FALLS COUNTY APPRAISAL DISTRICT

ANNUAL FINANCIAL REPORT

DECEMBER 31, 2025

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Falls County Appraisal District
Marlin, Texas

Opinions

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

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities and the 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 (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, (GAS) 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.

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Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS 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 GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and pension information 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 June 25, 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 the District's internal control over financial reporting and compliance

P. Andrew Hall LLC.

Corpus Christi, Texas
June 25, 2026

FINANCIAL SECTION

MANAGEMENT’S DISCUSSION AND ANALYSIS

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Management's Discussion and Analysis provides a narrative overview of the financial activities and changes in the financial position of the Falls County Appraisal District (the "District") for the fiscal year ended December 31, 2025. Readers should use the additional required notes included in the standard Annual Financial Report of the Appraisal District along with this information.

Financial Highlights:

- The District's total combined net position was $1,195,808 at December 31, 2025.
- During the year, the District's expenses were $3,846 more than the $906,386 generated in revenues for governmental activities.
- The total costs of the District's programs were $910,232.
- The general fund reported a fund balance this year of $932,538.

On October 16, 2025, the District was a defendant in a District Court judgment involving a former Chief Appraiser. The court awarded the plaintiff $65,300 for attorney fees, plus interest at 7.5% compounded annually from the judgment date. At December 31, 2025, the District recorded a $66,320 liability, consisting of $65,300 in attorney fees and $1,020 in accrued interest. The District believes the case is without merit and has appealed the decision to the Texas Supreme Court (see Note 2 - Litigation for additional details).

Overview of the Financial Statements:

This part of the discussion and analysis is merely intended to serve as an introduction for the District's basic financial statements for year-end. The District's basic financial statements are comprised of two components:

(1) government-wide financial statements, which include the fund financial statement and (2) notes to the financial statements. The report also contains other required supplementary information in addition to the basic financial statements themselves.

The first report in the Annual Financial Report is the *Statement of Net Position and Governmental Fund Balance Sheet*, reporting the District's year-end position on December 31, 2025, based on the accrual method of accounting. This is followed by the *Statement of Activities and Governmental Fund Revenues, Expenditures, and Changes in Fund Balance* for the year.

Behind these reports are *Notes to Financial Statements*, explaining in further detail accounting policies, cash and money market accounts, changes in general fixed assets, employees' retirement system, and leases. The final report in the audit is the *Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual*. This report shows how effective the District has been in the past 12 months adhering to budgeted expenditures.

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Financial Analysis of the District as a Whole:

Net position:

The District's combined net position was $1,195,808 at December 31, 2025. (See Table A-1)

TABLE A-1
DISTRICT'S NET POSITION

	2025	2024	Change 2024-2025
Current and other assets	$ 1,141,611	$ 1,126,784	$ 14,827
Net pension asset	184,900	163,417	21,483
Capital assets	142,367	145,020	(2,653)
Total assets	1,468,878	1,435,221	33,657
Deferred outflows of resources	46,030	35,782	10,248
Long-term liabilities	82,914	9,193	73,721
Unearned revenues	196,721	221,585	(24,864)
Other liabilities	12,352	9,517	2,835
Total liabilities	291,987	240,295	51,692
Deferred inflows of resources	27,113	31,054	(3,941)
Net position:			
Net investment in capital assets	142,367	145,020	(2,653)
Restricted for net pension asset	184,900	96,581	88,319
Restricted for taxing entities	868,541	958,053	(89,512)
Total net position	$ 1,195,808	$ 1,199,654	$ (3,846)

Changes in net position:

The District's total revenues were $906,386. A significant portion, 94.9%, of the District's revenue comes from charges for services from participating jurisdictions. The remaining 5.1% comes from other services charges, other revenue and interest earnings.

The total cost of appraisal programs and services was $910,020. (See Table A-2)

TABLE A-2
DISTRICT'S CHANGE IN NET POSITION

	2025	2024	Change 2024-2025
Revenues:			
Program:			
Charges for services	$ 860,006	$ 805,647	$ 54,359
Total program revenue	860,006	805,647	54,359
General:			
Interest and other	46,380	62,235	(15,855)
Total general revenues	46,380	62,235	(15,855)
Total revenues	906,386	867,882	38,504
Expenses:			
Appraisal	910,020	764,511	145,509
Interest	212	433	(221)
Total expenses	910,232	764,944	145,288
Change in net position	(3,846)	102,938	(106,784)
Net position - Beginning	1,199,654	1,096,716	1,199,654
Net position - Ending	$ 1,195,808	$ 1,199,654	$ 1,092,870

Financial Analysis of the District's Fund:

General Fund Budgetary Highlights:

Actual expenditures were $16,125 more than the final budget amounts. The most significant overage related to contracted services expense. Actual revenues were $46,138 greater than the final budgeted amount.

Capital Asset and Debt Administration:

Capital Assets:

At the end of 2025, the District had invested $396,264 in capital assets, including buildings and improvements, software, equipment, and right-to-use equipment (see Table A-3). During the year, the District acquired $6,588 in right-to-use assets and disposed of $14,263 in fully depreciated right-to-use assets:

TABLE A-3
DISTRICT'S CAPITAL ASSETS

	2025	2024	Change 2024-2025
Building and improvements	$ 196,077	$ 196,077	$ -
Software and equipment	193,599	193,599	-
Right of use - equipment	6,588	14,263	(7,675)
Total capital assets being depreciated	396,264	403,939	(7,675)
Less: accumulated depreciation	(253,897)	(258,919)	5,022
Total capital assets being depreciated, net	$ 142,367	$ 145,020	$ (2,653)

Long-term Debt:

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

TABLE A-4
DISTRICT'S LONG-TERM DEBT

	2025	2024	Change 2024-2025
Financing arrangements	$ -	$ 556	$ (556)
Leases	5,579	299	5,280
Litigation judgment	66,319	-	66,319
Compensated absences	11,016	12,257	(1,241)
Total debt	$ 82,914	$ 13,112	$ 69,802

Economic Factors and Next Year's Budget:

The 2026 adopted budget for the District is $930,959, which is a $70,711 increase from the prior year. Within the budget categories expenses increased as follows:

- Personnel $17,659
- Contract services $47,912
- Operating $4,640
- Professional Service $500.

Contacting the District's Financial Manager:

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

BASIC FINANCIAL STATEMENTS

FALLS COUNTY APPRAISAL DISTRICT
STATEMENT OF NET POSITION AND GOVERNMENTAL FUND BALANCE SHEET
DECEMBER 31, 2025

	General Fund	Adjustments	Statement of Net Position
ASSETS:			
Cash and Cash Equivalents	$ 1,141,611	$ -	$ 1,141,611
Net Pension Asset	-	184,900	184,900
Capital Assets, net of depreciation	-	142,367	142,367
Total Assets	1,141,611	327,267	1,468,878
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Resources Related to Pensions	-	46,030	46,030
Total Deferred Outflows of Resources	-	46,030	46,030
LIABILITIES:			
Accounts Payable	12,352	-	12,352
Accrued Liabilities	-	-	-
Unearned Revenue	196,721	-	196,721
Noncurrent Liabilities:			
Due within One Year	-	2,358	2,358
Due in More Than One Year	-	80,556	80,556
Total Liabilities	209,073	82,914	291,987
DEFERRED INFLOWS OF RESOURCES			
Deferred Resources Related to Pensions	-	27,113	27,113
Total Deferred Inflows of Resources	-	27,113	27,113
FUND BALANCE:			
Nonspendable:			
Committed for Tax Entities	668,914	(668,914)	-
Restricted for Taxing Entities	263,624	(263,624)	-
Total Fund Balance	932,538	(932,538)	-
Total Liabilities and Fund Balance	$ 1,141,611		
NET POSITION:			
Net Investment in Capital Assets		142,367	142,367
Restricted for Pension Asset		184,900	184,900
Restricted for Taxing Entities		868,541	868,541
Total Net Position		$ 1,195,808	$ 1,195,808

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

FALLS COUNTY APPRAISAL DISTRICT
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUND STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED SEPTEMBER 30, 2025

	General Fund	Adjustments	Statement of Activities
EXPENDITURES/EXPENSES:			
Appraisal	$ 871,373	$ (27,672)	$ 843,701
Litigation	-	66,319	66,319
Debt Service:			
Principal	1,864	(1,864)	-
Interest	212	-	212
Total Expenditures/Expenses	873,449	36,783	910,232
PROGRAM REVENUES			
Charges for Services	860,006	-	860,006
Total Program Revenues	860,006	-	860,006
GENERAL REVENUES			
Interest and Other	46,380	-	46,380
Total General Revenues	46,380	-	46,380
CHANGE IN FUND BALANCE	32,937	-	32,937
CHANGE IN NET POSITION	-	(3,846)	(3,846)
FUND BALANCE/NET POSITION			
Beginning of year	899,601	-	1,199,654
End of Year	$ 932,538	$ (3,846)	$ 1,195,808

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

NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Falls County Appraisal District ("the District") was created by the 66th Legislature of the State of Texas under the provisions of Senate Bill 621 known as the Property Tax Code. Under this code, the District was established in Falls County and is responsible for appraising all property within the county for ad valorem tax purposes. Each of the taxing units within the District are allocated a portion of the amount of the District's budget equal to the proportion that the total dollar amount of property taxes imposed in the District by the unit for the tax year bears to the sum of the total dollar amount of property taxes imposed by all taxing units participating in the District.

In evaluating how to define the entity for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GASB Codification. The basic, but not the only, criterion for including a potential component unit with the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the government and/or its citizens, or whether the activity is conducted within the geographic boundaries of the government and is generally available to its citizens. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the government is able to exercise oversight responsibilities. Based upon the application of these criteria, no additional component units are included in defining the District's reporting entity.

Government-wide and Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the District. *Governmental activities* are supported by tax appraisal services and investment revenue.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenue. *Direct expenses* are those that are clearly identifiable with a specific function. *Program revenue* includes 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Other items not properly included among program revenue are reported instead as *general revenue.*

The government-wide and fund financial statements are provided for the governmental fund of the District with a column for adjustments between the two statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Tax appraisal services are recognized as revenue in the year for which they are performed.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available when it is collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenue to be available if collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, are recorded only when payment is due.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINED)

The District reports the following major governmental fund:

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

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Assets and Deferred Inflows of Resources, Liabilities and Deferred Inflows of Resources, and Net Position or Fund Balance

Cash and Cash Equivalents

For purposes of the statement of cash flows, highly liquid investments are considered to be cash equivalents if they have a maturity of three months or less when purchased.

Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items. Prepaid items are recorded as expenditures when they are consumed.

Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated fixed assets are recorded at their estimated fair value at the date of the donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. A capitalization threshold of $5,000 is used.

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

Assets	Years
Infrastructure	30
Buildings	50
Building Improvements	20
Vehicles	2 - 15
Office Equipment	3 - 15
Computer Equipment	3 - 15
Right of Use - Equipment	5

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position and/or balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net assets that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has the following items that qualify for reporting in this category.

- Pension contributions after measurement date – These contributions are deferred and recognized in the following fiscal year.

- Changes in actuarial assumptions – This difference is deferred and amortized over a closed five-year period.

- The difference in expected and actual economic experience – This difference is deferred and recognized over the estimated average remaining lives of all members determined as of the measurement date.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Outflows/Inflows of Resources (continued)

In addition to liabilities, the statement of financial position and/or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has the following items that qualifies for reporting in this category.

Difference in expected and actual pension experience – This difference is deferred and recognized over the estimated average remaining lives of all members determined as of the measurement date.

Changes in actuarial assumptions – The changes are deferred and recognized over the estimated average remaining lives of all members determined as of the measurement date.
Receivable and Payable Balances
The District believes that sufficient detail of receivable and payable balances is provided in the financial statements to avoid the obscuring of significant components by aggregation. Therefore, no disclosure is provided which disaggregates those balances.

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

Leases

The District is a lessee for non-cancellable lease of copier equipment. The District recognizes a lease liability and an intangible right-to-use lease assets in the government-wide financial statements. The District recognizes lease liabilities with an initial, individual value of $5,000 or more. At the commencement of a lease, the District initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

Key estimates and judgments related to leases include how the District determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

The District uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the District generally uses its estimated incremental borrowing rate as the discount rate for leases.

The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the District is reasonably certain to exercise. The District monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability. Lease assets are reported with other capital assets and lease liabilities are reported with long-term debt on the statement of net position.

Pensions

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Balance Classification

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

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

Restricted: This classification represents amounts that are constrained by external parties, constitutional provisions or enabling legislation.

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

Assigned: This classification represents amounts the District intends to use for a specific purpose but that do not meet the criteria for classification as restricted or committed. Intent may be established by the Board of Directors or by an official or body to which the Board delegates authority. Amounts in special revenue, capital projects, debt service, or permanent funds that are not restricted or committed are assigned based on the nature of the fund type or the fund’s primary purpose. Assignments within the general fund indicate that the intended use is for a purpose narrower than the District’s general purposes.

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

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

Net Position

Net position represents the difference between assets and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent proceeds. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislations adopted by the District or through external restrictions imposed by creditors or laws or regulations of other governments.

Use of Estimates

The process of preparing financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenue and expenses. Accordingly, actual results may differ from estimated amounts.

NOTE 2 DETAILED NOTES ON ALL FUNDS

Deposits and Cash Concentration of Credit Risk

The District's funds are required to be deposited and invested under the terms of a depository contract. The District maintains its cash balances at Classic Bank, which at times may exceed federally insured limits. To mitigate this credit risk, the District participates in the Insured Cash Sweep® (ICS®) and Certificate of Deposit Account Registry Service® (CDARS®) deposit placement programs. Through these services, funds are divided into amounts under the standard FDIC maximum of $250,000 and placed into deposit accounts or CDs at multiple participating network banks. As of December 31, 2025, the total cash balance covered by these programs was $1,140,568, rendering these specific balances fully eligible for FDIC insurance.

Cash Deposits:

The cash deposits held at financial institutions can be categorized according to three levels of risk. These three levels of risk are as follows:

Category 1 - Deposits which are insured or collateralized with securities held by the District or by its agent in the District's name.

Category 2 - Deposits which are collateralized with securities held by the pledging financial institution's trust department or agent in the District's name.

Category 3 - Deposits which are not collateralized only insured.

Based on these three levels of risk, all of the District's cash deposits are classified as Category 1.

Custodial Credit Risk. In the case of deposits, this is the risk that in the event of a bank failure, the District’s deposits may not be returned to it. As of December 31, 2025, all of the District’s deposit balances were covered by FDIC insurance.

Interest Rate Risk. In accordance with its investment policy, the District manages its exposure to declines in fair market values by limiting the average dollar-weighted maturity of its portfolio to a maximum of 365 days.

Credit Risk. It is the District’s policy, as defined in the Texas Public Funds Investment Act, to limit its investments to investment types with an investment quality rating not less than A or its equivalent by a nationally recognized statistical rating organization.

At December 31, 2025 the Districts cash and investment are categorized as follows:

Type	Amount	Risk Level
Bank Deposits:		
Demand Deposits	$ 547,206	1
Money Market	593,362	1
Total Bank Deposits	1,140,568	
Cash and Cash Equivalents:		
Paypal and Petty Cash	1,043	3
Total Cash and Cash Equivalents:	$ 2,282,179	

NOTE 2 DETAILED NOTES ON ALL FUNDS (CONTUNUED)

Capital Assets

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

	Beginning Balance	Increases	Decreases	Ending Balance
Government Activities:				
Capital Assets, being depreciated				
Buildings and Improvements	$ 196,077	$ -	$ -	$ 196,077
Software and Equipment	193,599	-	-	193,599
Right of Use - Equipment	14,263	6,588	(14,263)	6,588
Total Capital Assets Being Depreciated	403,939	6,588	(14,263)	396,264
Less Accumulated Depreciation				
Capital Assets, being depreciated				
Buildings and Improvements	(60,119)	(4,322)	-	(64,441)
Software and Equipment	(184,738)	(3,620)	-	(188,358)
Right of Use - Equipment	(14,062)	(1,299)	14,263	(1,098)
Total Accumulated Depreciation	(258,919)	(9,241)	14,263	(253,897)
Total Capital Assets Being Depreciated, net	$ 145,020	$ (2,653)	$ -	$ 142,367

Long-Term Liabilities

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

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Government Activities:					
Financing Arrangements	$ 556	$ -	$ 556	$ -	$ -
Lease Liabilities	299	6,588	1,308	5,579	1,256
Litigation Judgment	-	66,319	-	66,319	-
Compensated Absences	12,257	15,410	16,651	11,016	1,102
Total Long-term Liabilities	$ 13,112	$ 88,317	$ 18,515	$ 82,914	$ 2,358

The general fund is typically used to liquidate long-term liabilities.

Financing Arrangements: The District paid in full its obligation $556 under the financing arrangement for the telephone system during 2025.

Lease

The District entered into a lease agreement for office equipment (copier system) with CTWP / Konica Minolta Business Solutions USA, Inc. The lease commenced in February 2025 and has a 60-month term ending in January 2030.
Key terms include:

- Monthly lease payment (equipment only): $121
- Incremental borrowing rate: 4.00%
- Total undiscounted payments: $7,280
- End-of-term option: fair market value purchase option (not reasonably certain of exercise)

NOTE 2 DETAILED NOTES ON ALL FUNDS (CONTUNUED)

Long-Term Liabilities (continued)

Service and maintenance components are accounted for separately and expensed as incurred, as they do not represent lease components.

Initial Measurement

At lease commencement, the District recorded a lease liability and corresponding ROU asset based on the present value of future lease payments:

- Initial lease liability: $6,588
- Initial ROU asset: $6,588

The discount rate used reflects the District's estimated incremental borrowing rate, as the implicit rate in the lease was not readily determinable.

Lease Liability

Purpose of Lease	Interest Rate	Initial Year of Lease	Amount of Initial Liability	Interest Current Year	Amounts Outstanding 12/31/2025	Amounts Due Within One Year
Governmental Activities:						
Right of Use:						
Equipment - Copier	4.0%	2025	$ 6,588	$ 205	$ 5,579	$ 1,256
Total Governmental Activities				$ 205	$ 5,579	$ 1,256

Service and maintenance costs are excluded from lease expense and recognized separately as operating expenditures.

Future Lease Payments

Future minimum lease payments as of December 31, 2025, are as follows:

Fiscal Year Ended December 31,	Governmental Activities Principal	Interest	Total Payments
2026	$ 1,256	$ 200	$ 1,456
2027	1,307	149	1,456
2028	1,360	96	1,456
2029	1,415	41	1,456
2030	241	1	242
Total	$ 5,579	$ 487	$ 6,066

Fiscal Year	Future Minimum Payments
December 31, 2026	$ 1,456
December 31, 2027	1,456
December 31, 2028	1,456
December 31, 2029	1,456
December 31, 2030	242
Total Undiscounted Payments	6,066
Less: Discount (4% per annum)	(487)
Lease liabilty, December 31, 2025	$ 5,579

Significant Assumptions and Judgments

The preparation of lease measurements requires management to make certain estimates, including:

- *Discount rate:* 4.00% incremental borrowing rate
- *Lease term*: Full 60-month term, as renewal options are not reasonably certain
- *Purchase option*: Excluded due to lack of reasonable certainty of exercise
- Non-appropriation clause: Risk assessed as remote
- Lease vs. service components: Allocated based on contract terms

Additionally, The District incurred $308 in principal and interest related to the prior copier lease which expired in January 2025. The old copier was disposed in conjunction with acquisition of the new copier referred to above.

NOTE 2 DETAILED NOTES ON ALL FUNDS (CONTINUED)

Defined Benefit Pension Plan

Plan Description. The District participates in the Texas County and District Retirement System (TCDRS), which is a statewide, agent multiple-employer, public employee retirement system. All full and part-time non-temporary employees participate in the plan. The TCDRS Board of Trustees is responsible for the administration of the statewide agent multiple-employer public employee retirement system consisting of more than 780 participating employers. TCDRS in the aggregate issues an annual comprehensive financial report on a calendar year basis. The annual comprehensive financial report is available at the following link, TCDRS.org/Employer.
All eligible employees of the District are required to participate in TCDRS.

Benefits Provided. TCDRS provides retirement, disability, and death benefits. 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 with five or more years of service at age 60 and above, with 30 years of service at any age, or when the sum of their age and years of service equals 80 or more. Members are vested after five years of service but must leave their accumulated contributions in the plan to receive any employer-financed benefit. Members who withdraw their personal contributions in a lump sum are not entitled to any amounts contributed by the District.

Benefit amounts are determined by the sum of the employee's contributions to the plan, with interest, and employer financed monetary credits. The level of these monetary credits is adopted by the Board of Directors of the District within the 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 or disability, the benefit is calculated by converting 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 the 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	14
Active employees	9
	33

Contributions. The contribution rates for employees in TCDRS are either 4%, 5%, 6%, or 7% of employee gross earnings, as adopted by the employer's governing body. Participating employers are required to contribute at actuarially determined rates to ensure adequate funding for each employer's plan. Under the state law governing TCDRS, the contribution rate for each entity is determined annually by the actuary and approved by the TCDRS Board of Trustees. The replacement life entry age actuarial cost method is used in determining the contribution rate. The actuarially determined rate is the estimated amount necessary to fund benefits in an orderly manner for each participate over his or her career so that sufficient funds are accumulated by the time benefit payments begin, 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 District contributed $31,040 using the actuarially determined rate of 8.10% for the calendar year 2025.
Defined Benefit Pension Plan (continued)

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

Real rate of Return	5.00%
Inflation	2.50%
Long-term investment return	7.50%

NOTE 2 DETAILED NOTES ON ALL FUNDS (CONTINUED)

Defined Benefit Pension Plan (Continued)

The District has no automatic cost-of-living adjustments ("COLA") and one is not considered to be substantively automatic. Therefore, no assumption for future cost-of-living adjustments is included in the actuarial valuation. Each year, the District may elect an ad-hoc COLA for its retirees.

Mortality rates for active members, retirees, and beneficiaries were based on the following:

Depositing members	135% of Pub-2010 General Employees Amount-Weighted Mortality Table for males and 120% Pub-2010 General Employees Amount-Weighted Mortality Table for females, both projected with 100% of the MP-2021 Ultimate scale after 2010.
Service retirees, beneficiaries and non-depositing members	130% of Pub-2010 General Retirees Amount-Weighted Mortality Table for males and 120% Pub-2010 General Retirees Amount-Weighted Mortality Table for females, both projected with 100% of the MP-2021 Ultimate scale after 2010.
Disabled retirees	160% of Pub-2010 General Disabled Retirees Amount-Weighted Mortality Table for males and 125% Pub-2010 General Disabled Retirees Amount-Weighted Mortality Table for females, both projected with 100% of the MP-2021 Ultimate scale after 2010.

The actuarial assumptions that determined the total pension liability as of December 31, 2024 were based on the results of an actuarial experience study for the period January 1, 2017 through December 31, 2020, except where required to be different by GASB 68. The economic assumptions were reviewed at the March 2021 TCDRS Board of Trustees meeting and revised assumptions were adopted. These revisions included reductions in the investment return, wage growth, and maximum payroll growth assumptions. The assumptions are reviewed annually for continued compliance with the relevant actuarial standards of practice.

The long-term expected rate of return on pension plan investments is 7.60%. 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.

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NOTE 2 DETAILED NOTES ON ALL FUNDS (CONTINUED

Defined Benefit Pension Plan (Continued)

The long-term expected rate of return on TCDRS assets is determined by adding expected inflation to expected long-term real returns and reflecting expected volatility and correlation. The capital market assumptions and information below are provided by TCDRS' investment consultant, Cliffwater LLC. The numbers shown are based on January 2023 information for a 10-year time horizon. The valuation assumption for long-term expected return is re-assessed at a minimum of every four years and is set based on a long-term time horizon; the most recent analysis was performed in March 2021. The target allocation and best estimates of geometric real rates return for each major asset class are summarized in the following table:

Asset Class	Benchmark	Target Allocation(1)	Geometric Real Rate of Return(2)
U.S. Equities	Dow Jones U.S. Total Stock Market Index	13.00%	5.35%
Global Equities	MSCI World (net) Index	4.00%	5.15%
Int'l Equities - Developed	MSCI World Ex USA (net) Index	6.00%	4.75%
Int'l Equities - Emerging Markets	MSCI Emerging Markets (net) Index	0.00%	4.75%
Investment-Grade Bonds	Bloomberg U.S. Aggregate Bond Index	3.00%	2.55%
Strategic Credit	FTSE High-Yield Cash-Pay Index	9.00%	3.70%
Direct Lending	Morningstar LSTA US Leveraged Loan TR USD Index	16.00%	6.85%
Distressed Debt	Cambridge Associates Distressed Securities Index(3)	4.00%	6.80%
REIT Equities	67% FTSE NAREIT All Equity REITs Index + 33% S&P Global REIT (net) Index	2.00%	3.95%
Master Limited Partnerships	Alerian MLP Index	2.00%	4.95%
Commodities	Bloomberg Commodities Index	2.00%	1.00%
Private Real Estate Partnerships	Cambridge Associates Real Estate Index(4)	6.00%	5.75%
Private Equity	Cambridge Associates Global Private Equity & Venture Capital Index(5)	25.00%	8.15%
Hedge Funds	HFR, Inc. Fund of Funds Composite Index	6.00%	3.60%
Cash Equivalents	90-Day U. S. Treasury	2.00%	1.10%

(1) Target asset allocation adopted at the March 2025 TCDRS Board meeting.
(2) Geometric real rates of return equal the expected return for the asset class minus the assumed inflation rate of 2.35%, per Cliffwater's 2025 capital market assumptions.
(3) Includes vintage years 2005-present of Quarter Pooled Horizon IRRs.
(4) Includes vintage years 2007-present of Quarter Pooled Horizon IRRs.
(5) Includes vintage years 2006-present of Quarter Pooled Horizon IRRs.

Discount Rate

The discount rate used to measure the total pension liability was 7.60%, no change from the discount rate used in the previous year. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. 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. The long-term rate of return on pension plan investments is 7.60%. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates 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.

NOTE 2 DETAILED NOTES ON ALL FUNDS (CONTINUED

Defined Benefit Pension Plan (continued)

Sensitivity Analysis

The following schedule shows the impact of the Net Pension Asset if the discount rate used was 1% less than and 1% greater than the discount rate that was used (7.60%) in measuring the 2023 Net Pension Asset:

	1% Decrease 6.60%	Current Discount Rate 7.60%	1% Increase 8.60%
Total Pension Liability	$ 1,009,754	$ 889,840	$ 788,534
Fiduciary Net Position	1,074,740	1,074,740	1,074,740
Net Pension Liability/(Asset)	$ (64,986)	$ (184,900)	$ (286,206)

Changes in the Net Pension Asset

	Total Pension Liability (a)	**Fiduciary Net Position (b)**	**Net Pension Liability/(Assets) (a) - (b)**
Balances at 12/31/2023	$ 791,282	$ 954,699	$ (163,417)
Changes for the Year:			
Service Cost	44,470	-	44,470
Interest on Total Pension Liability(1)	62,159	-	62,159
Effect of Plan Changes(2)	-	-	-
Effect of Economic/Demographic Gains or Losses	28,329	-	28,329
Effect of Assumptions Changes or Inputs	-	-	-
Refund of Contributions	-	-	-
Benefit Payments	(36,400)	(36,400)	-
Administrative Expenses	-	(585)	585
Contributions - Employer	-	26,793	(26,793)
Contributions - Employee	-	97,768	(97,768)
Net Investment Income	-	31,004	(31,004)
Other(3)	-	1,461	(1,461)
Balances at 12/31/2024	$ 889,840	$ 1,074,740	$ (184,900)

(1) Reflects the change in the liability due to the time value of money. TCDRS does not charge fees or interest.
(2) No plan changes valued.
(3) Relates to allocation of system-wide items.

Pension Plan Fiduciary Net Position

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

NOTE 2 DETAILED NOTES ON ALL FUNDS (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 $10,924 At December 31, 2025, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Outflows of Resources	Inflows of Resources
Differences between expected and actual experience	$ 21,247	$ 17,803
Net difference between projected and actual earnings	-	9,310
Contributions subsequent to the measurement date	24,783	-

$24,783 reported as deferred outflows of resources related to pension resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability/(asset) for the year ending December 31, 2025. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expenses as follows:

Year ended December 31:	
2026	$ 10,949
2027	16,450
2028	(3,606)
2029	(4,876)

Risk Management

The District is exposed to various risks of loss related to torts, theft, damage or destruction of assets, errors and omissions, injuries to employees, and natural disasters. During fiscal year 2019, the District obtained general liability coverage at a cost that is considered to be economically justifiable by joining together with other governmental entities in the State as a member of the Texas Municipal League Intergovernmental Risk Pool ("TML"). TML is a self-funded pool operating as a common risk management and insurance program. The District pays an annual premium to TML for its above insurance coverage. The agreement for the formation of TML provides that TML will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of acceptable risk levels; however, each category of coverage has its own level of reinsurance. The District continues to carry commercial insurance for other risks of loss. There were no significant reductions in commercial insurance coverage in the past fiscal year and settled claims resulting from these risks have not exceeded coverage in any of the past three fiscal years.

Health Care Coverage

During the year ended December 31, 2025, employees of the District were covered by a health insurance plan (the Plan). The District paid premiums of $815 per month per employee to the Plan through September 2025. For the remainder of 2025, premiums were $982 per month per employee. Employees, at their option, authorized payroll withholdings to pay premiums for dependents.

Commitments and Contingencies

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

NOTE 2 DETAILED NOTES ON ALL FUNDS (CONTINUED

Litigation

On various occasions, the District can be either a defendant or co-defendant in lawsuits. While the District and legal counsel cannot predict the results of any litigation, it believes it has meritorious defenses to those actions, proceedings and claims.

The District is involved in 2 lawsuits as of year-end related to taxpayers challenging appraisal values on their properties. Although the District would not be directly liable for any potential judgements or settlements in these cases, in the event that adverse judgements are reached in these cases, the District could suffer the imposition of some attorney fees up to a maximum of $10,000.

Burns v. Falls County Appraisal District - On October 7, 2025, a jury returned a verdict against the District awarding the plaintiffs attorney's fees of approximately $65,000, plus accrued interest of $1,020 for a total accrued liability of $66,320 at of December 31, 2025. Contingent upon an appeal (which the District has since filed), additional amounts totaling $35,000 were awarded subject to further review by the Texas Supreme Court; this amount has not been accrued because it is not yet probable but is disclosed as an additional reasonably possible loss. The District's appeal to the Tenth Court of Appeals remains pending; District management and legal counsel believe the judgment lacks legal merit, but the judgment remained outstanding and unreversed as of the date of this report.

New Accounting Pronouncements

Significant new accounting standards not yet implemented by the District include the following.

GASB Statement No. 103, Financial Reporting Model Improvements – The objective of this Statement is to enhance the effectiveness of the financial reporting model in providing information that is essential for decision making and assessing a government’s accountability and addressing certain application issues identified through pre-agenda research conducted by the GASB. The requirements of GASB 103 are effective for fiscal years beginning after June 15, 2025.

GASB Statement No. 104, Disclosure of Certain Capital Assets - Provides users of government financial statements with essential information concerning two types of capital assets: (1) capital assets associated with leases and other intangible assets and (2) capital assets held for sale. The requirements of GASB 104 are effective for fiscal years beginning after June 15, 2025.

GASB Statement No. 105, Subsequent Events - To enhance and clarify the accounting and disclosure requirements for events occurring after the financial statement date. The statement replaces guidance that had remained largely unchanged for decades and reflects the GASB’s effort to reduce diversity in practice and improve comparability across governments. The guidance is effective for fiscal years beginning after June 15, 2026.

District’s management is evaluating these pronouncements and the effect, if any, they will have on future periods.

Subsequent Event

In preparing the financial statements, Falls County has evaluated events and transactions for potential recognition or disclosure through June 25, 2026, the date that the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

FALLS COUNTY APPRAISAL DISTRICT
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2025

	Original Budget	Final Budget	Actual	Variance Favorable (unfavorable)
REVENUES				
Appraisal Fees	$ 860,248	$ 860,248	$ 860,006	$ (242)
Maps	-	-	465	465
Interest Income	-	-	41,400	41,400
Miscellaneous Income	-	-	4,515	4,515
Total Revenues	860,248	860,248	906,386	46,138
EXPENDITURES				
Pesonnel	558,622	558,622	493,914	64,708
Office Expense and Supplies	9,250	9,250	8,747	503
Books and Periodicals	2,000	2,000	1,464	536
Postage	5,000	5,000	6,004	(1,004)
Mailing Service	20,000	20,000	9,610	10,390
Printing and Forms	5,000	5,000	857	4,143
Conference and Education	10,000	10,000	13,532	(3,532)
Dues and Subscriptions	3,600	3,600	4,368	(768)
Utilities	8,000	8,000	9,137	(1,137)
Mileage	9,000	9,000	-	9,000
Lexis Nexis	1,560	1,560	2,000	(440)
Janitorial Service	4,100	4,100	3,900	200
Advertising	1,500	1,500	1,504	(4)
Insurance	5,000	5,000	7,072	(2,072)
Telephone	-	-	3,473	(3,473)
Board of Directors	500	500	453	47
Appraisal Review Board	11,000	11,000	5,886	5,114
Contracted Services	159,716	159,716	199,845	(40,129)
Building and Maintenance	3,400	3,400	2,536	864
Legal and Professional Fees	33,500	33,500	92,551	(59,051)
Debt Service:				
Principal	1,864	1,864	1,864	-
Interest	212	212	212	-
Capital Outlay	4,500	4,500	4,520	(20)
Total Expenditures	857,324	857,324	873,449	(16,125)
Change in Fund Balance	$ 2,924	$ 2,924	32,937	$ 35,861
FUND BALANCE/NET POSITION				
Beginning of year			899,601	
End of Year			$ 932,538	

FALLS COUNTY APPRAISAL DISTRICT
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
LAST 10 FISCAL YEARS

	2024	2023	2022	2021
Total Pension Liability				
Service Cost	$ 44,470	$ 46,580	$ 43,061	$ 61,328
Interest (on Total Pension Liability)	62,159	58,934	57,960	57,977
Effect of Plan Changes	-	-	-	-
Effect of Assumption Changes or Inputs	-	-	-	(730)
Effect of Economic/Demographic (Gains of (Losses)	28,329	(18,213)	(34,790)	(50,347)
Benefit Payments/Refunds of Employee Contributions	(36,400)	(48,875)	(64,708)	(36,186)
Net Change in Total Pension Liability	98,558	38,426	1,523	32,042
Total Pension Liability - Beginning	791,282	752,856	751,333	719,291
Total Pension Liability - Ending (a)	$ 889,840	$ 791,282	$ 752,856	$ 751,333
Plan Fiduciary Net Position				
Contributions - Employer	$ 31,004	$ 28,063	$ 31,317	$ 29,139
Contributions - Employee	26,793	22,399	20,807	27,269
Net Investment Income	97,768	94,398	(53,216)	164,997
Benefit Payments, including Refunds of Employee Contributions	(36,400)	(48,875)	(64,708)	(36,186)
Administrative Expenses	(585)	(499)	(503)	(501)
Other	1,461	424	(997)	775
Net Change in Plan Fiduciary Net Position	120,041	95,910	(67,300)	185,493
Plan Fiduciary Net Position - Beginning	954,699	858,789	926,089	740,596
Plan Fiduciary Net Position - Ending (b)	$ 1,074,740	$ 954,699	$ 858,789	$ 926,089
Net Pension (Asset) Liability - Ending (a)-(b)	$ (184,900)	$ (163,417)	$ (105,933)	$ (174,756)
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	120.78%	120.65%	114.07%	123.26%
Covered Payroll	$ 382,763	$ 319,985	$ 297,247	$ 389,558
Net Pension Liability as a Percentage of Covered Payroll	-48.31%	-51.07%	-35.64%	-44.86%

(continued)

FALLS COUNTY APPRAISAL DISTRICT
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
LAST 10 FISCAL YEARS

2020	2019	2018	2017	2016	2015
$ 53,015	$ 33,650	$ 45,867	$ 40,534	$ 35,500	$ 26,034
49,757	42,890	39,177	33,298	29,186	24,277
-	-	-	-	-	16,171
41,341	-	-	5,881	-	6,176
32,075	17,849	(1,992)	10,752	(11,082)	19,220
(35,641)	(22,564)	(27,327)	(19,280)	(32,390)	(17,796)
140,547	71,825	55,725	71,185	21,214	74,082
578,744	506,919	451,194	380,009	358,795	284,713
$ 719,291	$ 578,744	$ 506,919	$ 451,194	$ 380,009	$ 358,795
$ 31,979	$ 25,566	$ 22,134	$ 19,133	$ 11,426	$ 8,170
31,781	24,448	23,022	21,091	18,014	16,674
66,731	87,063	(9,523)	64,108	30,042	(8,990)
(35,642)	(22,564)	(27,327)	(19,280)	(32,390)	(17,796)
(542)	(492)	(426)	(347)	(326)	(292)
897	1,030	585	277	4,333	2,428
95,204	115,051	8,465	84,982	31,099	194
645,392	530,341	521,876	436,894	405,795	405,601
$ 740,596	$ 645,392	$ 530,341	$ 521,876	$ 436,894	$ 405,795
$ (21,305)	$ (66,648)	$ (23,422)	$ (70,682)	$ (56,885)	$ (47,000)
102.96%	111.52%	104.62%	115.67%	114.97%	113.10%
$ 454,014	$ 349,255	$ 328,887	$ 301,306	$ 257,349	$ 238,198
-4.69%	-19.08%	-7.12%	-23.46%	-22.10%	-19.73%

(concluded)

FALLS COUNTY APPRAISAL DISTRICT
TEXAS COUNTY AND DISTRICT RETIREMENT SYSTEM
SCHEDULE OF EMPLOYER CONTRIBUTIONS
FOR THE YEAR ENDED SEPTEMBER 30, 2025

Fiscal Year Ended December 31,	Actuarially Determined Contribution	Actual Employer Contribution	Contribution Deficiency (Excess)	Pensionable Covered Payroll	Actual Contribution as a % of Covered Payroll
2015	$ 8,170	$ 8,170	$ -	$ 238,198	3.4%
2016	11,426	11,426	-	257,349	4.4%
2017	19,199	19,133	-	301,306	6.4%
2018	22,134	22,134	-	328,887	6.7%
2019	25,566	25,566	-	349,255	7.3%
2020	31,826	31,979	(152)	454,014	7.0%
2021	29,139	29,139	-	389,558	7.5%
2022	31,241	31,317	(77)	297,247	10.5%
2023	28,063	28,063	-	319,985	8.8%
2024	31,004	31,004	-	382,763	8.1%

Valuation Date	Actuarially determined contribution rates are calculated each December 31, two years prior to the end of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contributions rates:

Actuarial Cost Method	Entry age
Amortization Method	Level percentage of payroll, closed
Remaining Amortization Period	0.0 years (based on contribution rate calculated in 12/31/2023 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 Plan Provisions Reflected in the Schedule of Employer Contributions	2015: Employer contributions reflect that the current service matching rate was increased to 200% for future benefits. 2016: No changes plan provisions. 2017: 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: No changes in plan provisions were reflected in the Schedule. 2021: No changes in plan provisions were reflected in the Schedule. 2022: No changes in plan provisions were reflected in the Schedule. 2023: No changes in plan provisions were reflected in the Schedule.
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.

Budgetary Information

a. Each year the chief appraiser prepares a proposed budget for the operations of the district before June 15.

b. Notice will be given no later than the 10th day before the date of the public hearing with a summarized budget showing any increase.

c. The board of directors must approve the budget before September 15.

d. The board of directors may amend the budget at any time during the year.

e. Each taxing entity participating in the district is allocated a portion of the amount of the budget equal to the proportion of the total amount of property taxes imposed in the district by the entity for the tax year of the proposed budget.

COMPLIANCE SECTION

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

Board of Directors
Falls County Appraisal District
Marlin, Texas

We have audited, 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 *(Government Auditing Standards)*, the financial statements of the governmental activities and the major fund of Falls County Appraisal District (the "District"), as of and for the year ended December 31, 2025, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated June 25, 2026.

Report on Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. 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 or significant deficiencies may exist that were not 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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 District'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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Corpus Christi, Texas
June 25, 2026

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