VICTORIA COUNTY GROUNDWATER CONSERVATION DISTRICT

FINANCIAL STATEMENTS

For the Year Ended September 30, 2025

VICTORIA COUNTY GROUNDWATER CONSERVATION DISTRICT
FINANCIAL STATEMENTS
For the Year Ended September 30, 2025

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Goldman, Hunt & Notz, L.L.P.

Certified Public Accountants

DONALD G. GOLDMAN, CPA
D. DALE HUNT, CPA
JAMIE K. NOTZ, CPA, CVA*

*CERTIFIED VALUATION ANALYST

MEMBERS OF:
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

TEXAS SOCIETY OF
CERTIFIED PUBLIC ACCOUNTANTS

KEITH H. COX, CPA, CISA'
STEPHANIE S. KOCH, CPA

'CERTIFIED INFORMATION SYSTEMS AUDITOR

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Victoria County Groundwater Conservation District
Victoria, Texas

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of Victoria County Groundwater 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 financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund 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 and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit 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 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.

TELEPHONE (361) 573-2471
FACSIMILE (361) 575-0444

5606 NORTH NAVARRO STREET, SUITE 309
VICTORIA, TEXAS 77904-1770

EMAIL: ghn@tisd.net

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 and *Government 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 and *Government 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 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 analysis, budgetary comparison information and Texas County and District Retirement System (TCDRS) on pages 4-8 and 36-41 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 24, 2026, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering District's internal control over financial reporting and compliance.

Goldman, Hunt & Notz, LLP

Goldman, Hunt & Notz, L.L.P.

July 24, 2026

VICTORIA COUNTY GROUNDWATER CONSERVATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2025

As management of Victoria County Groundwater Conservation District (District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended September 30, 2025. This discussion and analysis is intended to be an easily readable analysis of the District's financial activities based on currently known facts, decisions, or conditions. This analysis focuses on current year activities and should be read in conjunction with the financial statements that follow.

Report Layout

In addition to the Management's Discussion and Analysis (MD&A), the report consists of basic financial statements, notes to the financial statements, and required supplementary information. The basic financial statements are highly condensed and present a government-wide view of the District's finances. These government-wide statements are designed to be more corporate-like in that all activities are consolidated into a total for the District. The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide basic financial statements.

Basic Financial Statements

- The Statement of Net Position and Balance Sheet - Governmental Funds is the first of two governmental fund and government-wide financial statements which focus on resources available for future operations. In simple terms, this statement presents a snapshot view of the assets the District owns, the liabilities it owes and the net difference. The net difference is further separated into amounts restricted for specific purposes and unrestricted amounts. The presentation is similar to a private-sector business.
- The second governmental fund and government-wide financial statement is called the Statement of Activities and Revenues, Expenditures, and Changes in Fund Balance/Net Position - Governmental Funds. This statement summarizes the District's revenues and expenditures for the year. Once again, the presentation is similar to a private-sector business.
- The notes to the financial statements provide additional disclosure required by governmental accounting standards and provide information to assist the reader in understanding the District's financial condition.

The discussion and analysis of the District's financial performance provide an overall review of its financial activities for the year ended September 30, 2025. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements to enhance their understanding of the District's financial performance.

VICTORIA COUNTY GROUNDWATER CONSERVATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2025

Financial Highlights

- The assets of Victoria County Groundwater Conservation District exceeded its liabilities at the close of the fiscal year ended September 30, 2025 by $5,093,014 (net position). Of this amount, $5,030,279 in unrestricted net position is available to meet the District's ongoing obligations.
- At September 30, 2025, the District's General Fund reported a combined ending fund balance of $4,950,785 of which $7,712 is nonspendable, $1,072,750 is committed for legal contingencies, $3,218,250 is committed for groundwater research and management which includes groundwater conservation, groundwater monitoring, groundwater research, groundwater management, groundwater protections and groundwater planning, and $652,073 is unassigned.
- At September 30, 2025, unassigned fund balance for the General Fund was $652,073 or 78.53% of total General Fund expenditures.
- The total cost of all District activities was $786,422 for the fiscal year.

Government-wide Overall Financial Analysis

Victoria County Groundwater Conservation District
Components of Net Position
September 30, 2025
With Comparative Totals for September 30, 2024
(in thousands)

	Governmental Activities		Total Government		Amount	%
	2025	2024	2025	2024	Change	Change
Current and other assets	$ 5,743	$ 4,859	$ 5,743	$ 4,859	$ 884	18%
Capital assets	63	30	63	30	33	110%
Total assets	5,806	4,889	5,806	4,889	917	19%
Deferred outflows of resources related to pension expense	54	72	54	72	(18)	-25%
Total deferred outflows of resources	54	72	54	72	(18)	-25%
Total assets and deferred outflows of resources	5,860	4,961	5,860	4,961	899	18%
Current and other liabilities	259	71	259	71	188	265%
Total liabilities	259	71	259	71	188	265%
Deferred inflows of resources	508	497	508	497	11	2%
Total deferred inflows of resources	508	497	508	497	11	2%
Net position:						
Net investment in capital assets	63	30	63	30	33	110%
Unrestricted	5,030	4,363	5,030	4,363	667	15%
Total net position	$ 5,093	$ 4,393	$ 5,093	$ 4,393	$ 700	16%

Government-wide Overall Financial Analysis (Continued)

The total net position increased by approximately $700,000. Cash and investment balances increased approximately $678,000, taxes receivable, net increased $2,000, other receivables decreased $5,000, due from fiduciary fund decreased $3,000, prepayments increased $6,000, net pension asset increased $37,000, right of use asset increased $166,000 due to the District entering into a new lease agreement for office space, office lease deposit increased $4,000 and fixed assets increased $33,000 primarily due to the impact of asset additions and depreciation. Deferred outflows of resources associated with the District's pension decreased $18,000. Accounts payable increased $27,000, accrued liabilities decreased $1,000, net pension liability decreased $14,000, lease liability increased $166,000, payroll and other taxes payable increased $11,000 and deferred inflows of resources increased $11,000 primarily associated with unearned revenue for services to be performed for other groundwater districts.

Victoria County Groundwater Conservation District
Condensed Statement of Activities
For the Year Ended September 30, 2025
With Comparative Totals for the Year Ended September 30, 2024
(in thousands)

	Governmental Activities		Total Government		Amount	%
	2025	2024	2025	2024	Change	Change
Revenues						
General revenues						
Taxes	$ 758	$ 739	$ 758	$ 739	$ 19	3%
Interest	151	118	151	118	33	28%
Other income	555	261	555	261	294	113%
Total revenues	1,464	1,118	1,464	1,118	346	31%
Expenses						
Personnel	510	359	510	359	151	42%
Professional fees	102	62	102	62	40	65%
Contracted services	65	60	65	60	5	8%
Utilities/telecommunications	29	18	29	18	11	61%
Administrative	28	38	28	38	(10)	-26%
Sponsorships and cost-sharing	3	8	3	8	(5)	-63%
Repairs and maintenance	1	23	1	23	(22)	-96%
Interest expense - lease	5	-	5	-	5	
Depreciation	15	12	15	12	3	25%
Depreciation on right of use asset	28	17	28	17	11	65%
Total expenses	786	597	786	597	189	32%
Excess of revenues over expenditure/expenses before non-operating revenue	678	521	678	521	157	30%
Other financing sources/(uses)	22	-	22	-	22	
Change in net position	700	521	700	521	179	34%
Beginning net position	4,393	3,872	4,393	3,872	521	13%
Ending net position	$ 5,093	$ 4,393	$ 5,093	$ 4,393	$ 700	16%

Government-wide Overall Financial Analysis (Concluded)

Total revenues increased $346,000 primarily due to an increase in tax revenue of $19,000, an increase in interest revenue of $33,000, $107,000 increase in District support fees, increase in District cost sharing of $170,000 and a $17,000 increase in other income.

Total expenses decreased by $189,000 primarily due to an increase in personnel fees of $151,000, a $40,000 increase in professional fees, a $5,000 increase in contracted services, an increase in utilities/telecommunication expense of $11,000, a $10,000 decrease in administrative expenses, a decrease in sponsorship and cost-sharing expense of $5,000, a decrease in repair and maintenance expense of $22,000, a $5,000 increase in interest associated with leased assets, an increase of $3,000 in depreciation expense and an $11,000 increase in depreciation associated with right of use assets.

Budgetary Highlights

Actual revenues in the General Fund were greater than budgeted revenues by $347,574. Actual General Fund expenditures were $314,284 less than budgeted expenditures. The District did not amend its budget for the General Fund during the fiscal year.

Capital Assets

At September 30, 2025 the District had $62,735 invested in net capital assets. Depreciation on assets was $15,603 for the year.

Victoria County Groundwater Conservation District
Capital Assets
(net of accumulated depreciation)
September 30, 2025
With Comparative Totals for September 30, 2024
(in thousands)

	Governmental Activities		Total Government		Amount Change	% Change
	2025	2024	2025	2024		
Office remodel	$ -	$ 13	$ -	$ 13	$ (13)	-100%
Vehicle and equipment	207	127	207	127	80	63%
Subtotal	207	140	207	140	67	48%
Accumulated depreciation	144	110	144	110	34	31%
Capital assets, net	$ 63	$ 30	$ 63	$ 30	$ 33	110%

Additional information on the District's capital assets can be found in the notes to the financial statements.

Debt Outstanding

At year-end, the District had no outstanding debt.

Economic Factors and Next Year's Budgets and Rates

The District's property tax rate for 2025/2026 is $0.00670 per $100 valuation. The net taxable value is $11,312,095,992 for total tax revenue of $757,900.

The District budgeted $1,652,400 in revenues and $2,401,100 in expenditures for 2025/2026.

Financial Contact

The District's financial statements are designed to present users (citizens, taxpayers, customers, investors, and creditors) with a general overview of the District's finances and to demonstrate the District's accountability. If you have questions about the report or need additional financial information, please contact the District Manager at 1501 E. Mockingbird Lane, Suite 103, Victoria, Texas 77904 or P.O. Box 69, Victoria, Texas 77902.

BASIC FINANCIAL STATEMENTS

VICTORIA COUNTY GROUNDWATER CONSERVATION DISTRICT
STATEMENT OF NET POSITION AND BALANCE SHEET – GOVERNMENTAL FUNDS
September 30, 2025

	General Fund	Total	Adjustments	Statement of Net Position
Assets				
Cash and investments	$ 5,444,642	$ 5,444,642	$ -	$ 5,444,642
Taxes receivable, net	58,434	58,434	-	58,434
Other receivables	2,026	2,026	-	2,026
Due from fiduciary fund	6,350	6,350	-	6,350
Prepayments	7,712	7,712	-	7,712
Net pension asset	-	-	37,128	37,128
Right of use asset (net of accumulated depreciation)	-	-	182,837	182,837
Office lease deposit	4,186	4,186	-	4,186
Capital assets (net of accumulated depreciation)	-	-	62,735	62,735
Total assets	5,523,350	5,523,350	282,700	5,806,050
Deferred outflows of resources				
Pension contributions made subsequent to the measurement date	-	-	42,455	42,455
Changes in assumptions	-	-	11,650	11,650
Total deferred outflows of resources	-	-	54,105	54,105
Total assets and deferred outflows of resources	$ 5,523,350	$ 5,523,350	$ 336,805	$ 5,860,155

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

VICTORIA COUNTY GROUNDWATER CONSERVATION DISTRICT
STATEMENT OF NET POSITION AND BALANCE SHEET – GOVERNMENTAL FUNDS (CONTINUED)
September 30, 2025

	General Fund	Total	Adjustments	Statement of Net Position
Liabilities				
Accounts payable	$ 29,533	$ 29,533	$ -	$ 29,533
Accrued liabilities	1,955	1,955	25,328	27,283
Lease liability	-	-	182,391	182,391
Payroll and other taxes payable	19,620	19,620	-	19,620
Total liabilities	51,108	51,108	207,719	258,827
Deferred inflows of resources				
Actual experience vs. expectations	-	-	34,910	34,910
Amortization of prior year outflows	-	-	6,884	6,884
Actual earnings vs. projections	-	-	3,320	3,320
Unavailable taxes	58,257	58,257	(58,257)	-
Unearned revenue	463,200	463,200	-	463,200
Total deferred inflows of resources	521,457	521,457	(13,143)	508,314
Fund balance				
Nonspendable	7,712	7,712	(7,712)	-
Committed	4,291,000	4,291,000	(4,291,000)	-
Unassigned	652,073	652,073	(652,073)	-
Total fund balance	4,950,785	4,950,785	(4,950,785)	-
Total liabilities, deferred inflows of resources, and fund balance	$ 5,523,350	$ 5,523,350		
Net position:				
Net investment in capital assets			62,735	62,735
Unrestricted			5,030,279	5,030,279
Total net position			$ 5,093,014	$ 5,093,014

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

VICTORIA COUNTY GROUNDWATER CONSERVATION DISTRICT
RECONCILIATION OF THE STATEMENT OF NET POSITION AND BALANCE SHEET – GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION
September 30, 2025

Amounts reported for governmental activities in the Statement of Net Position (pages 9-10) are different because:

Total fund balance - governmental funds (pages 9-10)	$ 4,950,785
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	62,735
Delinquent taxes receivable are not considered available to pay for current period expenditures and, therefore, are deferred in the funds.	58,257
Accrued vacation is not due and payable in the current period and, therefore, is not reported in the fund financial statements.	(24,226)
The net pension asset is not an available resource and, therefore, is not reported in the funds.	37,128
Deferred outflows of resources related to pension expense are not due and payable in the current period and, therefore, are not reported in the funds.	54,105
Deferred inflows of resources related to pension expense are not due and receivable in the current period and, therefore, are not reported in the funds.	(45,114)
Lease assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	182,837
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds. These liabilities are comprised of the following:	
Lease liability	(182,391)
Accrued interest on lease liability	(1,102)
Net position of governmental activities	$ 5,093,014

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

VICTORIA COUNTY GROUNDWATER CONSERVATION DISTRICT
STATEMENT OF ACTIVITIES AND REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE/NET POSITION - GOVERNMENTAL FUNDS
For the Year Ended September 30, 2025

	General Fund	Total	Adjustments	Statement of Activities
Revenues				
Property taxes	$ 757,942	$ 757,942	$ 544	$ 758,486
Interest income	150,633	150,633	-	150,633
District support fees	367,800	367,800	-	367,800
District cost sharing	170,490	170,490	-	170,490
Miscellaneous income	17,035	17,035	-	17,035
Total revenues	1,463,900	1,463,900	544	1,464,444
Expenditures/expenses				
Service operations:				
Personnel	521,006	521,006	(10,615)	510,391
Professional fees	101,917	101,917	-	101,917
Contracted services	64,584	64,584	-	64,584
Utilities/telecommunications	29,190	29,190	-	29,190
Administrative	28,156	28,156	-	28,156
Sponsorships and cost-sharing	3,122	3,122	-	3,122
Repair and maintenance	829	829	-	829
Principal payments - lease	28,887	28,887	(28,887)	-
Interest expense - lease	3,828	3,828	1,102	4,930
Capital outlay	48,811	48,811	(48,811)	-
Depreciation	-	-	15,602	15,602
Depreciation on right of use asset	-	-	27,701	27,701
Total expenditures/expenses	830,330	830,330	(43,908)	786,422
Excess (deficiency) of revenues over expenditures/expenses	633,570	633,570	44,452	678,022
Other financing sources (uses)				
Proceeds from leases	193,497	193,497	(193,497)	-
Contributions from outside Sources	22,204	22,204	-	22,204
Lease expense	(193,497)	(193,497)	193,497	-
Total other financing sources (uses)	22,204	22,204	-	22,204
Net change in fund balance/net position	655,774	655,774	44,452	700,226
Fund balance/net position:				
Beginning of the year	4,295,011	4,295,011	97,777	4,392,788
End of the year	$ 4,950,785	$ 4,950,785	$ 142,229	$ 5,093,014

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

VICTORIA COUNTY GROUNDWATER CONSERVATION DISTRICT
RECONCILIATION OF THE STATEMENT OF ACTIVITIES AND REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE/NET POSITION – GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2025

Amounts reported for governmental activities in the Statement of Activities (page 12) are different because:

Net change in fund balance - total governmental funds (page 12)	$ 655,774
Governmental funds report capital outlay as expenditures. However, in the government-wide statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of capital assets recorded in the current period.	48,811
Depreciation expense on capital assets reported in the government-wide statement of activities does not require the use of current financial resources. Therefore, depreciation expense is not reported as an expenditure in governmental funds.	(15,602)
(Increase) decrease in compensated absences from the beginning of the period to the end of the period.	(3,878)
Governmental funds report contributions made to the pension plan as expenditures. However, in the statement of activities, pension expense is affected by changes in the net pension asset and deferred outflows of resources related to pension expense. This is the amount by which pension contributions exceeded pension expense in the current period.	14,493
Some revenue reported in the governmental funds was earned in prior periods and is not reported in the government-wide statement of activities.	544
Governmental funds report the initiation of a lease agreement with the recognition of lease expense and lease revenue associated with the acquisition of a right to use the leased asset. In the government-wide financial statements these balances will be carried as a right to use lease asset and lease liability.	
Lease revenue	(193,497)
Lease expense	193,497
Governmental funds report the payment of lease principal when the current financial resources are available and payments are due.	28,887
Depreciation expense on lease assets reported in the government-wide financial statements of activities and changes in net assets does not require the use of current financial resources. Therefore, depreciation expense is not reported as an expenditure in governmental funds.	(27,701)
Accrued interest expense associated with leases is not recognized in the fund financial statements, but is recognized in the government-wide financial statements.	(1,102)
Change in net position of governmental activities	$ 700,226

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

VICTORIA COUNTY GROUNDWATER CONSERVATION DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
September 30, 2025

	Groundwater Management Area 15 Custodial Fund	Total
Assets		
Cash and cash equivalents	$ 61,995	$ 61,995
Total assets	61,995	61,995
Liabilities		
Due to other funds	6,350	6,350
Due to other governments	55,645	55,645
Total liabilities	61,995	61,995
Net position:		
Unrestricted	-	-
Total net position	$ -	$ -

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

VICTORIA COUNTY GROUNDWATER CONSERVATION DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
For the Year Ended September 30, 2025

	Groundwater Management Area 15 Custodial Fund	Total
ADDITIONS		
Contributions from participating districts	$ 30,496	$ 30,496
Total additions	30,496	30,496
DEDUCTIONS		
Administrative expenses	30,496	30,496
Total deductions	30,496	30,496
Change in net position	-	-
Net position, beginning	-	-
Net position, ending	$ -	$ -

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

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF ACCOUNTING

Basis of Accounting/Measurement Focus

The accounts of the District are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund equity, revenues, and expenditures or expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

The accounting and reporting policies of the District relating to the funds included in the accompanying financial statements conform to generally accepted accounting principles applicable to state and local governments. Generally accepted accounting principles for local governments include those principles prescribed by the Governmental Accounting Standards Board (GASB), the American Institute of Certified Public Accountants in the publication entitled *Audits of State and Local Governmental Units,* and by the Financial Accounting Standards Board (when applicable). The more significant accounting policies of the District are described below.

A. Governmental Fund Financial Statements and Government-Wide Financial Statements

The governmental fund financial statements and government-wide financial statements are combined in the Statement of Net Position and Balance Sheet - Governmental Funds and the Statement of Activities and Revenues, Expenditures, and Changes in Fund Balance/Net Position - Governmental Funds. These statements present summaries of governmental activities for the District. Fiduciary activities of the District are not included in these statements.

Government-wide financial statements are presented on an "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all of the District's assets, deferred outflows of resources, liabilities, deferred inflows of resources, including capital assets as well as infrastructure assets and long-term liabilities, are included in the accompanying Statement of Net Position and Balance Sheet - Governmental Funds. The Statement of Activities and Revenues, Expenditures, and Changes in Fund Balance/Net Position - Governmental Funds presents changes in fund balance/net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred regardless of the timing of related cash flows. The types of transactions reported as program revenues for the District are reported in two categories: 1) property taxes, 2) investment earnings and 3) fees charged.

Governmental fund financial statements are accounted for on a spending or "current financial resources" measurement focus and the modified accrual basis of accounting. Accordingly, only current assets, current liabilities, and current deferred inflows of resources are included on the Statement of Net Position and Balance Sheet - Governmental Funds. The Statement of Activities and Revenues, Expenditures, and Changes in Fund Balance/Net Position - Governmental Funds present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period. Accordingly, revenues are recorded when received in cash, except that revenues subject to accrual (generally 60 days after year-end) are recognized when due. The primary revenue sources, which have been treated as susceptible to accrual by the District are property tax and interest income. Expenditures are recorded in the accounting period in which the related fund liability is incurred.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF ACCOUNTING (Continued)

The following is the District's Governmental Fund type:

General Fund
The General Fund is the general operating fund of the District. All financial resources, except those required to be accounted for in another fund, are accounted for in the General Fund.

Additionally, the following is the District's Fiduciary Fund type:

Groundwater Management Area 15 Custodial Fund
The Groundwater Management Area 15 Custodial Fund accounts for assets held by Victoria County Groundwater Conservation District in a trustee capacity on behalf of other governments. The Groundwater Management Area 15 Custodial Fund accounts for the receipts, disbursements, and cash balances of the groundwater conservation districts delegated to manage the groundwater of the thirteen representing counties.

B. Fund Balance Classification

The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

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

Restricted
Amounts constrained to specific purposes by their providers, through constitutional provisions, or by enabling legislation.

Committed
Amounts constrained to specific purposes by the District itself, using its highest level of decision-making authority, the Board of Directors. To be reported as committed, amounts cannot be used for any other purpose unless the District takes the same highest-level action to remove or change the constraint.

Assigned
Amounts the District intends to use for a specific purpose but does not meet the criteria to be classified as restricted or committed. Intent can be expressed by the Board of Directors or by an official to which the District delegates authority.

Unassigned
All other spendable amounts.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF ACCOUNTING (Continued)

C. Restricted Resources

The District applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

D. Cash and Cash Equivalents

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and certificates of deposits with maturity dates of 12 months or less.

E. Budget

The Board of Directors prepares and votes on the adopted budget. Budgets for the General Fund are adopted on a basis consistent with generally accepted accounting principles (GAAP) in the United States of America. Any revisions to the budget are approved by the Board of Directors. The original budget and final amended budget (when applicable) for the General Fund are used in this report.

F. Personal Leave

Personal leave is accrued by an employee of the District during the time the employee begins their employment period with the District and may be used, subject to authorization by the employee's supervisor, to compensate for scheduled work hours not worked by the employee or to compensate for scheduled work hours not worked by the employee due to illness. Employees with less than six years of service accrue fifteen days of leave per year, while employees with more than six years of service accrue fifteen days per year plus one additional day for each additional year of service. Personal leave is accrued at the end of each monthly pay period. Upon termination of employment, employees shall be compensated at their present hourly pay rate for all unused, accrued personal leave. At year end, accrued personal leave was $20,348 and is included as a reconciling item between the statement of net position and balance sheet – governmental funds and the statement of net position.

G. Property Tax

The Appraisal District annually prepares appraisal records listing all property within the District and the appraised value of each parcel or item as of January 1. Additionally on January 1, a tax lien attaches to property to secure the payment of all taxes, penalty, and interest ultimately imposed for the year on the property. By September 1 of each year, or as soon thereafter as practicable, the rate of taxation is set by the Board of Directors of the District based upon the aggregate appraisal value.

Taxes are levied on October 1 and are due and payable on or before January 31 of the following year. All unpaid taxes become delinquent February 1 and attach as an enforceable lien on the property as of July 1 of the following year. The Victoria County Tax Assessor/Collector collects and remits the property taxes to the District on a monthly basis. No allowance for uncollectable taxes has been provided as such amounts are not expected to be material.

The tax rate for 2024/2025 was $0.0067200 per $100 valuation. The taxable value was $11,276,460,856. All tax monies are used for maintenance and operations.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF ACCOUNTING (Continued)

H. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources,* represents a consumption of net position or fund balance that applies to a future period(s) and thus, will *not* be recognized as an outflow of resources (expenditure) until that time. The District has several items that qualify for reporting in this category. They are related to the deferred future pension expense related to the net pension asset. Deferred future pension expense results from the difference in expected and actual experience, the difference in assumption changes, and pension contributions remitted after the measurement date. All differences are based on actuarial gains or losses. These amounts are deferred and amortized over their respective remaining recognition period.

The District reports deferred inflows of resources on its General Fund balance sheet. Deferred inflows of resources arise when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred inflows of resources also arise when the District receives resources before it has legal claim to them. In subsequent periods, when both revenue recognition criteria are met, or when the District has a legal claim to the resources, the liability for deferred inflows of resources is removed from the balance sheet and revenue is recognized. The District has several items that qualify for reporting in this category. The first set is related to deferred future pension expense related to the net pension liability. Deferred future pension income results from the difference in expected and actual experience, the amortization of prior year outflows, the difference in actual earnings vs projections, and changes in assumptions. The second set of deferred inflows arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item *unavailable revenue* is reported only in the governmental funds balance sheet. The General Fund reports unavailable revenues from one source: property taxes. This amount is deferred and recognized as an inflow of resources in the period that the amounts become available.

I. Capital Assets

Capital assets purchased or acquired are carried at historical cost or estimated historical cost. Contributed assets are recorded at fair market value as of the date donated. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on capital assets is calculated on the straight-line basis over the following estimated useful lives:

Vehicle and equipment	5 – 7 years

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF ACCOUNTING (Continued)

J. Contracts

Interlocal Cooperation Agreement
The District has entered into interlocal cooperation agreements with Calhoun County Groundwater Conservation District (CGCD), Refugio Groundwater Conservation District (RGCD), and Texana Groundwater Conservation District (TGCD) to provide office and field equipment incidental to the operation of CGCD, RGCD, and TGCD. CGCD, RGCD, and TGCD shall compensate the District for the services provided. The District earned total revenue of $122,600 from CGCD, $122,600 from RGCD, and $122,600 from TGCD in performance of these services during the fiscal year ended September 30, 2025. During the fiscal year ended September 30, 2024, the District entered into a series of interlocal agreements with CGCD, RGCD, and TGCD for services related to general management and administrative activities. These agreements cover a period of five years commencing on October 1, 2025 and expiring on September 30, 2029. The parties of these agreements may terminate the agreements at any time upon mutual agreement by the governing bodies of each party. Under this agreement CGCD, RGCD and TGCD are required to make payments to Victoria County Groundwater Conservation District for services provided in accordance with the following schedules.

Calhoun County Groundwater Conservation District

Regular and Routine Fees

Service Period	FYE 2026	FYE 2027	FYE 2028	FYE 2029
1st Quarter	$ 30,000	$ 31,500	$ 33,000	$ 34,700
2nd Quarter	30,000	31,500	33,000	34,700
3rd Quarter	30,000	31,500	33,000	34,700
4th Quarter	30,000	31,500	33,000	34,700
Total	$ 120,000	$ 126,000	$ 132,000	$ 138,800

Office And Equipment Fees

Service Period	FYE 2026	FYE 2027	FYE 2028	FYE 2029
1st Quarter	$ 2,150	$ 2,150	$ 2,150	$ 2,150
2nd Quarter	2,150	2,150	2,150	2,150
3rd Quarter	2,150	2,150	2,150	2,150
4th Quarter	2,150	2,150	2,150	2,150
Total	$ 8,600	$ 8,600	$ 8,600	$ 8,600

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF ACCOUNTING (Continued)

J. Contracts (Continued)

Refugio Groundwater Conservation District

Regular and Routine Fees

Service Period	FYE 2026	FYE 2027	FYE 2028	FYE 2029
1st Quarter	$ 30,000	$ 31,500	$ 33,000	$ 34,700
2nd Quarter	30,000	31,500	33,000	34,700
3rd Quarter	30,000	31,500	33,000	34,700
4th Quarter	30,000	31,500	33,000	34,700
Total	$ 120,000	$ 126,000	$ 132,000	$ 138,800

Office And Equipment Fees

Service Period	FYE 2026	FYE 2027	FYE 2028	FYE 2029
1st Quarter	$ 2,150	$ 2,150	$ 2,150	$ 2,150
2nd Quarter	2,150	2,150	2,150	2,150
3rd Quarter	2,150	2,150	2,150	2,150
4th Quarter	2,150	2,150	2,150	2,150
Total	$ 8,600	$ 8,600	$ 8,600	$ 8,600

Texana Groundwater Conservation District

Regular and Routine Fees

Service Period	FYE 2026	FYE 2027	FYE 2028	FYE 2029
1st Quarter	$ 30,000	$ 31,500	$ 33,000	$ 34,700
2nd Quarter	30,000	31,500	33,000	34,700
3rd Quarter	30,000	31,500	33,000	34,700
4th Quarter	30,000	31,500	33,000	34,700
Total	$ 120,000	$ 126,000	$ 132,000	$ 138,800

Office And Equipment Fees

Service Period	FYE 2026	FYE 2027	FYE 2028	FYE 2029
1st Quarter	$ 2,150	$ 2,150	$ 2,150	$ 2,150
2nd Quarter	2,150	2,150	2,150	2,150
3rd Quarter	2,150	2,150	2,150	2,150
4th Quarter	2,150	2,150	2,150	2,150
Total	$ 8,600	$ 8,600	$ 8,600	$ 8,600

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF ACCOUNTING (Concluded)

J. Contracts (Concluded)

Summary of All District Payments

Regular and Routine Fees

Service Period	FYE 2026	FYE 2027	FYE 2028	FYE 2029
1st Quarter	$ 90,000	$ 94,500	$ 99,000	$ 104,100
2nd Quarter	90,000	94,500	99,000	104,100
3rd Quarter	90,000	94,500	99,000	104,100
4th Quarter	90,000	94,500	99,000	104,100
Total	$ 360,000	$ 378,000	$ 396,000	$ 416,400

Office And Equipment Fees

Service Period	FYE 2026	FYE 2027	FYE 2028	FYE 2029
1st Quarter	$ 6,450	$ 6,450	$ 6,450	$ 6,450
2nd Quarter	6,450	6,450	6,450	6,450
3rd Quarter	6,450	6,450	6,450	6,450
4th Quarter	6,450	6,450	6,450	6,450
Total	$ 25,800	$ 25,800	$ 25,800	$ 25,800

Fees for regular and routine services for the period covering October 1, 2025 through September 30, 2026 in the amount of $120,000 and fees for office and field equipment services for the period covering October 1, 2025 through September 30, 2029 in the amount of $34,400 were prepaid by each of the Districts under these agreements at September 30, 2025. Victoria County Groundwater Conservation District recognized deferred revenues of $463,200 at September 30, 2025 associated with these prepayment amounts.

K. Pensions

For purposes of measuring the net pension asset (liability), deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, information about the Fiduciary Net Position of the Texas County and District Retirement System (TCDRS) and additions to/deductions from TCDRS's Fiduciary Net Position have been determined on the same basis as they are reported by TCDRS. For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

NOTE 2: THE FINANCIAL REPORTING ENTITY

Creation of District
Victoria County Groundwater Conservation District operates with a Board of Directors form of government. The District was created on June 17, 2005, under and subject to the authority, conditions, and restrictions of Section 59, Article XVI, Texas Constitution. It has the same boundaries as Victoria County, which covers an area of 889 square miles in the West Gulf Coast Plains of South Texas. The District's mission is to develop, promote, and implement water conservation, augmentation, and management strategies in order to protect water resources for the benefit of the citizens, economy, and environment of Victoria County, Texas.

NOTE 3: CASH DEPOSITS WITH FINANCIAL INSTITUTIONS

Custodial Credit Risk - Deposits
State statutes require that all deposits in financial institutions be fully collateralized by U.S. Government obligations or obligations of Texas and its agencies that have a market value of not less than the principal amount of the deposits. The District's deposits were fully collateralized at September 30, 2025. At year-end, the carrying amount of the District's deposits was $5,506,636 and the respective bank balance totaled $5,522,129. Of the total bank balance, $500,000 was covered by Federal Depository Insurance ($250,000 for demand deposits and $250,000 for time deposits). The remaining $5,022,129 was covered by additional securities pledged to the District at September 30, 2025. The fair market value of the pledged securities at year end was $5,379,540.

Investments
In accordance with the Texas Government Code, Subtitle F, Chapter 2256, Subchapter A, Authorized Investments for Governmental Entities, the District can invest in the following, subject to requirements within the Code:

1. Obligations of, or guaranteed by Governmental Entities
2. Certificates of Deposit and share certificates
3. Repurchase agreements
4. Securities Lending Programs
5. Banker's Acceptance
6. Commercial Paper
7. Mutual Funds
8. Guaranteed Investment Contracts
9. Investment pools

NOTE 3: CASH DEPOSITS WITH FINANCIAL INSTITUTIONS (Concluded)

The District categorizes its fair value measurements for its investments within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs 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 significant other observable inputs; Level 3 inputs are significant unobservable inputs.

As of September 30, 2025 the District had no investments.

Other Investment Risk
As the District does not have investments, it is not exposed to Credit Risk, Concentration of Credit Risk, or Interest Rate Risk.

NOTE 4: TAXES RECEIVABLE

	Amount
Taxes receivable	$ 60,501
Allowance for uncollectible taxes	(2,067)
Taxes receivable, net	$ 58,434

An allowance for uncollectible property taxes has been established using 1% of current uncollected property taxes and 10% of delinquent uncollected property taxes or $2,067 at year end.

NOTE 5: CHANGES IN CAPITAL ASSETS

During the fiscal year ended September 30, 2025, the three groundwater districts that Victoria County Groundwater Conservation District provides support services to (Calhoun County Groundwater Conservation District, Refugio Groundwater Conservation District, and Texana Groundwater Conservation District) made the decision to transfer their remaining fixed assets to Victoria County Groundwater Conservation District at September 30, 2025. Victoria County Groundwater Conservation District did not issue any proceeds to the contributing districts for this transfer. Victoria County Groundwater Conservation District recognized $22,204 in Contributions from Outside Sources and Capital Outlay of $22,204 associated with this transaction. This value is equal to the net book value of the contributed assets at September 30, 2025. Victoria County Groundwater Conservation District also purchased an additional $26,607 in fixed assets for a total capital outlay balance at September 30, 2025 of $48,811. The following schedules show current year fixed asset activity for the year, with a breakdown of the cost basis and accumulated depreciation expense to date for the assets received from the other groundwater conservation districts.

	Primary Government			
	Balance 10/1/2024	Additions	Retirements	Balance 9/30/2025
Governmental activities:				
Capital assets:				
Office remodel	$ 13,000	$ -	$ 13,000	$ -
Vehicle and equipment	127,036	98,121	18,293	206,864
Total capital assets at historical cost	140,036	98,121	31,293	206,864
Less accumulated depreciation for:				
Office remodel	11,050	1,300	12,350	-
Vehicle and equipment	98,810	63,612	18,293	144,129
Total accumulated depreciation	109,860	64,912	30,643	144,129
Governmental activities capital assets, net	$ 30,176	$ 33,209	$ 650	$ 62,735

Depreciation expense was charged to primary government in the amount of $15,602.

During the year ended September 30, 2025, the District acquired capital assets through purchase and transfer as follows:

	Cost Basis	Accumulated Depreciation	Net Book Value
Purchases			
Victoria County Groundwater Conservation District	$ 26,607	$ 15,602	$ 11,005
Total purchases	26,607	15,602	11,005
Transfers			
Calhoun County Groundwater Conservation District	24,964	17,219	7,745
Refugio Groundwater Conservation District	15,889	9,205	6,684
Texana Groundwater Conservation District	30,661	22,886	7,775
Total transfers	71,514	49,310	22,204
Total additions	$ 98,121	$ 64,912	$ 33,209

NOTE 6: LEASE AGREEMENTS

Lease agreements are summarized as follows:

Description	Date	Payment Terms	Payment Amount	Interest Rate	Total Lease Liability	Balance Year Ending September 30, 2025
Governmental-type activities						
Victoria County, Texas Office space	10/1/2021	4 years	$ 18,096	3.25%	$ 67,974	$ -
American West Mortgage Office space	6/1/2025	64 months	$ 3,655	7.50%	$ 193,497	$ 182,391

The District entered into a lease agreement with Victoria County, Texas on December 1, 2020, to lease 1,305 square feet of office space at 2805 N. Navarro St, Suite 210, Victoria, TX. Payments are due monthly at a rate of $3,655 ($18,096 annually) through September 30, 2025. The Lessor has the ability to increase this payment amount from year to year based on increased maintenance, repair, cleanup, and utility expenses, provided the increase shall not be more than five percent in any lease year. During the fiscal year ended September 30, 2022, GASB 87 was implemented, and an appropriate lease asset and liability was recognized as of October 1, 2021, based on the remaining term of the lease agreement as of that date. The lease term concluded on September 30, 2025, and was not renewed for future periods.

The District entered into a lease agreement with American West Mortgage Services, LLC on June 1, 2025, to lease 2,658 square feet of office space at 1501 E. Mockingbird Lane Suites 103, 104, and 108. Payments are due monthly at a rate of $3,655 ($43,857 annually) through September 30, 2030.

Annual requirements to amortize long-term obligation and related interest are as follows:

Year Ending September 30,	Governmental Activities Principal	Governmental Activities Interest
2026	$ 31,237	$ 12,620
2027	33,662	10,195
2028	36,275	7,582
2029	39,091	4,766
2030	42,126	1,731
Total	$ 182,391	$ 36,894

NOTE 6: LEASE AGREEMENTS (Concluded)

Lease assets and related accumulated depreciation under the lease are as follows:

	Governmental Activities
Lease asset	$ 193,497
Less: accumulated depreciation	(10,660)
Net value	$ 182,837

NOTE 7: RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets, errors and omissions, injuries to employees and natural disasters. During the year ended September 30, 2025, the District purchased commercial insurance to cover these risks.

Hurricanes can cause flooding, particularly in coastal areas such as the area where the District is located. Hurricanes can also cause windstorm and other damage, and hurricane induced flooding can submerge roadways connecting coastal areas with inland areas, thus preventing the evacuation of people and/or property. If a hurricane (or other natural disaster) destroyed all or part of the area in which the District operates, the assessed value of property within the District could be substantially reduced, with a corresponding decrease in tax revenues or increase in the tax rate. Further, there can be no assurance that a casualty loss will be covered by insurance (certain casualties, including flood, are usually excluded unless specific insurance is purchased), that any insurance company will fulfill its obligation to provide insurance proceeds or that insurance proceeds will be used to rebuild or repair damaged District property. Even if insurance proceeds are available and the District does repair/rebuild damaged assets, there could be a lengthy period in which assessed values within the District could be adversely affected. The Gulf Coast region in which the District is located is subject to occasional destructive weather. There can be no assurance that the District will not endure damage from future meteorological events.

The District operates in a regulated industry. As a result, various lawsuits, claims, and legal and regulatory proceedings can be instituted or asserted against the District.

NOTE 8: PENSION PLAN

A. Plan Description

The District participates in the Texas County & District Retirement System (TCDRS), which is a statewide, agent multiple-employer, public employee retirement system. All full and part time non-temporary employees participate in the plan, regardless of the number of hours they work in a year. Employees in a temporary position are not eligible for membership. The plan provides retirement, disability , and survivor benefits. TCDRS is a savings-based plan. For the District's plan, 7% of each employee's pay is deposited into his or her TCDRS account. By law, employee accounts earn 7% interest on beginning of year balances annually. At retirement, the account is matched at an employer set percentage (current match is 200%) and is then converted to an annuity. There are no automatic cost of living adjustments (COLAs). Each year, the District may elect an ad hoc COLA for its retirees (if any). There are two COLA types, each limited by actual inflation. Benefit terms are established under the TCDRS Act. They may be amended as of January 1 each year but must remain in conformity with the Act. The District's contribution rate is calculated annually on an actuarial basis, although the employer may elect to contribute at a higher rate. The District's contribution rate is based on the TCDRS funding policy adopted by the TCDRS Board of Trustees and must conform with the TCDRS Act. The employee contribution rates are set by the District and are currently 7%. The most recent annual comprehensive financial report (ACFR) for TCDRS can be found at the following link, www.tcdrs.org.

B. Benefits Provided

The District provides retirement benefits to its employees. The plan provisions are adopted by the Board of Directors, within the options available in the state statutes governing TCDRS (TCDRS Act). Employees can retire regardless of age with 20 years of service. The "Rule of 80" will determine retirement eligibility. Members are vested after 5 years but must leave their accumulated contributions in the plan to receive any employer-financed benefit. Members who withdraw their personal contributions in a lump-sum are not entitled to any amounts contributed by their employer.

Benefit amounts are determined by the sum of the employee's contributions to the plan, with interest, and employer-financed monetary credits. The level of these monetary credits is adopted by the Board of Directors within the constraints imposed by the TCDRS Act so that the resulting benefits can be expected to be adequately financed by the employer's commitment to contribute. At retirement, the benefit is calculated by converting the sum of the employee's accumulated contribution and the employer-financed monetary credits to a monthly annuity using annuity purchase rates prescribed by the TCDRS Act.

NOTE 8: PENSION PLAN (Continued)

B. Benefits Provided (Concluded)

Plan Provisions for the District were as follows:

	Plan Year 2024	Plan Year 2025
Employee deposit rate	7.0%	7.0%
Matching ratio (District to employee)	2 to 1	2 to 1
Years required for vesting	5	5
Service retirement eligibility (expressed as age/years of service)	80/5, 0/20	80/5, 0/20
Updated service credit	0%	0%

Employees covered by benefit terms
At the December 31, 2024 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	2
Inactive employees entitled to but not yet receiving benefits	0
Active employees	5
Totals	7

C. Contributions

The contribution rate for employees in TCDRS is either 4%, 5%, 6%, or 7% of compensation, as adopted by the employer's governing body. Participating employers are required to contribute at actuarially determined rates to ensure adequate funding for each employer's plan. Employer contribution rates are determined annually and approved by the TCDRS Board of Trustees. Investment income funds are a large part of the benefits employees earn.

During the fiscal year ended September 30, 2025, employees of the District were required to contribute 7% of their annual gross earnings. The contribution rates for the District were 14.00% in the calendar year 2024 and 2025. The District's contributions to TCDRS for the year ended September 30, 2025 were $57,280.

NOTE 8: PENSION PLAN (Continued)

D. Net Pension Liability/(Asset)

The District's Net Pension Asset (NPA) was measured as of December 31, 2024 and the Total Pension Liability (TPL) used to calculate the Net Pension Asset was determined by an actuarial valuation as of that date.

Actuarial assumptions:
The Total Pension Liability in the December 31, 2024 actuarial valuation was determined using the following actuarial assumptions:

Inflation:	2.50% per year
Overall payroll growth:	Varies by age & service. 4.7% average over career including inflation
Investment Rate of Return	7.50%, net of administrative and investment expense, including inflation

The annual salary increase rates assumed for individual members vary by length of service and by entry-age group. The annual rates consist of a general wage inflation component of 3.00% (made up of 2.50% inflation and 0.5% productivity increase assumptions) and a merit, promotion, and longevity component that on average approximate 1.7% per year for a career employee.

Mortality rates for depositing members are based on 135% of Pub-2010 General Employees Amount-Weighted Mortality Table for males and 120% Pub-2010 General Employee Amount-Weighted Mortality Table for females, both projected with 100% of the MP-2021 Ultimate scale after 2010. Mortality rates for service retirees, beneficiaries and non-depositing members are based on 135% of Pub-2010 General Retirees Amount-Weighted Mortality Table for males and 120% Pub-2010 General Retirees Amount-Weighted Mortality Table for females, both projected with 100% of the MP-2021 scale after 2010. The Mortality rates for disabled retirees is based on 160% of Pub-2010 General Disabled Retirees Amount-Weighted Mortality Table for males and 125% Pub-2010 General Disabled Retirees Amount-Weighted Mortality Table for females, both projected with 100% of the MP-2021 Ultimate scale after 2010.

The actuarial assumptions that determined the total pension liability as of December 31, 2024 were based on the results of an actuarial experience study from the years 2017 through 2020 except where required to be different by GASB 68.

The long-term expected rate of return on pension plan investments is 7.60%. This rate reflects the long-term rate of return funding valuation assumption of 7.50% plus 0.10% adjustment to be gross of administrative expenses as required by GASB 68. The long-term expected rate of return on TCDRS assets is determined by adding expected inflation to expected long-term real returns and reflecting expected volatility and correlation. The valuation assumption for long-term expected return is re-assessed at a minimum of every four years and is set based on a long-term time horizon. The TCDRS Board of trustees adopted the current assumption at their March 2021 meeting. The assumption for the long-term expected return is reviewed annually for continued compliance with the relevant actuarial standards of practice. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the table below. These capital market assumptions are based on January 2023 information for a 10-year time horizon.

NOTE 8: PENSION PLAN (Continued)

D. Net Pension Liability/(Asset) (Continued)

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
US Equities	13.00%	5.35%
Private Equity	25.00%	8.15%
Global Equities	4.00%	5.15%
International Equities - Developed	6.00%	4.75%
International Equities - Emerging	0.00%	4.75%
Investment-Grade Bonds	3.00%	2.55%
Strategic Credit	9.00%	3.70%
Direct Lending	16.00%	6.85%
Distressed Debt	4.00%	6.80%
REIT Equities	2.00%	3.95%
Master Limited Partnerships (MLPs)	2.00%	4.95%
Commodities	2.00%	1.00%
Private Real Estate Partnerships	6.00%	5.75%
Hedge Funds	6.00%	3.60%
Cash Equivalents	2.00%	1.10%
Totals	100.00%	

Discount Rate

The discount rate used to measure the Total Pension Liability was 7.60%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Asset/Liability.

NOTE 8: PENSION PLAN (Continued)

D. Net Pension Liability/(Asset) (Concluded)

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability / (Asset) (a) - (b)
Balance at December 31, 2023	$ 535,651	$ 521,459	$ 14,192
Changes for the year:			
Service cost	46,369	-	46,369
Interest on total pension liability	43,322	-	43,322
Effect of plan changes	-	-	-
Effect of economic/demographic gains or losses	(13,877)	-	(13,877)
Effect of assumptions changes or inputs	-	-	-
Refund of contributions	(12,437)	(12,437)	-
Benefit payments	(12,002)	(12,002)	-
Administrative expenses	-	(340)	340
Member contributions	-	23,536	(23,536)
Net investment income	-	54,133	(54,133)
Employer contributions	-	47,108	(47,108)
Other	-	2,697	(2,697)
Net changes	51,375	102,695	(51,320)
Balance at December 31, 2024	**$ 587,026**	**$ 624,154**	**$ (37,128)**

Sensitivity of the Net Pension Liability/(Asset) to Changes in the Discount Rate
The following presents the net pension liability/(asset) of the District, calculated using the discount rate of 7.60%, as well as what Victoria County Groundwater Conservation District net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.60%) or one percentage point higher (8.60%) than the current rate.

	1% Decrease in Discount Rate (6.60%)	Discount Rate (7.60%)	1% Increase in Discount Rate (8.60%)
Total pension liability	$ 669,385	$ 587,026	$ 517,665
Fiduciary net position	624,154	624,154	624,154
Net pension liability/(asset)	$ 45,231	$ (37,128)	$ (106,489)

Pension Plan Fiduciary Net Position
Detailed information about the pension plan's Fiduciary Net Position is available in a separately issued TCDRS financial report. That report may be obtained on the Internet at www.tcdrs.org.

NOTE 8: PENSION PLAN (Continued)

E. Pension Expense, Deferred Outflow of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended September 30, 2025, the District recognized pension expense/(income) of ($14,493).

At September 30, 2025, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Inflows of Resources	Deferred Outflows of Resources
Differences between expected and actual experience	$ 44,135	$ 9,225
Changes in assumptions	155	11,805
Net difference between projected and actual earnings	3,320	-
Contributions made subsequent to measurement date	-	42,455
Total	$ 47,610	$ 63,485

Deferred outflows of resources of $42,455 related to pension resulting from contributions subsequent to the measurement date will be recognized as an addition of the net pension asset for the year ending September 30, 2025. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31,		Net Deferred Outflows (Inflows) of Resources
2025		$ (6,107)
2026		3,826
2027		(7,683)
2028		(5,298)
2029		(2,818)
Thereafter		(8,500)
Total		$ (26,580)

NOTE 8: PENSION PLAN (Concluded)

F. Group Term Life Fund (GTLF)

The District also participates in the cost sharing multiple-employer defined benefit group-term life insurance plan operated by the Texas County and District Retirement System (TCDRS) known as the Group Term Life Fund (GTLF). This optional plan provides group term life insurance coverage to current eligible employees and, if elected by employers, to retired employees. The District has elected not to extend this benefit to retired employees.

The GTLF is a separate trust administered by the TCDRS Board of Trustees. TCDRS issues a publicly available ACFR that includes financial statements and required supplementary information for the GTLF. This report may be obtained by writing to TCDRS, P.O. Box 2034, Austin, TX 78768-2034, or by calling 800-823-7782. TCDRS's ACFR is also available at www.tcdrs.org.

Funding Policy
Each participating employer contributes to the GTLF at a contractually required rate. An annual actuarial valuation is performed and the contractual rate is determined using the unit credit method for providing one-year term life insurance. The District contributions to the GTLF for the years ended September 30, 2025, 2024, and 2023 were $472, $490, and $559, respectively, which equaled the contractually required contributions each year.

NOTE 9: FUND BALANCE

The Government committed the following fund balance types through formal action.

The Government does not have a formal minimum fund balance policy.

A schedule of fund balance is provided below:

	General Fund	Total Governmental Funds
FUND BALANCE		
Nonspendable:		
Prepaids	$ 7,712	$ 7,712
Committed:		
Legal contingencies	1,072,750	1,072,750
Groundwater conservation	214,550	214,550
Groundwater monitoring	1,072,750	1,072,750
Groundwater research	214,550	214,550
Groundwater management	429,100	429,100
Groundwater protections	1,072,750	1,072,750
Groundwater planning	214,550	214,550
Unassigned	652,073	652,073
Total fund balance	$ 4,950,785	$ 4,950,785

NOTE 10: GROUNDWATER MANAGEMENT AREA 15 INTERLOCAL AGREEMENT

During the fiscal year ended September 30, 2024, the District along with twelve other groundwater districts which make up Groundwater Management Area 15 (GMA15), initiated a new interlocal agreement project to divide the cost of groundwater studies performed on behalf of GMA15. Victoria County Groundwater Conservation District manages the contributed funds for this project and is responsible for making payments out of the contributed funds for work performed on this groundwater study project. This activity is managed through a fiduciary fund of Victoria County Groundwater Conservation District. During the fiscal year ended September 30, 2024, participating Districts contributed a total of $90,250 to this project including Victoria County Groundwater Conservation District's own participating share of $9,500. At the completion of this project any contributed funds that have not been expended will be remitted to the participating District based on their pro-rata share of the funds that each District contributed to the project. During the fiscal year ended September 30, 2025, administrative expenses of $30,496 were incurred on this project. Victoria County Groundwater Conservation District's portion of the unexpended project funds from the GMA15 is $6,350.

NOTE 11: SUBSEQUENT EVENTS

No material subsequent events were noted for the fiscal year ended September 30, 2025.

In preparing these financial statements, events and transactions have been evaluated for potential recognition or disclosure through July 24, 2026, the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

VICTORIA COUNTY GROUNDWATER CONSERVATION DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
For the Year Ended September 30, 2025

	Original and Final Budget	Actual	Variance Positive (Negative)
Revenues			
Property taxes	$ 754,226	$ 757,942	$ 3,716
Interest income	600	150,633	150,033
District support fees	361,500	367,800	6,300
District cost sharing	-	170,490	170,490
Miscellaneous income	-	17,035	17,035
Total revenues	1,116,326	1,463,900	347,574
Expenditures/expenses			
Service operations:			
Personnel	645,214	521,006	124,208
Professional fees	256,900	101,917	154,983
Contracted services	64,000	64,584	(584)
Utilities/telecommunications	23,800	29,190	(5,390)
Administrative	29,700	28,156	1,544
Sponsorships and cost-sharing	38,000	3,122	34,878
Repair and maintenance	9,500	829	8,671
Principal payments - lease	42,500	28,887	13,613
Interest expense - lease	-	3,828	(3,828)
Capital outlay	35,000	48,811	(13,811)
Total expenditures/expenses	1,144,614	830,330	314,284
Excess (deficiency) of revenues over expenditures/expenses	$ (28,288)	$ 633,570	$ 661,858

VICTORIA COUNTY GROUNDWATER CONSERVATION DISTRICT
NOTE TO REQUIRED SUPPPLEMENTARY INFORMATION
For the Year Ended September 30, 2025

NOTE 1: BUDGET

The budget for the Governmental Fund adopted during the year by the District was prepared using the modified accrual basis of accounting in accordance with generally accepted accounting principles. The General Fund has a legally adopted budget. The District did not amend the General Fund budget during the fiscal year.

VICTORIA COUNTY GROUNDWATER CONSERVATION DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
TEXAS COUNTY AND DISTRICT RETIREMENT SYSTEM (TCDRS)
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS (unaudited)
For the Year Ended September 30, 2025

	Measurement Year									
	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Total pension liability										
Service cost	$ 14,780	$ 16,581	$ 17,038	$ 20,789	$ 21,416	$ 32,958	$ 40,438	$ 29,344	$ 50,733	$ 46,369
Interest on total pension liability	7,633	8,435	11,152	13,788	16,812	21,176	26,024	27,920	39,620	43,322
Effect of plan changes	(3,122)	-	-	1,459	-	-	-	80,475	-	-
Effect of economic/demographic gains or losses	(12,147)	(381)	1,079	670	4,108	1,469	(24,555)	6,895	(19,454)	(13,876)
Effect of assumptions changes or inputs	668	-	(474)	-	-	18,347	818	-	-	-
Refund of contributions	-	-	-	-	-	-	-	(7,271)	-	-
Benefit payments	-	-	-	-	-	-	(901)	(5,407)	(11,453)	(24,440)
Net change in total pension liability	7,812	24,635	28,795	36,706	42,336	73,950	41,824	131,956	59,446	51,375
Total pension liability - beginning	88,191	96,003	120,638	149,433	186,139	228,475	302,425	344,249	476,205	535,651
Total pension liability - ending (a)	$ 96,003	$ 120,638	$ 149,433	$ 186,139	$ 228,475	$ 302,425	$ 344,249	$ 476,205	$ 535,651	$ 587,026

VICTORIA COUNTY GROUNDWATER CONSERVATION DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
TEXAS COUNTY AND DISTRICT RETIREMENT SYSTEM (TCDRS)
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS (unaudited) (CONTINUED)
For the Year Ended September 30, 2025

	Measurement Year									
	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Plan fiduciary net position										
Refund of contributions	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ (7,271)	$ -	$ -
Benefit payments	-	-	-	-	-	-	(901)	(5,407)	(11,453)	(24,440)
Administrative expenses	(64)	(78)	(106)	(144)	(180)	(219)	(215)	(239)	(272)	(340)
Member contributions	8,003	8,495	9,220	11,021	13,039	17,912	13,886	17,393	21,626	23,536
Net investment income	(1,365)	7,172	18,168	(2,716)	29,501	24,526	69,067	(25,969)	45,426	54,133
Employer contributions	9,123	9,667	9,423	11,594	13,561	19,094	16,320	26,089	55,252	47,108
Other	(8)	1,577	249	689	944	1,118	913	4,670	3,439	2,697
Net change in plan fiduciary net position	15,689	26,833	36,954	20,444	56,865	62,431	99,070	9,266	114,018	102,694
Plan fiduciary net position - beginning	79,890	95,579	122,412	159,366	179,810	236,675	299,106	398,176	407,442	521,460
Plan fiduciary net position - ending (b)	$ 95,579	$ 122,412	$ 159,366	$ 179,810	$ 236,675	$ 299,106	$ 398,176	$ 407,442	$ 521,460	$ 624,154
Net pension liability(asset) - ending (a)-(b)	$ 424	$ (1,774)	$ (9,933)	$ 6,329	$ (8,200)	$ 3,319	$ (53,927)	$ 68,763	$ 14,191	$ (37,128)
Plan fiduciary net position as a percentage of total pension liability	99.56%	101.47%	106.65%	96.60%	103.59%	98.90%	115.67%	85.56%	97.35%	106.32%
Covered employee payroll	$ 160,048	$ 169,893	$ 184,404	$ 220,421	$ 260,784	$ 358,240	$ 277,719	$ 347,859	$ 308,944	$ 336,229
Net pension liability as a percentage of covered employee payroll	0.27%	-1.04%	-5.39%	2.87%	-3.14%	0.93%	-19.42%	19.77%	4.59%	-11.04%

VICTORIA COUNTY GROUNDWATER CONSERVATION DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
TEXAS COUNTY AND DISTRICT RETIREMENT SYSTEM (TCDRS)
SCHEDULE OF CONTRIBUTIONS (unaudited)
For the Year Ended September 30, 2025

	Fiscal Year									
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Actuarially determined contribution	$ 9,123	$ 9,667	$ 9,423	$ 11,594	$ 13,561	$ 19,094	$ 14,747	$ 23,202	$ 35,405	$ 36,212
Contributions in relation to the actuarially determined contribution	9,976	9,667	9,423	11,594	13,561	19,094	16,320	26,089	55,252	47,108
Contribution deficiency (excess)	$ (853)	$ -	$ -	$ -	$ -	$ -	$ (1,573)	$ (2,887)	$ (19,847)	$ (10,896)
Covered employee payroll	$ 168,023	$ 169,893	$ 184,404	$ 220,421	$ 260,784	$ 358,240	$ 277,719	$ 347,859	$ 308,944	$ 336,229
Contributions as a percentage of covered employee payroll	5.94%	5.69%	5.11%	5.26%	5.20%	5.33%	5.88%	7.50%	17.88%	14.01%

VICTORIA COUNTY GROUNDWATER CONSERVATION DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
TEXAS COUNTY AND DISTRICT RETIREMENT SYSTEM (TCDRS)
NOTES TO SCHEDULE OF CONTRIBUTIONS (unaudited)
For the Year Ended September 30, 2025

Valuation timing:	Actuarially determined contributions rates are calculated as of December 31, two years prior to the end of the fiscal year in which the contributions are reported.
Methods and Assumptions Used to Determine Contribution Rates:	
Actuarial Cost Method	Entry Age (level percentage of pay)
Amortization Method	Level percentage of payroll, closed
Remaining Amortization Period	0.0 years (based on contribution rate calculated in 12/31/2024 valuation)
Asset Valuation Method	5- year smoothed market
Inflation	2.50%
Salary Increases	Varies by age and service. 4.7% average over career including inflation
Investment Rate of Return	7.50%, net of administrative and investment expenses, including inflation
Retirement Age	Members who are eligible for service retirement are assumed to commence receiving benefit payments based on age. The average age at service retirement for recent retirees is 61.
Turnover	0%
Mortality	
Depositing members	135% of Pub-2010 General Employees Amount-Weighted Mortality Table for males and 120% Pub-2010 General Employees Amount-Weighted Mortality Table for females, both projected with 100% of the MP-2021 Ultimate scale after 2010.
Service retiree, beneficiaries and non-depositing members	135% of Pub-2010 General Retirees Amount-Weighted Mortality Table for males and 120% Pub-2010 General Retirees Amount-Weighted Mortality Table for females, both projected with 100% of the MP-2021 Ultimate scale after 2010.
Disabled retirees	160% of Pub-2010 General Disabled Retirees Amount-Weighted Mortality Table for males and 125% Pub-2010 General Disabled Retirees Amount-Weighted Mortality Table for females, both projected with 100% of the MP-2021 Ultimate scale after 2010.
Other Information:	
Notes	There were no benefit changes during the year.

SUPPLEMENTARY INFORMATION

Goldman, Hunt & Notz, L.L.P.

Certified Public Accountants

DONALD G. GOLDMAN, CPA
D. DALE HUNT, CPA
JAMIE K. NOTZ, CPA, CVA*

*CERTIFIED VALUATION ANALYST

MEMBERS OF:
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

TEXAS SOCIETY OF
CERTIFIED PUBLIC ACCOUNTANTS

KEITH H. COX, CPA, CISA'
STEPHANIE S. KOCH, CPA

'CERTIFIED INFORMATION SYSTEMS AUDITOR

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors
Victoria County Groundwater Conservation District
Victoria, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of Victoria County Groundwater 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 and have issued our report thereon dated July 24, 2026.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified certain deficiencies in internal control that we consider to be significant deficiencies.

TELEPHONE (361) 573-2471
FACSIMILE (361) 575-0444

5606 NORTH NAVARRO STREET, SUITE 309
VICTORIA, TEXAS 77904-1770

EMAIL: ghn@tisd.net

Lack of Controls over Annual Financial Reporting

We have drafted the annual financial statements and related note disclosures of the District at the District's request. This was done because, due to its limited resources, the District's internal personnel did not possess all of the skills and competencies necessary to prepare its own annual financial statements in accordance with the highly technical pronouncements and requirements of generally accepted accounting principles. However, we cannot be considered part of the District's internal controls – specifically, we cannot be a part of the financial reporting internal control that addresses the preparation of accurate annual financial statements and related note disclosures. Consequently, the inability of the District to prepare its own financial statements and related note disclosures is considered to be a control deficiency. The fact that we prepare the financial statements may give users more confidence that the financial statements are correct; however, it does not eliminate the control deficiency.

To remedy the control deficiency related to the preparation of the annual financial statements, the District would need to ensure that sufficient personnel are in place and that they have the appropriate knowledge and tools (i.e., current accounting literature, current disclosure checklist, etc.) to be an effective element of the internal control process over financial reporting. We understand that it is not feasible because of the District's size and limited resources. Management may make a conscious decision to accept the degree of risk in this control deficiency because of cost or other considerations.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

Victoria County Groundwater Conservation District's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the District's response to the findings identified in our audit and described below. The District's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Victoria County Groundwater Conservation District's Response to Identified Significant Deficiencies

While the District does not prepare our own financial statements, the District prepares internal financial reports and investment reports, represented on a cash-basis, that accurately represent the account balances, financial transactions, and budget performance information throughout the fiscal year. However, due to limited resources, it is not feasible for Victoria County Groundwater Conservation District to employ qualified personnel who possess the competencies and skills to prepare our own financial statements.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Goldman, Hunt & Notz, LLP

Goldman, Hunt & Notz, L.L.P.

July 24, 2026