

SCURRY COUNTY APPRAISAL DISTRICT

RICHARD PETREE, RPA/RTA/RTC
INTERIM CHIEF APPRAISER

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2612 COLLEGE AVENUE
SNYDER, TEXAS 79549

May 5, 2026

Roberts & McGee, CPA, PLLC
104 Pine Street Suite 408
Abilene, Texas 79601

This representation letter is provided in connection with your audit of the financial statements of Scurry County Appraisal District, which comprise the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information as of December 31, 2025, and the respective changes in financial position and, where applicable, cash flows for the year then ended, and the disclosures (collectively, the "financial statements"), for the purpose of expressing opinions as to whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered to be material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

We confirm, to the best of our knowledge and belief, as of May 5, 2026, the following representations made to you during your audit.

Financial Statements

- 1) We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated January 9, 2026, including our responsibility for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP and for preparation of the supplementary information in accordance with the applicable criteria.
- 2) The financial statements referred to above are fairly presented in conformity with U.S. GAAP and include all properly classified funds and other financial information of the primary government and all component units required by generally accepted accounting principles to be included in the financial reporting entity.
- 3) We acknowledge our responsibility 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.
- 4) We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
- 5) The methods, significant assumptions, and data used in making accounting estimates and their related disclosures are appropriate to achieve recognition, measurement, or disclosure that is reasonable in accordance with U.S. GAAP.
- 6) Related party relationships and transactions, including revenues, expenditures/expenses, loans, transfers, leasing arrangements, and guarantees, and amounts receivable from or payable to related parties have been appropriately accounted for and disclosed in accordance with U.S. GAAP.

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- 7) Adjustments or disclosures have been made for all events, including instances of noncompliance, subsequent to the date of the financial statements that would require adjustment to or disclosure in the financial statements.
- 8) We are in agreement with the adjusting journal entries you have proposed, and they have been posted to the accounts.
- 9) The effects of all known actual or possible litigation, claims, and assessments have been accounted for and disclosed in accordance with U.S. GAAP.
- 10) Guarantees, whether written or oral, under which the District is contingently liable, if any, have been properly recorded or disclosed.

Information Provided

- 11) We have provided you with:
 - a) Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements, such as records (including information obtained from outside of the general and subsidiary ledgers), documentation and other matters.
 - b) Additional information that you have requested from us for the purpose of the audit.
 - c) Unrestricted access to persons within the District from whom you determined it necessary to obtain audit evidence.
 - d) Minutes of the meetings of the District or summaries of actions of recent meetings for which minutes have not yet been prepared.
- 12) All material transactions have been recorded in the accounting records and are reflected in the financial statements.
- 13) We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- 14) We have no knowledge of any fraud or suspected fraud that affects the District, and involves—
 - Management,
 - Employees who have significant roles in internal control, or
 - Others where the fraud could have a material effect on the financial statements.
- 15) We have no knowledge of any allegations of fraud or suspected fraud affecting the District's financial statements communicated by employees, former employees, regulators, or others.
- 16) We have no knowledge of instances of noncompliance or suspected noncompliance with provisions of laws, regulations, contracts, or grant agreements, or waste or abuse, whose effects should be considered when preparing financial statements.
- 17) We have disclosed to you all known actual or possible litigation, claims, and assessments whose effects should be considered when preparing the financial statements.
- 18) We have disclosed to you the names of the District's related parties and all the related party relationships and transactions, including any side agreements.

Government-specific

- 19) There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.

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- 20) We have identified to you any previous audits, attestation engagements, and other studies related to the objectives of the audit and whether related recommendations have been implemented.
- 21) We have identified to you any investigations or legal proceedings that have been initiated with respect to the period under audit.
- 22) The District has no plans or intentions that may materially affect the carrying value or classification of assets, deferred outflows of resources, liabilities, deferred inflows of resources, and fund balance or net position.
- 23) We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to us, including tax or debt limits and debt contracts, and legal and contractual provisions for reporting specific activities in separate funds.
- 24) We have appropriately identified, recorded, and disclosed all leases in accordance with [GASBS No. 87](#).
- 25) We have appropriately disclosed or recognized conduit debt obligations and/or certain arrangements associated with conduit debt obligations in accordance with [GASBS No. 91](#).
- 26) We have appropriately disclosed identified, recorded, and disclosed public-private and public-public partnerships and availability payment arrangements in accordance with [GASBS No. 94](#).
- 27) We have appropriately identified, recorded, and disclosed subscription-based information technology arrangements in accordance with [GASBS No. 96](#).
- 28) We have identified and disclosed to you all instances of identified and suspected fraud and noncompliance with provisions of laws, regulations, contracts, and grant agreements that we believe have a material effect on the financial statements.
- 29) We have appropriately measured, recorded, and disclosed compensated absences and other salary-related payments in accordance with [GASBS No. 101](#).
- 30) There are no violations or possible violations of budget ordinances, laws and regulations (including those pertaining to adopting, approving, and amending budgets), provisions of contracts and grant agreements, tax or debt limits, and any related debt covenants whose effects should be considered for disclosure in the financial statements, or as a basis for recording a loss contingency, or for reporting on noncompliance.
- 31) As part of your audit, you assisted with preparation of the financial statements. We acknowledge our responsibility as it relates to those nonaudit services, including that we assume all management responsibilities; oversee the services by designating an individual, preferably within senior management, who possesses suitable skill, knowledge, or experience; evaluate the adequacy and results of the services performed; and accept responsibility for the results of the services. We have reviewed, approved, and accepted responsibility for those financial statements and disclosures.
- 32) The District has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.
- 33) The District has complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.
- 34) The financial statements include all component units, appropriately present majority equity interests in legally separate organizations and joint ventures with an equity interest, and properly disclose all other joint ventures and other related organizations.
- 35) The financial statements include all fiduciary activities required by [GASBS No. 84](#), as amended.

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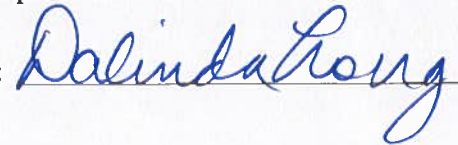
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- 36) The financial statements properly classify all funds and activities in accordance with GASBS No. 34 , as amended.
- 37) All funds that meet the quantitative criteria in GASBS Nos. 34 and 37 for presentation as major are identified and presented as such and all other funds that are presented as major are particularly important to financial statement users.
- 38) Components of net position (net investment in capital assets; restricted; and unrestricted) and classifications of fund balance (nonspendable, restricted, committed, assigned, and unassigned) are properly classified and, if applicable, approved.
- 39) Investments, derivative instrument transactions, and land and other real estate held by endowments are properly valued.
- 40) Provisions for uncollectible receivables have been properly identified and recorded.
- 41) Expenses have been appropriately classified in or allocated to functions and programs in the statement of activities, and allocations have been made on a reasonable basis.
- 42) Revenues are appropriately classified in the statement of activities within program revenues, general revenues, contributions to term or permanent endowments, or contributions to permanent fund principal.
- 43) Interfund, internal, and intra-entity activity and balances have been appropriately classified and reported.
- 44) Deposits and investment securities and derivative instrument transactions are properly classified as to risk and are properly disclosed.
- 45) Capital assets, including infrastructure and intangible assets, are properly capitalized, reported, and, if applicable, depreciated or amortized.
- 46) We have appropriately disclosed the District's policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available and have determined that net position is properly recognized under the policy.
- 47) We are following our established accounting policy regarding which resources (that is, restricted, committed, assigned, or unassigned) are considered to be spent first for expenditures for which more than one resource classification is available. That policy determines the fund balance classifications for financial reporting purposes.
- 48) We acknowledge our responsibility for the required supplementary information (RSI). The RSI is measured and presented within prescribed guidelines and the methods of measurement and presentation have not changed from those used in the prior period. We have disclosed to you any significant assumptions and interpretations underlying the measurement and presentation of the RSI.

Signature:



Signature:



Title:



Title:



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Stacey L. McGee, CPA
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May 5, 2026

To Board of Directors of
Scurry County Appraisal District

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Scurry County Appraisal District for the year ended December 31, 2025. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards (and, if applicable, *Government Auditing Standards* and the Uniform Guidance), as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated January 9, 2026. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. No new accounting policies were adopted and the application of existing policies was not changed during the current year. We noted no transactions entered into by the District during the year for which there is a lack of authoritative guidance or consensus. We noted no transactions entered into by the District during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements are the estimate of the accumulated depreciation on the District's property and equipment and the actuarial valuation of the District's pension liability. Management's estimate of accumulated depreciation is based on reasonable assigned lives of the assets applied on a straight-line basis. We evaluated the key factors and assumptions used to develop the accumulated depreciation in determining that it is reasonable in relation to the financial statements taken as a whole. The net pension liability is an actuarial determined liability provided by the Texas County and District Retirement System (TCDRS). The pension liabilities are determined through actuarial calculations based on employee and retiree census data provided by the District. We reviewed the employee data and the various inputs and believe the information provided to TCDRS for the calculation appeared reasonable.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the statements were:

- The disclosure of the pension liability and expenses in Note 12 related to the District's retirement plan with the Texas County and District Retirement System. This disclosure explains the pension liability and activity for the District, which was calculated and provided by actuaries hired by TCDRS.

We evaluated the key factors and assumptions used to develop the accumulated depreciation in determining that it is reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated May 5, 2026.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to District's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as Scurry County Appraisal District's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to the required supplementary information, which is required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

Restriction on Use

This information is intended solely for the information and use of Board and management of Scurry County Appraisal District and is not intended to be, and should not be, used by anyone other than these specified parties.

Sincerely,

Roberts & McGee, CPA, PLLC

Roberts & McGee, CPA, PLLC

SCURRY COUNTY APPRAISAL DISTRICT

FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S REPORT

FOR THE YEAR ENDED
DECEMBER 31, 2025



SCURRY COUNTY APPRAISAL DISTRICT

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Management of
Scurry County Appraisal District:

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Scurry County Appraisal District (the District) as of and for the year ended December 31, 2025, and the related notes to the financial statement, 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, each major fund and the aggregate remaining fund information of the District as of December 31, 2025, and the respective changes in the financial position and, where applicable, cash flows thereof, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of 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 opinion.

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 the 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 will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for the 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 judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risk 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 judgement, 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 our audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison and pension related 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.

Roberts & McGee, CPA, PLLC

Roberts & McGee, CPA, PLLC

Abilene, Texas,
May 5, 2026

**SCURRY COUNTY APPRAISAL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2025**

As management of Scurry County Appraisal District (the District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the year ended December 31, 2025.

Financial Highlights

Financial Statement Highlights

- The District's total combined net position increased by \$27,472 from current year operations.
- At the end of the current fiscal year, total fund balance for the General Fund was \$351,943 and is committed for computer equipment and programs and assigned for operating reserve.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains required and other supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private sector business.

The *statement of net position* presents information on all of the District's assets and liabilities, and deferred inflows/outflows of resources with the difference between the two reported as *net position*. *Net position* is equivalent to the equity section of a private-sector balance sheet.

The *statement of activities* presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., depreciation).

The government-wide financial statements of the District are principally funded by monies provided by local funding sources (*government activities*). The District does not have any business-type activities.

The government-wide financial statements can be found on pages 9 - 12 of this report.

Fund Financial Statements

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance related legal requirements. The District utilizes governmental funds.

SCURRY COUNTY APPRAISAL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2025

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on how money flows into and out of those funds and the balances remaining at year-end are available for spending. These funds are reported using an accounting method called *modified accrual* basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus on governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented in the general fund with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditure, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The District adopts an annual budget for its general fund. A budgetary comparison schedule has been provided for the general fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 9-12 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 13-26 of this report.

Required supplementary information. In addition to the basic financial statements and accompanying notes, these reports also present certain required supplementary information that is required by the Governmental Accounting Standards Board to be a part of the District's basic financial statements. Required supplementary information can be found on pages 27-30 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

A large portion of the District's net position reflects its investment in capital assets (e. g., land, buildings, vehicles, furniture, and equipment). The District uses these capital assets to provide services to the member entities we serve; consequently, these assets are not available for future spending.

Additionally, a portion of the District's net position represents unrestricted financial resources available for future operations.

**SCURRY COUNTY APPRAISAL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2025**

**Scurry County Appraisal District
Summary of the Statement of Net Position**

	Governmental Activities	
	2025	2024
Current assets	\$ 764,693	\$ 739,143
Noncurrent assets	63,396	102,947
Total assets	828,089	842,090
 Deferred outflows of resources	 219,997	 268,939
 Current liabilities	 39,635	 62,110
Long-term liabilities	65,172	122,938
Total liabilities	104,807	185,048
 Deferred inflows of resources	 469,145	 479,319
 Net investment in capital assets	 34,240	 34,283
Unrestricted	439,894	412,379
Total net position	\$ 474,134	\$ 446,662

GOVERNMENTAL ACTIVITIES

Revenues for the Scurry County Appraisal District's governmental activities were \$1,571,277 while total expenses were \$1,543,805. The change in net position from current year operations was an increase of \$27,472.

**SCURRY COUNTY APPRAISAL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2025**

**Scurry County Appraisal District
Changes in Net Position**

	Governmental Activities	
	2025	2024
Revenues:		
General Revenues		
Appraisal and collections income	1,541,257	1,444,039
Interest income	27,682	25,936
Miscellaneous income	2,338	2,747
Total Revenues	1,571,277	1,472,722
Expenses		
Appraisal and collection services	1,501,117	1,325,530
Depreciation and amortization	39,551	38,849
Interest expense	3,137	5,022
Total expenditures	1,543,805	1,369,401
Increase in Net Position	27,472	103,321
Net Position - Beginning of Year	446,662	343,341
Net Position - End of Year	\$ 474,134	\$ 446,662

FINANCIAL ANALYSIS OF THE DISTRICTS FUNDS

As previously noted, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The District's governmental funds are discussed below:

Governmental funds. The focus of the District's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the District's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

The general fund is the chief operating fund of the District. At the end of the fiscal year, the District's general fund reported an ending fund balance of \$351,943.

**SCURRY COUNTY APPRAISAL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2025**

General Fund Budgetary Highlights

Actual budget basis revenues were \$30,019 more than the final budget. This increase is due to increase in interest and miscellaneous income. Actual budget basis expenditures were more than final budgeted expenditures by \$9,304.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets. The District's investment in capital assets for its governmental activities as of December 31, 2025, amounts to \$63,396 (net of accumulated depreciation). This represents an decrease of \$39,551 from the prior fiscal year. This investment in capital assets includes buildings and improvements, equipment, vehicles, and right of use assets related to leases and subscription based IT arrangements (SBITA).

**Scurry County Appraisal District
Capital Assets Schedule (net of depreciation)**

	Governmental Activities	
	2025	2024
Land	\$ 5,400	\$ 5,400
Building and improvements	254,354	254,354
Furniture and equipment	188,411	188,411
Intangible right of use asset	39,754	39,754
Intangible SBITA	100,107	100,107
Total Depreciable Assets	588,026	588,026
Less: Accumulated Depreciation and amortization	(524,630)	(485,079)
Total Capital Assets, net	\$ 63,396	\$ 102,947

Additional information on the District's capital assets can be found in Note 7 on page 17 of this report.

Long-term debt. At the end of the current fiscal year, the Scurry County Appraisal District has long-term debt of \$29,156 related to lease liabilities and subscription based IT arrangements.

Economic Factors and Next Years Budget

Each year in the budgeting process, historical comparisons of budgets and expenditures are considered in determining the proposed budget. The Appraisal District (District) officials consider many factors when setting the future year's budget. The District strives to maintain the budget in a prudent manner.

In the past five years, two significant factors have affected the Appraisal District Budgets: Kinder Morgan lawsuits and new legislative requirements.

The litigation with Kinder Morgan concerning the SACROC valuation continued to be a factor in the appraisal district budget. The taxing units initiated a lawsuit in 2018 concerning the SACROC valuation naming the appraisal district and Kinder Morgan in the petition asserting the property is under-valued. Kinder Morgan then filed a taxpayer lawsuit claiming the property was over-valued in 2019, 2020, 2021, 2022 and 2023 appraisal years. Additionally, 2025 was added to the lawsuit. Litigation costs required

SCURRY COUNTY APPRAISAL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2025

amending the 2020 budget to fund a trial for the 2019 tax year. The trial decision has been in appeal until the end of 2022, in which the decision was overturned. Litigation expenses during 2021, 2022 and 2023 were nominal due to the extended time for appellate court decisions and ongoing negotiations. The lawsuit was finally settled for all years in April of 2026, just prior to the trial. Appraisal district experts recommended the value settlement along with the district's attorney, and the Board of Directors agreed. The settlement will result in an additional tax payment to affected tax units of approximately \$14 million of the disputed \$27 million.

The second factor is the 89th Texas Legislative Session resulting in new mandates. The new requirements have created the need for additional resources since 2021. The 88th Texas Legislature recently enacted new mandates that will increase technology costs. In 2024, each appraisal district was required to have a new Appraisal Review Board public database. The ability to send automated email notifications and evidence online to taxpayers were also required changes. Recent budgets for 2024 have included additional funds for printing and postage due to the new tax estimate website.

The District is currently in good standing with updated equipment and knowledgeable personnel. Workstation computers were replaced in 2023 and 2024. The Eagleview Aerial flight was conducted in 2023, and the expense will be completed in 2025. Scurry County and the City of Snyder shared in the first payment for 2023. The phone system was replaced with a VOIP system in 2024 to reduce the POTS line expense.

All District operations continue to be evaluated to provide excellent service, efficiency, and accuracy within the scope of our work responsibilities. The appraisal district staff has undergone significant changes in 2025 beginning with the departure of the chief appraiser, followed by the deputy chief appraiser, and the retirement of the commercial specialists. The Board has sought to find a chief appraiser through statewide advertising and has received several applications. However, they decided to contract with an interim chief appraiser, Richard Petree, to implement changes they wanted to see. Mr. Petree has worked to streamline processes and reduce staff working with Dalinda Long, who was promoted to supervising staff when Mr. Petree is not in the office. Staff is currently six full-time personnel, and the Board approved a one-year contract for commercial appraisal work. They will reevaluate that decision at the end of July to determine if that contract will be extended. Commercial appraisers are difficult to find statewide.

A primary goal is ensuring the future viability of the District, not only financially but through continued education and retention of qualified personnel. It is a priority that all appraisal district employees meet the mandated training and recertification requirements. The District's board and management will work together to establish, implement, and monitor the performance of the District to meet short and long-term strategic goals.

Requests for Information

This financial report is designed to provide a general overview of the Scurry County Appraisal District's finances for those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Scurry County Appraisal District, Interim Chief Appraiser, Richard Petree, 2612 College Ave., Snyder, Texas 79549.

BASIC FINANCIAL STATEMENTS

SCURRY COUNTY APPRAISAL DISTRICT
Statement of Net Position and Governmental Fund Balance Sheet
December 31, 2025

	General Fund	Adjustments (Note A)	Statement of Net Position
ASSETS			
Cash and cash equivalents	\$ 654,479	\$	\$ 654,479
Receivables	110,214		110,214
Capital assets, net		63,396	63,396
TOTAL ASSETS	<u>764,693</u>	<u>63,396</u>	<u>828,089</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred inflows - pension		219,997	219,997
Total Deferred Outflows of Resources	-	219,997	219,997
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>764,693</u>	<u>283,393</u>	<u>1,048,086</u>
LIABILITIES			
Accounts payable	\$ 27,555		27,555
Noncurrent liabilities:			
Due within one year		12,080	12,080
Due in more than one year		17,076	17,076
Accrued compensated absences		15,989	15,989
Net pension liabilities		32,107	32,107
Total Liabilities	<u>27,555</u>	<u>77,252</u>	<u>104,807</u>
DEFERRED INFLOWS OF RESOURCES			
Unearned revenue	385,195		385,195
Deferred inflows - pension		83,950	83,950
Total Deferred Inflows of Resources	<u>385,195</u>	<u>83,950</u>	<u>469,145</u>
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	<u>412,750</u>	<u>161,202</u>	<u>573,952</u>
FUND BALANCE/NET POSITION			
Fund balances			
Committed for:			
Aerial Oblique Photography	88,731	(88,731)	
Assigned for:			
Operating reserve	263,212	(263,212)	
Total Fund Balance	<u>351,943</u>	<u>(351,943)</u>	
TOTAL LIABILITIES AND FUND BALANCE	<u>764,693</u>		
Net Position			
Net investment in capital assets		34,240	34,240
Unrestricted		439,894	439,894
Total Net Position		<u>\$ 474,134</u>	<u>\$ 474,134</u>

The accompanying notes are an integral part of these financial statements.

SCURRY COUNTY APPRAISAL DISTRICT
Adjustments to the Governmental Fund Balance Sheet – Note A
December 31, 2025

Total Fund Balances - Governmental Funds	\$	351,943
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Amounts reported for governmental activities in the statement of net position are different because:

Capital assets as well as intangible right of use assets and subscription assets used in governmental activities are not financial resources and therefore, are not reported in governmental funds. The cost of these assets was \$588,026 and the accumulated depreciation and amortization was \$524,630. The net effect of capital assets (net of depreciation) in the governmental activities is an increase to net position.		63,396
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Accrued liabilities for long-term lease liabilities and subscription based information technology arrangements are not due and payable in the current period and therefore have not been included in the fund financial statements. The net effect of including the accrual for lease liabilities in the governmental activities is a decrease to net position.		(29,156)
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Accrued liabilities for compensated absences for personal leave are not due and payable in the current period and therefore have not been included in the fund financial statements. The net effect of including the accrual for compensated absences in the governmental activities is a decrease to net position.		(15,989)
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Included in the government-wide financial statements is the recognition of the District's net pension liability of \$32,107, deferred inflows of \$83,950, and deferred outflows of resources of \$219,997.		<u>103,940</u>
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Net Position of Governmental Activities	\$	<u><u>474,134</u></u>
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The accompanying notes are an integral part of these financial statements.

SCURRY COUNTY APPRAISAL DISTRICT
Statement of Activities and Governmental Fund Revenues,
Expenditures, and Changes in Fund Balance
Year Ended December 31, 2025

	General Fund	Adjustments (Note B)	Statement of Activities
REVENUES:			
Appraisal and collections income	\$ 1,541,257	\$	\$ 1,541,257
Interest income	27,682		27,682
Miscellaneous income	2,338		2,338
Total Revenues	<u>1,571,277</u>	<u>-</u>	<u>1,571,277</u>
EXPENDITURES:			
Current:			
Personnel services	810,392	(6,800)	803,592
Occupancy	19,765		19,765
Telephone	4,014		4,014
Equipment rental and maintenance	9,202		9,202
Staff development	7,645		7,645
Publications and postage	43,173		43,173
Dues	2,033		2,033
Travel	56,928		56,928
Professional fees	251,596		251,596
Programs and services	261,884		261,884
Miscellaneous	41,285		41,285
Debt Service			
Principal	39,508	(39,508)	-
Interest	3,137		3,137
Depreciation and amortization		39,551	39,551
Total Expenditures	<u>1,550,562</u>	<u>(6,757)</u>	<u>1,543,805</u>
EXCESS (DEFICIENCY) OF REVENUE OVER (UNDER) EXPENDITURES	20,715	6,757	27,472
CHANGE IN FUND BALANCE	20,715	(20,715)	
CHANGE IN NET POSITION		27,472	27,472
FUND BALANCE/NET POSITION BEGINNING OF YEAR,			
	<u>331,228</u>	<u>115,434</u>	<u>446,662</u>
FUND BALANCE/NET POSITION END OF YEAR			
	<u>\$ 351,943</u>	<u>\$ 122,191</u>	<u>\$ 474,134</u>

The accompanying notes are an integral part of these financial statements.

SCURRY COUNTY APPRAISAL DISTRICT
Adjustments to the Governmental Fund Revenues, Expenditures,
and Changes in fund Balance – Note B
Year Ended December 31, 2025

Net Change in Fund Balances - Governmental Funds \$ 20,715

Amounts reported for governmental activities in the statement of net position are different because:

Depreciation and amortization expense is not reflected in the governmental funds, but is recorded in the government-wide financial statements as an expense and an increase to accumulated depreciation and amortization. The net effect of the current year depreciation expense is to decrease net position. (39,551)

The issuance of long term subscription based IT arrangements (SBITA) are proceeds in the governmental funds but increase liabilities in the government-wide financial statements. This is a decrease to net position.

Payments on lease liabilities and SBITA are reported in the fund financial statements as expenditures. The net effect of the current year's decrease in the liability is to increase net position. 39,508

Liabilities for compensated absences are reported in the fund financial statements. The net effect of the current year's decrease in the liability is to increase net position. 9,145

Certain expenditures for the pension benefits that are recorded to the fund financial statements must be recorded as a deferred outflows of resources. The net effect of the changes in net pension liability and the changes in the District's deferred outflows of resources decreased net pension. (2,345)

Change in Net Position of Governmental Activities \$ 27,472

The accompanying notes are an integral part of these financial statements.

SCURRY COUNTY APPRAISAL DISTRICT

Notes to the Financial Statements

December 31, 2025

Note 1: Reporting Entity

Scurry County Appraisal District (the District) was organized, created and established pursuant to rules established by the Texas Property Code (the Code) Section 6.01. The Code established an appraisal district in each county of the State of Texas. The District is responsible for appraising property in the District for ad valorem tax purposes of each taxing unit that imposes ad valorem taxes on property in the District.

The District is a political subdivision of the State of Texas and is considered a primary government. The financial statements of the District consist only of the funds of the District. The District has no oversight responsibility for any other governmental entity since no other entities as considered to be controlled or dependent on the District. Control or dependence is determined on the basis of budget adoption, taxing authority, funding, and appointment of the respective governing board. Additionally, as the District is considered a primary government for financial reporting purposes, its activities are not considered a part of any other governmental or other type of reporting entity.

Note 2: Government – Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all the activities of the primary government. Separate financial statement are provided for the governmental and fiduciary funds.

Note 3: Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the activities of the primary government. The effect of interfund activity has been removed from these statements. Separate financial statements are provided for governmental and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

The government-wide financial statements are reported using 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 related cash flows.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Appraisal and collections revenues are recognized as soon as they are both measurable and available. Appraisal and collections revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are 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.

Interest income is considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period.

The District reports the following major governmental fund:

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

SCURRY COUNTY APPRAISAL DISTRICT

Notes to the Financial Statements

December 31, 2025

Note 4: Assets, Liabilities, and Net Position or Fund Balance

Deposits and Investments

The District’s cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities three months or less from the date of acquisition.

State statutes authorize the District to invest in certificates of deposit, fully collateralized repurchase agreements, public funds investment pools, obligations of the United States or its agencies, direct obligations of the State of Texas or its agencies, prime domestic bankers acceptances, commercial paper, SEC registered no-load money market mutual funds, other obligations which are unconditionally guaranteed or insured by the State of Texas or the United States or its agencies and instrumentalities, and obligations of state, agencies, countries, cities and other political subdivisions having been rated as to investment quality by a nationally recognized investment rating firm and having received a rating of not less than “A” or its equivalent. During the year ended December 31, 2023, the District did not own any types of securities other than those permitted by statute.

The Board of Directors of the District authorizes the District to invest with certain stipulations, in fully collateralized time deposits, certificates of deposit, money market accounts, interest-bearing checking accounts or “NOW” accounts, and United States Treasury securities. Accordingly, at December 31, 2025, the District had \$695,484 invested in checking accounts. During the year ended December 31, 2025, the District did not own any types of securities other than those permitted by statute.

Capital Assets

Capital assets, which include building and improvements, furniture and equipment, and vehicles, are reported in the statement of net position. 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 one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value. 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 and improvements, furniture and equipment, and vehicles of the District are depreciated using the straight-line method over the following estimated useful lives:

Furniture and Equipment	5 -10 years
Building and Improvements	39 years

Right-to-Use Leased and SBITA Assets

Right-to-use leased and SBITA assets are recognized at the commencement date and represent the District’s right-to-use an underlying asset for the lease term. Right-to-use leased and SBITA assets are measured at the initial value of the lease or SBITA liability plus any payments made to the lessor before commencement of the lease term, less any lease incentives received from the lessor at or before the commencement of the lease term, plus any initial direct costs necessary to place the lease asset into service. Right-to-use leased and SBITA assets are amortized over the shorter of the lease term or useful life of the underlying asset using the straight-line method. The amortization period varies from 2 to 6 years.

SCURRY COUNTY APPRAISAL DISTRICT

Notes to the Financial Statements

December 31, 2025

Note 4: Assets, Liabilities, and Net Position or Fund Balance – continued

Compensated Absences

In addition to other benefits provided, the District compensates eligible employees for vacation and earned time. Vacation time is accrued biweekly based upon the term of employment. This vacation time can be carried over to subsequent years with a maximum accrual of 240 hours, except for some employees mentioned specifically in the policy.

In emergency cases, the Chief Appraiser may approve accumulation of more than the maximum allowed hours. Earned time is approved on a case by case basis by the Chief Appraiser.

Compensated absences are reported as expenditures and a fund liability of the general fund only if they have matured, for example as a result of employee resignations and retirements. Compensated absences are accrued as a long-term liability in the statement of net position when incurred.

Lease and SBITA Liabilities

Lease and SBITA liabilities represent the District's obligation to make payments arising from the lease or SBITA. Lease and SBITA liabilities are recognized at the lease or SBITA commencement date based on the present value of future lease payments expected to be made during the term. The present value of lease payments are discounted based on a borrowing rate determined by the U.S. Treasury risk-free rate or an implicit interest rate.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenditures during the reporting period. Actual results could differ from those estimates.

Deferred Outflows

In addition to assets, the statement of net position will report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. The District has deferred outflows of resources related to its pension plan.

Deferred Inflows

In addition to liabilities, the statement of net position will report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has deferred inflows of resources related to its pension plan. The District also has deferred inflows related to prepayments of appraisal assessments.

SCURRY COUNTY APPRAISAL DISTRICT

Notes to the Financial Statements

December 31, 2025

Note 4: Assets, Liabilities, and Net Position or Fund Balance – continued

Pensions

The fiduciary net position of the District's plan with Texas County & 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 TCERS'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.

Appraisal Assessments

The District is primarily supported by appraisal assessments from the taxing entities in the District. These assessments are calculated using each entity's percentage of the District's operating budget based on each entity's total appraised levy within the District.

Subsequent Events

Management has evaluated subsequent events through May 5, 2026, the date the financial statements were available to be issued.

Note 5: Stewardship, Compliance and Accountability

Budgetary Information

A budget is adopted for the general fund on a budget basis which differs from generally accepted accounting principles in that expenditures to be paid for out of prior years' surpluses, are not budgeted. The operating budget was formally adopted by the Board of Directors ("the Board") at a public meeting prior to the start of the fiscal year in accordance with the Texas Property Tax Code Sections 6.06(a) and 6.06(b). The formally adopted budget may be legally amended by the Board with approval of the taxing entities in accordance with the Texas Property Tax Code Section 6.06(c). Budget transfers between expenditure line items require approval by the Board. Budgetary preparation and control is exercised at the fund level. Actual expenditures may not legally exceed appropriations at the fund level. The budget was properly amended during the year.

Note 6: Deposits and Investments

Deposits and Investments

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. The District's deposits were fully secured by FDIC coverage and by securities pledged to the District and held by an agent of the depository in the District's name at December 31, 2025.

SCURRY COUNTY APPRAISAL DISTRICT

Notes to the Financial Statements

December 31, 2025

Note 6: Deposits and Investments – continued

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 the District to adopt, implement, and publicize an investment policy. The 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 allowable based on the stated maturity date of the portfolio, (8) investment staff quality and capabilities, (9) and bid solicitation preferences for certificates of deposit. The District’s investment policy does not address concentration of credit risk, interest rate risk or credit risk of investments.

Note 7: Capital Assets

	Balance January 1, 2025	Additions	Retirements	Balance December 31, 2025
<u>Governmental Activities</u>				
Nondepreciable assets:				
Land	5,400			5,400
Total nondepreciable assets	<u>5,400</u>	<u>-</u>	<u>-</u>	<u>5,400</u>
Depreciable assets:				
Buildings and improvements	\$ 254,354			\$ 254,354
Furniture and equipment	188,411			188,411
Right of use assets	39,754			39,754
SBITA	100,107			100,107
Total depreciable assets	<u>582,626</u>	<u>-</u>	<u>-</u>	<u>582,626</u>
Less accumulated depreciation and amortization				
Buildings and improvements	(220,719)	(1,331)		(222,050)
Furniture and equipment	(188,411)	-		(188,411)
Right of use assets	(19,735)	(7,657)		(27,392)
SBITA	<u>(56,214)</u>	<u>(30,563)</u>		<u>(86,777)</u>
Total accumulated depreciation and amortization	<u>(485,079)</u>	<u>(39,551)</u>	<u>-</u>	<u>(524,630)</u>
Total capital assets, net	\$ <u>102,947</u>	\$ <u>(39,551)</u>	\$ <u>-</u>	\$ <u>63,396</u>

The District recognized depreciation and amortization expense of \$39,551 during the year ended December 31, 2025.

SCURRY COUNTY APPRAISAL DISTRICT

Notes to the Financial Statements

December 31, 2025

Note 8: Long-Term Obligations

The changes in long-term obligations for the year ended December 31, 2025, are as follows:

	Balance January 1, 2025	Additions	Retirements	Balance December 31, 2025	Due Within One Year
<u>Long-Term Obligation</u>					
Compensated absences	\$ 25,134	\$ -	\$ (9,145)	\$ 15,989	\$ -
Lease liabilities	22,924		(7,602)	15,322	7,907
SBITA	45,740		(31,906)	13,834	4,173
	<u>\$ 93,798</u>	<u>\$ -</u>	<u>\$(48,653)</u>	<u>\$ 45,145</u>	<u>\$12,080</u>

Payment requirements for the District's leases and SBITA are as follows:

<u>Year Ending December 31</u>	<u>Principal</u>	<u>Interest</u>
2026	12,080	988
2027	11,219	502
2028	5,083	137
2029	774	4
	<u>\$ 29,156</u>	<u>\$ 1,631</u>

Note 9: Right of use liabilities and subscription liabilities

Leases Liabilities

The District is a lessee in noncancelable operating leases for the right to use office equipment. The District has recorded a right to use asset and liability at the lease commencement date based on the present value of the future lease payments over the expected lease terms. The right of use asset is amortized on a straight-line basis over the life of the lease, and the asset is recognized on the statement of net position with the depreciable capital assets. The lease liability is calculated based on the present value of the non-cancelable payments over the term of the lease and is recognized as a right to use liability on the statement of net position.

The details of the lease agreements are as follows:

<u>Description</u>	<u>Date</u>	<u>Payment Terms</u>	<u>Payment Amount</u>	<u>Imputed Interest Rate</u>	<u>Balance at December 31, 2025</u>
Pitney Bowes Mail Machine	3/3/2022	20 quarterly	450	2.24%	\$ 2,212
Benchmark Business Solutions	11/29/2022	63 monthly	550	4.42%	13,110
Total lease liabilities					<u>\$ 15,322</u>

SCURRY COUNTY APPRAISAL DISTRICT

Notes to the Financial Statements

December 31, 2025

Note 9: Right of use liabilities and subscription liabilities – continued

Subscription Liabilities

The District entered into long-term agreements to utilize software. The software agreements met the requirements from Governmental Accounting Standards Board (GASB) No. 96, *Subscription-Based Technology Arrangements*. The District has recorded a subscription asset and a subscription liability at the contract commencement date based on the present value of the future payments over the expected agreement terms. The subscription asset is amortized on a straight-line basis over the life of the contract, and the asset is recognized on the statement of net position with the depreciable capital assets. The subscription liability is calculated based on the present value of the non-cancelable payments over the term of the agreements and is recognized as a subscription liability on the statement of net position.

The details of the subscription-based technology arrangements are as follows:

Description	Date	Payment Terms	Payment Amount	Imputed Interest Rate	Balance at December 31, 2025
Pictometry International Corp	2/24/2023	3 annual	29,577	6.00%	\$ -
Navitas	3/1/2024	5 annual	389	4.17%	<u>13,834</u>
Total SBITA					<u>\$ 13,834</u>

Note 10: Compensated Absences

Accumulated unpaid annual leave amounts are not accrued in governmental funds using the modified accrual basis of accounting but are reflected in the government-wide financial statements. At December 31, 2025, accrued employee benefits recorded as general long-term debt for compensated absences amounted to \$15,989.

Note 11: Unearned Revenue

Prior to year-end, the District assesses appraisal and collections fees for the first quarter of the following fiscal year. At December 31, 2025, the District had recorded unearned revenue of \$385,195.

Note 12: Retirement Plan

Plan Description

The District provides retirement, disability and death benefits for all of its full-time employees through a nontraditional defined benefit pension plan in the statewide Texas County and District Retirement System (the TCDRS). The Board of Trustees of TCDRS is responsible for the administration of the statewide agent multi-employer public employee retirement system consisting of nearly 800 nontraditional defined benefit pension plans. TCDRS in the aggregate issues an annual comprehensive financial report (ACFR) on a calendar year basis. The ACFR is available upon written request from the TCDRS Board of Trustees at P.O. Box 2034, Austin, Texas 78768-2034.

SCURRY COUNTY APPRAISAL DISTRICT

Notes to the Financial Statements

December 31, 2025

Note 12: Retirement Plan - continued

Benefits Provided

The plan provisions are adopted by the governing body of the employer, within the options available in the Texas state statutes governing the TCDRS (TCDRS Act). Members can retire at age 60 and above with ten or more years of service, with 30 years of service, regardless of age, or when the sum of their age and years of service equals 80 or more. Members are vested after ten years of employment but must leave their accumulated contributions in the plan to receive any employer-financed benefits. Members who withdraw their personal contributions in a lump-sum are not entitled to any amounts contributed by their employer.

Benefit amounts are determined by the sum of the employee’s contributions to the plan, with interest, and employer-financed monetary credits. The level of these monetary credits is adopted by the governing board of the employer 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, death, 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. There are no automatic post-employment benefit changes; including automatic COLA’s. Ad hoc post-employment benefit changes, including ad hoc COLA’s, can be granted by the District’s Board within certain guidelines.

Membership

District membership in the TCDRS plan at December 31, 2025 consisted of the following:

Inactive Employees Receiving Benefits	4
Inactive Employees Not Yet Receiving Benefits	6
Current Employee's Accounts	<u>10</u>
Active Employee Accounts	9

Contributions

The District 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 District based on the covered payroll of employee members. Under the TCDRS Act, the contribution rate of the District is actuarially determined annually. The employee contribution rate and the employer contribution rate may be changed by the governing body of the District within the options available in the TCDRS Act.

The rate the District contributed for the months of the accounting year in 2024 and 2025 were:

	<u>2024</u>	<u>2025</u>
Member	7.00%	7.00%
Employer	15.20%	15.46%
Employer Contributions	\$ 100,788	\$ 89,817
Member Contributions	\$ 46,416	\$ 40,668

SCURRY COUNTY APPRAISAL DISTRICT

Notes to the Financial Statements

December 31, 2025

Note 12: Retirement Plan - continued

Actuarial Assumptions

The total pension liability at the December 31, 2024 actuarial valuation was determined using the following actuarial assumptions:

Valuation Timing	Actuarially determined contributions rates are calculated on a calendar year basis as of December 31, two years prior to the end of the fiscal year in which the contributions are reported.
Actuarial Cost Method	Entry Age Normal
Amortization Method:	Straight line amortization over Expected Working Life
Remaining Amortization Period	16.7 years
Asset Valuation Method	5 year smoothed market
Discount Rate	7.50%
Inflation	2.50%
Salary Increases	4.70% average
Investment Rate of Return	7.50%
Payroll Growth Rate	0%

The demographic assumptions were developed from an actuarial experience investigation of TCDRS over the years 2017-2020. They were recommended by the actuaries and adopted by the TCDRS Board of Trustees in December of 2021. All economic assumptions were recommended by the actuaries and adopted by the TCDRS Board of Trustees in March of 2021. These assumptions, except where required to be different by GASB 68, are used to determine the total pension liability as of December 31, 2024. The assumptions are reviewed annually for continued compliance with the relevant actuarial standards of practice.

Refer to the most recent ACFR issued by TCDRS for a complete discussion of all assumptions.

Discount Rate

In order to determine the discount rate to be used, we have used an alternative method to determine the sufficiency of the fiduciary net position in all future years. This alternative method reflects the funding requirements under our funding policy and the legal requirements under the TCDRS Act:

- 1) TCDRS has a funding policy where the Unfunded Actuarial Accrued Liability (UAAL) shall be amortized as a level percent of pay over 20 year closed layered periods.
- 2) Under the TCRDS Act, the employer is legally required to make the contribution specified in the funding policy
- 3) The employer’s assets are projected to exceed its accrued liabilities in 20 years or less. When this point is reached, the employer is still required to contribute at least the normal cost.
- 4) Any increased cost due to the adoption of a cost-of-living adjustment is required to be funded over a period of 15 years, if applicable.

SCURRY COUNTY APPRAISAL DISTRICT

Notes to the Financial Statements

December 31, 2025

Note 12: Retirement Plan - continued

Based on the above, the projected fiduciary net position is determined to be sufficient compared to projected benefit payments. Based on the expected level of cash flows and investment returns to the system, the fiduciary net position as a percentage of total pension liability is projected to increase from its current level in future years.

Since the projected fiduciary net position is projected to be sufficient to pay projected benefit payments in all future years, the discount rate for purposes of calculating the total pension liability and net pension liability is equal to the long-term assumed rate of return on investments. This long-term assumed rate of return should be net of investment expenses, but gross of administrative expenses. Therefore, we have used a discount rate of 6.60%. This rate reflects the long-term assumed rate of return on assets for funding purposes of 7.60%, net of all expenses, decreased by .70% to be gross of administrative expenses.

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 shown below are provided by TCDRS’s investment consultant, Cliffwater LLC. The numbers shown are based on January 2024 information for a 10 year time horizon.

Note that the valuation assumptions for long-term expected return is re-assessed at a minimum of every four years and is set based on a long-term time horizon. The TCDRS Board of Trustees adopted the current assumption at their March 2021 meeting. The assumption for the long-term expected return is reviewed annually for continued compliance with the relevant actuarial standards of practice. The actuary relies on the expertise of Cliffwater LLC in this assessment.

Best estimates of geometric real rates of return for each major asset class included in the target asset allocation are summarized below:

Asset Class	Benchmark	Target Allocation	Geometric Real Rate of Return (Expected minus inflation)
US Equities	Dow Jones US Total Stock Market Index	13.00%	5.35%
Global Equities	MSCI World (net) Index	4.00%	5.15%
International Equities – Developed	MSCI Work (net) Index Ex USA	6.00%	4.75%
International Equities – Emerging	MSCI EM Standard (net) index	0.00%	4.75%
Investment Grade Bonds	Bloomberg Barclays U.S. Aggregate Bond Index	3.00%	2.55%
Strategic Credit	FTSE High-Yield Cash-Pay Capped 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	4.00%	6.80%

SCURRY COUNTY APPRAISAL DISTRICT

Notes to the Financial Statements

December 31, 2025

Note 12: Retirement Plan - continued

<u>Asset Class</u>	<u>Benchmark</u>	<u>Target Allocation</u>	<u>Geometric Real Rate of Return (Expected minus inflation)</u>
REIT Equities	67% FTSE NAREIT Equity REIT's Index + 33% FRSE EPRA/NAREIT Global Rate Estate Index	2.00%	3.95%
Master Limited Partnerships (MLP's)	Alerian MLP Index	2.00%	4.95%
Commodities	Bloomberg Commodities Index	2.00%	1.00%
Private Real Estate Partnerships	Cambridge Associates Real Estate Index	6.00%	5.75%
Private Equity	Cambridge Associates Global Private Equity & Venture Capital Index	25.00%	8.15%
Hedge Funds	Hedge Fund Research, Inc. (HFRI) Fund of Funds Composite Index	6.00%	3.60%
Cash Equivalents	90-Day U.S. treasury	2.00%	1.10%

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

At December 31, 2025, the District reported a net pension liability of \$32,107 measured at December 31, 2024. For the year ended December 31, 2025, the District recognized pension expense of \$92,162.

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

There were no changes in plan provisions reflected in the December 31, 2024 actuarial valuation.

Discount Rate Sensitivity Analysis

The following presents the net pension liability/(asset) of the District calculated using the discount rate of 7.60%, as well as what the District's combined net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.60%) or 1 percentage point higher (8.60%) than the current rate.

	1% Decrease in Discount Rate (6.60%)	Discount Rate (7.60%)	1% Increase in Discount Rate (8.60%)
Total Pension Liability	\$ 2,101,436	\$ 1,854,251	\$ 1,647,578
Fiduciary Net Position	1,822,145	1,822,144	1,822,145
Net Pension Liability/ (Asset)	\$ 279,291	\$ 32,107	\$ (174,567)

SCURRY COUNTY APPRAISAL DISTRICT

Notes to the Financial Statements

December 31, 2025

Note 12: Retirement Plan - continued

Changes in the net pension liability for the District's year ended December 31, 2024 are as follows:

	Increases (Decreases)		Net Pension Liability/(Asse t) (a)-(b)
	Total Pension Liability (a)	Fiduciary Net Position (b)	
Changes in Net Pension Liability			
Balance at December 31, 2023	\$ 1,608,142	\$ 1,539,493	\$ 68,649
Changes for the year:			
Service Cost	114,131		114,131
Interest on total pension liability	129,778		129,778
Effect of plan changes	-		-
Effect of economic/demographic gains or losses	32,085		32,085
Effect of assumptions changes or inputs	-		-
Refunds of contributions	-	-	-
Benefit payments	(29,884)	(29,884)	-
Administrative expenses		(992)	992
Member contributions		46,417	(46,417)
Net investment income		159,410	(159,410)
Employer contributions		100,788	(100,788)
Other		6,913	(6,913)
Balance as of December 31, 2024	<u>\$ 1,854,252</u>	<u>\$ 1,822,145</u>	<u>\$ 32,107</u>

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

	Deferred Outflows of Recourses	Deferred Inflows of Recourses
Differences between expected and actual economic experience	\$ 57,147	\$ 53
Changes in actuarial assumptions	620	1,206
Differences between projected and actual investment earnings	72,413	82,691
Contributions subsequent to the measurement date	89,817	
Total	<u>\$ 219,997</u>	<u>\$ 83,950</u>

\$89,817 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ended December 31, 2025.

SCURRY COUNTY APPRAISAL DISTRICT

Notes to the Financial Statements

December 31, 2025

Note 12: Retirement Plan - continued

Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31:		
2025	\$	6,791
2026		34,596
2027		(1,611)
2028		6,454
2029		-
Thereafter		-
	\$	<u>46,230</u>

Note 13: Deferred Contribution Plan

The District has implemented a defined contribution plan (457 Plan) under which the District will match employee contributions to their retirement fund, up to 2.5% of total compensation. Employer contributions to the plan for the years ended December 31, 2025 were 14,524.

Note 14: Commitments and Contingencies

The terms of the District’s arrangement with the taxing jurisdiction provide that, in the event the District has excess funds at the end of the year, and after provisions for approved future capital improvements and asset acquisitions are met, the District shall either reimburse the excess funds to the jurisdictions or shall credit the excess funds to future payments due to the District by the jurisdictions.

In the normal course of operations, the District is named as a defendant in various lawsuits regarding appraised values. The District’s exposure is limited to attorney fees for the parties contesting their appraised values.

Note 15: Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; natural disasters. The District’s risk management program encompasses obtaining workers compensation and property and liability insurance through Texas Municipal League (TML) Intergovernmental Risk Pool, a public entity risk pool for the benefit of governmental units located within the state. TML Intergovernmental Risk Pool (“Pool”) is considered a self-sustaining risk pool that provides coverage for its members. The District’s contributions to the Pool are limited to the amount of premiums as calculated at the beginning of each fund year. Premiums reflect the claims experience to date of the District. The Pool’s liability is limited to the coverage that the District elects as stated in the Pool’s Declaration of Coverage for that fund year. The District has not had any significant reduction in insurance coverage and the amounts of insurance settlements have not exceeded insurance coverage for the last three years.

SCURRY COUNTY APPRAISAL DISTRICT

Notes to the Financial Statements

December 31, 2025

Note 16: Fund Balance

The fund financial statements present fund balances classified in a hierarchy based on the strength of the constraints governing how these balances can be spent. These classifications are listed below in descending order of restrictiveness:

Nonspendable fund balance includes fund balance that cannot be spent either because it is not in spendable form or because of legal or contractual restraints. At December 31, 2025, the District had no nonspendable fund balances.

Restricted fund balance includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation. At December 31, 2025, the District had no restricted fund balances.

Committed fund balance is established and modified by a resolution from the District's Board, the District's highest level of decision-making authority and can be used only for the specific purposes determined by the Board's resolution. At December 31, 2025, the District committed funds of \$88,731.

Assigned fund balance is intended to be used by the District for specific purposes but does not meet the criteria to be classified as restricted or committed. At December 31, 2025, the District had assigned fund balance of \$263,212.

Unassigned fund balance is the residual classification for the District's general fund and includes all spendable amounts not contained in the other classifications.

The District uses restricted amounts first when both restricted and unrestricted fund balance are available. Additionally, the District would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

REQUIRED SUPPLEMENTARY INFORMATION

SCURRY COUNTY APPRAISAL DISTRICT
Budgetary Comparison Schedule – General Fund
Year Ended December 31, 2025

	General Fund			Variance from Final Budget
	Original Budget	Final Amended Budget	Actual	
REVENUES:				
Appraisal and collections income	\$ 1,541,258	\$ 1,541,258	\$ 1,541,257	\$ (1)
Interest income	-	-	27,682	27,682
Miscellaneous income	-	-	2,338	2,338
Total Revenues	<u>1,541,258</u>	<u>1,541,258</u>	<u>1,571,277</u>	<u>30,019</u>
EXPENDITURES:				
Current:				
Personnel services	959,788	824,197	810,392	13,805
Occupancy	26,460	23,960	19,765	4,195
Telephone	13,460	13,460	4,014	9,446
Equipment rental and maintenance	23,000	24,023	9,202	14,821
Staff development	8,000	8,000	7,645	355
Publications and postage	35,950	51,037	43,173	7,864
Dues	5,000	5,000	2,033	2,967
Travel	75,000	61,500	56,928	4,572
Professional fees	63,000	202,920	251,596	(48,676)
Programs and services	282,000	284,905	261,884	23,021
Miscellaneous	49,600	42,256	41,285	971
Debt Service				
Principal			39,508	(39,508)
Interest			3,137	(3,137)
Total Expenditures	<u>1,541,258</u>	<u>1,541,258</u>	<u>1,550,562</u>	<u>(9,304)</u>
Excess of Revenues over Expenditures	-	-	20,715	20,715
Fund Balance at January 1	<u>331,228</u>	<u>331,228</u>	<u>331,228</u>	<u>-</u>
Fund Balance at December 31	<u>\$ 331,228</u>	<u>\$ 331,228</u>	<u>\$ 351,943</u>	<u>\$ 20,715</u>

SCURRY COUNTY APPRAISAL DISTRICT
Schedule of Changes in Net Pension Liability and Related Ratios
Texas County & District Retirement System
Year Ended December 31

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Total Pension Liability										
Service cost	\$ 86,558	\$ 117,376	\$ 112,921	\$ 109,984	\$ 81,443	\$ 96,270	\$ 117,070	\$ 119,855	111,181	114,131
Interest (on the Total Pension Liability)	20,992	23,095	38,883	51,139	59,060	71,346	84,446	97,649	112,184	129,778
Effect of plan changes	(7,083)	-	-	-	-	1,656	-	-	-	-
Effect of assumption changes or inputs	3,715	-	5,556	-	-	55,775	(6,034)	-	-	-
Effect of economic/demographic (gains) losses	(94,971)	(932)	(501)	(18,928)	24,680	14,363	5,342	12,310	35,064	32,085
Benefit payments, including refunds of employee contributions	-	-	-	(5,343)	(26,815)	(29,884)	(29,884)	(29,884)	(29,884)	(29,884)
Net Change in Total Pension Liability	9,211	139,539	156,859	136,852	138,368	209,526	170,940	199,930	228,545	246,110
Total Pension Liability - Beginning	218,372	227,583	367,122	523,981	660,833	799,201	1,008,727	1,179,667	1,379,596	1,608,141
Total Pension Liability - Ending (a)	<u>\$ 227,583</u>	<u>\$ 367,122</u>	<u>\$ 523,981</u>	<u>\$ 660,833</u>	<u>\$ 799,201</u>	<u>\$ 1,008,727</u>	<u>\$ 1,179,667</u>	<u>\$ 1,379,597</u>	<u>\$ 1,608,141</u>	<u>\$ 1,854,251</u>
Plan Fiduciary Net Position										
Contributions - Employer	\$ 68,855	\$ 71,010	\$ 72,156	\$ 71,169	\$ 68,881	\$ 78,113	\$ 78,291	\$ 94,354	94,285	100,788
Contributions - Employee	38,500	38,529	38,947	37,233	37,817	39,738	41,645	43,027	44,293	46,417
Net Investment Income	(3,294)	14,918	49,585	(7,965)	96,325	79,263	215,668	(82,010)	142,135	159,410
Benefit payments, including refunds of employee contributions	-	-	-	(5,343)	(26,815)	(29,884)	(29,884)	(29,884)	(29,884)	(29,884)
Administrative Expense	(107)	(162)	(325)	(472)	(583)	(684)	(672)	(752)	(804)	(992)
Other	(13)	8,158	1,484	3,119	2,842	2,680	2,809	16,173	5,958	6,913
Net Change in Plan Fiduciary Net Position	103,941	132,453	161,847	97,741	178,467	169,226	307,857	40,908	255,983	282,652
Plan Fiduciary Net Position - Beginning	91,071	195,012	327,465	489,312	587,053	765,520	934,746	1,242,603	1,283,509	1,539,492
Plan Fiduciary Net Position - Ending (b)	<u>\$ 195,012</u>	<u>\$ 327,465</u>	<u>\$ 489,312</u>	<u>\$ 587,053</u>	<u>\$ 765,520</u>	<u>\$ 934,746</u>	<u>\$ 1,242,603</u>	<u>\$ 1,283,511</u>	<u>\$ 1,539,492</u>	<u>\$ 1,822,144</u>
Net Pension Liability - Ending (a)-(b)	<u>\$ 32,571</u>	<u>\$ 39,657</u>	<u>\$ 34,669</u>	<u>\$ 73,780</u>	<u>\$ 33,681</u>	<u>\$ 73,981</u>	<u>\$ (62,936)</u>	<u>\$ 96,086</u>	<u>\$ 68,649</u>	<u>\$ 32,107</u>
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	85.69%	89.20%	93.38%	88.84%	93.98%	92.67%	105.34%	93.04%	95.73%	98.27%
Covered Employee Payroll	\$ 550,000	\$ 550,420	\$ 556,383	\$ 531,899	\$ 540,241	\$ 567,687	\$ 594,922	\$ 614,676	632,783	663,084
Net Pension Liability as a Percentage of Covered Employee Payroll	5.92%	7.20%	6.23%	13.87%	41.37%	13.03%	-10.58%	15.63%	10.85%	4.84%

SCURRY COUNTY APPRAISAL DISTRICT
Schedule of Employer Contributions
Texas County & District Retirement System
Year Ended December 31

Year Ending December 31,	Actuarially Determined Contribution	Actual Employer Contribution	Contribution Deficiency (Excess)	Pensionable Covered Payroll (1)	Actual Contribution as a Percentage of Covered Payroll
2015	63,855	68,855	(5,000)	550,000	12.5%
2016	63,848	71,010	(7,162)	550,420	12.9%
2017	67,156	72,156	(5,000)	556,383	13.0%
2018	65,689	71,168	(5,479)	531,899	13.4%
2019	68,881	68,881	-	540,241	12.8%
2020	78,113	78,113	-	567,687	13.8%
2021	77,678	77,678	-	601,223	12.9%
2022	94,354	94,354	-	607,560	15.5%
2023	94,285	94,285	-	632,788	14.9%
2024	100,788	100,788	-	663,084	15.2%

SCURRY COUNTY APPRAISAL DISTRICT

Notes to Schedule of Employer Contributions

Year Ended December 31

Net Pension Liability - Texas County & District Retirement System

Assumptions

The following methods and assumptions were used to determine contribution rates:

Valuation date	Actuarially determined contributions rates are calculated as of December 31, two years prior to the end of the fiscal year in which contributions are reported.
Actuarial cost method	Entry age (level percentage of pay)
Amortization method	Level percentage of payroll, closed
Remaining amortization period	16.7 years (based on contribution rate calculated in 12/31/2024 valuation)
Asset valuation method	5-year smoothed market
Inflation	2.50%
Salary increases	Varies by age and service. 4.7%, average over career, including inflation
Investment rate of return	7.50%, net of administrative and investment expenses, including inflation
Retirement Age	Members who are eligible for service retirement age assumed to commence receiving benefit payments based on age. The average age at service retirement for recent retirees is 61.
Mortality	135% of the Pub-2010 General Retirees Table for males and 120% of the Pub-2010 General Retirees Table for females, both projected with 100% of the MP-2021 Ultimate scale after 2010.
Changes in Assumptions and Methods Reflect 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 assumption were reflected.
Changes in Plan Provisions Reflected in the Schedule of Employer Contributions	2015: No changes in plan provisions were reflected in the schedule 2016: No changes in plan provisions were reflected in the schedule 2017: 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 2024: No changes in plan provisions were reflected in the schedule

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