HOUSTON COUNTY APPRAISAL DISTRICT

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED DECEMBER 31, 2025

Davis, Heinemann & Company, P.C.
Certified Public Accountants
1300 11th Street Suite 500
Huntsville, Texas 77340
(936) 291-3020

Introductory Section

This page has been left blank intentionally.

Houston County Appraisal District
Annual Financial Report
For The Year Ended December 31, 2025

TABLE OF CONTENTS

	Page	Exhibit
FINANCIAL SECTION		
Independent Auditor's Report	1	
Management's Discussion and Analysis (Required Supplementary Information)	3	
Basic Financial Statements		
Government-wide Financial Statements:		
Statement of Net Position	8	A-1
Statement of Activities	9	A-2
Fund Financial Statements:		
Balance Sheet - Governmental Funds	10	A-3
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	11	A-4
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	12	A-5
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	13	A-6
Statement of Fiduciary Net Position - Fiduciary Funds	14	A-7
Statement of Changes in Fiduciary Net Position - Fiduciary Funds	15	A-8
Notes to the Financial Statements	16	
Required Supplementary Information		
Budgetary Comparison Schedules:		
General Fund	31	B-1
Schedule of Changes in the District's Net Pension Liability And Related Ratios - Texas County and District Retirement System	33	B-2
Schedule of District's Contributions - Texas County and District Retirement System	35	B-3
Notes to Required Supplementary Information	37	

This page is left blank intentionally.

Financial Section

This page has been left blank intentionally.

DAVIS, HEINEMANN & COMPANY, P.C.
CERTIFIED PUBLIC ACCOUNTANTS
1300 11TH STREET, SUITE 500
P.O. BOX 6308
HUNTSVILLE, TEXAS 77342
PHONE (936) 291-3020
FAX (936) 291-9607

Independent Auditor's Report

To the Board of Directors
Houston County Appraisal District
P.O. Drawer 112
Crockett, Texas 75835

Opinions

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Houston County Appraisal District ("the District"), as of and for the year ended December 31, 2025, and the related notes to the financial statements, which collectively comprise the Houston County Appraisal District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Houston County Appraisal 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 Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Houston County Appraisal 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 Houston County Appraisal District's ability to continue as a going concern for twelve months beyond the financial statement issuance date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is

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

In performing an audit in accordance with GAAS, we:

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, and budgetary comparison information and schedule of the District's proportionate share of the net pension liability and schedule of District pension contributions, 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.

Respectfully submitted,

Davis, Heinemann + Co.

Davis, Heinemann & Company, P.C.

Huntsville, Texas
September 21, 2026

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of Houston County Appraisal District's annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year ended December 31, 2025. Please read it in conjunction with the District's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The District's total combined net position was $557,003 at December 31, 2025.
- During the year, the District's expenses were $163,689 less than the $1,385,361 generated by charges for services and other revenues for governmental activities.
- The total cost of the District's programs was $1,221,672. This is an increase of $79,485 over the previous year.
- The general fund reported a fund balance this year of $326,343.

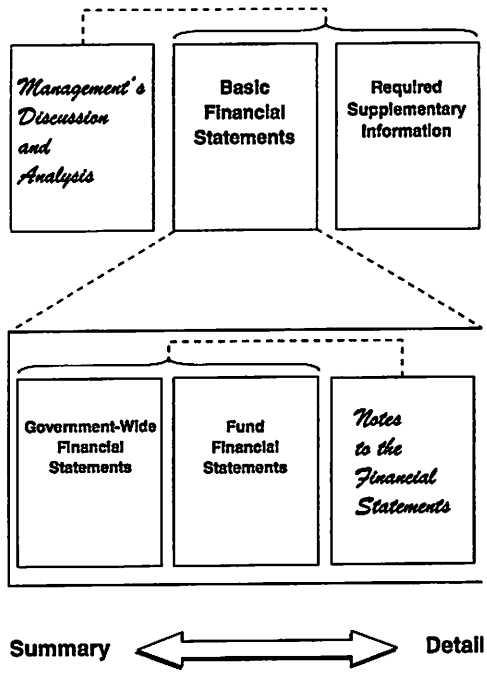
OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts—*management's discussion and analysis* (this section), the *basic financial statements, and required supplementary information.* The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are *government-wide financial statements* that provide both *long-term* and *short-term* information about the District's overall financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the government, reporting the District's operations in more detail than the government-wide statements.
- *The governmental funds* statements tell how *general government* services were financed in the *short-term* as well as what remains for future spending.
- *Fiduciary fund* statements provide information about the financial relationships in which the District acts solely as a *trustee or agent* for the benefit of others, to whom the resources in question belong.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. Figure A-1 shows how the required parts of this annual report are arranged and related to one another.

Figure A-1, Required Components of the District's Annual Financial Report



Government-wide Statements

The government-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the District's net position and how it has changed. Net position—the difference between the District's assets and liabilities—is one way to measure the District's financial health or *position.*

- Over time, increases or decreases in the District's net position are an indicator of whether its financial health is improving or deteriorating, respectively.

- To assess the overall health of the District, one needs to consider additional nonfinancial factors such as changes in state legislation.

The government-wide financial statements of the District include the *Governmental activities.* All of the District's basic services are included here. Charges for services paid by participating jurisdictions and other revenues finance these activities.

Fund Financial Statements

The fund financial statements provide more detailed information about the District. Funds are accounting devices that the District uses to keep track of specific sources of funding and spending for particular purposes.

- Some funds are required by state law and when applicable by bond covenants.

- The Board of Directors establishes other funds to control and manage money for particular purposes or to show that it is properly using certain taxes and grants.

The District has the following kinds of funds:

- *Governmental funds*—Most of the District's basic services are included in governmental funds, which focus on (1) how *cash and other financial assets* that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed *short-term* view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statement, or on the subsequent page, that explain the relationship (or differences) between them.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net Position - The District's combined net position was $557,003 at December 31, 2025. (See Table A-1)

Table A-1
Houston County Appraisal District's Net Position
(In thousands of dollars)

	Governmental Activities 2025	Governmental Activities 2024	Change 2025-2024
Current Assets:			
Cash and Cash Equivalents	$ 555.3	$ 391.9	$ 163.4
Prepaid Items	6.4	23.5	(17.1)
Investments	133.6	128.4	5.2
Total Current Assets	695.3	543.8	151.5
Noncurrent Assets:			
Net Pension Asset	164.6	52.0	112.6
Capital Assets	565.2	505.2	60.0
Less Accumulated Depreciation	(342.5)	(198.0)	(144.5)
Total Noncurrent Assets	387.3	359.2	28.1
Total Assets	1,082.6	903.0	179.6
Deferred Outflows of Resources:			
Deferred Outflows - Pension	76.9	112.2	(35.3)
Total Deferred Outflows of Resources	76.9	112.2	(35.3)
Current Liabilities:			
Unearned Revenue	368.9	340.2	28.7
Due to Other Governments	0.1	3.1	(3.0)
Total Current Liabilities	369.0	343.3	25.7
Other Liabilities:			
Compensated Absences Payable	9.3	7.4	1.9
Lease Liability	43.0	8.2	34.8
SBITA Payable	154.4	239.8	(85.4)
Total Noncurrent Liabilities	206.7	255.4	(48.7)
Total Liabilities	575.7	598.7	(23.0)
Deferred Inflows of Resources:			
Deferred Inflows - Pension	26.8	23.2	3.6
Total Deferred Inflows of Resources	26.8	23.2	3.6
Net Position:			
Invested in Capital Assets	25.3	59.1	(33.8)
Unrestricted	531.7	334.2	197.5
Total Net Position	$ 557.0	$ 393.3	$ 163.7

Changes in Net Position - The District's total revenues were $1,385,361. A significant portion, over ninety-eight (98) percent, of the District's revenue comes from charges for services from participating jurisdictions, while less than one (1) percent comes from investment income and one (1) percent comes from other income.

The total cost of all programs and services was $1,221,672. Eighty-seven (87) percent of these costs are for appraisal services while the twelve (12) percent is for collections services and the remaining one (1) percent is for interest on long-term liabilities. (See Table A-2).

Governmental Activities

Table A-2
Changes in Houston County Appraisal District's Net Position
(In thousands of dollars)

	Governmental Activities 2025	Governmental Activities 2024	Change 2025-2024
Program Revenues:			
Charges for Appraisal Services	$ 1,108.9	$ 965.1	$ 143.8
Charges for Collections Services	251.9	232.5	19.4
General Revenues			
Investment Income	10.1	4.7	5.4
Other Income	14.5	3.3	11.2
Total Revenues	1,385.4	1,205.6	179.8
Program Expenses:			
Appraisal	1,028.2	849.2	179.0
Collections	177.4	226.1	(48.7)
Interest on Long-Term Debt	16.1	2.6	13.5
Total Expenses	1,221.7	1,077.9	143.8
Change in Net Position	163.7	127.7	36.0
Beginning Net Position	393.3	265.6	127.7
Ending Net Position	$ 557.0	$ 393.3	$ 163.7

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

General Fund Budgetary Highlights

The District did not revise its budget during the year . Actual expenditures were $38,105 less than final appropriations. The primary reason related to lower salaries and benefits than what was budgeted due to all positions not being filled for the full year.

In addition, resources available were $24,601 more than the final budgeted amount due to not budgeting for revenues other than appraisal and collection services.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2025, the District had invested $565,149 in a broad range of capital assets, including land, buildings, and furniture and fixtures (See Table A-3).

Table A-3
Capital Assets
(In thousands of dollars)

	Governmental Activities 2025	Governmental Activities 2024	Change 2025-2024
Leasehold Improvements	$ 3.6	$ 3.6	$ -
Furniture and Equipment	38.1	52.1	(14.0)
Right-to-use Leased Assets	82.5	8.5	74.0
SBITA Assets	441.0	441.0	-
Totals at Historical Cost	565.2	505.2	60.0
Total Accumulated Depreciation	(342.5)	(198.0)	(144.5)
Net Capital Assets	$ 222.7	$ 307.2	$ (84.5)

Long-Term Debt

At year-end the District had $206,747 in outstanding debt as shown in Table A-4. More detailed information about the District's debt is presented in the notes to the financial statements.

Table A-4
Long-Term Debt
(In thousands of dollars)

	Governmental Activities 2025	Governmental Activities 2024	Change 2025-2024
Lease Liability	$ 43.0	$ 8.2	$ 34.8
SBITA Payable	154.4	239.8	(85.4)
Compensated Absences	9.3	7.4	1.9
Total Long-term Debt	$ 206.7	$ 255.4	$ (48.7)

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

- Revenue generated by appraisal fees from the jurisdictions is expected to increase by $88,778 or seven (8) percent compared to the prior year's budgeted revenues. Revenue generated by collections fees from the jurisdictions is expected to increase by $25,956 or ten (10) percent compared to the prior year's budgeted revenues.
- Total expenditures are projected to increase $80,025 for appraisal services, or eight (8) percent. The increase is due to projected higher salaries and employee benefit expenditures and rent expense. Total expenditures are projected to increase $25,956 for collections services, or ten (10) percent. The increase is due to projected higher rent expense.
- The District's fund balance is projected to remain the same in fiscal year 2026.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

This page has been left blank intentionally.

Basic Financial Statements

This page has been left blank intentionally.

EXHIBIT A-1

HOUSTON COUNTY APPRAISAL DISTRICT
STATEMENT OF NET POSITION
DECEMBER 31, 2025

	Governmental Activities
ASSETS:	
Cash and Cash Equivalents	$ 555,299
Investments	133,635
Prepaid Items	6,373
Net Pension Asset	164,601
Right-to-Use Lease Assets (net of accumulated depreciation)	43,377
SBITA Assets (net of accumulated amortization)	175,580
Capital Assets (net of accumulated depreciation)	3,734
Total Assets	1,082,599
DEFERRED OUTFLOWS OF RESOURCES:	
Pension Plan - Contributions	67,003
Pension Plan - Other	9,947
Total Deferred Outflows of Resources	76,950
LIABILITIES:	
Accrued Liabilities	44
Due to Other Governments	47
Unearned Revenue - Next Year's Budget Assessments	368,873
Noncurrent Liabilities-	
Due Within One Year	58,887
Due in More Than One Year	147,860
Total Liabilities	575,711
DEFERRED INFLOWS OF RESOURCES:	
Pension Plan	26,835
Total Inflows of Resources	26,835
NET POSITION:	
Net Investment in Capital Assets	25,297
Unrestricted	531,706
Total Net Position	$ 557,003

The accompanying notes are an integral part of this statement.

HOUSTON COUNTY APPRAISAL DISTRICT

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2025

Functions/Programs	Expenses	Program Revenues: Charges for Services	Net (Expense) Revenue and Changes in Net Position: Governmental Activities
PRIMARY GOVERNMENT:			
Governmental Activities:			
Appraisal	$ 1,028,163	$ 1,108,881	$ 80,718
Collections	177,395	251,878	74,483
Interest on Long-term Debt	16,114	--	(16,114)
Total Governmental Activities	1,221,672	1,360,759	139,087
Total Primary Government	$ 1,221,672	$ 1,360,759	139,087
General Revenues:			
Other Income			6,527
Tax Certificates			7,950
Interest Income			8,459
Investment Income			370
Net Increase (Decrease) in Fair Value			1,296
Total General Revenues			24,602
Change in Net Position			163,689
Net Position - Beginning, as Previously Stated			335,473
Prior Period Adjustment (See Note M)			57,841
Net Position - Beginning, as Restated			393,314
Net Position - Ending			$ 557,003

The accompanying notes are an integral part of this statement.

HOUSTON COUNTY APPRAISAL DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
DECEMBER 31, 2025

	General Fund
ASSETS:	
Assets:	
Cash and Cash Equivalents	$ 555,299
Investments	133,635
Prepaid items	6,373
Total Assets	$ 695,307
LIABILITIES AND FUND BALANCES:	
Liabilities:	
Accrued Liabilities	$ 44
Due to Other Governments	47
Unearned Revenue	368,873
Total Liabilities	368,964
Fund Balances:	
Nonspendable	
Prepaid Items	6,373
Shares of Stock	10,585
Committed for 2026 Budget	81,766
Unassigned	227,619
Total Fund Balance	326,343
Total Liabilities and Fund Balance	$ 695,307

The accompanying notes are an integral part of this statement.

HOUSTON COUNTY APPRAISAL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
DECEMBER 31, 2025

Total fund balances - governmental funds balance sheet	$	326,343
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not reported in the funds.		3,734
Payables for right-to-use leases which are not due in the current period are not reported in the funds.		(43,026)
Payables for compensated absences which are not due in the current period are not reported in the funds.		(9,353)
Recognition of the District's net pension (liability) asset is not reported in the funds.		164,601
Deferred Resource Inflows related to the pension plan are not reported in the funds.		(26,835)
Deferred Resource Outflows related to the pension plan are not reported in the funds.		76,950
Right-to-use lease assets used in governmental activities are not reported in the funds.		43,377
Subscription assets used in governmental activities are not reported in the funds.		175,580
Payables for subscriptions which are not due in the current period are not reported in the funds.		(154,368)
Net position of governmental activities - Statement of Net Position	$	557,003

The accompanying notes are an integral part of this statement.

HOUSTON COUNTY APPRAISAL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2025

	General Fund
Revenue:	
Operating Assessments	$ 1,108,881
Collection Assessments	251,878
Tax Certificates	7,950
Mapping and Other Income	6,527
Interest Income	8,459
Investment Income	370
Net Increase (Decrease) in Fair Value	1,296
Total revenues	1,385,361
Expenditures:	
Current:	
Salaries	628,593
Employee Benefits	237,936
Administration Expense	10,817
Tax Certificate Refunds	7,000
Data Processing	6,560
Appraisal Engineers	65,000
Office Expense	53,858
Travel and Auto	26,556
Rents and Leases	3,185
Utilities and Telephone	30,903
Legal and Accounting	7,991
Insurance	5,976
Mapping Expense	8,979
Contract Labor	5,294
Dues and Memberships	5,010
Legal Notice and Advertising	2,848
Appraisal Review Board	5,158
Books and Subscriptions	4,010
Repairs and Maintenance	177
Contingency	1,738
Capital Outlay	75,212
Total Current	1,192,801
Debt Service:	
Principal	124,563
Interest and Fiscal Charges	16,115
Total Debt Service	140,678
Total Expenditures	1,333,479
Excess (Deficiency) of Revenues Over (Under) Expenditures	51,882
Other Financing Sources (Uses):	
Lease Proceeds	73,944
Total Other Financing Sources (Uses)	73,944
Net Change in Fund Balances	125,826
Fund Balances - Beginning, as Previously Stated	188,128
Prior Period Adjustment (See Note M)	12,389
Fund Balances - Beginning, as Restated	200,517
Fund Balances - Ending	$ 326,343

The accompanying notes are an integral part of this statement.

HOUSTON COUNTY APPRAISAL DISTRICT

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2025

Net change in fund balances - total governmental funds	$	125,826
Amounts reported for governmental activities in the Statement of Activities ("SOA") are different because:		
Capital outlays are not reported as expenses in the SOA.		75,212
The depreciation of capital assets used in governmental activities is not reported in the funds.		(159,661)
Repayment of right-to-use lease principal is an expenditure in the funds but is not an expense in the SOA.		39,089
Compensated absences are reported as the amount earned in the SOA but as the amount paid in the funds.		(1,998)
Proceeds of lease liabilities do not provide revenue in the SOA, but are reported in the funds.		(73,944)
Pension contributions made after the measurement date but in current FY were de-expended & reduced NPL.		67,003
Pension expense relating to GASB 68 is recorded in the SOA but not in the funds.		6,687
Repayment of subscription principal is an expenditure in the funds, but is not an expense in the SOA.		85,475
Change in net position of governmental activities - Statement of Activities	$	163,689

The accompanying notes are an integral part of this statement.

HOUSTON COUNTY APPRAISAL DISTRICT

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
DECEMBER 31, 2025

	Custodial Funds
ASSETS:	
Cash and Cash Equivalents	$ 4,381,583
Total Assets	4,381,583
LIABILITIES:	
Refunds and Overpayments Payable	14,187
Due to the District	5,250
Due to Other Governments	4,362,055
Total Liabilities	4,381,492
NET POSITION:	
Restricted For:	
Individuals or Other Governments	
Total Net Position	$ 91

The accompanying notes are an integral part of this statement.

HOUSTON COUNTY APPRAISAL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2025

	Custodial Funds
ADDITIONS:	
Taxes and Fees Collected	$ 21,492,523
Interest Earnings	4,567
Total Additions	21,497,090
DEDUCTIONS:	
Taxes and Fees Collected for Other Governments	21,076,272
Taxes and Fees Collected for the District	6,379
Legal Services	316,852
Refunds and Overpayments	97,777
Total Deductions	21,497,280
Change in Fiduciary Net Position	(190)
Net Position-Beginning of the Year	281
Net Position-End of the Year	$ 91

The accompanying notes are an integral part of this statement.

A. Summary of Significant Accounting Policies

The combined financial statements of Houston County Appraisal District (the "District") have been prepared in conformity with accounting principles applicable to governmental units which are generally accepted in the United States of America. The Governmental Accounting Standards Board ("GASB") is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

1. Reporting Entity

The District's basic financial statements include the accounts of all its operations. The District evaluated whether any other entity should be included in these financial statements. The criteria for including organizations as component units within the District's reporting entity, as set forth in GASB Statement No. 14, as amended by GASB Statements No. 39, No. 61, No. 80, and No. 90, "The Financial Reporting Entity," include whether:

- the organization is legally separate (can sue and be sued in its name)
- the District holds the corporate powers of the organization
- the District appoints a voting majority of the organization's board
- the District is able to impose its will on the organization
- the organization has the potential to impose a financial benefit/burden on the District
- there is fiscal dependency by the organization on the District
- the exclusion of the organization would result in misleading or incomplete financial statements

Based on these criteria, the District has no component units. Additionally, the District is not a component unit of any other reporting entity as defined by the GASB Statement.

2. Basis of Presentation, Basis of Accounting

a. Basis of Presentation

Government-wide Statements: The statement of net position and the statement of activities include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions.

The statement of activities presents a comparison between direct 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. The District does not allocate indirect expenses in the statement of activities. Program revenues include (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs 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, including all taxes, are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the District's funds, with separate statements presented for each fund category. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

The District reports the following major governmental funds:

General Fund. This is the District's primary operating fund. It accounts for all financial resources of the District except those required to be accounted for in another fund.

In addition, the District reports the following fund types:

Custodial Funds: These funds are used to report funds and other resources held in a purely custodial

capacity. Custodial funds typically involve only the receipt, temporary investment, and remittance of fiduciary resources to individuals, private organizations, or other governments.

Fiduciary funds are reported in the fiduciary fund financial statements. However, because their assets are held in a trustee or custodial capacity and are therefore not available to support District programs, these funds are not included in the government-wide statements.

b. Measurement Focus, Basis of Accounting

Government-wide and Fiduciary Fund Financial Statements: These financial statements are reported using the economic resources measurement focus. They are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the District gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental Fund Financial Statements: Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District does not consider revenues collected after its year-end to be available in the current period. Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the State are recognized under the susceptible-to-accrual concept. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under lease contracts and subscription-based information technology arrangements are reported as other financing sources.

When the District incurs an expenditure or expense for which both restricted and unrestricted resources may be used, it is the District's policy to use restricted resources first, then unrestricted resources.

3. Compensated Absences

Employees of the District are granted vacation, sick leave, and other types of compensated absences in accordance with District policy and applicable state and local regulations. Compensated absences are absences for which employees will be paid, such as vacation, sick leave, and certain types of sabbatical leave when agreed upon in contracts or labor agreements. Vacation and sick leave may be carried forward from year-to-year, subject to limits established by policy.

In governmental funds, only the portion of the liability expected to be liquidated with expendable available financial resources is reported as a fund liability. The full liability is reported in the government-wide financial statements.

It is the District's policy to encourage all employees to utilize their vacation and compensatory time annually. Employees may carry forward any unused, unearned vacation and compensatory time in accordance with the District's personnel policy guidelines. Unused, earned vacation and compensatory time is payable to employees at separation. Accordingly, compensated absences have been accrued in these financial statements.

Sick leave is recorded as an expenditure during the fiscal year in which such benefits are paid. Sick leave may accumulate but does not vest.

4. Financial Statement Amounts

a. Revenues

The District is financed primarily through the allocation of anticipated budget costs to the taxing units participating in the District. Each taxing unit is allocated a portion of the budget equal to the proportion of that taxing unit's assessed property values (property within the District boundaries) in relation to the assessed property values for all of the taxing units of the District in total for that year. The District may refund to the taxing entities assessments levied that were in excess of the District's budgetary requirements. During the year, no such refunds were made.

b. Tax Collections

As noted previously, the District collects property taxes for some of the taxing units within its jurisdiction and remits those amounts at least monthly to the entities. Collection activity is transacted through a separate bank account and reported in the District's fiduciary fund statements. At December 31, 2025, collections on deposit due to be remitted to governmental entities and other individuals totaled $4,381,583.

c. Inventories and Prepaid Items

The District records purchases of supplies as expenditures, utilizing the purchase method of accounting for inventory.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

d. Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated fixed assets are recorded at their estimated fair value at the date of the donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. A capitalization threshold of $1,000 is used.

Capital assets are being depreciated using the straight-line method over the following estimated useful lives:

Asset Class	Estimated Useful Lives
Leasehold Improvements	5
Furniture and Equipment	5-10
Computer Equipment	3-5
Right-to-use Lease Assets	2-5
Right-to-use Subscription Assets	2-6

e. Receivable and Payable Balances

The District believes that sufficient detail of receivable and payable balances is provided in the financial statements to avoid the obscuring of significant components by aggregation. Therefore, no disclosure is provided which disaggregates those balances.

There are no significant receivables which are not scheduled for collection within one year of year end.

f. Pensions

For purposes of measuring the net pension 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 or 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.

g. Fund Balances - Governmental Funds

Fund balances of the governmental funds are classified as follows:

Nonspendable Fund Balance - represents amounts that cannot be spent because they are either not in spendable form (such as inventory or prepaid insurance) or legally required to remain intact (such as notes receivable or principal of a permanent fund).

Restricted Fund Balance - represents amounts that are constrained by external parties, constitutional provisions or enabling legislation.

Committed Fund Balance - represents amounts that can only be used for a specific purpose because of a formal action by the District's Board of Directors. Committed amounts cannot be used for any other purpose unless the Board of Directors removes those constraints by taking the same type of formal action. Committed fund balance amounts may be used for other purposes with appropriate due process by the Board of Directors. Commitments are typically done through adoption and amendment of the budget. Committed fund balance amounts differ from restricted balances in that the constraints on their use do not come from outside parties, constitutional provisions, or enabling legislation.

Assigned Fund Balance - represents amounts which the District intends to use for a specific purpose, but that do not meet the criteria to be classified as restricted or committed. Intent may be stipulated by the Board of Directors or by an official or body to which the Board of Directors delegates the authority. Specific amounts that are not restricted or committed in a special revenue, capital projects, debt service or permanent fund are assigned for purposes in accordance with the nature of their fund type or the fund's primary purpose. Assignments within the general fund conveys that the intended use of those amounts is for a specific purpose that is narrower than the general purposes of the District itself.

Unassigned Fund Balance - represents amounts which are unconstrained in that they may be spent for any purpose. Only the general fund reports a positive unassigned fund balance. Other governmental funds might report a negative balance in this classification because of overspending for specific purposes for which amounts had been restricted, committed or assigned.

When an expenditure is incurred for a purpose for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds.

h. Use of Estimates

The preparation of financial statements in conformity with GAAP requires the use of management's estimates.

i. Deferred Outflows and Inflows of Resources

In addition to assets, the statements of financial position (the government-wide and proprietary Statements of Net Position) and governmental funds balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial element, deferred outflows of resources,

represents a consumption of net position and/or fund balance that applies to one or more future periods and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statements of financial position and governmental funds balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to one or more future periods and so will not be recognized as an inflow of resources (revenue) until that time.

j. Fund Balance and Net Position Flow Assumptions

Sometimes the District will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

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

B. Compliance and Accountability

1. Finance-Related Legal and Contractual Provisions

In accordance with GASB Statement No. 38, "Certain Financial Statement Note Disclosures," violations of finance-related legal and contractual provisions, if any, are reported below, along with actions taken to address such violations:

Violation	Action Taken
None reported	Not applicable

2. Deficit Fund Balance or Fund Net Position of Individual Funds

Following are funds having deficit fund balances or fund net position at year end, if any, along with remarks which address such deficits:

Fund Name	Deficit Amount	Remarks
None reported	Not applicable	Not applicable

C. Deposits and Investments

The District's funds are required to be deposited and invested under the terms of a depository contract. The depository bank deposits for safekeeping and trust with the District's agent bank approved pledged securities 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.

Cash Deposits

At December 31, 2025, the carrying amount of the District's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was $5,059,732 and the bank balance was $5,096,535. The

District's cash deposits at December 31, 2025 and during the year ended December 31, 2025, were entirely covered by FDIC insurance or by pledged collateral held by the District's agent bank in the District's name.

Investments

The District is required by Government Code Chapter 2256, The Public Funds Investment Act, to adopt, implement, and publicize an investment policy. That policy must be written; primarily emphasize safety of principal and liquidity; address investment diversification, yield, and maturity and the quality and capability of investment management; and include a list of the types of authorized investments in which the investing entity's funds may be invested; and the maximum allowable stated maturity of any individual investment owned by the entity.

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

The Act determines the types of investments which are allowable for the District. These include, with certain restrictions, (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas, (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers acceptances, (7) mutual funds, (8) investment pools, (9) guaranteed investment contracts, and (10) common trust funds.

The District's investments at December 31, 2025 are shown below.

Investment or Investment Type	Maturity	Fair Value
Certificate of Deposit	1/30/2026	$ 123,050
Principal Financial Group Stock	N/A	10,585
Total Investments		$ 133,635

Analysis of Specific Deposit and Investment Risks

GASB Statement No. 40 requires a determination as to whether the District was exposed to the following specific investment risks at year end and if so, the reporting of certain related disclosures:

a. Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The ratings of securities by nationally recognized rating agencies are designed to give an indication of credit risk. At year end, the District was not significantly exposed to credit risk.

b. Custodial Credit Risk

Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the District's name.

Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government, and are held by either the counterparty or the counterparty's trust department or agent but not in the District's name.

At year end, the District was not exposed to custodial credit risk.

c. Concentration of Credit Risk

This risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. At year end, the District was not exposed to concentration of credit risk.

d. Interest Rate Risk

This is the risk that changes in interest rates will adversely affect the fair value of an investment. At year end, the District was not exposed to interest rate risk.

e. Foreign Currency Risk

This is the risk that exchange rates will adversely affect the fair value of an investment. At year end, the District was not exposed to foreign currency risk.

Investment Accounting Policy

The District's general policy is to report money market investments and short-term participating interest-earning investment contracts at amortized cost and to report nonparticipating interest-earning investment contracts using a cost-based measure. However, if the fair value of an investment is significantly affected by the impairment of the credit standing of the issuer or by other factors, it is reported at fair value. All other investments are reported at fair value unless a legal contract exists which guarantees a higher value. The term "short-term" refers to investments which have a remaining term of one year or less at time of purchase. The term "nonparticipating" means that the investment's value does not vary with market interest rate changes. Nonnegotiable certificates of deposit are examples of nonparticipating interest-earning investment contracts.

Fair Value Measurement

The District categorizes its fair value measurements with 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. Investments that are measured at fair value using the net asset value per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy below.

In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The District's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset or liability.

In prior years, the District utilized Principal Financial Group, Inc. ("Principal") for certain insurance products. In October 2001, Principal underwent a process of mutualization and thereby issued stock to its then customers. In December 2001, Principal issued 120 shares of stock to the District at no cost to the District. The shares are held by Computershare Investor Services as agent for the District. At December 31, 2025, the stock was valued at $88.21 per share, with a total value of $10,585. The fair value is determined using Level 1 inputs obtained from the Nasdaq stock exchange. During the year, the total value of the shares increased by $1,296.

During the year, the District received dividends from Principal totaling $370. The dividends are reported in "Investment Income" in the District's financial statements.

D. Capital Assets

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

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
Capital assets being depreciated:				
Leasehold improvements	$ 3,550	$ --	$ --	$ 3,550
Furniture and equipment	52,064	1,268	15,256	38,076
Right-to-use lease assets	8,540	73,944	--	82,484
Right-to-use subscription assets	441,039	--	--	441,039
Total capital assets being depreciated	505,193	75,212	15,256	565,149
Less accumulated depreciation for:				
Leasehold improvements	(3,550)	--	--	(3,550)
Furniture and equipment	(47,633)	(1,965)	(15,256)	(34,342)
Right-to-use lease assets	(427)	(38,680)	--	(39,107)
Right-to-use subscription assets	(146,443)	(119,016)	--	(265,459)
Total accumulated depreciation	(198,053)	(159,661)	(15,256)	(342,458)
Total capital assets being depreciated, net	307,140	(84,449)	--	222,691
Governmental activities capital assets, net	$ 307,140	$ (84,449)	$ --	$ 222,691

Depreciation and amortization were charged to functions as follows:

Appraisal	$ 151,504
Collections	8,157
Total	$ 159,661

E. Long-Term Obligations

1. Long-Term Obligation Activity

Long-term obligations include debt and other long-term liabilities. Changes in long-term obligations for the year ended December 31, 2025, are as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Governmental activities:					
Lease liability	$ 8,171	$ 73,944	$ 39,089	$ 43,026	$ 38,016
Subscriptions liability	239,843	--	85,475	154,368	20,871
Compensated absences *	7,355	1,998	--	9,353	--
Total governmental activities	$ 255,369	$ 75,942	$ 124,564	$ 206,747	$ 58,887

* Other long-term liabilities

The funds typically used to liquidate other long-term liabilities in the past are as follows:

Liability	Activity Type	Fund
Compensated absences	Governmental	General Fund

F. Leases and Subscription-Based Information Technology Arrangements (SBITAs)

Leases:

The District entered into a lease for a postage machine in October, 2024. Payments for the lease are made quarterly at an amount of $497 with an assumed interest rate of 6.00%. The term of the lease is sixty (60) months, or twenty (20) quarters. The original lease liability was calculated to be $8,540.

The District entered into a lease for its office building in January, 2025. Payments for the lease are made monthly at an amount of $3,100 for the first twelve (12) months and $3,400 for the second twelve (12) months. The lease has an assumed interest rate of 5.50% and has a term of twenty-four (24) months. The original lease liability was calculated to be $73,944.

The future lease payment maturity schedule is as follows:

Year ended December 31,	Principal	Interest	Total
2026	$ 38,016	$ 1,372	$ 39,388
2027	1,728	260	1,988
2028	1,834	154	1,988
2029	1,448	43	1,491
Total	$ 43,026	$ 1,829	$ 44,855

SBITAs:

The District entered into a SBITA with Pritchard & Abbott in January, 2024 for appraisal software services. The agreement is due in eight (8) quarterly payments of $14,987 and has an assumed interest rate of 3.00%. The term of the agreement is two years and had an original calculated liability of $116,822.

The District entered into a SBITA with Pritchard & Abbott in January, 2023 for CAMA cloud software. The agreement is due in three (3) annual payments. The first payment is for $36,285 and the remaining payments are for $7,235. The agreement has an assumed interest rate of 3.00%. The term of the agreement is two years and had an original calculated liability of $50,129.

The District entered into a SBITA with Pictometry International Corporation for its map visuals and software in January, 2024. The agreement is due in six (6) annual installments. The first payment was for $89,405, the second and third payments are $30,905, and the final three payments are for $50,405. The agreement has an assumed interest rate of 6.50%. The term of the agreement is for two three-year periods, and the District reasonably assumes it will not cancel the second three-year period. The original liability was calculated to be $263,370.

The future SBITA payment maturity schedule is as follows:

Year ended December 31,	Principal	Interest	Total
2026	$ 20,871	$ 10,034	$ 30,905
2027	41,728	8,677	50,405
2028	44,440	5,965	50,405
2029	47,329	3,076	50,405
Total	$ 154,368	$ 27,752	$ 182,120

G. Risk Management

The District is exposed to various risks of loss related to torts, theft, damage or destruction of assets, errors and omissions, injuries to employees, and natural disasters. During fiscal year 2025, the District obtained general liability coverage at a cost that is considered to be economically justifiable by joining together with other governmental entities in the State as a member of the Texas Municipal League Intergovernmental Risk Pool ("TML"). TML is a

self-funded pool operating as a common risk management and insurance program. The District pays an annual premium to TML for its above insurance coverage. The agreement for the formation of TML provides that TML will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of acceptable risk levels; however, each category of coverage has its own level of reinsurance.

H. Pension Plan

1. Plan Description

The District provides retirement, disability, and death benefits for all of its full-time employees through a non-traditional defined benefit pension plan in the statewide Texas County and District Retirement System (TCDRS). The Board of Trustees of TCDRS is responsible for the administration of the statewide agent multiple-employer public employee retirement system consisting of more than 890 non-traditional defined benefit pension plans. TCDRS, in the aggregate, issues an annual comprehensive financial report on a calendar year basis. The annual Comprehensive Financial Report is available upon written request from the TCDRS Board of Trustees at P.O. Box 2034, Austin, Texas 78768-2034.

All full and part-time, non-temporary employees of the District are required to participate in TCDRS.

2. Benefits Provided

The plan provisions are adopted by the governing body of the employer, within the options available in the Texas state statutes governing TCDRS (TCDRS Act). Members can retire at age 60 and above with 8 or more years of service, with 30 years of service regardless of age, or when the sum of their age and years of service equals 75 or more. Members are vested after 8 years of service, 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.

3. Employees Covered by Benefit Terms:

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

Current Active Members	10
Current Inactive Members	9
Current Retirees and Beneficiaries	3
Total covered employees	22

4. Contributions

The District elected the annually determined contribution rate (variable rate) plan provisions of the TCDRS Act. The plan is funded by monthly contributions from both employee members and the employer based on the covered payroll of employee members. Under the TCDRS Act, the contribution rate of the District is actuarially determined annually. The District contributed at a rate higher than the actuarially determined rate. The actuarially determined rate was 7.81% for Plan year 2025. However, the District contributed at a rate of 11.38%. As a result, for fiscal year 2025, the District's contributions exceeded required contributions by $15,721. The contribution rate payable by the employee members is 7.00% for fiscal year 2025 as adopted by the governing body of the County, within the options available in the TCDRS Act.

5. Net Pension Liability (Asset)

The District's net pension liability/(asset) was measured as of December 31, 2024, and the total pension liability used to calculate the net pension liability/(asset) was determined by an actuarial valuation as of that date.

6. Actuarial Assumptions

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

Valuation date	December 31, 2024
Actuarial cost method	Entry Age Normal
Asset valuation method	5-year smoothed market
Inflation	2.50%
Salary increases	Varies by service and age; incorporates a 3.0% general wage inflation component, averaging approximately 4.7% over a career.

Updated mortality assumptions were adopted in 2021. All other actuarial assumptions that determined the total pension liability as of December 31, 2024 were based on the results of an actuarial experience study for the period January 1, 2017 through December 31, 2020, except where required to be different by GASB 68. In addition, mortality rates were based on the following mortality tables.

Depositing members	135% of the Pub-2010 General Employees Amount-Weighted Mortality Table for males and 120% of the Pub-2010 General Employees Amount-Weighted Mortality Table for females, both projected with 100% of the MP-2021 Ultimate scale after 2010.
Service retirees, beneficiaries and non-depositing members	135% of the Pub-2010 General Employees Amount-Weighted Mortality Table for males and 120% of the 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 the Pub-2010 General Disabled Employees Amount-Weighted Mortality Table for males and 125% of the Pub-2010 General Disabled Retirees Amount-Weighted Mortality Table for females, both projected with 100% of the MP-2021 Ultimate scale after 2010.

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 numbers shown are based on January 2024 information for a 10-year time horizon. The valuation assumptions for long-term expected return is re-assessed in detail at a minimum of every four years, and is set based on a long-term time horizon. The current assumptions were adopted in March 2021. The assumptions 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 geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Geometric)
US Equities	13.00%	5.35%
Global Equities	4.00%	5.15%
International Equities - Developed Markets	6.00%	4.75%
International Equities - Emerging Markets	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%
Private Equities	25.00%	8.15%
Hedge Funds	6.00%	3.60%
Cash Equivalents	2.00%	1.10%
Total	100.00%	

Discount Rate

The discount rate used to measure the Total Pension Liability was 7.60%. The discount rate was determined using an alternative method to determine the sufficiency of the fiduciary net position in all future years. The alternative method reflects the funding requirements under the funding policy and the legal requirements under the TCDRS Act. TCDRS has a funding policy where the Unfunded Actuarial Accrued Liability (UAAL) shall be amortized as a level percent of pay over 20-year closed layered periods. The employer is legally required to make the contribution specified in the funding policy. The employer's assets are projected to exceed its accrued liabilities in 20 years or less. When this point is reached, the employer is still required to contribute at least the normal cost. Any increased cost due to the adoption of a COLA is required to be funded over a period of 15 years, if applicable. Based on the above assumptions, the projected fiduciary net position is determined to be sufficient compared to projected benefit payments. Based on the expected levels of cash flows and investment returns to the system, the fiduciary net position as a percentage of total pension liability is projected to increase from its current level in future years.

Since the projected fiduciary net position is projected to be sufficient to pay projected benefit payments in all future years, the discount rate for purposes of calculating the total pension liability and net pension liability of the employer is equal to the long-term rate of return on investments. This long-term assumed rate of return should be net of investment expenses, but gross of administrative expenses for GASB 68 purposes. Therefore, we have used a discount rate of 7.60%, net of all expenses, increased by 0.10% to be gross of administrative expenses.

7. Plan Fiduciary Net Position

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at 12/31/2023	$ 2,298,816	$ 2,350,788	$ (51,972)
Changes for the year			
Service cost	59,076	--	59,076
Interest	177,585	--	177,585
Effect of plan changes	--	--	--
Effect of economic/demographic gains or losses	(4,477)	--	(4,477)
Effect of assumptions, changes or inputs	--	--	--
Refunds of contributions	--	--	--
Benefit payments	(43,296)	(43,296)	--
Contributions - employer	--	63,647	(63,647)
Contributions - employee	--	37,853	(37,853)
Net investment income	--	240,856	(240,856)
Administrative expense	--	(1,444)	1,444
Other changes	--	3,901	(3,901)
Net changes	188,888	301,517	(112,629)
Balance at 12/31/2024	$ 2,487,704	$ 2,652,305	$ (164,601)

Sensitivity Analysis

The following presents the net pension liability of the District, calculated using the discount rate of 7.60%, as well as what the District's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.60%) or 1-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	$ 2,728,963	$ 2,487,704	$ 2,275,839
Fiduciary net position	2,652,305	2,652,305	2,652,305
Net pension liability	$ 76,658	$ (164,601)	$ (376,466)

8. Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the fiscal year ended December 31, 2025, the District recognized pension expense (benefit) of $(6,687).

At December 31, 2025, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 9,947	$ 5,121
Changes in actuarial assumptions	--	--
Difference between projected and actual investment earnings	--	21,714
Contributions subsequent to the measurement date	67,003	--
Total	$ 76,950	$ 26,835

The $67,003 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending December 31, 2025. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal year ended December 31:	
2026	$ (15,940)
2027	$ 36,962
2028	$ (25,925)
2029	$ (11,985)
2030	$ --
Thereafter	$ --

I. Health Care Coverage

During the year ended December 31, 2025, employees of the District were covered by a health insurance plan (the Plan). The District paid premiums of $1,126 per month per employee to the Plan. Employees, at their option, authorized payroll withholdings to pay premiums for dependents. The Plan was authorized by Article 3.51-2, Texas Insurance Code and was documented by contractual agreement.

The contract between the District and the licensed insurer is renewable September 1, and terms of coverage and premium costs are included in the contractual provisions.

J. Commitments and Contingencies

1. Contingencies

The District participates in grant programs which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the District has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectibility of any related receivable may be impaired. In the opinion of the District, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying basic financial statements for such contingencies.

2. Litigation

No reportable litigation was pending against the District at December 31, 2025.

K. Subsequent Events

The District has evaluated subsequent events through September 21, 2026, which is the date the financial statements were available to be issued. There were no events identified that required recording or disclosing in the financial statements for the year ended December 31, 2025.

L. Unearned Revenue

The District may recieve funding allocations from the taxing jurisdictions for the next year before year end. When this occurs, the revenue is not recognized until the next budget year. At December 31, 2025, the District had $368,873 in unearned revenues to be applied toward the 2026 budget requirements.

M. Prior Period Adjustment

The following discloses the restatement of the governmental fund balance and governmental activities net position as of the beginning of the year:

	General Fund	Governmental Activities
Fund Balance/Net Position, beginning of year, as previously stated	$ 188,128	$ 335,473
Rent paid in December, 2024 for a lease beginning January 1, 2025 that was previously expensed in 2024.	3,100	3,100
Postage machine lease under GASB 87 that began in 2024 was previously recorded equipment rental.	--	(58)
SBITA for map imagery and software that began in 2024 was previously recorded as mapping expense.	--	45,510
Shares of Principal Financial Group stock were not previously recorded.	9,289	9,289
Fund Balance/Net Position, beginning of year, as restated	$ 200,517	$ 393,314

This page has been left blank intentionally.

Required Supplementary Information

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

This page has been left blank intentionally.

HOUSTON COUNTY APPRAISAL DISTRICT

GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2025

	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
Revenue:				
Operating Assessments	$ 1,108,881	$ 1,108,881	$ 1,108,881	$ --
Collection Assessments	251,879	251,879	251,878	(1)
Tax Certificates	--	--	7,950	7,950
Mapping and Other Income	--	--	6,527	6,527
Interest Income	--	--	8,459	8,459
Investment Income	--	--	370	370
Net Increase (Decrease) in Fair Value	--	--	1,296	1,296
Total revenues	1,360,760	1,360,760	1,385,361	24,601
Expenditures:				
Appraisal:				
Salaries	563,092	563,092	549,631	13,461
Employee Benefits	219,101	219,101	199,290	19,811
Tax Certificate Refunds	--	--	7,000	(7,000)
Data Processing	44,500	44,500	6,560	37,940
Appraisal Engineers	72,100	72,100	65,000	7,100
Office Expense	35,000	35,000	30,860	4,140
Travel and Auto	20,000	20,000	21,686	(1,686)
Rents and Leases	15,600	15,600	1,933	13,667
Utilities and Telephone	22,000	22,000	18,713	3,287
Legal and Accounting	38,000	38,000	4,241	33,759
Insurance	2,650	2,650	5,247	(2,597)
Mapping Expense	46,000	46,000	8,979	37,021
Contract Labor	10,000	10,000	3,108	6,892
Dues and Memberships	2,700	2,700	4,610	(1,910)
Legal Notice and Advertising	1,500	1,500	2,348	(848)
Appraisal Review Board	10,000	10,000	5,158	4,842
Books and Subscriptions	3,890	3,890	3,890	--
Repairs and Maintenance	500	500	177	323
Contingency	6,000	6,000	1,093	4,907
Capital Outlay	5,000	5,000	36,972	(31,972)
Total Appraisal	1,117,634	1,117,634	976,496	141,138
Collections:				
Salaries	80,787	80,787	78,962	1,825
Employee Benefits	40,292	40,292	38,646	1,646
Administration Expense	13,000	13,000	10,817	2,183
Data Processing	30,800	30,800	--	30,800
Office Expense	34,000	34,000	22,998	11,002
Travel and Auto	5,000	5,000	4,870	130
Rents and Leases	15,600	15,600	1,252	14,348
Utilities and Telephone	11,000	11,000	12,190	(1,190)
Legal and Accounting	5,000	5,000	3,750	1,250
Insurance	2,650	2,650	729	1,921
Contract Labor	6,000	6,000	2,186	3,814
Dues and Memberships	400	400	400	--
Legal Notice and Advertising	500	500	500	--
Books and Subscriptions	850	850	120	730
Contingency	1,000	1,000	645	355
Capital Outlay	5,000	5,000	38,240	(33,240)
Total Collections	251,879	251,879	216,305	35,574

HOUSTON COUNTY APPRAISAL DISTRICT

GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2025

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Debt Service:				
Principal	--	--	124,563	(124,563)
Interest and Fiscal Charges	--	--	16,115	(16,115)
Total Debt Service	--	--	140,678	(140,678)
Total Expenditures	1,369,513	1,369,513	1,333,479	36,034
Excess (Deficiency) of Revenues Over (Under) Expenditures	(8,753)	(8,753)	51,882	60,635
Other Financing Sources (Uses):				
Lease Proceeds	--	--	73,944	73,944
Total Other Financing Sources (Uses)	--	--	73,944	(73,944)
Net Change in Fund Balances	(8,753)	(8,753)	125,826	134,579
Fund Balances - Beginning, as Previously Stated	188,129	188,129	188,128	(1)
Prior Period Adjustment (See Note M)	--	--	12,389	12,389
Fund Balances - Beginning, as Restated	188,129	188,129	200,517	12,388
Fund Balances - Ending	$ 179,376	$ 179,376	$ 326,343	$ 146,967

This page has been left blank intentionally.

HOUSTON COUNTY APPRAISAL DISTRICT

SCHEDULE OF CHANGES IN THE DISTRICT'S
NET PENSION LIABILITY AND RELATED RATIOS
TEXAS COUNTY AND DISTRICT RETIREMENT SYSTEM
LAST TEN FISCAL YEARS

	Measurement Year			
	2024	2023	2022	2021
Total Pension Liability:				
Service Cost	$ 59,076	$ 57,113	$ 61,705	$ 62,062
Interest	177,585	162,985	151,298	145,244
Effect of Plan Changes	--	--	--	--
Effect of Assumption Changes or Inputs	(4,477)	19,893	(8,551)	(64,251)
Effect of Economic/Demographic (Gains) or Losses	--	--	--	(10,281)
Benefit Payments, Including Refunds of Employee Contributions	(43,296)	(56,174)	(36,353)	(68,584)
Net Change in Total Pension Liability	188,888	183,817	168,099	64,190
Total Pension Liability - Beginning	2,298,816	2,114,999	1,946,900	1,882,710
Total Pension Liability - Ending (a)	$ 2,487,704	$ 2,298,816	$ 2,114,999	$ 1,946,900
Plan Fiduciary Net Position:				
Contributions - Employer	$ 63,647	$ 56,915	$ 52,644	$ 49,453
Contributions - Employee	37,853	33,962	31,923	31,929
Net Investment Income	240,856	229,512	(130,758)	388,032
Benefit Payments, Including Refunds of Employee Contributions	(43,296)	(56,174)	(36,352)	(68,584)
Administrative Expense	(1,444)	(1,228)	(1,222)	(1,169)
Other	3,901	2,574	8,594	847
Net Change in Plan Fiduciary Net Position	301,517	265,561	(75,171)	400,508
Plan Fiduciary Net Position - Beginning	2,350,788	2,085,227	2,160,398	1,759,890
Plan Fiduciary Net Position - Ending (b)	$ 2,652,305	$ 2,350,788	$ 2,085,227	$ 2,160,398
District's Net Pension Liability - Ending (a) - (b)	$ (164,601)	$ (51,972)	$ 29,772	$ (213,498)
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	106.62%	102.26%	98.59%	110.97%
Covered Payroll	$ 540,752	$ 485,177	$ 462,692	$ 449,572
District's Net Pension Liability as a Percentage of Covered Payroll	-30.44%	-10.71%	6.43%	-47.49%

Measurement Year					
2020	2019	2018	2017	2016	2015
$ 52,108	$ 56,783	$ 54,569	$ 51,388	$ 52,863	$ 49,227
135,151	122,725	110,949	98,874	87,081	81,462
--	--	--	--	--	(2,666)
(1,311)	5,457	769	7,541	4,739	(48,563)
96,047	--	--	11,212	--	14,524
(30,807)	(23,122)	(23,122)	(23,122)	(25,944)	(15,415)
251,188	161,843	143,165	145,893	118,739	78,569
1,631,522	1,469,679	1,326,514	1,180,621	1,061,882	983,313
$ 1,882,710	$ 1,631,522	$ 1,469,679	$ 1,326,514	$ 1,180,621	$ 1,061,882
$ 52,198	$ 50,247	$ 47,703	$ 45,431	$ 44,382	$ 43,696
32,210	30,864	29,028	28,156	27,560	27,161
159,823	209,700	(22,607)	152,957	68,599	(17,294)
(30,807)	(23,122)	(23,122)	(23,122)	(25,944)	(15,415)
(1,288)	(1,178)	(1,026)	(828)	(745)	(651)
1,739	2,201	1,722	668	8,361	5,683
213,875	268,712	31,698	203,262	122,213	43,180
1,546,015	1,277,303	1,245,605	1,042,343	920,130	876,950
$ 1,759,890	$ 1,546,015	$ 1,277,303	$ 1,245,605	$ 1,042,343	$ 920,130
$ 122,820	$ 85,507	$ 192,376	$ 80,909	$ 138,278	$ 141,752
93.48%	94.76%	86.91%	93.90%	88.29%	86.65%
$ 460,147	$ 440,904	$ 414,687	$ 402,229	$ 393,716	$ 388,015
26.69%	19.39%	46.39%	20.12%	35.12%	36.53%

HOUSTON COUNTY APPRAISAL DISTRICT
SCHEDULE OF DISTRICT'S CONTRIBUTIONS
TEXAS COUNTY AND DISTRICT RETIREMENT SYSTEM
LAST TEN FISCAL YEARS

	Fiscal Year			
	2025	2024	2023	2022
Actuarially Determined Contribution	$ 51,282	$ 61,537	$ 55,214	$ 52,654
Contributions in Relation to the Actuarially Determined Contribution	(67,003)	(63,646)	(56,915)	(52,654)
Contribution Deficiency (Excess)	$ (15,721)	$ (2,109)	$ (1,701)	$ --
Covered Payroll	$ 588,775	$ 540,752	$ 485,177	$ 456,046
Contributions as a Percentage of Covered Payroll	8.71%	11.38%	11.38%	11.55%

EXHIBIT B-3

	Fiscal Year					
	2021	2020	2019	2018	2017	2016
	$ 49,453	$ 50,616	$ 48,500	$ 45,616	$ 44,245	$ 38,545
	(49,453)	(52,198)	(50,247)	(47,703)	(45,431)	(44,382)
	$ --	$ (1,582)	$ (1,747)	$ (2,087)	$ (1,186)	$ (5,837)
	$ 456,134	$ 460,142	$ 440,907	$ 414,687	$ 402,229	$ 393,716
	10.84%	11.00%	11.00%	11.00%	11.00%	9.79%

Budgetary Data

The following procedures are followed in establishing the budgetary data reflected in the basic financial statements:

a. Prior to the beginning of the fiscal year, the District prepares a budget for the next succeeding fiscal year. The operating budget includes proposed expenditures and the means of financing them.

b. A meeting of the Board of Directors is then called for the purpose of adopting the proposed budget. At least ten days public notice of the meeting must have been given.

c. Prior to the start of the fiscal year, the budget is legally enacted through passage of a resolution by the Board of Directors.

Once a budget is approved, it can be amended only by approval of a majority of the members of the Board of Directors. As required by law, such amendments are made before the fact, are reflected in the official minutes of the Board of Directors and are not made after fiscal year end. During the year, the budget was not amended.

All budget appropriations lapse at year end.

Pension

Valuation Date:

Actuarially determined contribution 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 contributions rates:

Actuarial Cost Method:	Entry Age (level percentage of pay)
Amortization Method:	Level percentage of payroll, closed
Remaining Amortization Period:	3.4 years (based on contribution rate calculated in 12/31/2024 valuation)
Asset Valuation Method:	5-Year smoothed market
Salary Increase:	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
Inflation:	2.50%
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.
Mortality:	135% of the PUB-2010 General Retirees Table for males and 120% of the Pub-2010 General Retirees Table for females, both projected with 100% of the MP-2021 Ultimate scale after 2010.

Changes in Assumptions and Methods Reflected in the Schedule of Employer Contributions*:	2015: New inflation, mortality and other assumptions were reflected. 2017: New mortality assumptions were reflected. 2019: New inflation, mortality and other assumptions were reflected. 2022: New investment return and inflation assumptions were reflected.
Changes in Plan Provisions Reflected in the Schedule*	2017: New Annuity Purchase Rates were reflected for benefits earned after 2017.

*Only changes that affect the benefit amount and that are effective 2015 and later are shown in the Notes to the Schedule.

This page has been left blank intentionally.