment earnings are recorded when earned since they are both measurable and available at that time.

The District reports the following major governmental fund:

The General Fund is the District's primary operating fund. It accounts for all financial resources and is established to account for resources devoted to financing the general services that the District performs for its citizens. General tax revenues and other sources of revenues used to finance the fundamental operations of the District are included in this fund. The General Fund is charged with all costs of operating the government for which a separate fund has not been established. The fund balance of the General Fund is available for any purpose, provided it is expended or transferred in accordance with the legally adopted budget of the District.

NOTE 4: ASSETS, LIABILITIES, AND NET POSITION OR EQUITY

Deposits and Investments

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

Capital Assets

Capital assets, which include property, plant, and equipment, are reported in the statement of net position. In the governmental fund financial statements, capital assets are recorded as expenditures. Capital assets are defined by the District as assets with an initial, individual cost of more than $5,000 and an estimated useful life greater than two years. Capital assets are stated at historical cost, or estimated historical cost, if purchased or constructed. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the lives are not capitalized.

NOTE 4: ASSETS, LIABILITIES, AND NET POSITION OR EQUITY - CONTINUED

Property, plant, and equipment of the District are depreciated using the straight-line method over the following estimated useful lives:

Building and Improvements	40 years
Software	3-5 years
Vehicles and Equipment	5-7 years

Deferred Inflows of Resources

In addition to liabilities, the balance sheet reports a separate section for deferred inflows of resources. This separate financial statement, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The District has only one type of item that qualifies for reporting in the category: *unearned revenue* from property taxes.

Workers Compensation

The District provides statutory workers' compensation insurance for its employees through an Interlocal Agreement with the Texas Municipal League Intergovernmental Risk Pool (TML-IRP) for workers' compensation coverage, a joint insurance fund, in which the District is a member. The District pays annual premiums for such coverage. TML-IRP purchases reinsurance, and the District does not retain risk of loss exceeding deductibles.

Compensated Absences

In the government-wide financial statements, obligations, such as compensated absences payable, are reported as liabilities in the statement of net position. The District provides compensated absence benefits in the form of paid time-off (PTO) to its employees. Compensated absences are vested and, upon termination, paid to the employee. After one year of service, employees are eligible to cash-out their PTO balances in excess of 80 hours, accrued at their current salary. The cash-out option will be made available at the end of each year. The maximum number of accrued hours that may be carried forward into the following year is 80 hours. An employee with fewer than 80 hours accrued must carry them forward to the following year.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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 amount of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

NOTE 5: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

Budgetary accounting is employed for all required governmental fund types, as outlined in the Texas Administrative Code, Paragraph 293.97. The formally adopted budget may legally be amended by the Board of Directors in accordance with Rule 30 of the Texas Administrative Code, Section 293.97(b).

NOTE 5: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY – CONTINUED

The operating budget was formally adopted by the Board of Directors at a public meeting prior to the start of the fiscal year.

Annual budgets are adopted for the General Fund on a basis consistent with generally accepted accounting principles. The annual budget is presented on the modified accrual basis of accounting, which is consistent with generally accepted accounting principles.

NOTE 6: DEPOSITS AND INVESTMENTS

The funds of the District must be deposited and invested under the terms of a contract, the 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 December 31, 2025, the carrying amount of the District's deposits (cash, certificates of deposit, and interest-bearing savings accounts) was $354,254.

The Public Funds Investment Act (Government Code Chapter 2256) (the Act) 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, and (9) bid solicitation preferences for certificates of deposit. Statues 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, and (10) 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.

The District had no investments at December 31, 2025.

In compliance with the Act, the District has adopted a deposit and investment policy; however, that policy does not specifically address custodial credit risk, interest rate risk, or concentration of credit risk.

Custodial credit risk: For an investment, custodial credit risk is the risk that, in the event of the failure of a counterparty, the District will not be able to recover the value of its investments or collateral securities held in the possession of the failed party. At December 31, 2025, the District's deposits in commercial banks were fully secured by FDIC coverage; therefore, the District was not exposed to custodial credit risk.

The District categorizes its fair value measurement within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation in puts used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are

NOTE 6: DEPOSITS AND INVESTMENTS - CONTINUED

significant other observable inputs; Level 3 inputs are significant unobservable inputs. The District does not have any investments subject to recurring fair value measurements at December 31, 2025.

NOTE 7: TAXES RECEIVABLE

The District's property tax is levied on October 1 of each year in conformity with Subtitle E, Texas Property Tax Code, based on the assessed value of all taxable real property located in the District on January 1 of such year.

A statutory tax lien attaches to property on January 1 of each year to secure the payment of all taxes, penalties, and interest ultimately levied or imposed on property in the District during such year. The lien attaches whether or not the taxes were imposed in the year in which the lien attached. The lien exists in favor of each taxing unit having the power to tax the property.

Appraisal of property in the District is the responsibility of the Mitchell County Appraisal District (the Appraisal District). The Appraisal District is required, under the Property Tax Code, to assess all property within the Appraisal District on the basis of 100% of its appraisal value, subject to exemptions provided under state law, and is prohibited from applying any assessment ratios. The Mitchell County Tax Assessor/Collector is responsible for the collection and remittance of taxes to the District. The tax rate to finance the operations of the District was $.02150 per $100 for the tax year beginning October 1, 2024 and $0.0205 per $100 for the tax year beginning October 1, 2025.

NOTE 8: CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2025 was as follows:

Governmental Activities

	Balance 1/1/2025	Additions/ Completions	Retirements/ Adjustments	Balance 12/31/2025
Capital assets:				
Building and improvements	89,341	-	-	89,341
Software	51,100	-	-	51,100
Vehicles	34,776	-	-	34,776
Equipment	27,222	-	-	27,222
Total assets being depreciated	$ 202,439	$ -	$ -	$ 202,439
Less accumulated depreciation for:				
Building and Improvements	(12,491)	(2,466)	-	(14,957)
Software	(51,100)	-	-	(51,100)
Vehicles	(20,866)	(6,955)	-	(27,821)
Equipment	(22,951)	(1,068)	-	(24,019)
Total accumulated depreciation	(107,408)	(10,489)	-	(117,897)
Governmental activities capial assets, ne	$ 95,031	$ (10,489)	$ -	$ 84,542

NOTE 8: CAPITAL ASSETS – continued

The District recognized depreciation expense of $10,489 in the statement of activities.

NOTE 9: RETIREMENT PLAN

The District elected to become a participating employer in the DST Systems, Inc. Governmental Eligible 457 Plan effective January 1, 2011. All employees are eligible to participate in the plan upon hire with no age or service requirements and can elect to make salary reduction contributions. The plan allows for both employer matching contributions and discretionary contributions. Matching contributions are made by the District using a discretionary formula of each participant's salary reduction contributions as deemed advisable by the District.

Discretionary contributions are made by the District in its sole discretion. The District contributed $8,325 to the plan during the fiscal year 2025. All contributions are immediately 100% vested.

NOTE 10: RISK FINANCING

The District is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; and errors or omissions. The District has purchased commercial insurance to insure against these losses. There were no significant reductions in coverage in the past fiscal year, and there were no settlements exceeding insurance coverage in any of the past three fiscal years.

NOTE 11: LONG-TERM OBLIGATIONS

Long-term obligations include debt and other long-term liabilities. There were no long-term obligations at December 31, 2025.

NOTE 12: FUND BALANCE

The District classifies governmental fund balance in accordance with Government Accounting Standards (GASB) Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions:

1. Non-spendable fund balance includes fund balance that cannot be spent either because it is not in spendable form or because of legal contractual restraints. At December 31, 2025, the District had no non-spendable balance.
2. Restricted fund balance includes amounts that can be spent only for specific purposes stipulated by constitution, external resource providers, or through enabling legislation. At December 31, 2025, the District had no restricted fund balances.
3. Committed fund balance is established and modified by a resolution from the District's Board and can be used only for the specific purposes determined by the Board's resolution. At December 31, 2025, the District had no committed fund balances.
4. Assigned fund balance is intended to be used by the District for specific purposes but does not meet the criteria to be classified as restricted or committed. At December 31, 2025, the District had no assigned fund balances.
5. Unassigned fund balance is the residual classification for the District's General Fund and includes all spendable amounts not contained in the other classification.

NOTE 12: FUND BALANCE – continued

When both restricted and unrestricted fund balances are available, the District first uses restricted amounts. Additionally, the District would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balances when incurring expenditures.

REQUIRED SUPPLEMENTARY INFORMATION

LONE WOLF GROUNDWATER CONSERVATION DISTRICT
Budgetary Comparison Schedule
General Fund
Year Ended December 31, 2025

	General Fund			
	Original Budget	Final Amended Budget	Actual	Variance Favorable (Unfavorable)
REVENUES:				
Property Tax revenue	$ 274,836	$ 274,836	$ 275,127	$ 291
Interest income	6,000	6,000	10,964	4,964
Licenses and permits	-	-	8,200	8,200
Rental Income	7,200	7,200	7,200	-
Miscellaneous income	-	-	-	-
Total Revenues	288,036	288,036	301,491	13,455
EXPENDITURES:				
Current General Government:				
Payroll expenses	155,686	155,686	135,662	20,024
Advertising	2,000	2,000	355	1,645
Dues and subscriptions	2,000	2,000	1,455	545
Field/Lab	-	-	-	-
Postage and delivery	200	200	197	3
Office supplies	20,000	20,000	15,822	4,178
Office utilities	5,000	5,000	5,569	(569)
Field supplies	1,500	1,500	-	1,500
Insurance	4,650	4,650	6,821	(2,171)
Miscellaneous	-	-	-	-
Professional services	54,400	54,400	44,578	9,822
Conferences and meetings	2,900	2,900	4,898	(1,998)
Telephone, internet, and utilities	6,200	6,200	4,049	2,151
Vehicle Expense	4,000	4,000	954	3,046
Reimbursed Permit Fees	-	-	2,000	(2,000)
Water programs	24,500	24,500	20,083	4,417
Building expenses	2,000	2,000	107	1,893
Travel	3,000	3,000	-	3,000
Capital Outlay	-	-	-	-
Total expenditures	288,036	288,036	242,550	45,486
EXCESS OF REVENUES OVER EXPENDITURES	-	-	58,941	58,941
FUND BALANCE AT BEGINNING OF YEAR	289,383	289,383	289,383	-
FUND BALANCE AT END OF YEAR	$ 289,383	$ 289,383	$ 348,324	$ 58,941