

Titus County Appraisal District

**FINANCIAL STATEMENTS
AND INDEPENDENT AUDITOR'S REPORT**

As of December 31, 2025

Titus County Appraisal District
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Year ended December 31, 2025

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Independent Auditor's Report

**Honorable Board
Titus County Appraisal District**

Report on the Audit of the Financial Statements

Opinions

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

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

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

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

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 8 and pages 23 and 24, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 28, 2026, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering District's internal control over financial reporting and compliance.

Arnold Walker Arnold & Co., P.C.

January 28, 2026

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of Titus County Appraisal District, we offer readers of the District's financial statements this narrative overview and analysis of the financial activities and performance for the year ended December 31, 2025. The information presented here should be read in conjunction with the independent auditor's report and the District's financial statements.

FINANCIAL HIGHLIGHTS

The District's total net position was \$1.11 million at December 31, 2025. During the year, the District's revenues exceeded expenses by \$197 thousand. \$156 thousand was refunded to entities from the prior year budget surplus.

The total cost of all the District's activities was \$1.5 million.

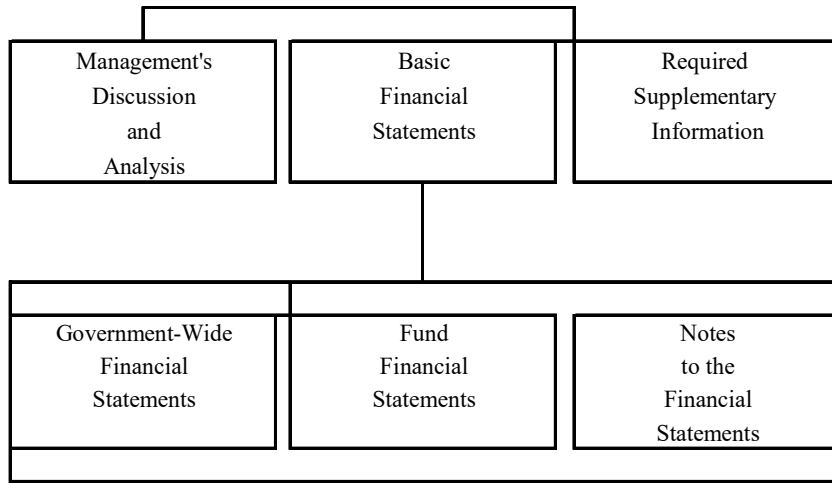
The fund balance was \$375 thousand at December 31, 2025. \$121 thousand remains assigned for legal fees. The District will refund \$151 thousand from the 2025 budget surplus. District funds are approximately \$103 thousand.

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 information about the District's activities as a whole and present a longer-term view of the District's property and debt obligations. They reflect the flow of total economic resources in a manner similar to the financial reports of a business enterprise.
- 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.

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



Summary ⇄ Detail

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 *required supplementary information* that further explains and supports the information in the financial statements. Figure A-1 shows how the required parts of this annual report are arranged and related to one another.

Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District government they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

Figure A-2. Major Features of the District's Government-wide Fund Financial Statements		
<i>Type of Statements</i>	Government-wide	Governmental Funds
<i>Scope</i>	Entire District's government (except fiduciary funds) and the District's component units	The activities of the District that are not proprietary or fiduciary
<i>Required financial statements</i>	Statement of net position	Balance sheet
	Statement of activities	Statement of revenues, Expenditures & changes in fund balances
<i>Accounting basis and measurement focus</i>	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus
<i>Type of asset/liability information</i>	All assets and liabilities, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter, no capital assets included
<i>Type of inflow/outflow information</i>	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon after

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 is an indicator of whether its financial health is improving or deteriorating, respectively.

The government-wide financial statements of the District include the *Governmental activities*. Assessing and collecting fees for services finance most of these activities.

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 State law and by bond covenants.

The District has one fund:

- *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 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, additional information is provided that explains the relationship (or differences) between them.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net position. The District's combined net position was approximately \$1.11 million at December 31, 2025.

Table A-1
The District's Net Position
(in thousands of dollars)

	Governmental Activities	
	2025	2024
Current and other assets	843	793
Capital and non-current assets	1,086	1,046
TOTAL ASSETS	1,929	1,839
DEFERRED OUTFLOWS OF RESOURCES	53	69
Long-term liabilities	392	386
Other liabilities	468	437
TOTAL LIABILITIES	860	823
DEFERRED INFLOWS OF RESOURCES	12	9
Invested in capital assets	544	551
Unrestricted	566	525
TOTAL NET POSITION	1,110	1,076

Net position invested in capital assets reflects the book value of the District's capital assets in excess of the debt which financed those assets.

Total net position increased \$41 thousand as compared to \$107 thousand the prior year. Refunds to entities was \$50 thousand more this year.

Changes in net position.

The District's total revenues were \$1.69 million. \$1.67 million of this was from appraisal and collection fees. These fees are \$146 thousand more than the prior year as budgeted.

The total cost of all programs was \$1.49 million. Approximately 65% of this was for salaries and benefits.

Table A-2
The District's Changes in Net Position
(in thousands of dollars)

	Governmental Activities	
	2025	2024
Revenues		
<u>Program Revenues</u>		
Charges for Services	1,669	1,523
Operating Grants and Contributions	-	-
<u>General Revenues</u>		
Investment earnings	13	15
Other	10	5
Total Revenues	1,692	1,543
Expenses		
Tax appraisal and collection	1,495	1,330
Total Expenses	1,495	1,330
Other sources (uses)	-	-
Increase (decrease) in Net Position	197	213
Beginning Net Position	1,076	969
Restatement for implementation of GASB 101	(7)	-
Refund to entities prior year budget surplus	(156)	(106)
Ending Net Position	1,110	1,076

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

The District reported fund balance in its governmental funds of approximately \$375 thousand at December 31, 2025.

General Fund Budgetary Highlights

The budget was not amended this year. Expenditures were less than budgeted by \$151 thousand. Payroll costs were less than budgeted.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

Table A-4
District's Capital Assets
(in thousands of dollars)

	Governmental Activities	
	2025	2024
Land	154	154
Construction in progress	-	417
Building	935	508
Office and computer equipment	252	240
Totals at historical cost	<u>1,341</u>	<u>1,319</u>
Total accumulated depreciation	<u>(419)</u>	<u>(383)</u>
Net capital assets	<u>922</u>	<u>936</u>

The building addition was completed this year. \$13 thousand of principal was paid on the debt that was used to make additions to the building.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The District's Board and management considered many factors when setting the 2026 budget. Growth and economic conditions were considered. Both continue to be good with some continued growth in population and some continued business expansion. An increase of \$142 thousand was budgeted mainly to fund payroll increases and increases in contracted services. It is anticipated that the equity position will continue to remain about the same.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of District's finances for all those with an interest in the District's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be directed to the Chief Appraiser's office.

BASIC FINANCIAL STATEMENTS

Titus County Appraisal District
 STATEMENT OF NET POSITION
 As of December 31, 2025

	Governmental Activities
ASSETS	
Current assets	
Cash	464,420
Accounts receivable - entities	378,498
Total current assets	<u>842,918</u>
Capital assets	
Land	154,000
Building, net of accumulated depreciation	711,711
Office equipment and technology, net of accumulated depreciation	56,550
Total capital assets	<u>922,261</u>
Net pension asset	<u>163,963</u>
Total Assets	<u>1,929,142</u>
 DEFERRED OUTFLOWS OF RESOURCES	
Deferred resources outflows TCDRS	<u>53,444</u>
 LIABILITIES	
Current liabilities	
Accounts payable and accrued expenses	15,071
Advance payments by entities	452,860
Notes payable - current portion	31,868
Total current liabilities	<u>499,799</u>
Long-term liabilities	
Notes payable - net of current portion	346,709
Compensated absences payable	13,418
Total Liabilities	<u>859,926</u>
 DEFERRED INFLOWS OF RESOURCES	
Deferred resources inflows TCDRS	<u>12,408</u>
 NET POSITION	
Net invested in capital assets	543,684
Unrestricted	<u>566,568</u>
Total Net Position	<u><u>1,110,252</u></u>

The accompanying notes are an integral part of this statement.

Titus County Appraisal District
 STATEMENT OF ACTIVITIES
 For the year ended December 31, 2025

	<u>Program Revenues</u>		Net (Expense) Revenue and Changes in Net Position
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>
			<u>Governmental Activities</u>
Primary Government:			
GOVERNMENTAL ACTIVITIES			
Tax appraisal and collection	1,495,442	1,668,711	-
Total governmental activities	<u>1,495,442</u>	<u>1,668,711</u>	<u>173,269</u>
General Revenues			
Interest income			13,215
Miscellaneous			10,714
Total General Revenues			<u>23,929</u>
Other Sources (Uses)			<u>-</u>
Changes in Net Position			197,198
Net Position -- Beginning as previously reported			1,076,416
Restatement for implementation of GASB 101			<u>(7,576)</u>
Net Position -- Beginning as restated			1,068,840
Refund to entities prior years budget surplus			<u>(155,786)</u>
Net Position -- Ending			<u><u>1,110,252</u></u>

The accompanying notes are an integral part of this statement.

GOVERNMENTAL FUND FINANCIAL STATEMENTS

Titus County Appraisal District
 BALANCE SHEET
 GENERAL FUND
 As of December 31, 2025

	<u>General Fund</u>
ASSETS	
Cash	464,420
Accounts receivable - entities	<u>378,498</u>
Total assets	<u>842,918</u>
LIABILITIES	
Payroll taxes and benefits payable	15,071
Advance payments by entities	<u>452,860</u>
Total liabilities	<u>467,931</u>
FUND BALANCE	
CAD Funds	103,098
Assigned - legal	120,561
Fund balance-budget surplus to be refunded to entities	<u>151,328</u>
Total fund balance	<u>374,987</u>
Total liabilities and fund balance	<u>842,918</u>

The accompanying notes are an integral part of this statement.

Titus County Appraisal District
 RECONCILIATION OF THE GOVERNMENTAL FUNDS
 BALANCE SHEET TO THE STATEMENT OF NET POSITION
 As of December 31, 2025

Total Fund Balances - Governmental Funds	374,987
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 \$1,319,852 and the accumulated depreciation was \$383,058. 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.	551,121
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 long-term debt principal payments in the government-wide statements and reductions in long-term debt. The net effect of including the 2025 capital outlays and debt principal payments is to increase net position.	34,224
Note proceeds are resources in the fund financial statements, but they should be shown as increase to liabilities in the government-wide statements. The net effect is to decrease is to decrease net position.	(5,689)
The 2025 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position.	(35,972)
Recognition of the District's net pension asset is not reported in the funds.	163,963
Deferred resource outflows related to the pension plan are not reported in the funds.	53,444
Restatement for implementation of GASB 101 compensated absences \$7,576 at beginning of year plus adjustments for the current year of \$5,842.	(13,418)
Deferred resource inflows related to the pension plan are not reported in the funds.	(12,408)
Net Position of Governmental Activities	1,110,252

The accompanying notes are an integral part of this statement.

Titus County Appraisal District
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
 IN FUND BALANCE--BUDGET AND ACTUAL
 GENERAL FUND
 For the year ended December 31, 2025

	Original Budget	Amended Budget	Actual	Variance Favorable (Unfavorable)
REVENUE				
Appraisal and collection fees	1,668,711	1,668,711	1,668,711	-
Interest income and other	-	-	23,929	23,929
Total revenue	<u>1,668,711</u>	<u>1,668,711</u>	<u>1,692,640</u>	<u>23,929</u>
EXPENDITURES				
Current				
Payroll cost & employee benefits	1,074,392	1,074,392	976,476	97,916
Purchased & contracted services	359,172	359,172	336,431	22,741
Supplies & materials	58,175	58,175	57,007	1,168
Other operating expenses	96,731	96,731	94,353	2,378
Note principal	32,570	32,570	12,785	19,785
Note interest	17,921	17,921	22,392	(4,471)
Capital Outlay	29,750	29,750	17,939	11,811
Total expenditures	<u>1,668,711</u>	<u>1,668,711</u>	<u>1,517,383</u>	<u>151,328</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>-</u>	<u>175,257</u>	<u>175,257</u>
Other Sources/(Uses)				
Building Repairs	-	-	-	-
Loan Proceeds	-	-	(5,689)	5,689
Building Renovation	-	-	5,689	(5,689)
Total other sources/(uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess of revenues and other sources over (under) expenditures and other uses	<u>-</u>	<u>-</u>	<u>175,257</u>	<u>175,257</u>
Fund balance at beginning of year	355,516	282,203	355,516	-
Refund to entities	-	-	(155,786)	(155,786)
Fund balance at end of year	<u>355,516</u>	<u>282,203</u>	<u>374,987</u>	<u>19,471</u>

The accompanying notes are an integral part of this statement.

Titus County Appraisal District
 RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
 for the year ended December 31, 2025

Total Net Change in Fund Balances - Governmental Funds	175,257	
Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements but 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 is to increase net position.	34,224	
Note proceeds are other resources in the fund financial statements, but they should be shown as increases to liabilities in the government-wide statements. The net effect is to decrease net position.	(5,689)	
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 net position.	(35,972)	
Current year change due to GASB 68 resulted in an increase in net position.	35,220	
Current year change due to GASB 101 compensated absences resulted in a decreased net position.	(5,842)	
Change in Net Position of Governmental Activities	<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="border-top: 1px solid black; border-bottom: 3px double black; text-align: right;">197,198</td> </tr> </table>	197,198
197,198		

NOTE: Statement of Activities (“SOA”)

The accompanying notes are an integral part of this statement.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Titus County Appraisal District is a governmental unit under the applicable laws and regulations of the State of Texas. It is governed by a Board of Directors appointed by the entities for which the District appraises and collects taxes. The District prepares its basic financial statements in conformity with generally accepted accounting principles promulgated by the Governmental Accounting Institute of Certified Public Accountants.

Pensions. The fiduciary net position of the Texas County and District Retirement System (TCDRS) has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. This includes for purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, and information about assets, liabilities and additions to/deductions from TCDRS's fiduciary net position. Benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

A. REPORTING ENTITY

The District has the authority to make decisions and significantly influence operations. It has the primary accountability for fiscal matters. Therefore, the District is a financial reporting entity as defined by the Governmental Accounting Standards Board ("GASB") in its Statement No. 14, "The Financial Reporting Entity." There are no component units included within the reporting entity.

At December 31, 2025, the District has appraisal agreements with twelve entities and collection agreements with six entities. The collection activity is transacted through a separate escrow collection account which is not included in these financial statements. This account is used as a clearing account only and is audited and reported on separately from this audit.

B. FORMATION

Titus County Appraisal District was formed under a Senate Bill for the purpose of reappraisal of all property in Titus County. The assessed valuation determined by the Appraisal District will be used by all taxing entities in the District. Funding for the District comes from each taxing entity each year based on an approved budget.

C. 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 activities. *Governmental activities* include programs supported primarily by taxes, charges for services, grants and other intergovernmental revenues. Business type activities include operations that rely to a significant extent on fees and charges for support. The District has no business type activities. All of the District's support comes from the entities that the District appraises and collects taxes for except for a small amount of interest income and miscellaneous other income. A budget is adopted each year by the Board and is also approved by the entities.

The Statement of Activities demonstrates how other people or entities that participate in the programs the District operates have shared in the payment of those costs. The "charges for services" column includes payments made by the entities for appraising and collecting taxes and miscellaneous charges to customers such as copying documents. The "grants and contributions" column includes amounts paid by organizations outside the District to help meet the operational or capital requirements of a given function. The District had no grants and contributions this year. If a revenue is not a program revenue, it is a general revenue used to support all of the District's functions.

The fund financial statements provide reports on the financial condition and results of operations of the District's one fund category. The District has only one fund, the general fund, and it is a major fund, there are no proprietary funds.

D. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT

The government-wide financial statements use the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows, appraisal and collection fees are recognized in the year for which they are budgeted.

Governmental fund financial statements use the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets, current liabilities and fund balances are included on the balance sheet. Operating statements of these funds present net increases and decreases in current assets (i.e., revenues and other financing sources and expenditures and other financing uses).

The modified accrual basis of accounting recognizes revenues in the accounting period in which they become both measurable and available, and it recognizes expenditures in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest and principal on long-term debt, which is recognized when due.

Titus County Appraisal District
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2025

E. FUND ACCOUNTING

The District reports the following major governmental fund:

1. **The General Fund** – The general fund is the District’s operating fund. It accounts for all financial resources of the District.

F. OTHER ACCOUNTING POLICIES

1. Capital assets, which include office equipment, technology, land and building are reported in the applicable governmental activities column in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 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. Donated capital assets are recorded at estimated fair market value at the date of donation.

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. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Building is depreciated using the straight line method over estimated useful lives of 40 years. Equipment and technology are depreciated similarly over 3-7 years.

2. The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.
3. The governmental fund financials present fund balance categorized based on the nature and extent of the constraints placed on the specific purposes for which a government’s funds may be spent. The following classifications describe the relative strength of the spending constraints:

Nonspendable fund balance – amounts that are not in spendable form (such as prepaid items) or are required to be maintained intact.

Restricted fund balance – amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.

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

Assigned fund balance – amounts the District intends to use for a specific purpose. Intent can be expressed by the Board of Directors or by an official or body to which the Board of Directors delegates the authority.

Unassigned fund balance – amounts that represent fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. Other governmental funds might report a negative balance in this classification, as the result of overspending for which amounts had been restricted, committed, or assigned. Positive balances are reported only in the general fund.

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 government 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 components of the unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, restricted fund balance is depleted first, followed by unrestricted fund balance – committed and assigned, in order as needed. Unassigned fund balance is applied last.

4. 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/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 the 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.

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Formal budgetary integration is employed as a management control device during the year for the general fund. This budget is adopted on a basis consistent with generally accepted accounting principles. The budget was not amended during the year.

Titus County Appraisal District
 NOTES TO THE FINANCIAL STATEMENTS
 December 31, 2025

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS

A. CASH, CASH EQUIVALENTS AND INVESTMENTS

Cash and Cash Equivalents

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. Since the District complies with this law, it has no custodial credit risk for deposits.

Foreign Currency Risk The District has no investments in foreign currency.

As of December 31, 2025, the following are the District's cash and cash equivalents with respective maturities and credit rating:

Type of Deposit	Fair Value	Maturity in Less than 1 year	Maturity in 1- 10 Years	Maturity in Over 10 Years	Credit Rating
Cash, Money Markets and FDIC Insured Accounts	464,420	464,420	-	-	N/A
Total Cash and Cash Equivalents	464,420	464,420	-	-	

In addition, the following is disclosed regarding coverage of combined balances on the date of highest deposit:

- a. Depository: Guaranty Bank and Trust
- b. The market value of securities pledged on December 31, 2025 was \$6,128,196.
- c. The bank balances of cash, savings, and time deposit accounts amounted to approximately \$469,079 at December 31, 2025.
- d. Total amount of FDIC coverage at the time of the highest combined balance was \$250,000.

Investments

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) 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, (9) and 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 and its agencies; (2) guaranteed or secured certificates of deposit issued by state and national banks domiciled in Texas; (3) obligations of states, agencies, counties, cities and other political subdivisions of any state having been rated as to investment quality not less than an "A"; (4) No load money market funds with a weighted average maturity of 90 days or less; (5) fully collateralized repurchase agreements; (6) commercial paper having a stated maturity of 270 days or less from the date of issuance and is not rated less than A-1 or P-1 by two nationally recognized credit rating agencies OR one nationally recognized credit agency and is fully secured by an irrevocable letter of credit; (7) secured corporate bonds rated not lower than "AA-" or the equivalent; (8) public funds investment pools; and (9) guaranteed investment contracts for bond proceeds investment only, with a defined termination date and secured by U.S. Government direct or agency obligations approved by the Texas public Funds Investment Act in an amount equal to the bond proceeds. The Act also requires the entity to have independent auditors perform test procedures related to investment practices as provided by the Act. City of Omaha, Texas is in substantial compliance with the requirements of the Act and with local policies.

Additional policies and contractual provisions governing investments for Titus County Appraisal District are specified below:

Titus County Appraisal District
 NOTES TO THE FINANCIAL STATEMENTS
 December 31, 2025

A. CASH, CASH EQUIVALENTS AND INVESTMENTS continued

Credit Risk To limit the risk that an issuer or other counterparty to an investment will not fulfill its obligations the District limits investments in commercial paper, corporate bonds, mutual bond funds to the top ratings issued by nationally recognized statistical rating organizations (NRSROs).

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%.

Interest Rate Risk To limit the risk that changes in interest rates will adversely affect the fair value of investments, the District requires all of the investment portfolio to have maturities of less than one year.

Foreign Currency Risk for Investments The District limits the risk that changes in exchange rates will adversely affect the fair value of an investment by not allowing foreign investments.

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.

B. DISAGGREGATION OF RECEIVABLES AND PAYABLES

Receivables at December 31, 2025, were as follows:

	<u>Charges for Services</u>	<u>Other</u>	<u>Total Receivables</u>
Governmental Activities:			
General Fund	378,498	-	378,498
Amounts not scheduled for collection during the subsequent year	<u>378,498</u>	<u>-</u>	<u>378,498</u>

Payables at December 31, 2025, were as follows:

	<u>Accounts Payable</u>	<u>Accrued Payroll Benefits</u>	<u>Total Payables</u>
Governmental Activities:			
General Fund	-	15,071	15,071
Amounts not scheduled for payment during the subsequent year	<u>-</u>	<u>15,071</u>	<u>15,071</u>

Titus County Appraisal District
 NOTES TO THE FINANCIAL STATEMENTS
 December 31, 2025

C. CAPITAL ASSET ACTIVITY

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

	Primary Government			Ending Balance
	Beginning Balance	Additions	Retirements	
Governmental Activities:				
Land	154,000	-	-	154,000
Construction in progress	417,410	-	(417,410)	-
Building	508,456	426,599	-	935,055
Office equipment and technology	239,986	12,250	-	252,236
Less Accumulated Depreciation	<u>(383,058)</u>	<u>(35,972)</u>	<u>-</u>	<u>(419,030)</u>
Governmental Activities Capital Assets, Net	<u>936,794</u>	<u>402,877</u>	<u>(417,410)</u>	<u>922,261</u>

D. ADVANCE PAYMENTS BY ENTITIES

Appraisal and collection fees are billed quarterly to the entities. The first quarter of 2026 fees are due by December 31, 2025. This is then recognized in 2026 for the 2026 budget.

E. RETIREMENT PLAN

Plan Description

The District provides retirement, disability, and death benefits for all of its full-time employees through a nontraditional defined contribution plan in the state-wide Texas County and District Retirement System (TCDRS). The Board of Trustees of TCDRS is responsible for the administration of the state-wide agent multiple-employer public employee retirement system consisting of over 600 nontraditional defined benefit pension plans. TCDRS in the aggregate issues a comprehensive annual financial report (CAFR) on a calendar year basis. The CAFR is available upon written request from the Board of Trustees at P.O. Box 2034, Austin, Texas 78768-2034.

The plan provisions are adopted by the governing body of the District, within the options available in the Texas state statutes governing TCDRS (TCDRS Act). Members can retire at ages 60 and above with 8 or more years of service or with 30 years of service regardless of age or when the sum of their age and years of service equals 80 or more. A member is vested after 8 years of service but must leave his accumulated contributions in the plan to receive any employer-financed benefit. If a member withdraws his personal contributions in a lump-sum, he is not entitled to any amounts contributed by the employer.

All eligible employees of the District are required to participate in the TCDRS.

Benefits Provided

TCDRS provides retirement, disability and death benefits. Benefit provisions are adopted by the governing body of the District, within the options available in the state statutes governing TCDRS.

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

Employees covered by benefit terms.

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

Inactive employees or beneficiaries currently receiving benefits	10
Inactive employees entitled to but not yet receiving benefits	3
Active employees	<u>13</u>
	26

Titus County Appraisal District
 NOTES TO THE FINANCIAL STATEMENTS
 December 31, 2025

E. RETIREMENT PLAN continued

Contributions

The employer has 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 employer is actuarially determined annually.

Employees for the District were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the District was 6.37% in the calendar year 2025. The District’s contributions to TCDRS for the year ended December 31, 2025, were \$40,259.

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 in the December 31, 2024 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.50% per year
Overall payroll growth	4.75% per year
Investment Rate of Return	7.50% net of pension plan investment expenses, including inflation

Demographic and economic assumptions are used to estimate employer liabilities and to determine the amount of funding required from employer contributions as opposed to investment earnings. These assumptions reflect a long-term perspective of 30 years or more. Examples of key economic assumptions include long-term investment return, long-term inflation and annual payroll increase.

Demographic assumptions are the actuary’s best estimate of what will happen to TCDRS members and retirees. Examples of demographic assumptions are employment termination rates, retirement rates and retiree mortality rates. A complete listing of all actuarial assumptions can be found in the annual system-wide valuation report.

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.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Geometric Real Rate of Return
US Equity	13.00%	5.45%
International Equity	13.00%	0.00-5.15%
Various	18.00%	1.00-6.80%
Hedge Funds	6.00%	3.60%
Private Equity	25.00%	8.15%
Direct Lending	16.00%	6.85%
Strategic Credit	<u>9.00%</u>	3.70%
Total	100.00%	

Discount Rate

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

Titus County Appraisal District
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2025

E. **RETIREMENT PLAN continued**

Changes in the Net Pension Liability

	Increase (decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a) - (b)
Balance at December 31, 2023	\$ 856,031	\$ 965,288	\$ (109,257)
Changes for the year:			
Service cost	55,948	-	55,948
Interest	68,446	-	68,446
Change of benefit terms	-	-	-
Effect of economic/demographic gains/losses	5,290	-	5,290
Changes of assumptions	-	-	-
Refund of contributions	-	-	-
Contributions- employee	-	41,592	(41,592)
Contributions- employer	-	40,259	(40,259)
Net investment income	-	99,637	(99,637)
Benefit payments	(23,183)	(23,183)	-
Administrative expense	-	(613)	613
Other changes	-	3,515	(3,515)
Net changes	\$ 106,501	\$ 161,207	(54,706)
Balance at December 31, 2024	\$ 962,532	\$ 1,126,495	\$ (163,963)

Sensitivity of the net pension liability to changes in the discount rate

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%
District's net pension liability	\$ 988	\$ (163,963)	\$ (297,324)

Pension Plan Fiduciary Net Position

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

Titus County Appraisal District
 NOTES TO THE FINANCIAL STATEMENTS
 December 31, 2025

E. RETIREMENT PLAN continued

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

For the year ended December 31, 2025, the District recognized pension expense of \$_____.

At September 30, 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	23,208	3,491
Changed is actuarial assumptions	-	-
Difference between projected and actual investment earnings	-	8,917
Contributions subsequent to the measurement date	30,236	-
Total	53,444	12,408

Amounts reported as deferred outflows and inflows of resources related to pensions, excluding contributions made subsequent to the measurement date, will be recognized in pension expense as follows:

Year ended December 31:

2026	(1,609)
2027	19,883
2028	(4,448)
2029	(3,913)
2030	880
Therafter	-

F. NOTE PAYABLE

During the year ended December 31, 2024, the District obtained a \$400 thousand loan to renovate the building. \$385,673 had been drawn through 12/31/24 to fund the renovation. An additional \$5,689 was drawn in the current year. The note totaled \$391,362. The note bears interest at 4.75%. A monthly payment of \$4,208 will be repaid over 120 monthly installments through July 2035. Payments began in August 2025 with \$12,785 principal being paid in 2025. The note balance as of December 31, 2025 is \$378,577.

Debt requirements for future years are:

December 31,	Principal	Interest	Total
2026	31,868	17,534	49,402
2027	33,438	15,964	49,402
2028	35,042	14,360	49,402
2029	36,809	12,595	49,404
2030	38,622	10,780	49,402
2031-2035	202,800	23,626	226,426
	378,579	94,859	473,438

G. RISK MANAGEMENT

The District is exposed to various risks of loss to torts of theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal 2025, the District purchased commercial insurance to cover general liabilities. There were no significant reductions in coverage in the past fiscal year, and there were no settlements exceeding insurance coverage for each of the past three fiscal years.

Titus County Appraisal District
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2025

H. SUBSEQUENT EVENTS

The District has evaluated subsequent events through January 28, 2026, the date which the financial statements were available to be issued.

I. PRIOR PERIOD ADJUSTMENT – COMPENSATED ABSENCES PAYABLE

GASB 101 was adopted this year to record compensated absences payable. The balance owed at January 1, 2025 of \$7,576 was recorded as a restatement of beginning net position. The adjustment needed for the current year was \$5,842 to arrive at a balance of \$13,418 payable at December 31, 2025.

REQUIRED SUPPLEMENTARY INFORMATION

Titus County Appraisal District
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
At December 31,

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Total pension liability											
Service Cost	41,640	35,252	40,286	28,192	36,926	36,740	34,275	41,480	40,962	54,968	55,948
Interest (on the Total Pension Liability)	27,251	25,244	23,777	28,931	34,647	38,680	42,099	49,910	52,194	60,338	68,446
Changes of benefit terms	-	(3,143)	-	-	4,256	-	43,462	-	-	19,287	-
Difference between expected and actual experience	(45,399)	(43,124)	6,093	21,562	-	(4,259)	33,748	(15,933)	37,597	(5,819)	5,290
Changes of assumptions	-	3,213	-	1,585	-	-	2,069	(3,020)	-	-	-
Benefit payments, including refunds of employee contributions	(28,071)	(62,938)	(12,044)	(18,015)	(18,868)	(33,139)	(19,570)	(32,397)	(51,710)	(22,963)	(23,183)
Net change in total pension liability	(4,579)	(45,496)	58,112	62,255	56,961	38,022	136,083	40,040	79,043	105,811	106,501
Total pension liability - beginning	329,778	325,199	279,703	337,815	400,070	457,033	495,055	631,137	671,177	750,220	856,031
Total pension liability - ending	325,199	279,703	337,815	400,070	457,031	495,055	631,138	671,177	750,220	856,031	962,532
Plan fiduciary net position											
Contributions - employer	15,696	11,897	13,201	7,449	7,824	7,917	7,463	8,072	16,320	14,075	40,259
Contributions - employee	23,278	23,458	26,029	24,367	25,593	25,896	24,411	23,842	27,265	30,037	41,592
Net investment income	27,857	(3,387)	30,944	70,858	(10,426)	94,022	68,915	164,232	(52,735)	93,587	99,637
Benefit payments, including refunds of employee contributions	(28,071)	(62,938)	(12,044)	(18,015)	(18,868)	(33,139)	(19,570)	(32,397)	(51,711)	(22,963)	(23,183)
Administrative expense	(329)	(311)	(336)	(378)	(460)	(508)	(547)	(493)	(498)	(504)	(613)
Other	1,291	443	11,609	181	491	116	430	193	(382)	1,400	3,515
Net change in plan fiduciary net position	39,722	(30,838)	69,403	84,462	4,154	94,304	81,102	163,449	(61,741)	115,632	161,207
Plan fiduciary net position - beginning	405,639	445,361	414,523	483,926	568,388	572,543	666,847	747,948	911,397	849,656	965,288
Plan fiduciary net position - ending	445,361	414,523	483,926	568,388	572,542	666,847	747,949	911,397	849,656	965,288	1,126,495
Net pension liability	(120,162)	(134,820)	(146,111)	(168,318)	(115,511)	(171,792)	(116,811)	(240,220)	(99,436)	(109,257)	(163,963)
Plan fiduciary net position as a percentage of the total pension liability	136.95%	148.23%	143.25%	142.07%	125.27%	134.70%	118.51%	135.80%	113.25%	112.76%	117.03%
Covered-employee payroll	333,767	335,118	371,846	348,104	365,616	369,937	348,727	342,304	389,495	429,106	594,175
Net pension liability as a percentage of covered employee payroll	-36.00%	-40.23%	-39.29%	-48.35%	-31.59%	-46.44%	-33.50%	-70.18%	-25.53%	-25.46%	-27.60%

NOTES:

Changes of benefit terms

There were no changes of benefit terms that affected measurement of the total pension liability during the measurement period.

Changes of assumptions

There were no changes of assumptions or other inputs that affected measurement of the total pension liability during the measurement period.

Titus County Appraisal District

SCHEDULE OF CONTRIBUTIONS - TCDRS

	<u>12/31/14</u>	<u>12/31/15</u>	<u>12/31/16</u>	<u>12/31/17</u>	<u>12/31/18</u>	<u>12/31/19</u>	<u>12/31/20</u>	<u>12/31/21</u>	<u>12/31/22</u>	<u>12/31/23</u>	<u>12/31/24</u>
Actuarially Determined Contribution	15,696	11,897	7,958	2,019	-	1,369	1,779	8,072	16,320	14,075	37,849
Contributions in Relation to the Actuarially Determined Contributions	<u>15,696</u>	<u>11,897</u>	<u>13,201</u>	<u>7,449</u>	<u>7,824</u>	<u>7,917</u>	<u>7,463</u>	<u>8,072</u>	<u>16,320</u>	<u>14,075</u>	<u>40,259</u>
Contribution Deficiency (Excess)	<u>-</u>	<u>-</u>	<u>(5,243)</u>	<u>(5,430)</u>	<u>(7,824)</u>	<u>(6,548)</u>	<u>(5,684)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,410)</u>
Covered Employee Payroll	333,767	335,118	371,846	348,104	365,616	369,937	348,727	340,304	389,495	429,106	594,175
Contributions as a Percentage of Covered Employee Payroll	4.70%	3.55%	3.55%	2.14%	2.14%	2.14%	2.10%	2.14%	4.19%	3.29%	6.80%

INTERNAL CONTROL SECTION



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

Board of Directors
Titus County Appraisal District
Mt. Pleasant, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of the Titus County Appraisal District, as of and for the year ended December 31, 2025, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated January 28, 2026.

Report on Internal Control Over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

Purpose of this Report

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

Respectfully Submitted,

Arnold, Walker, Arnold & Co., P.C.

Arnold, Walker, Arnold & Co., P.C.

January 28, 2026

Titus County Appraisal District
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the year ended December 31, 2025

Type of Report on Financial Statements:	Unqualified
Control Deficiencies:	None
Material Weaknesses Involving Control Deficiencies:	None
Noncompliance Material to the Financial Statements:	None
Questioned Costs:	None

Titus County Appraisal District
SCHEDULE OF STATUS OF PRIOR FINDINGS
For the year ended December 31, 2025

N/A

CORRECTIVE ACTION PLAN
For the year ended December 31, 2025

N/A