

**KINNEY COUNTY APPRAISAL DISTRICT  
ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED  
SEPTEMBER 30, 2025**

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FOR THE YEAR ENDED SEPTEMBER 30, 2025**

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### INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Kinney County Appraisal District  
Brackettville, Texas

#### Report on the Audit of the Financial Statements

##### *Opinions*

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Kinney County Appraisal District, as of and for the year ended September 30, 2025, and the related notes to the financial statements, which collectively comprise the Kinney County Appraisal 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, each major fund, and the aggregate remaining fund information of the Kinney County Appraisal 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 Kinney 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 the Kinney County Appraisal District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements, as a whole, are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards (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 judgement and maintain professional skepticism throughout the audit.
- \* Identify and assess the risks of material misstatements 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 Kinney County Appraisal District's internal controls. 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 judgement, there are conditions or events considered in the aggregate that raise substantial doubt about the Kinney County Appraisal 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 the Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund, Schedule of Changes in Net Pension Liability and Related Ratios – Texas County and District Retirement System, and the Schedule of Contributions – Texas County and District Retirement System on pages 5 – 8 and 30 – 33 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board (GASB), 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 Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Kinney County Appraisal District's basic financial statements. The Schedule of Collections and Disbursements – Agency Fund and the Schedule of Tax Roll Reconciliations – 2024 and Prior Years are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Schedule of Collections and Disbursements – Agency Fund and the Schedule of Tax Roll Reconciliations – 2024 and Prior Years are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Collections and Disbursements – Agency Fund and the Schedule of Tax Roll Reconciliations – 2024 and Prior Years are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

*Coleman, Horton & Company, LLP*

Uvalde, Texas  
February 27, 2026

## MANAGEMENT'S DISCUSSION AND ANALYSIS

The annual financial report of the Kinney County Appraisal District (the District) is presented in four sections, Management's Discussion and Analysis (this section), Basic Financial Statements, Required Supplementary Information, and Supplementary Information. This section of the District's annual financial report presents management's discussion and analysis of the financial performance during the fiscal year ending September 30, 2025. Please read it in conjunction with the District's financial section, which follows.

### Overview of the Basic Financial Statements

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 financial statements also include *notes* that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of *supplementary information* that provides additional information.

### 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 deferred outflows and liabilities and deferred inflows, 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, you need to consider additional nonfinancial factors.

The government-wide financial statements of the District include the *governmental activities*. Most of the District's basic services are included here, such as general administration.

**Fund Financial Statements**

The fund financial statements provide more detailed information about the District’s most significant *funds*, not the District as a whole. 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 law.
- \* The Board of Directors establishes other funds to control and manage money for particular purposes.

The District has two 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 government-wide statements, we provide additional information on the subsequent page, that explains the relationship (or differences) between them.
- \* *Fiduciary funds* – Used to account for services for which the District collects taxes and distributes them to the taxing entities.

**Financial Highlights**

- \* The District’s combined net position was \$5,522 at September 30, 2025, an increase of \$55,155.
- \* During the year, the District’s receipts were \$514,080 as reflected below:

	<u>Governmental Activities</u>		
	<u>Current Year</u>	<u>Prior Year</u>	<u>Change</u>
a) Intergovernmental Revenue	\$ 512,073	\$ 455,806	\$ 56,267
b) Investment Earnings	347	231	116
c) Other	1,660	1,139	521
Total Receipts	<u>\$ 514,080</u>	<u>\$ 457,176</u>	<u>\$ 56,904</u>

\* During the year, the District's expenditures were \$458,925 as reflected below:

	<b>Governmental Activities</b>		
	<b>Current Year</b>	<b>Prior Year</b>	<b>Change</b>
a) General and Administrative	\$ 458,863	\$ 613,416	\$ (154,553)
b) Interest on Long-Term Debt	62	1,043	(981)
<b>Total Expenditures</b>	<b>\$ 458,925</b>	<b>\$ 614,459</b>	<b>\$ (155,534)</b>

\* The General Fund reported a fund balance this year of \$0.

\* The District's combined net position was \$5,522 at September 30, 2025, as reflected below:

	<b>Governmental Activities</b>		
	<b>Current Year</b>	<b>Prior Year</b>	<b>Change</b>
Current and other assets	\$ 120,705	\$ 91,430	\$ 29,275
Capital and non-current assets	208,302	189,263	19,039
<b>Total Assets</b>	<b>\$ 329,007</b>	<b>\$ 280,693</b>	<b>\$ 48,314</b>
Deferred outflow of resources	<u>18,677</u>	<u>17,971</u>	<u>706</u>
Current liabilities	\$ 120,705	\$ 91,430	\$ 29,275
Long-term liabilities	143,088	146,142	(3,054)
<b>Total Liabilities</b>	<b>\$ 263,793</b>	<b>\$ 237,572</b>	<b>\$ 26,221</b>
Deferred inflow of resources	<u>78,369</u>	<u>110,725</u>	<u>(32,356)</u>
Net position:			
Net investment in capital assets	\$ 208,302	\$ 188,201	\$ 20,101
Unrestricted	<u>(202,780)</u>	<u>(237,834)</u>	<u>35,054</u>
<b>Total Net Position</b>	<b>\$ 5,522</b>	<b>\$ (49,633)</b>	<b>\$ 55,155</b>

## **Capital Assets and Debt Administration**

### **Capital Assets**

Capital assets for the District at the fiscal year-end September 30, 2025, amounted to \$208,302. It is the District's policy to charge off as a current expenditure any purchases less than \$1,000. The total capital assets recorded were land, buildings, equipment, and right-to-use lease assets as reflected below:

#### **District's Capital Assets**

	<b>Governmental Activities</b>		
	<b>Current Year</b>	<b>Prior Year</b>	<b>Change</b>
Land	\$ 3,194	\$ 3,194	\$ -
Buildings	229,767	193,233	36,534
Equipment	145,700	145,700	-
Right-to-use lease assets	8,576	8,576	-
Totals at historical cost	\$ 387,237	\$ 350,703	\$ 36,534
Total accumulated depreciation	(178,935)	(161,440)	(17,495)
Net capital assets	<u>\$ 208,302</u>	<u>\$ 189,263</u>	<u>\$ 19,039</u>

### **Long-term Debt**

The District has the following long-term debt at year-end:

#### **District's Long-Term Debt**

	<b>Governmental Activities</b>		
	<b>Current Year</b>	<b>Prior Year</b>	<b>Change</b>
Right-to-use lease assets	\$ -	\$ 1,062	\$ (1,062)
Accrued vacation	23,918	22,994	924
Totals	<u>\$ 23,918</u>	<u>\$ 24,056</u>	<u>\$ (138)</u>

### **Contacting the District's Financial Management**

The financial report is designed for 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 Finance Department.

**BASIC FINANCIAL STATEMENTS**

KINNEY COUNTY APPRAISAL DISTRICT  
STATEMENT OF NET POSITION  
SEPTEMBER 30, 2025

EXHIBIT A-1

		<u>Primary Government Governmental Activities</u>
<b>ASSETS</b>		
Cash	\$	120,115
Due from Fiduciary Funds		590
Capital Assets:		
Land		3,194
Buildings, net		178,989
Machinery and Equipment, net		26,119
Right-to-use leased assets, net		-
Total Assets	\$	329,007
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred Outflows Related to TCDRS	\$	18,677
Total Deferred Outflows of Resources	\$	18,677
<b>LIABILITIES</b>		
Accounts Payable	\$	173
Due to Fiduciary Funds		-
Accrued Payroll Payable		7,475
Unearned Revenue - Entity Assessments		113,057
Noncurrent Liabilities		
Due Within One Year		23,918
Due in More than One Year		-
Net Pension Liability		119,170
Total Liabilities	\$	263,793
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Deferred Inflows Related to TCDRS	\$	78,369
Total Deferred Inflows of Resources	\$	78,369
<b>NET POSITION</b>		
Net Investment in Capital Assets	\$	208,302
Unrestricted Net Position		(202,780)
Total Net Position	\$	5,522

The accompanying notes are an integral part of this statement.

KINNEY COUNTY APPRAISAL DISTRICT  
STATEMENT OF ACTIVITIES  
SEPTEMBER 30, 2025

EXHIBIT B-1

	Program Revenues			Net (Expense) Revenue and Changes in Net Position
Expenses	Charges for Services	Operating Grants and Contributions	Primary Gov. Governmental Activities	
<b>Primary Government:</b>				
GOVERNMENTAL ACTIVITIES:				
General Government	\$ 458,863	\$ -	\$ -	\$ 458,863
Interest on Long-Term Debt	62	-	-	62
	<u>\$ 458,925</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 458,925</u>
General Revenues:				
Intergovernmental Revenue				\$ 512,073
Miscellaneous Revenue				1,660
Investment Earnings				347
Total General Revenues				<u>\$ 514,080</u>
Change in Net Position				\$ 55,155
Net Position - Beginning				<u>\$ (49,633)</u>
Net Position - Ending				<u>\$ 5,522</u>

The accompanying notes are an integral part of this statement.

KINNEY COUNTY APPRAISAL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2025

EXHIBIT C-1

	General Fund	Total Governmental Funds
<b>ASSETS</b>		
Cash	\$ 120,115	\$ 120,115
Due from Agency Fund	590	590
Total Assets	<u>\$ 120,705</u>	<u>\$ 120,705</u>
<b>LIABILITIES</b>		
Accounts Payable	\$ 173	\$ 173
Accrued Expenses	7,475	7,475
Due to Agency Fund	-	-
Unearned Revenue - Entity Assessments	113,057	113,057
Total Liabilities	<u>\$ 120,705</u>	<u>\$ 120,705</u>
<b>FUND BALANCES</b>		
Unassigned	\$ -	\$ -
Total Fund Balances	<u>\$ -</u>	<u>\$ -</u>
Total Liabilities and Fund Balances	<u>\$ 120,705</u>	<u>\$ 120,705</u>

The accompanying notes are an integral part of this statement.

KINNEY COUNTY APPRAISAL DISTRICT  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE  
STATEMENT OF NET POSITION  
SEPTEMBER 30, 2025

EXHIBIT C-2

Total Fund Balances - Government Funds	\$ -
1 Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. At the beginning of the year, the cost of these assets was \$350,703 and the accumulated depreciation was \$(161,440). In addition, long-term liabilities, including right-to-use lease liabilities of \$(1,062), are not due and payable in the current period, and, therefore are not reported as liabilities in the funds. The net effect of including the beginning balances for capital assets (net of depreciation) and long-term debt in the governmental activities is to increase net position.	188,201
2 Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the Government-wide Financial Statements. The net effect of including the 2025 capital outlays of \$36,534 and debt principal payments of \$1,062 is to increase net position.	37,596
3 The 2025 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position.	(17,495)
4 The disclosure of GASB 68 for this fiscal year required that the District report their net pension liability in the Government-wide Statement of Net Position. The items reported included a net pension liability of \$(119,170), a Deferred Resource Inflow of \$(78,369), and a Deferred Resource Outflow of \$18,677. The net effect of these was to decrease net position	(178,862)
5 The net effect of the recognition of the 2025 accrued vacation of \$(23,918) is to decrease net position.	(23,918)
<b>Net Position of Governmental Activities</b>	<b>\$ 5,522</b>

The accompanying notes are an integral part of this statement.

KINNEY COUNTY APPRAISAL DISTRICT  
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN  
 FUND BALANCES GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2025

EXHIBIT C-3

	General Fund
<b>REVENUES</b>	
Intergovernmental Revenue	\$ 512,073
Investment Earnings	347
Other Revenues	1,660
Total Revenues	\$ 514,080
<b>EXPENDITURES</b>	
Current:	
General Government	\$ 476,422
Principal on long-term debt	1,062
Interest on long-term debt	62
Capital Outlay	36,534
Total Expenditures	\$ 514,080
Excess (deficiency) of Revenues over (under) Expenditures	\$ -
<b>OTHER FINANCING SOURCES (USES)</b>	
Proceeds from right-to-use leases	\$ -
Total Other Financing Sources (Uses)	\$ -
Net Change in Fund Balances	\$ -
Fund Balance - October 1 (Beginning)	\$ -
Fund Balance - September 30 (Ending)	\$ -

The accompanying notes are an integral part of this statement.

KINNEY COUNTY APPRAISAL DISTRICT  
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF  
REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE  
STATEMENT OF ACTIVITIES  
SEPTEMBER 30, 2025

EXHIBIT C-4

<b>Total Net Change in Fund Balances - Government Funds</b>	\$ -
Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the Government-wide Financial Statements. The net effect of removing the 2025 capital outlays of \$36,534 and debt principal payments of \$1,062 is to increase the change in net position.	37,596
Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease the change in net position	(17,495)
The entries required by GASB 68 required that some expenses on Exhibit B-1 be adjusted. Net decreases to expenses were \$35,978. The net effect on the change in net position on Exhibit B-1 is to increase the change in net position.	35,978
The net effect of the recognition of the 2025 change in accrued vacation of \$(924) is to decrease the change in net position.	(924)
<b>Change in Net Position of Governmental Activities</b>	<b>\$ 55,155</b>

The accompanying notes are an integral part of this statement.

KINNEY COUNTY APPRAISAL DISTRICT  
STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
SEPTEMBER 30, 2025

EXHIBIT D-1

		Custodial Funds
<b>ASSETS</b>		
Cash	\$	12,931
Receivables - Outstanding Collections		6,089
Total Assets	\$	19,020
<b>LIABILITIES</b>		
Escrow Held	\$	18,430
Due to General Fund		590
Intergovernmental Payable		-
Total Liabilities	\$	19,020

The accompanying notes are an integral part of this statement.

KINNEY COUNTY APPRAISAL DISTRICT  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
SEPTEMBER 30, 2025

EXHIBIT D-2

	Custodial Funds
<b>ADDITIONS:</b>	
Tax Payments Received	\$ 12,805,342
Other Miscellaneous Income	25,628
Total Additions	\$ 12,830,970
<b>DEDUCTIONS:</b>	
Entity Payments	\$ 12,830,970
Other	-
Total Deductions	\$ 12,830,970
Change in Fiduciary Net Position	\$ -
Total Net Position - October 1 (Beginning)	\$ -
Total Net Position - September 30 (Ending)	\$ -

The accompanying notes are an integral part of this statement.

**KINNEY COUNTY APPRAISAL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2025**

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Kinney County Appraisal District (the District) is an agency operating under the applicable laws and regulations of the State of Texas. It is governed by a Board of Directors (the Board) elected by the taxing entities of the District. The District prepares its general-purpose financial statements in conformity with generally accepted accounting principles promulgated by the Governmental Accounting Standards Board (GASB) and other authoritative sources identified in *Statement of Auditing Standards No. 76* of the American Institute of Certified Public Accountants; and it complies with the requirements of contracts and grants of agencies from which it receives funds.

**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 & District Retirement System (TCDRS) and additions to and/or deductions from TCERS's Fiduciary Net Position have been determined on the same basis as they are reported by TCERS. 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.

**A. REPORTING ENTITY**

Because the Board is elected by the taxing entities, it has the authority to make decisions, appoint administrators and managers, significantly influence operations, and has the primary accountability for fiscal matters. The District is not included in any other governmental "reporting entity" as defined by the GASB in its Statement No. 14, "The Financial Reporting Entity." There are no component units included within the reporting entity.

**B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

The Statement of Net Position and the Statement of Activities are Government-wide Financial Statements. They report information on all of the District's nonfiduciary activities with most of the interfund activities removed. *Governmental activities* include programs supported primarily by intergovernmental revenues.

The Statement of Activities demonstrates how other people or entities that participate in programs the District operates have shared in the payment of the direct costs. The "Charges for Services" column includes payments made by parties that purchase, use, or directly benefit from goods or services provided by a given function or segment of the District. The "Grants and Contributions" column indicates amounts paid by organizations outside the District to help meet the operational or capital requirements of a given function. If a revenue is not a program revenue, it is a general revenue used to support all of the District's functions.

Interfund activities between governmental funds appear as due to/due froms on the Governmental Fund Balance Sheet and as other resources and other uses on the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balance. All interfund transactions between governmental funds are eliminated on the government-wide statements. Interfund activities between governmental funds and fiduciary funds remain on the government-wide statements and appear on the government-wide Statement of Net Position as internal balances and on the Statement of Activities as interfund transfers.

5. The preparation of financial statements in conformity with Generally Accepted Accounting Principles (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.
6. In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities Statement of Net Position. The District implemented GASB 87 for reporting leases during the reporting period. A right-to-use lease is defined as a contract that conveys control of another entity's nonfinancial asset as specified in the contract for a period of time in an exchange or exchange-like transaction. To be accounted for as a lease, the lease must meet the definition of a "long-term" lease provided in GASB 87 and must meet the capitalization level set by the Board. The right-to use lease liability is reported in the government-wide statements. The lease liability is calculated as the present value of the reasonably certain expected payments to be made over the term of the lease, and the interest is included in the lease payment and recorded as an expense.

In the fund financial statements, the face amount of debt issued is reported as other financing sources. With GASB 87, the initial measure of a new right-to-use lease arrangement is reported in government fund types as an other financial source during the current period. Monthly payments are reported as principal and interest payments during the reporting period of the fund level statements.

7. Capital assets, which include land, buildings, furniture and equipment, and right-to-use lease assets are reported in the applicable governmental column in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed.

The right-to-use lease asset capitalization level is determined by the Board. The term of the lease must be the noncancelable period during which the District has the right to use the tangible assets of another entity plus any periods in which either the lessee or the lessor has the sole option to extend the lease if it is reasonably certain the option will be exercised, plus any periods in which either the lessee or the lessor has the sole option to terminate the lease if it is reasonably certain the option will not be exercised by that party and must not meet the definition of a short-term lease under GASB 87. If the lease is in a governmental fund, the full amount of the lease asset will be reported as an expenditure in the fund level statements the year the agreement is made. Note, with existing contracts that were evaluated as leases for this year of implementation, the recording of the lease asset and liability would not be reported in governmental fund statements but would be reported in the government-wide statements.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Buildings, furniture and equipment, and right-to-use lease assets of the District are depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Buildings	40
Equipment	5

8. When the District incurs an expense for which it may use either restricted or unrestricted assets, it uses the restricted assets first unless unrestricted assets will have to be returned because they were not used.

### **III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS**

#### **A. CASH, CASH EQUIVALENTS, AND INVESTMENTS**

##### **District Policies and Legal and Contractual Provisions Governing Deposits**

*Custodial Credit Risk for Deposits* - State law requires governmental entities to contract with financial institutions in which funds will be deposited to secure those deposits with insurance or pledged securities with a fair value equaling or exceeding the amount on deposit at the end of each business day. The pledged securities must be in the name of the governmental entity and held by the entity or its agent. At September 30, 2025 the District was in compliance with this law; it has no custodial credit risk for deposits at year-end.

*Foreign Currency Risk* - The District has no foreign currency deposits.

##### **District Policies and Legal and Contractual Provisions Governing Investments**

###### **Compliance with the Public Funds Investment Act**

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

Statutes authorize the entity to invest in (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas, (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers acceptances, (7) mutual funds, (8) investment pools, (9) guaranteed investment contracts, (10) and common trust funds. The Act also requires the entity to have independent auditors perform test procedures related to investment practices as provided by the Act. The District is in substantial compliance with the requirements of the Act and with local policies.

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

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

*Credit Risk* - To limit the risk that an issuer or other counterparty to an investment will not fulfill its obligations, the District limits investments to bank certificates of deposit. As of September 30, 2025, the District's investments were covered by the depository contract.

*Custodial Credit Risk for Investments* - To limit the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in possession of an outside party, the District requires counterparties to register the securities in the name of the District and hand them over to the District or its designated agent. This includes securities in securities lending transactions. All of the securities are in the District's name and held by the District or its agent.

*Concentration of Credit Risk* - To limit the risk of loss attributed to the magnitude of a government's investment in a single issuer, the District limits investments to less than 5% of its total investments. The District further limits investments in a single issuer when they would cause investment risks to be significantly greater in the governmental and business-type activities, individual major funds, aggregate non-major funds, and fiduciary fund types than they are in the primary government. Usually, this limitation is 20%.

## D. CAPITAL ASSETS ACTIVITIES

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

	Primary Government			
	Beginning Balance	Additions	Transfers	Ending Balance
<b>Governmental Activities:</b>				
Land	\$ 3,194	\$ -	\$ -	\$ 3,194
Buildings	193,233	36,534	-	229,767
Equipment	145,700	-	-	145,700
Right-to-use lease assets - equipment	8,576	-	-	8,576
Total at historical cost	<u>\$ 350,703</u>	<u>\$ 36,534</u>	<u>\$ -</u>	<u>\$ 387,237</u>
Less accumulated depreciation				
Buildings	\$ (45,872)	\$ (4,906)	\$ -	\$ (50,778)
Equipment	(107,706)	(11,875)	-	(119,581)
Right-to-use lease assets - equipment	(7,862)	(714)	-	(8,576)
Total accumulated depreciation	<u>\$ (161,440)</u>	<u>\$ (17,495)</u>	<u>\$ -</u>	<u>\$ (178,935)</u>
Governmental activities capital assets, net	<u>\$ 189,263</u>	<u>\$ 19,039</u>	<u>\$ -</u>	<u>\$ 208,302</u>

Depreciation expense of \$17,495 was charged to general government during the year.

## E. RIGHT-TO-USE LEASE LIABILITIES

The District leases a photocopy machine with an agreement having a 3-year term. Payments of \$374 are made monthly which consist of principal and imputed annual interest of 34.44%. No assets were pledged as collateral for this lease.

A summary of right-to-use lease arrangements for the year ended September 30, 2025, is as follows:

Description	Interest Rate	Original Lease Liability	Interest Current Year	Principal Balance at 10/1/2024	New Lease Agreement	Principal Paid this Year	Principal Balance at 9/30/2025	Principal Due Within One Year
<b>Right-to-Use Lease Liabilities</b>								
Kyocera Lease, 2022	34.437%	\$ 8,576	\$ 62	\$ 1,062	\$ -	\$ 1,062	\$ -	\$ -
Total Right-to-Use Liabilities		<u>\$ 8,576</u>	<u>\$ 62</u>	<u>\$ 1,062</u>	<u>\$ -</u>	<u>\$ 1,062</u>	<u>\$ -</u>	<u>\$ -</u>

**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	4
Inactive employees entitled to, but not yet receiving, benefits	-
Active employees	<u>4</u>
	8

**Contributions**

The contribution rates for employees in TCDRS are either 4%, 5%, 6%, or 7% of employee gross earnings, and the District matching percentages are 100%, both as adopted by the governing body of the District. Under the state law governing TCDRS, the contribution rate for each district is determined annually by the actuary, using the Entry Age Normal (EAN) actuarial cost method. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

Employees for the District were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the District were 12.62% and 11.15% in calendar years 2024 and 2025, respectively. The District's contributions to TCDRS for the year ended September 30, 2025, were \$22,583 and were equal to the required contributions.

**Net Pension Liability**

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

**Actuarial assumptions:**

The Total Pension Liability (NPL) 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 and service. 4.7% average over career including inflation.
Investment Rate of Return	7.50%, net of administrative and investment expenses, including inflation.

Salary increases were based on a service-related table. Mortality rates for active members were based on the gender-distinct RP2000 Active Employee Mortality Table for males with a two-year set forward and a four year setback for females, both with the projection scale AA. For retirees, beneficiaries, and non-depositing members, the gender-distinct RP2000 Combined Mortality Table with the projection scale AA, with a one-year set forward for males and no age adjustment for females is used. For disabled annuitants, the gender-distinct RP2000 Disabled Retiree Mortality Table is used, with slight adjustments.

The long-term expected rate of return on pension plan investments is 7.50%. The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the TCDRS Board of Trustees. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TCDRS.

## 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 specific 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 Liability.

## Changes in Net Pension Liability / (Asset)

Liability / (Asset)	Increase (Decrease)		
	Total Pension Liability (a)	Fiduciary Net Position (b)	Net Position Liability / (Asset) (a) - (b)
Balance as of 12/31/2024	\$ 489,413	\$ 367,327	\$ 122,086
Changes for the year:			
Service Cost	21,969	-	21,969
Interest on total pension liability <sup>(1)</sup>	36,856	-	36,856
Effect of plan changes <sup>(2)</sup>	1,538	-	1,538
Effect of economic / demographic gains or loses	3,636	-	3,636
Effect of assumptions changes or inputs	-	-	-
Refund of contributions	(9,375)	(9,375)	-
Benefit payments	(44,494)	(44,494)	-
Administrative expense	-	(207)	207
Member contributions	-	11,164	(11,164)
Net investment income	-	36,964	(36,964)
Employer contributions	-	20,127	(20,127)
Other <sup>(3)</sup>	-	(1,133)	1,133
Balance at 12/31/2025	<u>\$ 499,543</u>	<u>\$ 380,373</u>	<u>\$ 119,170</u>

<sup>(1)</sup>Reflects the change in the liability due to the time value of money. TCDRS does not charge fees or interest.

<sup>(2)</sup>Reflects that COLA adopted in 2025 was greater than the assumed substantively automatic COLA.

<sup>(3)</sup>Relates to allocation of system-wide items.

## Sensitivity Analysis

The following presents the net pension liability of the employer, calculated using the discount rate of 7.60%, as well as what the District 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	Current Discount Rate	1% Increase
	6.60%	7.60%	8.60%
Total pension liability	\$ 543,697	\$ 499,543	\$ 460,634
Fiduciary net position	<u>380,372</u>	<u>380,373</u>	<u>380,372</u>
Net pension liability / (asset)	<u>\$ 163,325</u>	<u>\$ 119,170</u>	<u>\$ 80,262</u>

**J. GENERAL FUND EXPENDITURES**

	<u>Actual</u>	<u>Budget</u>
Appraisal and collection	\$ 51,277	\$ 78,500
Automation	80,945	72,800
Building expense	25,636	27,275
Office expense	55,666	58,876
Payroll	215,179	211,324
Payroll expenses	75,728	72,867
Professional development	8,525	25,000
Debt service	1,124	1,124
Total	<u>\$ 514,080</u>	<u>\$ 547,766</u>

**K. INTERFUND BALANCES**

Interfund balances at September 30, 2025 consisted of the following amount:

**Due from Fiduciary Fund From:**

General Fund	\$ <u>590</u>
	<u>\$ 590</u>

Interfund balance is the result of General Fund funding a timing delay in collection of customer credit card payments on their individual tax accounts.

**REQUIRED SUPPLEMENTARY INFORMATION**

KINNEY COUNTY APPRAISAL DISTRICT  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL - GENERAL FUND  
FOR THE YEAR ENDED SEPTEMBER 30, 2025

EXHIBIT E-1

	Budgeted Amounts		Actual Amounts (GAAP Basis)	Variance with Final Budget Positive or (Negative)
	Original	Final		
<b>REVENUES:</b>				
Intergovernmental Revenue	\$ 544,266	\$ 544,266	\$ 512,073	\$ 32,193
Investment Earnings	-	-	347	(347)
Other Revenue	3,500	3,500	1,660	1,840
Insurance Proceeds	-	-	-	-
Total Revenues	<u>\$ 547,766</u>	<u>\$ 547,766</u>	<u>\$ 514,080</u>	<u>\$ 33,686</u>
<b>EXPENDITURES:</b>				
General Government	\$ 510,108	\$ 510,108	\$ 476,422	\$ 33,686
Principal on long-term debt	1,062	1,062	1,062	-
Interest on long-term debt	62	62	62	-
Capital Outlay	36,534	36,534	36,534	-
Total Expenditures	<u>\$ 547,766</u>	<u>\$ 547,766</u>	<u>\$ 514,080</u>	<u>\$ 33,686</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Non-Current Lease Proceeds	\$ -	\$ -	\$ -	\$ -
Total Other Financing Sources (Uses)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Net Change in Fund Balances	\$ -	\$ -	\$ -	\$ -
Fund Balance - October 1 (Beginning)	\$ -	\$ -	\$ -	\$ -
Fund Balance - September 30 (Ending)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

KINNEY COUNTY APPRAISAL DISTRICT  
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS  
THE TEXAS COUNTY AND DISTRICT RETIREMENT SYSTEM  
SEPTEMBER 30, 2025  
(UNAUDITED)

EXHIBIT E-2

2020	2019	2018	2017	2016	2015
\$ 11,912	\$ 11,301	\$ 7,942	\$ 6,657	\$ 6,084	\$ 5,626
31,757	30,032	31,163	29,740	27,129	24,896
27,150	5,111	(13,007)	(6,213)	11,747	(581)
14,156	-	-	9,906	-	5,109
(66,729)	13,904	6,126	16,700	9,228	8,516
-	-	-	-	-	-
<u>(42,696)</u>	<u>(36,748)</u>	<u>(61,869)</u>	<u>(19,961)</u>	<u>(19,764)</u>	<u>(19,764)</u>
\$ (24,450)	\$ 23,600	\$ (29,645)	\$ 36,829	\$ 34,424	\$ 23,802
401,077	377,477	407,122	370,293	335,869	312,067
<u>\$ 376,627</u>	<u>\$ 401,077</u>	<u>\$ 377,477</u>	<u>\$ 407,122</u>	<u>\$ 370,293</u>	<u>\$ 335,869</u>
\$ 14,739	\$ 16,617	\$ 12,238	\$ 14,281	\$ 12,799	\$ 11,622
7,473	10,205	7,445	8,501	6,956	6,452
33,540	47,338	(6,780)	42,835	20,046	5,217
(42,696)	(36,748)	(61,869)	(19,961)	(19,764)	(19,764)
(247)	(248)	(231)	(225)	(218)	(193)
-	-	-	-	-	-
<u>(574)</u>	<u>(295)</u>	<u>(1,223)</u>	<u>37</u>	<u>1,461</u>	<u>1,636</u>
\$ 12,235	\$ 36,869	\$ (50,420)	\$ 45,468	\$ 21,280	\$ 4,970
325,069	288,200	338,620	293,152	271,872	266,902
<u>\$ 337,304</u>	<u>\$ 325,069</u>	<u>\$ 288,200</u>	<u>\$ 338,620</u>	<u>\$ 293,152</u>	<u>\$ 271,872</u>
<u>\$ 39,323</u>	<u>\$ 76,008</u>	<u>\$ 89,277</u>	<u>\$ 68,502</u>	<u>\$ 77,141</u>	<u>\$ 63,997</u>
89.56%	81.05%	76.35%	83.17%	79.17%	80.95%
\$ 106,752	\$ 145,780	\$ 106,351	\$ 121,444	\$ 99,377	\$ 92,175
36.84%	52.14%	83.95%	56.41%	77.62%	69.43%

KINNEY COUNTY APPRAISAL DISTRICT  
 NOTES TO THE SCHEDULE OF CONTRIBUTIONS  
 SEPTEMBER 30, 2025

**Valuation Date:** Actuarially determined contribution rates are calculated each 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:	9.2 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.
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 of Employer Contributions*	2015: No changes in plan provisions were reflected in the Schedule. 2016: No changes in plan provisions were reflected in the Schedule. 2017: Employer contributions reflect that a 1% flat COLA was adopted. Also, new Annuity Purchase Rates were reflected for benefits earned after 2017  2018: No changes in plan provisions were reflected in the Schedule. 2019: No changes in plan provisions were reflected in the Schedule. 2020: Employer contributions reflect that a 2% flat COLA was adopted. 2021: Employer contributions reflect that a 2% flat COLA was adopted. 2022: Employer contributions reflect that a 1% flat COLA was adopted. 2023: Employer contributions reflect that a 7% flat COLA was adopted. 2024: Employer contributions reflect that a 6% flat COLA was adopted.

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

**SUPPLEMENTAL INFORMATION**

KINNEY COUNTY APPRAISAL DISTRICT  
 SCHEDULE OF COLLECTIONS AND DISBURSEMENTS - AGENCY FUND  
 YEAR ENDED SEPTEMBER 30, 2025

EXHIBIT F-1

City of Spofford	Ft. Clark MUD	Kinney County Groundwater Cons. District
\$ 6,733	\$ 232,247	\$ 552,877
-	(1,731)	(409)
(154)	(5,069)	(9,908)
-	-	-
<u>112</u>	<u>4,169</u>	<u>8,336</u>
6,691	229,616	550,896
<u>32</u>	<u>1,810</u>	<u>1,029</u>
<u>\$ 6,723</u>	<u>\$ 231,426</u>	<u>\$ 551,925</u>

\$ 6,691	\$ 229,616	\$ 550,896
<u>32</u>	<u>1,810</u>	<u>1,029</u>
<u>\$ 6,723</u>	<u>\$ 231,426</u>	<u>\$ 551,925</u>

KINNEY COUNTY APPRAISAL DISTRICT  
 SCHEDULE OF TAX ROLL RECONCILIATIONS - 2024 AND PRIOR YEARS  
 YEAR ENDED SEPTEMBER 30, 2025

EXHIBIT F-2

City of Spofford	Ft. Clark MUD	Kinney County Groundwater Cons. District
\$ 7,320	\$ 237,085	\$ 548,692
<u>5,872</u>	<u>38,149</u>	<u>16,216</u>
<u>\$ 13,192</u>	<u>\$ 275,234</u>	<u>\$ 564,908</u>
\$ 6,733	\$ 232,248	\$ 552,895
-	(1,004)	(6,093)
<u>\$ 6,733</u>	<u>\$ 231,244</u>	<u>\$ 546,802</u>
<u>\$ 6,459</u>	<u>\$ 43,990</u>	<u>\$ 18,106</u>