

PALO PINTO COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED SEPTEMBER 30, 2025

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TABLE OF CONTENTS

	<u>Exhibit</u>	<u>Page</u>
FINANCIAL SECTION		
Independent Auditor's Report		1-3
Management's Discussion and Analysis (Required Supplementary Information)		4-12
BASIC FINANCIAL STATEMENTS		
Statement of Net Position	A-1	13
Statement of Activities	A-2	14
Balance Sheet – Governmental Funds	A-3	15
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	A-4	16
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	A-5	17-18
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	A-6	19
Statement of Net Position – Internal Service Fund	A-7	20
Statement of Revenues, Expenses, and Changes in Net Position – Internal Service Fund	A-8	21
Statement of Cash Flows – Internal Service Fund	A-9	22
Statement of Fiduciary Net Position	A-10	23
Statement of Changes in Fiduciary Net Position	A-11	24
Notes to the Financial Statements		25-57
REQUIRED SUPPLEMENTARY INFORMATION		
Budgetary Comparison Schedule – General Fund	B-1	58-59
Schedule of Changes in Net Pension Liability and Related Ratios – Texas County and District Retirement System	B-2	60
Schedule of Employer Pension Contributions – Texas County and District Retirement System	B-3	61
Schedule of Changes in Total OPEB Liability and Related Ratios – Texas County and District Retirement System	B-4	62
Schedule of Changes in Total OPEB Liability and Related Ratios – Palo Pinto County Retiree Health Care Plan	B-5	63
Notes to Required Supplementary Information		64-65

PALO PINTO COUNTY, TEXAS
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED SEPTEMBER 30, 2025

TABLE OF CONTENTS (CONT'D)

	<u>Exhibit</u>	<u>Page</u>
OTHER SUPPLEMENTARY INFORMATION		
Combining Balance Sheet – General Fund	C-1	66
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – General Fund	C-2	67
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual - General Fund	C-3	68-69
Combining Balance Sheet – Nonmajor Funds	C-4	70-73
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Funds	C-5	74-77
Combining Statement of Fiduciary Net Position	C-6	78-81
Combining Statement of Changes in Fiduciary Net Position	C-7	82-85
Statement of Revenues, Expenditures, and Changes in Fund Balance – Commissary Fund	C-8	86

FINANCIAL SECTION



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Independent Auditor's Report

To The Honorable County Judge and County Commissioners
Palo Pinto County, Texas

Report on the Audit of the Financial Statements

Qualified and Unmodified Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Palo Pinto County, Texas (County) as of and for the year ended September 30, 2025, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Qualified Opinions on Governmental Activities and General Fund

In our opinion, except for the effects of the matter described in the "Basis for Qualified and Unmodified Opinions" section of our report, the financial statements referred to above present fairly, in all material respects, the financial position of the Governmental Activities and General Fund of the County, as of September 30, 2025, and the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinions on American Rescue Plan Fund, Capital Improvement Fund and the Aggregate Remaining Fund Information

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the American Rescue Plan Fund, Capital Improvement Fund and the aggregate remaining fund information of the County as of September 30, 2025, and the respective changes in 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 Qualified and Unmodified Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Palo Pinto County, Texas 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 qualified and unmodified opinions.

Matter Giving Rise to the Qualified Opinions on Governmental Activities and General Fund

As fully described in Note 14 to the financial statements, the County has not recorded the receivables from the judicial assessments at September 30, 2025 in the accompanying financial statements of the Governmental Activities and General Fund. Accounting principles generally accepted in the United States of America require that these receivables should be recorded, which would increase the assets and fund balance/net position and change the revenues in the Governmental Activities and General Fund. The amount by which this departure would affect the assets, fund balance/net position, and revenues of the Governmental Activities and General Fund has not been determined.

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 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 County'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 one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, 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 County'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 County'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 Schedule – General Fund, Schedule of Changes in Net Pension Liability and Related Ratios – Texas County and District Retirement System, Schedule of Employer Pension Contributions – Texas County and District Retirement System, Schedule of Changes in Total Other Post-Employment Benefit (OPEB) Liability and Related Ratios – Texas County and District Retirement System, and Schedule of Changes in Total OPEB Liability and Related Ratios – Palo Pinto County Retiree Health Care Plan 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The accompanying other supplementary information comprised of combining and individual fund financial statements (C Exhibits) are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information comprised of the combining and individual fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued under separate cover our report dated February 25, 2026, on our consideration of the County'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 County'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 County's internal control over financial reporting and compliance.

Edgin, Parkman, Fleming & Fleming, PC

EDGIN, PARKMAN, FLEMING & FLEMING, PC

Wichita Falls, Texas
February 25, 2026

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of Palo Pinto County, Texas, we offer readers of the County's Annual Financial Report this narrative overview and analysis of the County's financial performance during the fiscal year ended September 30, 2025. Please read it in conjunction with the County's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The County's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources at September 30, 2025 by \$50,097,967 (net position). Of this amount, \$29,946,614 is unrestricted and may be used to meet the County's obligations.
- During the year, the County's total net position increased by \$7,586,353. The County's expenses, which totaled \$21,367,362, were less than the County's program revenues of \$6,245,547 and general revenues of \$23,306,051 and prior period adjustment decrease of \$107,898 to net position to correct unrecorded accounts payable in the prior year and prior period adjustment decrease of \$489,985 to net position for GASB 101 implementation.
- The total cost of the County's programs decreased \$397,525 or 2% from the prior year.
- The governmental funds reported a fund balance this year of \$37,993,484, which is an increase of \$5,680,162 in comparison with the prior year.
- At September 30, 2025, the unassigned fund balance of the General Fund was \$28,390,400, or 144% of the total General Fund expenditures for the year then ended.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-Wide Financial Statements

All of the County's services are reported in the government-wide financial statements, including administration, judicial, road and bridge, and public safety. Property taxes, sales taxes, highway taxes, fees and commissions and intergovernmental grants finance most of the activities. Additionally, all capital and debt financing activities are reported here.

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

The *statement of net position* presents information on all the County's assets and deferred outflows of resources and liabilities and deferred inflows of resources, with the difference between the four reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the County's financial position is improving or deteriorating.

The *statement of activities* details how the County'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 the related cash flows. Therefore, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. uncollected property taxes).

Fund Financial Statements

The County uses fund accounting to keep track of specific sources of funding and spending for particular purposes. The fund financial statements provide more detailed information about the County's most significant *funds* – not the County as a whole. Some funds are required by State law and or bond covenants. Other funds may be established by the County to control and manage money for particular purposes or to evidence appropriate use of certain taxes, grants, and other special revenues.

All of the funds of the County can be divided into three categories: governmental funds, proprietary funds and fiduciary 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 short-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the County's short-term financing requirements.

Because the focus on *governmental funds* is narrower than that of government-wide financial statements, it is useful to compare the information presented for *governmental funds* 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 County's short-term financing decisions. Reconciliations are provided for both the governmental fund balance sheet and statement of revenues, expenditures, and changes in fund balances. These reconciliations facilitate the comparison between *governmental funds* and *governmental activities*.

The County maintained multiple governmental funds in the current fiscal year. Information is presented separately in the governmental fund balance sheet and statement of revenues, expenditures, and changes in fund balance for the General Fund, American Rescue Plan Fund and Capital Improvement Fund, which are considered to be the County's major funds. Financial data for the other governmental funds are combined into a single, aggregated presentation.

The proprietary fund is used to account for operations that are financed similar to those in the private sector. This fund provides both long- and short-term financial information. The County maintains only one type of proprietary fund, the internal service fund. The internal service fund is a device used to accumulate and allocate costs internally among the various functions. The County uses the internal service fund to report the activities for its Health Reimbursement Arrangement (HRA) Plan used to reimburse eligible County employees for the cost of certain eligible medical expenses incurred by them, their spouses and eligible dependents.

Fiduciary funds are used to account for resources held for the benefit of parties outside of the County. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the County's programs. The County is the trustee, or *fiduciary*, for these funds and is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All the County's fiduciary activities are reported in a separate statement of fiduciary net position and statement of changes in fiduciary net position.

Notes to the Basic Financial Statements

The notes to the basic financial statements provide additional information that is essential to obtain a full understanding of the data provided in the government-wide and fund financial statements.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* that further explains and supports the information in the financial statements.

Government-wide Financial Analysis

As noted previously, net position may serve over time as a useful indicator of a government’s financial position. Exhibited below in Table 1 are the County’s net position summarized for the *governmental activities*.

Table 1 - County's Net Position

	Governmental Activities			
	2025	2024	\$ Change	% Change
Current and other assets	\$ 46,168,867	\$ 40,220,993	\$ 5,947,874	15%
Capital assets, net	18,024,488	16,842,252	1,182,236	7%
Total Assets	64,193,355	57,063,245	7,130,110	12%
Deferred Outflows of Resources	2,014,485	1,871,437	143,048	8%
Current liabilities	6,953,167	7,033,577	(80,410)	-1%
Noncurrent liabilities	7,325,434	7,491,252	(165,818)	-2%
Total Liabilities	14,278,601	14,524,829	(246,228)	-2%
Deferred Inflows of Resources	1,831,272	1,898,239	(66,967)	-4%
Net position:				
Net investment in capital assets	16,361,112	14,979,162	1,381,950	9%
Restricted	3,790,241	3,234,837	555,404	17%
Unrestricted	29,946,614	24,297,615	5,648,999	23%
Total Net Position	\$ 50,097,967	\$ 42,511,614	\$ 7,586,353	18%

The net investment in capital assets (e.g. land, buildings, furniture, and equipment less any related debt used to acquire those assets that is still outstanding) is \$16,361,112. The County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the County’s investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since capital assets themselves cannot be used to liquidate these liabilities.

A portion of the County’s net position, \$3,790,241, represents resources that are subject to external restrictions on how they may be used. The remaining balance of net position of \$29,946,614 may be used to meet the County’s ongoing obligations.

Changes in Net Position

The County’s total revenues, both program and general, were \$29,551,598. A significant portion, 60%, of the County’s revenue comes from property taxes. Charges for services accounted for 13% of the County’s revenue. Exhibited below in Table 2 are the County’s revenues for the years ended September 30, 2025 and 2024 for the County’s *governmental activities*.

Table 2 - County's Revenues

	Governmental Activities			
	2025	Percent	2024	Percent
Charges for services	\$ 3,884,396	13%	\$ 3,641,574	13%
Operating grants and contributions	958,514	3%	1,202,596	5%
Capital grants and contributions	1,402,637	5%	-	0%
Property taxes	17,682,296	60%	16,348,111	62%
Sales taxes	2,884,408	10%	2,649,784	10%
Hotel/motel taxes	591,916	2%	305,292	1%
Mixed beverage taxes	107,188	0%	93,325	0%
Investment earnings	1,919,552	6%	2,062,793	8%
Miscellaneous	120,691	1%	173,390	1%
Total Revenues	\$ 29,551,598	100%	\$ 26,476,865	100%

Exhibited below in Table 3 are the County's expenses for the years ended September 30, 2025 and 2024 for the County's *governmental activities*.

Table 3 - County's Expenses

	Governmental Activities			
	2025	Percent	2024	Percent
General Government	\$ 5,889,078	28%	\$ 5,938,227	27%
Administration of Justice	2,871,720	13%	2,874,110	13%
Public Safety	4,479,087	21%	4,286,675	20%
Corrections and Rehabilitation	3,248,228	15%	3,683,091	17%
Health and Human Services	115,739	1%	240,725	1%
Community and Economic Development	671,552	3%	477,778	2%
Infrastructure and Environmental Services	4,091,475	19%	4,263,798	20%
Debt service	483	0%	483	0%
Total Expenses	\$ 21,367,362	100%	\$ 21,764,887	100%

Governmental Activities

Table 4 presents the various revenue categories and gross costs of each of the County's functional areas for both the current and prior year. Following the table, we provide explanations for the significant or unusual fluctuations between the two years.

Table 4 - Changes in Net Position

	Governmental Activities			
	2025	2024	\$ Change	% Change
Revenues:				
Program revenues:				
Charges for services	\$ 3,884,396	\$ 3,641,574	\$ 242,822	7%
Operating grants and contributions	958,514	1,202,596	(244,082)	-20%
Capital grants and contributions	1,402,637	-	1,402,637	N/A
General revenues:				
Property taxes	17,682,296	16,348,111	1,334,185	8%
Sales taxes	2,884,408	2,649,784	234,624	9%
Hotel/motel taxes	591,916	305,292	286,624	94%
Mixed beverage taxes	107,188	93,325	13,863	15%
Investment earnings	1,919,552	2,062,793	(143,241)	-7%
Miscellaneous	120,691	173,390	(52,699)	-30%
Total revenues	<u>29,551,598</u>	<u>26,476,865</u>	<u>3,074,733</u>	<u>12%</u>
Expenses				
General Government	5,889,078	5,938,227	(49,149)	-1%
Administration of Justice	2,871,720	2,874,110	(2,390)	0%
Public Safety	4,479,087	4,286,675	192,412	4%
Corrections and Rehabilitation	3,248,228	3,683,091	(434,863)	-12%
Health and Human Services	115,739	240,725	(124,986)	-52%
Community and Economic Development	671,552	477,778	193,774	41%
Infrastructure and Environmental Services	4,091,475	4,263,798	(172,323)	-4%
Debt service	483	483	-	0%
Total expenses	<u>21,367,362</u>	<u>21,764,887</u>	<u>(397,525)</u>	<u>-2%</u>
Change in net position	<u>\$ 8,184,236</u>	<u>\$ 4,711,978</u>	<u>\$ 3,472,258</u>	<u>74%</u>

The most significant change between years was:

- Capital grants and contributions increased \$1,402,637, or 100%, due to the ARPA grant for the waste-water treatment plant project in the current year.

Table 5 presents the net cost of the County's most significant governmental functions (total cost less fees generated by the activities and intergovernmental aid). The net cost reflects what was funded by local tax dollars, other taxes, and other miscellaneous general revenues.

Table 5 - Net Cost of County Functions

	Governmental Activities			
	2025	Percent	2024	Percent
General Government	\$ 2,709,077	19%	\$ 4,219,627	25%
Administration of Justice	1,568,438	10%	1,737,060	10%
Public Safety	3,830,109	25%	3,575,427	21%
Corrections and Rehabilitation	2,917,342	19%	3,543,384	21%
Health and Human Services	115,739	1%	239,990	1%
Community and Economic Development	665,554	4%	(383,151)	-2%
Infrastructure and Environmental Services	3,315,073	22%	3,987,897	24%
Debt service	483	0%	483	0%

Financial Analysis of the County's Funds

As previously stated, the County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements and segregation for particular purposes.

Governmental Funds

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

As of September 30, 2025, the County's governmental funds reported a combined ending fund balance of \$37,993,484, an increase of \$5,680,162 from the previous year amount. Table 6 illustrates the fund balances of the governmental funds.

**Table 6 - Governmental Funds - Fund Balances
September 30, 2025**

	General Fund	American Rescue Plan Fund	Capital Improvement Fund	Nonmajor Governmental Funds	Totals
Nonspendable	\$ 482,740	\$ -	\$ -	\$ 120	\$ 482,860
Restricted	34,095	892,806	-	2,330,232	3,257,133
Committed	6,941	-	3,455,322	825,241	4,287,504
Assigned	1,575,587	-	-	-	1,575,587
Unassigned	28,390,400	-	-	-	28,390,400
Total Fund Balances	\$ 30,489,763	\$ 892,806	\$ 3,455,322	\$ 3,155,593	\$ 37,993,484

General Fund

At the end of the current fiscal year, the ending fund balance for the General Fund was \$30,489,763, of which \$482,740 was nonspendable, \$34,095 was restricted, \$6,941 was committed, \$1,575,587 was assigned, and \$28,390,400 was unassigned. The total unassigned fund balance represents 144% of the total General Fund expenditures for the year ended September 30, 2025. The total fund balance increased \$5,154,135 in the current fiscal year.

Revenues totaled \$25,691,923, an increase of \$1,456,638, or 6%, over the preceding year. None of the revenues materially fluctuated between years.

Expenditures totaled \$19,663,356, an increase of \$359,798, or 2%, over the preceding year. Most expenditures did not materially fluctuate between years, except for road and bridge precinct one expenditures. Road and bridge precinct one expenditures decreased \$282,817 due to less capital purchases by \$334,762, offset by some other increases.

Other financing sources and uses decreased from net other uses of \$1,202,007 in the prior year to net other uses of \$874,432 in the current year due to a decrease in other sources due to financing lease liabilities issued in the prior year offset by a decrease in other uses due to less transfers to the Capital Improvement Fund in the current year.

American Rescue Plan Fund

At the end of the current fiscal year, the ending fund balance for the American Rescue Plan Fund was \$892,806, which was all restricted to the American Rescue Plan grant. The total fund balance increased \$263,802 in the current fiscal year.

Revenues totaled \$1,666,439, an increase of \$1,278,275, or 329%, over the preceding year. The increase is due to the County recognizing a portion of the APRA grant funds for the amounts expended in fiscal year 2025.

Expenditures totaled \$1,402,637, an increase of \$1,327,637, or 1770%, over the preceding year. The increase is due to the County spending a portion of the APRA grant funds for the waste-water treatment plant project in the current year.

There were no other financing sources or uses in the current or prior year.

Capital Improvement Fund

At the end of the current fiscal year, the ending fund balance for the Capital Improvement Fund was \$3,455,322, which was committed to various capital improvement projects. The total fund balance increased \$434,200 in the current fiscal year.

Revenues totaled \$96,859, a decrease of \$142,804, or 60%, over the preceding year. The decrease is from having the two Emergency Services Districts pay for a portion of the dispatch console in the prior year.

Expenditures totaled \$352,159, a decrease of \$866,065, or 71%. The decrease is due to the large roofing projects and console purchase in the prior year and limited projects for the current year.

Other financing sources and uses were other sources of \$689,500 in the current year and \$1,489,500 in the prior year, with both years from transfers in.

Nonmajor Governmental Funds

Nonmajor governmental funds consist of various special revenue funds, debt service funds and capital project funds. The total ending fund balance was \$3,155,593, a decrease of \$171,975 from the previous year. The fund balance was nonspendable for prepaids for \$120. The fund balance was restricted to general government \$1,342,248, administration of justice \$401,903, public safety \$165,736, corrections and rehabilitations \$47,410, community and economic development \$148,876 and infrastructure and environmental services \$224,059. The fund balance was committed to health and human services \$4,869 and infrastructure and environmental services \$820,372.

Revenues totaled \$1,966,584, an increase of \$455,596, or 30%. Most of the revenues did not materially fluctuate between years, except for occupancy tax and governmental grants. Occupancy tax revenues increased \$286,624 due to the increase in rates from 4% to 7% as well as an increase in volume. Governmental grants increased \$194,016 due to the SB22, CERTZ, and opioid grant funds received in the current year.

Expenditures totaled \$2,348,011, an increase of \$762,046 or 48%. Most expenditures did not materially fluctuate between years, except for capital projects, county clerk, hotel/motel tax, and sheriff expenditures. Capital projects expenditures increased \$103,728 due to the additional sewer project costs and Demsey repairs. County clerk expenditures increased \$153,842 due to the additional County Clerk archive project in the current year. Hotel/motel tax expenditures increased \$294,646 due to increased payments to the Chambers of Commerce due to the additional occupancy fees in the current year. Sheriff expenditures increased \$132,119 due to the SB22 grant for the Sheriff in the current year.

Other financing sources and uses increased from other sources of \$259,604 in the prior year to other sources of \$317,350 in the current year.

General Fund Budgetary Highlights

The County revised its budget during the year. With these adjustments, total expenditures were \$3,130,629 less than the final budget amounts. The County did not exceed the budgeted expenditures in any area.

On the other hand, revenues were \$2,656,020 more than the final budgeted amount. Property taxes, interest earned, sales taxes, and licenses, fees, and fines varied by significant amounts. The actual revenue of each category was more than budgeted due to conservative budgeting and revenues were not increased during the year. Property taxes were \$822,466 above the final budgeted amount, interest earned was \$1,175,337 above the final budgeted amount, sales taxes were \$284,408 above the final budgeted amount, and licenses, fees, and fines were \$226,059 above the final budgeted amount.

The budget line items in the original budget were not materially different than in the final adopted budget in any category.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At September 30, 2025, the County had invested in a broad range of capital assets totaling \$18,024,488, net of accumulated depreciation, including land, buildings and improvements, equipment, vehicles, infrastructure, right-to-use leased buildings and improvements, right-to-use leased equipment, subscription assets, and construction in progress. See Table 7 below.

Table 7 - Capital Assets, Net

	<u>2025</u>	<u>2024</u>	<u>\$ Change</u>	<u>% Change</u>
Land	\$ 733,610	\$ 730,380	\$ 3,230	0%
Buildings and improvements	4,972,206	5,209,976	(237,770)	-5%
Equipment	3,426,002	3,578,127	(152,125)	-4%
Vehicles	1,293,059	1,231,663	61,396	5%
Infrastructure	4,609,008	4,773,252	(164,244)	-3%
Right-to-use leased buildings and improvements	314,650	339,337	(24,687)	-7%
Right-to-use leased equipment	32,414	13,206	19,208	145%
Subscription assets	652,555	807,926	(155,371)	-19%
Construction in progress	1,990,984	158,385	1,832,599	1157%
Totals	<u><u>\$ 18,024,488</u></u>	<u><u>\$ 16,842,252</u></u>	<u><u>\$ 1,182,236</u></u>	<u><u>7%</u></u>

Capital assets, net of accumulated depreciation, increased \$1,182,236, or 7%, from the previous year. Additional information about the County’s capital assets is presented in the notes to the financial statements.

Long-term Debt

At September 30, 2025, the County had \$1,663,376 in long-term debt outstanding as shown in Table 8 below.

Table 8 - Long-term Debt

	<u>2025</u>	<u>2024</u>	<u>\$ Change</u>	<u>% Change</u>
Certificates of obligation	\$ 230,000	\$ 275,000	\$ (45,000)	-16%
Note payable	224,000	238,000	(14,000)	-6%
Lease financing payables	429,335	384,976	44,359	12%
Right-to-use lease liabilities	390,356	372,091	18,265	5%
Subscription liabilities	389,685	593,023	(203,338)	-34%
Totals	<u>\$ 1,663,376</u>	<u>\$ 1,863,090</u>	<u>\$ (199,714)</u>	<u>-11%</u>

Total long-term debt decreased \$199,714, or 11%. Additional information about the County's long-term debt is presented in the notes to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The property tax revenues budgeted in the 2025-26 budget are \$18,144,540, an increase of \$1,406,697, or 8%, from the prior year budgeted property tax revenues. The overall tax rate is \$0.282843 per \$100 valuation, which is a decrease of \$0.013277 compared to the prior year rate of \$0.29612 per \$100 valuation.

Revenues budgeted in the General Fund's budget are \$24,843,430, a decrease of \$848,493, or 3%, from the final 2024-25 revenues of \$25,691,923.

Expenditures budgeted in the General Fund are \$24,903,867, an increase of \$5,240,511, or 27%, from the 2024-25 expenditures of \$19,663,356. The County does not anticipate any new programs or projects being added in 2025-26.

Transfers out to other funds are anticipated to be \$1,502,887, an increase of \$436,037, or 41%, from the prior year transfers out of \$1,066,850.

If these estimates are realized, the County's General Fund's fund balance is expected to decrease by \$1,575,587 by September 30, 2026. This amount is reported as assigned fund balance at September 30, 2025.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

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

BASIC FINANCIAL STATEMENTS

PALO PINTO COUNTY, TEXAS
STATEMENT OF NET POSITION
SEPTEMBER 30, 2025

	<u>Governmental Activities</u>
Assets	
Cash	\$ 23,508,502
Investments	19,883,060
Receivables:	
Property taxes, net	492,687
Sales taxes	490,073
Occupancy taxes	226,031
Accounts	109,577
Right-to-use leases receivable	190,812
Due from fiduciary	253,612
Prepaid expenses	368,485
Inventory	114,375
Capital assets not being depreciated	2,724,594
Capital assets being depreciated, net	15,299,894
Net pension asset	531,653
Total assets	<u>64,193,355</u>
Deferred Outflows of Resources	
Pension plan related	1,633,415
OPEB related	381,070
Total deferred outflows of resources	<u>2,014,485</u>
Liabilities	
Accounts payable	1,496,289
Accrued liabilities	285,052
Due to fiduciary	49,603
Due to others	340,602
Unearned revenues	4,781,621
Long-term liabilities:	
Due within one year	1,201,170
Due in more than one year	1,378,987
Total OPEB liability	4,745,277
Total liabilities	<u>14,278,601</u>
Deferred Inflows of Resources	
Pension plan related	504,210
OPEB related	1,136,250
Right-to-use leases receivable related	190,812
Total deferred inflows of resources	<u>1,831,272</u>
Net Position	
Net investment in capital assets	16,361,112
Restricted	3,790,241
Unrestricted	29,946,614
Total net position	<u>\$ 50,097,967</u>

The accompanying notes are an integral part of this statement.

PALO PINTO COUNTY, TEXAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2025

Functions/Programs	Expenses	Program Revenues		Governmental Activities	Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions		
Governmental Activities:					
General Government	\$ 5,889,078	\$ 1,740,235	\$ 37,129	\$ 1,402,637	\$ (2,709,077)
Administration of Justice	2,871,720	837,169	466,113	-	(1,568,438)
Public Safety	4,479,087	254,365	394,613	-	(3,830,109)
Corrections and Rehabilitation	3,248,228	330,886	-	-	(2,917,342)
Health and Human Services	115,739	-	-	-	(115,739)
Community and Economic Development	671,552	5,998	-	-	(665,554)
Infrastructure and Environmental Services	4,091,475	715,743	60,659	-	(3,315,073)
Debt service	483	-	-	-	(483)
Total governmental activities	<u>\$ 21,367,362</u>	<u>\$ 3,884,396</u>	<u>\$ 958,514</u>	<u>\$ 1,402,637</u>	<u>(15,121,815)</u>
General revenues:					
					17,642,623
					39,673
					2,884,408
					591,916
					107,188
					1,919,552
					120,691
					<u>23,306,051</u>
					<u>8,184,236</u>
					42,511,614
					(107,898)
					(489,985)
					<u>41,913,731</u>
					<u>\$ 50,097,967</u>

The accompanying notes are an integral part of this statement.

PALO PINTO COUNTY, TEXAS
BALANCE SHEET - GOVERNMENTAL FUNDS
SEPTEMBER 30, 2025

	General Fund	American Rescue Plan Fund	Capital Improvement Fund	Nonmajor Funds	Total Governmental Funds
ASSETS					
Cash	\$ 12,711,052	\$ 5,573,477	\$ 3,006,374	\$ 2,193,116	\$ 23,484,019
Investments	17,881,253	-	478,380	1,523,427	19,883,060
Receivables, net:					
Property taxes	491,232	-	-	1,455	492,687
Sales taxes	490,073	-	-	-	490,073
Occupancy taxes	-	-	-	226,031	226,031
Accounts	101,204	-	-	8,373	109,577
Due from other funds	200,716	-	-	18,919	219,635
Prepaid expenses	368,365	-	-	120	368,485
Inventory	114,375	-	-	-	114,375
Total assets	<u>\$ 32,358,270</u>	<u>\$ 5,573,477</u>	<u>\$ 3,484,754</u>	<u>\$ 3,971,441</u>	<u>\$ 45,387,942</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 527,763	\$ 488,687	\$ 29,432	\$ 442,675	\$ 1,488,557
Accrued liabilities	263,355	-	-	12,010	275,365
Due to other funds	3,977	-	-	11,649	15,626
Due to others	340,360	-	-	242	340,602
Unearned revenues	241,820	4,191,984	-	347,817	4,781,621
Total liabilities	<u>1,377,275</u>	<u>4,680,671</u>	<u>29,432</u>	<u>814,393</u>	<u>6,901,771</u>
Deferred inflows of resources:					
Unavailable property taxes	<u>491,232</u>	<u>-</u>	<u>-</u>	<u>1,455</u>	<u>492,687</u>
Fund balances:					
Nonspendable	482,740	-	-	120	482,860
Restricted	34,095	892,806	-	2,330,232	3,257,133
Committed	6,941	-	3,455,322	825,241	4,287,504
Assigned	1,575,587	-	-	-	1,575,587
Unassigned	28,390,400	-	-	-	28,390,400
Total fund balances	<u>30,489,763</u>	<u>892,806</u>	<u>3,455,322</u>	<u>3,155,593</u>	<u>37,993,484</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 32,358,270</u>	<u>\$ 5,573,477</u>	<u>\$ 3,484,754</u>	<u>\$ 3,971,441</u>	<u>\$ 45,387,942</u>

The accompanying notes are an integral part of this statement.

PALO PINTO COUNTY, TEXAS
RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2025

Total fund balances - governmental funds (Exhibit A-3)		\$ 37,993,484
Amounts reported for <i>governmental activities</i> in the Statement of Net Position (Exhibit A-1) are different because:		
Capital assets used in governmental activities are not financial resources and therefore not reported in the funds. Capital assets at year-end consist of:		
Gross capital assets	\$ 40,544,165	
Related accumulated depreciation	<u>22,519,677</u>	18,024,488
Property tax receivables are not available to pay for current period expenditures and therefore are deferred inflows of resources in the funds.		492,687
Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year-end consist of:		
Certificates of obligation	230,000	
Note payable	224,000	
Lease financing payable	429,335	
Right-to-use lease liabilities	390,356	
Subscription liabilities	389,685	
Compensated absences	<u>916,781</u>	(2,580,157)
Interest is accrued on outstanding debt in the government-wide financial statements, whereas in the governmental fund financial statements, interest expenditures are recorded only when due.		(9,687)
The County uses an internal service fund to operate a health reimbursement account (HRA) for the benefit of all eligible employees of the County. The assets and liabilities are included in the governmental activities in the statement of net position. The net effect of this consolidation is to increase net position.		16,751
The County's net pension and OPEB liabilities and related deferred outflows and inflows related to its participation in the Texas County & District Retirement System and the OPEB liability and related deferred outflows and inflows related to the County-provided retiree medical coverage do not meet criteria to be reported in the governmental funds financial statements. These items consist of:		
Net pension asset	531,653	
Deferred outflows - pension related items	1,633,415	
Deferred inflows - pension related items	(504,210)	
Total OPEB liability	(4,745,277)	
Deferred outflows - OPEB related items	381,070	
Deferred inflows - OPEB related items	<u>(1,136,250)</u>	<u>(3,839,599)</u>
Total net position - governmental activities (Exhibit A-1)		<u>\$ 50,097,967</u>

The accompanying notes are an integral part of this statement.

PALO PINTO COUNTY, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2025

	General Fund	American Rescue Plan Fund	Capital Improvements Fund	Nonmajor Funds	Total Governmental Funds
Revenues					
Property taxes	\$ 17,514,879	\$ -	\$ -	\$ 38,618	\$ 17,553,497
Sales taxes	2,884,408	-	-	-	2,884,408
Occupancy tax	-	-	-	591,916	591,916
Mixed beverage tax	107,188	-	-	-	107,188
Licenses, fees and fines	3,122,959	-	-	294,037	3,416,996
Governmental grants	238,952	1,402,637	-	705,055	2,346,644
Inmate revenue	71,283	-	-	-	71,283
Commissary revenue	-	-	-	94,159	94,159
Interest earned	1,393,837	263,802	96,859	164,060	1,918,558
Other revenue	358,417	-	-	78,739	437,156
Total revenues	<u>25,691,923</u>	<u>1,666,439</u>	<u>96,859</u>	<u>1,966,584</u>	<u>29,421,805</u>
Expenditures					
29th District Court	522,244	-	-	-	522,244
Capital projects	-	-	352,159	182,867	535,026
Commissary	-	-	-	98,786	98,786
Commissioner's Court	72,797	-	-	-	72,797
Constable	666,289	-	-	-	666,289
County Attorney	388,266	-	-	171,448	559,714
County Auditor	347,387	-	-	-	347,387
County Clerk	545,029	-	-	357,628	902,657
County Court	241,640	-	-	-	241,640
County Extension Service	129,262	-	-	-	129,262
County Treasurer	169,100	-	-	-	169,100
Courthouse security	-	-	-	310,182	310,182
Debt service - principal	-	-	-	59,000	59,000
Debt service - interest	-	-	-	83	83
Debt service - agent fees	-	-	-	400	400
District Attorney	418,321	-	-	161,911	580,232
District Clerk	263,427	-	-	-	263,427
Election Administration	300,153	-	-	-	300,153
Emergency Management	102,053	-	-	-	102,053
General operations	4,439,828	-	-	56,248	4,496,076
Health services	10,000	-	-	-	10,000
Hotel/motel tax	-	-	-	567,381	567,381
Information Technology	217,384	-	-	-	217,384
Jail and detention	2,941,734	-	-	-	2,941,734
Justice of the Peace	731,038	-	-	-	731,038
Narcotics Unit	125,352	-	-	-	125,352
Public Works	441,433	1,402,637	-	-	1,844,070
Road and Bridge:					
Precinct No. 1	682,399	-	-	-	682,399
Precinct No. 2	956,131	-	-	20,564	976,695
Precinct No. 3	662,744	-	-	104	662,848
Precinct No. 4	905,947	-	-	40,190	946,137
Sheriff	2,577,189	-	-	319,082	2,896,271
Tax Assessor-Collector	751,464	-	-	-	751,464
Vending Expenditures	-	-	-	2,137	2,137
Veteran's Administration	54,745	-	-	-	54,745
Total expenditures	<u>19,663,356</u>	<u>1,402,637</u>	<u>352,159</u>	<u>2,348,011</u>	<u>23,766,163</u>
Excess of revenues over (under) expenditures	<u>6,028,567</u>	<u>263,802</u>	<u>(255,300)</u>	<u>(381,427)</u>	<u>5,655,642</u>

The accompanying notes are an integral part of this statement.

PALO PINTO COUNTY, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2025

	General Fund	American Rescue Plan Fund	Capital Improvements Fund	Nonmajor Funds	Total Governmental Funds
Other sources and (uses):					
Issuance of RTU lease liabilities	40,518	-	-	-	40,518
Issuance of lease financing liabilities	150,550	-	-	-	150,550
Proceeds from the sale of capital assets	1,350	-	-	-	1,350
Transfers in	-	-	689,500	317,350	1,006,850
Transfers out	(1,066,850)	-	-	-	(1,066,850)
Total other sources and (uses)	(874,432)	-	689,500	317,350	132,418
Net change in fund balances	5,154,135	263,802	434,200	(64,077)	5,788,060
Fund balances, beginning of year as originally stated	25,335,628	629,004	3,021,122	3,327,568	32,313,322
Error correction	-	-	-	(107,898)	(107,898)
Fund balances, beginning of year, as restated	25,335,628	629,004	3,021,122	3,219,670	32,205,424
Fund balances, end of year	<u>\$ 30,489,763</u>	<u>\$ 892,806</u>	<u>\$ 3,455,322</u>	<u>\$ 3,155,593</u>	<u>\$ 37,993,484</u>

The accompanying notes are an integral part of this statement.

PALO PINTO COUNTY, TEXAS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO
THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2025

Net change in fund balances - total governmental funds (Exhibit A-5)		\$ 5,788,060
Amounts reported for <i>governmental activities</i> in the Statement of Activities (Exhibit A-2) are different because:		
Capital outlays are reported in governmental funds as expenditures. However, in the Statement of Activities, the costs of those assets are allocated over their estimated useful lives as depreciation expense. The net difference between the two is as follows:		
Capital outlay during the year	\$ 3,112,366	
Depreciation expense for the year	<u>1,910,954</u>	1,201,412
The net book value of the capital assets disposed of during the year is not recorded in the governmental funds. In the Statement of Activities, the difference between the proceeds and the book value of the capital asset is reported as a gain (loss) from sale. The net book value of the capital assets disposed of during the year was:		(19,176)
Because property tax receivables will not be collected for several months after the County's fiscal year ends, they are not considered 'available' revenues and are deferred inflows of resources in the governmental funds. Deferred inflows of resources increased by this amount.		128,799
The issuance of long-term debt provides current financial resources to governmental funds. However, the issuance increases long-term liabilities in the Statement of Net Position. The County issued the following debt for the purchase of capital assets in the current year totaling:		
Lease financing payables	(150,550)	
Right-to-use lease liabilities	<u>(40,518)</u>	(191,068)
Repayment of long-term debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. The long-term debt principal paid during the year was as follows:		
Certificates of obligation	45,000	
Note financing payable	14,000	
Lease financing payables	106,191	
Right-to-use lease liabilities	22,253	
Subscription liabilities	<u>203,338</u>	390,782
Interest on long-term debt in the Statement of Activities differs from the amount reported in governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. The increase in accrued interest is as follows:		
Accrued interest at September 30, 2024	(11,235)	
Accrued interest at September 30, 2025	<u>9,687</u>	1,548
Included in long-term liabilities are obligations for accrued vacation leave and the net other post-employment benefit obligation for retiree medical coverage. The changes in these obligations are not included in the governmental fund financial statements, but are included in the government-wide financial statements. The change in these long-term obligations was:		(97,295)
The County participates in an agent multiple-employer defined benefit pension and OPEB plan. Contributions to the plans are expenditures at the fund level when payments are due. At the government-wide level, pension and OPEB expenses are recognized on an actuarial basis. The plan contributions exceeded the actuarial expense in the current year.		1,000,750
The County uses an internal service fund to operate a health reimbursement account (HRA) for the benefit of all eligible employees of the County. The change in net position of the internal service fund is reported with the governmental activities. The net effect of this consolidation is a decrease in net position.		<u>(19,576)</u>
Change in net position of governmental activities (Exhibit A-2)		<u>\$ 8,184,236</u>

The accompanying notes are an integral part of this statement.

PALO PINTO COUNTY, TEXAS
STATEMENT OF NET POSITION
INTERNAL SERVICE FUND
SEPTEMBER 30, 2025

	Health Reimbursement Arrangement
Assets	
Cash	\$ 24,483
Total assets	<u>24,483</u>
Liabilities	
Accounts payable	<u>7,732</u>
Total liabilities	<u>7,732</u>
Net Position	
Unrestricted	<u>16,751</u>
Total net position	<u>\$ 16,751</u>

The accompanying notes are an integral part of this statement.

PALO PINTO COUNTY, TEXAS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN NET POSITION - INTERNAL SERVICE FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2025

	Health Reimbursement Arrangement
Operating revenues	
Charges for services	\$ -
Operating expenses:	
Administrative fees	4,694
Reimbursements	75,876
Total operating expenses	<u>80,570</u>
Loss from operations	(80,570)
Non-operating income:	
Interest income	994
Transfers in	<u>60,000</u>
Change in net position	(19,576)
Total net position - beginning	36,327
Total net position - ending	<u>\$ 16,751</u>

The accompanying notes are an integral part of this statement.

PALO PINTO COUNTY, TEXAS
STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2025

	Health Reimbursement Arrangement
Cash flows from operating activities	
Cash paid to employees for health reimbursements	\$ (85,775)
Cash paid to vendor for administrative services	(4,694)
Net cash used by operating activities	<u>(90,469)</u>
Cash flows from investing activities	
Transfers in from other funds	60,000
Interest earnings	994
Net cash provided by investing activities	<u>60,994</u>
Net decrease in cash and cash equivalents	(29,475)
Cash and cash equivalents at beginning of the year	53,958
Cash and cash equivalents at end of the year	<u>\$ 24,483</u>
Reconciliation of loss from operations to net cash used by operating activities:	
Operating loss	\$ (80,570)
Effect of change in current assets and liabilities:	
Change in accounts payable	(9,899)
Net cash used by operating activities	<u>\$ (90,469)</u>

The accompanying notes are an integral part of this statement.

PALO PINTO COUNTY, TEXAS
STATEMENT OF FIDUCIARY NET POSITION
SEPTEMBER 30, 2025

	Custodial Funds
Assets	
Cash	\$ 3,220,598
Investments	939,525
Other receivables	33,578
Due from other funds	49,603
Total assets	<u>4,243,304</u>
Liabilities	
Due to other funds	<u>253,612</u>
Total liabilities	<u>253,612</u>
Net Position	
Restricted for other purposes	3,989,692
Total net position	<u>\$ 3,989,692</u>

The accompanying notes are an integral part of this statement.

PALO PINTO COUNTY, TEXAS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
SEPTEMBER 30, 2025

	Custodial Funds
Additions	
District Attorney	\$ 3,922
Sheriff's Department	220,294
Tax Assessor/Collector	116,968,630
Justices of the Peace	622,293
County Treasurer	529,700
County Clerk	66,766
Juvenile Department	23
District Clerk	1,604,561
County Attorney	4,223
Public Works	66,204
Inmate Trust	233,978
Total additions	<u>120,320,594</u>
Deductions	
Sheriff's Department	217,644
Tax Assessor/Collector	116,794,064
Justices of the Peace	622,293
County Treasurer	507,111
County Clerk	100,785
Juvenile Department	8
District Clerk	204,520
County Attorney	4,224
District Attorney	6,505
Public Works	66,204
Inmate Trust	233,340
Deferred compensation	444,115
Total deductions	<u>119,200,813</u>
Change in net position	1,119,781
Net position - beginning	<u>2,869,911</u>
Net position - ending	<u><u>\$ 3,989,692</u></u>

The accompanying notes are an integral part of this statement.

PALO PINTO COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2025

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The County of Palo Pinto, Texas (County) was created by the Act of Legislature on August 27, 1856, and operates as specified under the Constitution of the State of Texas and statutes which provide for a Commissioners Court consisting of the County Judge and four Commissioners, one from each of four geographical precincts. The County Judge is elected for a term of four years and the Commissioners for four year staggered terms. Other major County elective officers include the County Clerk, District Clerk, County Tax Assessor-Collector and County Treasurer. The County Auditor is appointed for a term of two years and serves at the will of the District Judge, whose court is located in Palo Pinto County. The 2020 census population for the County was 28,409 and the area covered is approximately 949 square miles. The unincorporated community of Palo Pinto is the County Seat. The County provides the following public services: Public Safety – Sheriff's Department and Jail Detention, Tax Assessing and Collecting, Sanitation, Fire, Emergency Medical Services, Public Records, Criminal and Civil Prosecution, Road and Bridge Maintenance and General Operations.

The financial statements of the County have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Government Accounting Standards Board (GASB) is the accepted standards setting body for establishing governmental accounting and financial reporting principles. The government's significant accounting policies are described below:

A. Reporting Entity

In evaluating the County for financial reporting purposes, management has considered all potential component units. The evaluation was made by applying the criteria set forth in generally accepted accounting principles for inclusion of component units with a reporting entity. The major criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility over the unit. The most significant manifestation of this ability to exercise oversight responsibility includes, but is not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations and accountability for fiscal matters. The other 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 County is able to exercise oversight responsibilities. Based upon the application of these criteria, there were no potential component units included in the reporting entity as defined by GASB 14, "The Reporting Entity", as amended by GASB 39 and 61.

There are no component units which satisfy requirements for blending or discrete presentation within the County's financial statements. Accordingly, the basic financial statements present the County only.

B. 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 non-fiduciary activities of the County. For the most part, the effects of interfund activity have been removed from these statements.

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

Separate financial statements are provided for governmental funds, internal service funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

PALO PINTO COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)
SEPTEMBER 30, 2025

C. 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. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Government fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. 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 government 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. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The County reports the following major governmental funds:

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

The *American Rescue Plan Fund* is used to account for the federal American Rescue Plan COVID-19 relief grant funds.

The *Capital Improvement Fund* is used to account for financial resources to be used for the acquisition and renovation of the Mineral Wells annex building.

The County reports the following nonmajor governmental funds reported as 'Other Governmental Funds':

The *Special Revenue Funds* account for proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

The *Debt Service Funds* are used to account for the accumulation of funds for the periodic payment of principal and interest on long-term debt.

The *Capital Project Funds* are used to account for financial resources to be used for the acquisition or construction of major capital facilities.

The County reports the following internal service fund:

The *Health Reimbursement Arrangement (HRA) Plan* was established under Internal Revenue Code Section 106 for reimbursing eligible County employees for the cost of certain eligible medical expenses incurred by them, their spouses and eligible dependents.

Additionally, the County reports the following fiduciary funds:

PALO PINTO COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)
SEPTEMBER 30, 2025

Custodial Funds are used to report cash and investments and other resources held in a purely custodial capacity. Custodial funds typically involve only the receipt, temporary investment and remittance of fiduciary resources to individuals, private organizations or other governments. The assets are held in a trustee or custodial capacity and are not available to support County programs; therefore, these funds are not included in the government-wide financial statements.

When both restricted and unrestricted resources are available for use, it is the County's policy to use restricted resources first, then unrestricted resources as they are needed.

The preparation of the financial statements in conformity with generally accepted accounting principles require the use of estimates by management that affect the reported amounts of assets and liabilities and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

D. Financial Statement Amounts

1. Deposits and Investments

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

State statutes authorize the County to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds, repurchase agreements and investment pools.

Investments for the County are reported at fair value. The authorized investment pools operate in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares.

2. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds."

All trade and property tax receivables, including those for the County, are shown net of an allowance for uncollectibles.

Property taxes are levied by October 1. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 1 of each year a tax lien attaches to property to secure the payment of all taxes, penalties and interest ultimately imposed.

3. Uncollected Taxes Receivable

The office of the Tax Assessor-Collector is under contract to eighteen (18) different taxing entities. It is the responsibility of the Tax Assessor-Collector to collect the taxes for the various taxing districts and then to remit the tax, including any penalty and interest, less a 1% fee of current taxes and 7% of delinquent taxes, to the tax district, except for the Palo Pinto County Education District, in which the Tax Assessor-Collector receives all penalties collected. The amount recorded as investment in uncollected taxes represents the total taxes receivable for the eighteen districts and the Palo Pinto County Education District.

PALO PINTO COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)
SEPTEMBER 30, 2025

4. Inventories and Prepaid Items

All inventories are valued at cost using the first-in/first-out (FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

5. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element 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/expenditure) until then. The amounts reported by the County in this category related to the County's participation in the Texas County and District Retirement System (TCDRS).

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element 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 County has three items that qualify for reporting in this category. The amounts reported by the County in this category related to the County's participation in TCERS. Property taxes receivable are unavailable and therefore cannot be recognized as revenue in the governmental funds until they are received. The amounts related to right-to-use assets the County has leased to other entities and will receive future lease payments.

6. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g. roads, bridges, sidewalks, and similar items), are reported in the governmental activities column in the government-wide financial statements. The County defines capital assets 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 estimated fair market value at the time received.

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. Interest costs on fixed assets are not capitalized. Interest is charged to the Debt Service Fund for assets acquired with tax notes. For assets purchased under lease agreements, interest is expensed in the fund responsible for making the lease payments.

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

Vehicles	3 - 15 years
Equipment	5 - 30 years
Buildings and Improvements	5 - 40 years
Infrastructure	15 - 30 years
Right-to-Use Equipment	5 - 20 years
Right-to-Use Buildings and Improvements	5 years
Subscription Assets	5 years

PALO PINTO COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)
SEPTEMBER 30, 2025

7. Right-to-Use Lease Liabilities

The County is a lessee for two non-cancellable leases of property and equipment. The County recognizes a lease liability, reported with long-term debt, and a right-to-use lease asset (lease asset), reported with other capital assets, in the government-wide financial statements. The County recognizes lease liabilities with an initial, individual value of \$5,000 or more.

At the commencement of a lease, the County 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 the shorter of the lease term or its useful life.

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

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

The lease term includes the non-cancellable period of the lease.

Lease payments included in the measurement of the lease liability are composed of fixed payments and any purchase option price that the County is reasonably certain to exercise, and any other payments that are reasonably certain of being required based on an assessment of all relevant factors.

The County monitors changes in circumstances that would require a remeasurement of its leases and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

8. Subscription-Based Information Technology Agreements (SBITAs)

The County has three non-cancellable contracts with SBITA vendors for the right to use information technology (IT) software, alone or in combination with tangible capital assets (the underlying IT assets). The County recognizes a subscription liability, reported with long-term debt, and a right-to-use subscription asset (an intangible asset), reported with other capital assets, in the government-wide financial statements. The County recognizes subscription liabilities with an initial, individual value of \$5,000 or more.

At the commencement of a SBITA, the County initially measures the subscription liability at the present value of payments expected to be made during the subscription term. Subsequently, the subscription liability is reduced by the principal portion of SBITA payments made. The subscription asset is initially measured as the initial amount of the subscription liability, adjusted for SBITA payments made at or before the SBITA commencement date, plus certain initial implementation costs. Subsequently the subscription asset is amortized on a straight-line basis over the shorter of the subscription term or the useful life of the underlying IT assets.

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

PALO PINTO COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)
SEPTEMBER 30, 2025

The County uses the interest rate charged by the SBITA vendor as the discount rate. When the interest rate charged by the SBITA vendor is not provided, the County generally uses its estimated incremental borrowing rate as the discount rate for SBITAs.

The subscription term includes the non-cancellable period of the SBITA.

Subscription payments included in the measurement of the subscription liability is composed of fixed payments and any other payments that are reasonably certain of being required based on an assessment of all relevant factors.

The County monitors changes in circumstances that would require a remeasurement of its SBITAs and will remeasure the subscription asset and liability if certain changes occur that are expected to significantly affect the amount of the subscription liability.

9. Compensated Absences

The County implemented GASB Statement 101, *Compensated Absences*, during the year ended September 30, 2025. County policy permits employees to accumulate a limited amount of earned but unused vacation and sick leave, which will be paid to employees upon separation from the County's service. Per County policy, vacation leave accumulates without limit, but hours over 160 hours at year end are then rolled over to sick leave. When calculating the compensated absences liability, the County caps the sick leave at 30 days per employee based on the portion that is more likely than not to be used for time off. All vacation and sick leave pay is accrued when incurred in the government-wide statements. A liability is reported for these amounts in governmental funds only if they have matured, for example, as a result of employee resignations and retirements. A long-term liability of \$916,781 of accrued vacation and compensated absences at September 30, 2025 has been recorded in the government-wide statements, representing the County's commitment to fund such costs from future operations

10. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities statement of net position. Issuance costs associated with long-term debt are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances and issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

11. Fund Balances – Governmental Funds

Fund balances of the governmental funds are classified as follows:

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

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

PALO PINTO COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)
SEPTEMBER 30, 2025

Committed Fund Balance – represents amounts that can only be used for a specific purpose because of a formal action by the County's Commissioners' Court. Committed amounts cannot be used for any other purpose unless the governing board 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 governing board. Commitments are typically done through adoption and amendment of the budget. Committed fund balance amounts differ from restricted balances in that the constraints on their use do not come from outside parties, constitutional provisions, or enabling legislation.

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

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

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

12. Transactions Between Funds

Outstanding balances between funds are reported as "due to/from other funds." Nonrecurring or non-routine transfers of equity between funds are accounted for as transfers.

13. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

14. Pensions

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

PALO PINTO COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)
SEPTEMBER 30, 2025

15. Other Post-Employment Benefits

The fiduciary net position of the TCDRS and the County's Retiree Health Care Plan have been determined using the flow of economic resources measurement focus and full accrual basis of accounting. This includes for purposes of measuring the total OPEB liability, deferred outflows of resources and deferred inflows of resources related to other post-employment benefits, OPEB expense, and information about assets, liabilities and additions to/deductions from TCDRS and the County's Retiree Health Care Plan fiduciary net position. Benefit payments are recognized when due and payable in accordance with the benefit terms. There are no investments as this is a pay-as-you-go-plan and all cash is held in a cash account.

2. COMPLIANCE AND ACCOUNTABILITY

A. Finance-Related Legal and Contractual Provisions

As of September 30, 2025, the County had no violations of finance-related legal and contractual provisions.

B. Deficit Fund Balance or Net Position of Individual Funds

As of September 30, 2025, there were no funds with a deficit fund balance or net position.

3. DEPOSITS AND INVESTMENTS

A. Deposits

Deposits, except for those held in trust by the County Clerk, District Clerk, and others were held with the contracted depository banks in interest bearing accounts which were secured at the balance sheet date by FDIC coverage and by pledged government securities in the name of the depository banks. At September 30, 2025, the carrying amount of the County's deposits was \$43,391,562 and the balance per the bank was \$52,592,076. Included in the carrying amount and bank balance are money market savings (recorded as investments) totaling \$19,883,060.

The County Clerk, District Clerk, and others hold deposit accounts and investments as trustees under court orders in various banks. The accounts are styled for the benefit of the individual beneficiaries and do not actually belong to the County. The investments consist of interest-bearing demand deposits and certificates of deposit whose carrying value and market value are the same. The carrying amounts of custodial funds held by the County at September 30, 2025 were \$4,160,123 and the balance per the bank was \$4,166,628. All deposits and investments were secured by FDIC coverage.

B. Investments

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

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

PALO PINTO COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)
SEPTEMBER 30, 2025

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

The County's investments at September 30, 2025 are shown below:

<u>Investments</u>	<u>Weighted Maturity (Months)</u>	<u>Fair Value</u>
Money market savings	N/A	<u>\$19,883,060</u>

The County categorizes its fair value measurements with the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Investments that are measured at fair value using the net asset value per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy below. In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The County's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset or liability.

The County values its money market savings using Level 2 inputs based on statements from the depository financial institution.

C. *Analysis of Specific Deposit and Investment Risks*

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

1. Credit Risk

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

2. Custodial Credit Risk

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

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

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

PALO PINTO COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)
SEPTEMBER 30, 2025

3. Concentration of Credit Risk

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

4. Interest Rate Risk

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

5. Foreign Currency Risk

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

4. PROPERTY TAXES

Property taxes attach as an enforceable lien on property as of January 1 of the prior year. Taxes are levied on October 1 and do not begin to accrue interest until February 1. The County is permitted by the Municipal Finance Law of the State of Texas to levy taxes (exclusive of those amounts levied to service long-term debt) up to \$.80 per \$100 of assessed valuation for general services, permanent improvements, road and bridge and jury fund purposes. The combined tax rate to finance general government (exclusive of long-term debt service and Special Road & Bridge) for the year ended September 30, 2025, was \$0.241731 per \$100 valuation. The special road and bridge tax rate for the year ended September 30, 2025 was \$0.053542 per \$100 valuation. The long-term debt service tax rate for the year ended September 30, 2025 was \$0.000847 per \$100 valuation. The total combined tax rate was \$0.29612 per \$100 valuation for the year ended September 30, 2025.

Allowances for uncollectible tax receivables within the General Fund are based upon historical experience in collecting property taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the County is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature.

At September 30, 2025, net property taxes receivable is calculated as follows:

	General Fund	Nonmajor Governmental Funds	Totals
Gross property taxes receivable	\$1,145,058	\$4,359	\$1,149,417
Allowance for uncollectible taxes	(653,826)	(2,904)	(656,730)
Net property taxes receivable	<u>\$ 491,232</u>	<u>\$1,455</u>	<u>\$ 492,687</u>

Of the \$492,687 of net property taxes receivable at September 30, 2025, the County expects to collect approximately \$250,000 within a year. This is similar to the amount of delinquent taxes received in previous years.

PALO PINTO COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)
SEPTEMBER 30, 2025

5. RIGHT-TO-USE LEASES RECEIVABLE

In October 2021, the County leased a facility to a business. The lease is part of an agreement with the Texas Department of Agriculture (TDA) through the Texas Capital Fund. Under the agreement, the County received funding from TDA for the acquisition of the facility for it to lease to the tenant. All lease payments received by the County are to be sent to TDA. The lease is for 138 months and requires monthly payments of \$2,333. At September 30, 2025, the County has recognized a receivable for the remaining lease payments of \$187,840 which has also been reflected as deferred inflows of resources. The receivable is discounted using an imputed interest rate of 3.0%. The balance of the deferred inflows will be recognized monthly through March 2033, based upon the required monthly payments. The lease also includes a purchase option that is exercisable at any time after the expiration of five years from the date the County's contract with TDA is closed out. The purchase price under such option shall be \$560,000 less the sum of the full amount of all fixed lease payments actually received by the County and any and all amounts actually paid by the tenant to the County under the agreement as a result of recoupment of Texas Capital Fund grant by TDA or the U.S. Department of Housing and Urban Development.

In April 2022, the County leased office space to a business. The lease is for 48 months and requires monthly payments of \$500. At September 30, 2025, the County has recognized a receivable for the remaining lease payments of \$2,972 which has also been reflected as deferred inflows of resources. The receivable is discounted using an imputed interest rate of 3.0%. The balance of the deferred inflows will be recognized monthly through March 2026, based upon the required monthly payments.

At September 30, 2025, the County has recognized a total receivable for the above remaining lease payments of \$190,812 which has also been reflected as deferred inflows of resources. The County received lease revenue of \$45,555 and interest income of \$8,133 for a total of \$53,688 of lease-related inflows of resources for the above leases during the year ended September 30, 2025.

PALO PINTO COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)
SEPTEMBER 30, 2025

6. CAPITAL ASSETS

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

Governmental Activities:

	Balance <u>10/1/24</u>	Additions	Retirements	Transfers	Balance <u>9/30/25</u>
Capital assets not being depreciated:					
Land	\$ 730,380	\$ 3,230	\$ -	\$ -	\$ 733,610
Construction in progress	<u>158,385</u>	<u>1,965,976</u>	<u>-</u>	<u>(133,377)</u>	<u>1,990,984</u>
Total capital assets not being depreciated	<u>888,765</u>	<u>1,969,206</u>	<u>-</u>	<u>(133,377)</u>	<u>2,724,594</u>
Capital assets being depreciated:					
Buildings and improvements	12,589,145	99,333	-	-	12,688,478
Equipment	7,331,887	305,864	-	-	7,637,751
Vehicles	4,277,935	458,679	52,136	-	4,684,478
Infrastructure	10,934,783	238,766	-	133,377	11,306,926
Right-to-use leased buildings and improvements	412,856	-	-	-	412,856
Right-to-use leased equipment	123,917	40,518	123,917	-	40,518
Subscription assets	<u>1,200,007</u>	<u>-</u>	<u>151,443</u>	<u>-</u>	<u>1,048,564</u>
Total capital assets being depreciated	<u>36,870,530</u>	<u>1,143,160</u>	<u>327,496</u>	<u>133,377</u>	<u>37,819,571</u>
Less accumulated depreciation for:					
Buildings and improvements	7,379,169	337,103	-	-	7,716,272
Equipment	3,753,760	457,989	-	-	4,211,749
Vehicles	3,046,272	378,107	32,960	-	3,391,419
Infrastructure	6,161,531	536,387	-	-	6,697,918
Right-to-use leased buildings and improvements	73,519	24,687	-	-	98,206
Right-to-use leased equipment	110,711	21,310	123,917	-	8,104
Subscription assets	<u>392,081</u>	<u>155,371</u>	<u>151,443</u>	<u>-</u>	<u>396,009</u>
Total accumulated depreciation	<u>20,917,043</u>	<u>1,910,954</u>	<u>308,320</u>	<u>-</u>	<u>22,519,677</u>
Total capital assets being depreciated, net	<u>15,953,487</u>	<u>(767,794)</u>	<u>19,176</u>	<u>133,377</u>	<u>15,299,894</u>
Governmental activities capital assets, net	<u>\$16,842,252</u>	<u>\$ 1,201,412</u>	<u>\$ 19,176</u>	<u>\$ -</u>	<u>\$18,024,488</u>

PALO PINTO COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)
SEPTEMBER 30, 2025

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental Activities:	
General Government	\$ 527,432
Administration of Justice	22,182
Public Safety	393,677
Corrections and Rehabilitation	102,661
Community and Economic Development	38,693
Infrastructure and Environmental Services	<u>826,309</u>
 Total governmental depreciation	 <u>\$1,910,954</u>

7. INTERFUND BALANCES AND ACTIVITIES

A. Balances due to and from other funds at September 30, 2025 were as follows:

<u>Due To Fund</u>	<u>Due From Fund</u>	<u>Amount</u>	<u>Reason</u>
General Fund	General Fund	\$ 3,977	Short-term loan
Nonmajor Governmental Funds	General Fund	11,649	Short-term loan
Nonmajor Governmental Funds	Custodial Funds	7,270	Short-term loan
General Fund	Custodial Funds	196,739	Short-term loan
Custodial Funds	Custodial Funds	<u>49,603</u>	Short-term loan
	Total	<u>\$269,238</u>	

All of the above amounts are expected to be repaid within one year.

B. Transfers in and out during the year ended September 30, 2025 were as follows:

<u>Transfer From</u>	<u>Transfer To</u>	<u>Amount</u>	<u>Reason</u>
General Fund	Nonmajor Governmental Funds	\$ 317,350	Supplement other funds
General Fund	Capital Improvement Fund	689,500	Supplement other funds
General Fund	Internal Service Fund	<u>60,000</u>	Supplement other funds
	Total	<u>\$1,066,850</u>	

8. LONG-TERM OBLIGATIONS

The County issued certificates of obligations, a note payable, lease liabilities, and subscription liabilities to provide funds for the acquisition and construction of major capital facilities and equipment. These issues are direct obligations and pledge the full faith and credit of the County.

PALO PINTO COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)
SEPTEMBER 30, 2025

Changes in long-term liabilities for the year ended September 30, 2025 was as follows:

Governmental Activities:	Restated Balance 10/1/24	Additions	Retirements	Balance 09/30/25	Due Within One Year
Certificates of obligation	\$ 275,000	\$ -	\$ 45,000	\$ 230,000	\$ 45,000
Note payable	238,000	-	14,000	224,000	224,000
Lease financing payables	384,976	150,550	106,191	429,335	120,915
Right-to-use lease liabilities	372,091	40,518	22,253	390,356	23,420
Subscription liabilities	593,023	-	203,338	389,685	213,505
Compensated absences*	<u>819,486</u>	<u>97,295</u>	<u>-</u>	<u>916,781</u>	<u>574,330</u>
Total long-term liabilities – governmental activities	<u>\$2,682,576</u>	<u>\$288,363</u>	<u>\$390,782</u>	<u>\$2,580,157</u>	<u>\$1,201,170</u>

*The beginning balance was restated pursuant to the implementation of GASB 101 by \$489,985. The activity is reported as either net additions or retirements.

For the governmental activities, compensated absences are generally liquidated by the General Fund.

Total debt service requirements to maturity are as follows:

Year	Principal	Interest	Total
2026	\$ 626,840	\$ 54,663	\$ 681,503
2027	369,665	38,989	408,654
2028	187,432	21,503	208,935
2029	99,677	13,064	112,741
2030	97,952	10,574	108,526
2031-2035	101,283	35,169	136,452
2036-2040	149,468	16,635	166,103
2041	<u>31,059</u>	<u>457</u>	<u>31,516</u>
Totals	<u>\$1,663,376</u>	<u>\$191,054</u>	<u>\$1,854,430</u>

Certificates of Obligation

The County issued Combination Tax and Surplus Certificates of Obligation, Series 2020 through the Texas Water Development Board in March 2020. The County borrowed \$500,000 with interest ranging from 0.0% to 0.13% to construct a new wastewater treatment plant. The certificates require a principal and interest payment of \$90,083 on February 15, 2021, and annual principal and interest payments of \$45,083 beginning February 15, 2022 with a final principal and interest payment of \$50,033 on February 15, 2030.

Issuance	Original Amount	Date Issued	Final Maturity	Interest Rate	Balance 9/30/25
Combination Tax and Surplus Certificates of Obligation, Series 2020	\$500,000	03/10/20	02/15/30	0.00%- 0.13%	<u>\$230,000</u>

PALO PINTO COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)
SEPTEMBER 30, 2025

Certificates of obligation service requirements to maturity are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	\$ 45,000	\$ 83	\$ 45,083
2027	45,000	83	45,083
2028	45,000	83	45,083
2029	45,000	74	45,074
2030	<u>50,000</u>	<u>33</u>	<u>50,033</u>
Totals	<u>\$230,000</u>	<u>\$ 356</u>	<u>\$230,356</u>

Note Payable

The note payable to the Texas Department of Rural Community Affairs is part of the Texas Department of Agriculture's Community Development Block Grant (CDBG) known as the Texas Capital Fund. The County borrowed \$560,000 interest-free to purchase a facility which was leased to a business. The lease proceeds will be used to repay the loan. The monthly lease is for \$2,333 which began in June 2012 but was deferred from August 1, 2014 to July 31, 2015.

<u>Purpose</u>	<u>Original Amount</u>	<u>Date Issued</u>	<u>Final Maturity</u>	<u>Interest Rate</u>	<u>Balance 9/30/25</u>
Purchase and lease facility as part of the CDBG Texas Capital Fund program	\$560,000	05/23/11	03/01/33	0.00%	<u>\$224,000</u>

Note payable service requirements to maturity are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	\$224,000	\$ -	\$224,000

This balance is anticipated to be forgiven by the Texas Department of Agriculture (TDA) in the year ended September 30, 2026 after the County provides the TDA a list of approved projects totaling \$224,000 which the County will fund from the note payment savings. Therefore, the entire principal balance is shown as current.

Lease Financing Payables

The County has entered into lease financing payables as follows:

On December 12, 2023, the County leased a 2019 John Deere Motor Grader. The lease requires four annual payments of \$50,000 beginning December 21, 2023, with a purchase option of \$36,669 on December 21, 2027. The lease carries interest at a stated rate of 7.15%.

On September 28, 2024, the County leased a 2024 Komatsu Excavator. The lease requires a down payment of \$40,000 on October 15, 2024 and four annual payments of \$31,132 beginning August 15, 2025, with a bargain purchase payment of \$1 on August 15, 2028. The lease carries interest at a stated rate of 5.85%.

On September 28, 2024, the County leased a 2024 Komatsu Excavator. The lease requires a down payment of \$50,000 on October 15, 2024 and four annual payments of \$28,283 beginning August 15, 2025, with a bargain purchase payment of \$1 on August 15, 2028. The lease carries interest at a stated rate of 5.85%.

On July 17, 2025, the County leased a 2020 Motor Grader. The lease requires five annual payments of \$34,612 beginning February 15, 2026, with a bargain purchase payment of \$1 on February 15, 2030. The lease carries interest at a stated rate of 5.65%.

PALO PINTO COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)
SEPTEMBER 30, 2025

<u>Purpose</u>	<u>Original Amount</u>	<u>Date Issued</u>	<u>Final Maturity</u>	<u>Interest Rate</u>	<u>Balance 9/30/25</u>
2019 John Deere Motor Grader (John Deere Financing)	\$207,860	12/12/23	12/21/27	7.15%	\$119,524
2024 Komatsu Excavator (First National Bank - Leasing)	\$149,258	9/28/24	8/15/28	5.85%	83,449
2024 Komatsu Excavator (First National Bank - Leasing)	\$149,258	9/28/24	8/15/28	5.85%	75,812
2020 Motor Grader (First National Bank – Leasing)	\$150,550	7/17/25	2/15/30	5.65%	<u>150,550</u>
Total balance at September 30, 2025					<u>\$429,335</u>

Interest expense of \$26,629 was recorded in Road & Bridge Precincts No. 1 of \$16,988 and No. 4 of \$9,641 on the Statement of Activities for the year ended September 30, 2025.

Lease financing payables service requirements to maturity are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	\$120,915	\$23,112	\$144,027
2027	125,020	19,007	144,027
2028	119,629	11,168	130,797
2029	31,009	3,603	34,612
2030	<u>32,762</u>	<u>1,851</u>	<u>34,613</u>
Totals	<u>\$429,335</u>	<u>\$58,741</u>	<u>\$488,076</u>

Right-to-use Lease Liabilities

The County has entered into the following right-to-use lease liabilities:

On September 15, 2021, the County leased tower space. The lease requires two hundred forty monthly payments ranging from \$1,658 to \$2,865 beginning September 15, 2021. The lease carries interest at an imputed rate of 3.00%.

On January 1, 2022, the County leased a building. The lease requires fifty-eight monthly payments of \$500 beginning March 1, 2022. The lease carries interest at an imputed rate of 3.00%.

On October 1, 2024, the County leased a postage machine. The lease requires sixty monthly payments of \$305 beginning October 1, 2024. The lease carries interest at an imputed rate of 5.00%.

On October 1, 2024, the County leased a postage machine. The lease requires sixty monthly payments of \$460 beginning October 1, 2024. The lease carries interest at an imputed rate of 5.00%.

PALO PINTO COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)
SEPTEMBER 30, 2025

<u>Purpose</u>	<u>Original Amount</u>	<u>Date Issued</u>	<u>Final Maturity</u>	<u>Interest Rate</u>	<u>Balance 9/30/25</u>
Tower Space (Chestnut Tower)	\$385,891	9/15/21	8/15/41	3.00%	\$349,800
Building (John R McCracken)	\$ 26,965	3/1/22	12/1/26	3.00%	7,353
Postage Machine (Pitney Bowes)	\$ 16,164	10/1/24	9/1/29	5.00%	13,246
Postage Machine (Pitney Bowes)	\$ 24,354	10/1/24	9/1/29	5.00%	<u>19,957</u>
Total balance at September 30, 2025					<u>\$390,356</u>

Interest expense of \$12,818 was recorded in General Operations on the Statement of Activities for the year ended September 30, 2025.

The assets under right-to-use lease liabilities and related accumulated depreciation at September 30, 2025 are included in right-to-use leased buildings and improvements and right-to-use leased equipment in Note 5.

Right-to-use lease liabilities service requirements to maturity are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	\$ 23,420	\$ 11,984	\$ 35,404
2027	23,465	11,090	34,555
2028	22,803	10,252	33,055
2029	23,668	9,387	33,055
2030	15,190	8,690	23,880
2031-2035	101,283	35,169	136,452
2036-2040	149,468	16,635	166,103
2041	<u>31,059</u>	<u>457</u>	<u>31,516</u>
Totals	<u>\$390,356</u>	<u>\$103,664</u>	<u>\$494,020</u>

Subscription Liabilities

The County has entered into the following subscription liabilities:

In October 2021, the County entered into a subscription-based information technology arrangement for county clerk software with a future value of \$223,390 and an initial computed principal value of \$218,201. Five annual payments of \$47,999 are due each year beginning in October 2021. The arrangement carries an imputed rate of 5%.

In January 2023, the County entered into a subscription-based information technology arrangement for cloud hosting software with a future value of \$107,714 and an initial computed principal value of \$104,966. An initial payment of \$14,828 was due in January 2023 and four annual payments of \$25,420 are due each year beginning in May 2023. The arrangement carries an imputed rate of 5%.

PALO PINTO COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)
SEPTEMBER 30, 2025

In May 2023, the County entered into a subscription-based information technology arrangement for various software with a future value of \$742,648 and an initial computed principal value of \$725,397. Five annual payments of \$159,570 are due each year beginning in May 2023. The arrangement carries an imputed rate of 5%.

<u>Purpose</u>	<u>Original Amount</u>	<u>Date Issued</u>	<u>Final Maturity</u>	<u>Interest Rate</u>	<u>Balance 9/30/25</u>
County Clerk Software (Tyler Technologies)	\$218,201	10/28/21	10/28/25	5.00%	\$ 45,713
Cloud Hosting Software (NetData)	\$104,966	1/9/23	5/1/26	5.00%	47,266
Various Software (NetData)	\$725,397	5/1/23	5/1/27	5.00%	<u>296,706</u>
Total balance at September 30, 2025					<u>\$389,685</u>

Interest expense of \$28,553 was recorded in General Operations on the Statement of Activities for the year ended September 30, 2025.

The assets under subscription-based information technology arrangement liabilities and related accumulated depreciation at September 30, 2025 are included in subscription assets in Note 5.

Subscription liabilities service requirements to maturity are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	\$213,505	\$19,484	\$232,989
2027	<u>176,180</u>	<u>8,809</u>	<u>184,989</u>
Totals	<u>\$389,685</u>	<u>\$28,293</u>	<u>\$417,978</u>

9. RISK MANAGEMENT

The County is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; injuries to employees; employee health benefits; and other claims of various nature. The County participates in the Texas Association of Counties Intergovernmental Risk Pool (Pool) which provides protection for risks of loss. Premiums are paid to the Pool which retains the risk of loss beyond the County's policy deductibles. Any losses reported but unsettled or incurred and not reported, are believed to be insignificant to the County's basic financial statements. For the last three years, there have been no significant reductions of insurance coverage or insurance settlements in excess of insurance coverage.

10. CONTINGENT LIABILITIES AND COMMITMENTS

Federal and State Grants

Amounts received or receivable from grantor agencies are subject to audit and adjustment by such agencies. Any disallowed claims, including amounts already collected may constitute a liability of the applicable funds.

PALO PINTO COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)
SEPTEMBER 30, 2025

The amounts, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the County expects such amounts, if any, to be immaterial.

Litigation

In the normal course of providing services to the public, the County from time-to-time is subjected to litigation claims. The County defends itself against such claims based on internal assessment of liability and risk. Litigation expenses are recorded as expenditures in the period when litigation services are rendered, and damages are accrued as expenditures when determined to be probable and when amounts can reasonably be estimated. No liabilities have been accrued in the financial statements relative to litigation at September 30, 2025.

Construction Commitments

The County has three construction projects in progress at September 30, 2025. One project is for the replacement of one bridge in the County by the Texas Department of Transportation for \$66,170, the second project is for the planning of a waste-water treatment plant with a cost of \$6,209,886, and the third project is for the District Court jury room renovation with a cost of \$511,308. At September 30, 2025, the County has contracts totaling \$6,786,871 related to these projects of which \$1,973,031 has been incurred, leaving a commitment of \$4,813,840.

11. DEFINED BENEFIT PENSION PLAN

A. Plan Description

The County provides retirement, disability, and death benefits for all of its full-time employees through a nontraditional, defined benefit pension plan in the statewide TCDRS. The Board of Trustees of TCDRS is responsible for the administration of the statewide agent multiple-employer public employee retirement system consisting of more than 890 nontraditional defined benefit pension plans. TCDRS in the aggregate issues an Annual Comprehensive Financial Report (ACFR) on a calendar year basis that is publicly available at www.tcdrs.org.

The plan provisions are adopted by the governing body of the County, within the options available in the Texas state statutes governing TCDRS (TCDRS Act). Members can retire at ages 60 and above with 8 or more years of service or with 30 years of service regardless of age, or when the sum of their age and years of service equals 75 or more. Members are vested after 8 years of service but must leave their accumulated contributions in the plan to receive any employer-financed benefit. Members who withdraw their personal contributions in a lump sum are not entitled to any amounts contributed by the County.

B. Benefits Provided

Benefit amounts are determined by the sum of the employee's contributions to the plan, with interest, and the County-financed monetary credits. The level of these monetary credits is adopted by the governing body of the County within the actuarial constraints imposed by the TCDRS Act so that the resulting benefits can be expected to be adequately financed by the County'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 County-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:

PALO PINTO COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)
SEPTEMBER 30, 2025

Inactive employees or beneficiaries currently receiving benefits	141
Inactive employees entitled to but not yet receiving benefits	150
Active employees	176

C. Contributions

The County has elected the annually determined contribution rate (ADCR) plan provisions of the TCDRS Act. The plan is funded by monthly contributions from both employee members and the County based on the covered payroll of employee members. Under the TCDRS Act, the contribution rate of the employer is actuarially determined annually. The County contributed using the actuarially determined rate of 12.75% for the months of the accounting year in 2024, and 11.94% for the months of the accounting year in 2025.

The contribution rate payable by the employee members for calendar year 2024 is the rate of 7% as adopted by the Commissioners' Court of the County. The employee contribution rate and the County contribution rate may be changed by the Commissioners' Court of the County within the options available in the TCDRS Act.

D. Net Pension Liability

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

Actuarial Assumptions

The demographic assumptions were developed from an actuarial experience investigation of TCDRS over 2017-2020. They were recommended by Milliman and adopted by the TCDRS Board of Trustees in December of 2021. All economic assumptions were recommended by Milliman 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.

Real rate of return	5.00% per year
Inflation	2.50% per year
Long-term investment return	7.50% per year, net of pension plan investments expenses
Growth in membership	0.00% per year
Payroll growth for funding calculations	3.00% per year

Salary increases were based on a service-related table. The mortality rates for active members were based on 135% of Pub-2010 General Employees Amount-Weighted 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. The mortality rate for service retirees, beneficiaries, and non-depositing members was based on 135% of Pub-2010 General Retirees Amount-Weighted 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. The mortality rates for disabled retirees were based on 160% of Pub-2010 General Disabled Retirees Amount-Weighted Mortality Table for males and 125% Pub-2010 General Disable Retirees Amount-Weighted Mortality Table for females, both projected with 100% of the MP-2021 Ultimate scale after 2010.

The long-term expected rate of return on TCDRS assets is determined by adding expected inflation to expected long-term real returns, and reflecting expected volatility and correlation. The capital market assumptions and information shown below are provided by TCDRS' investment consultant, Cliffwater LLC. The numbers shown below are based on January 2025 information for a 10-year time horizon.

PALO PINTO COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)
SEPTEMBER 30, 2025

The valuation assumption for long-term expected return is re-assessed 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 target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Benchmark</u>	<u>Target Allocation</u> ⁽¹⁾	<u>Geometric Real Rate of Return (Expected minus Inflation)</u> ⁽²⁾
US Equities	Dow Jones U.S. Total Stock Market Index	13.00%	5.35%
Global Equities	MSCI World (net) Index	4.00%	5.15%
International Equities – Developed Markets	MSCI World Ex USA (net) Index	6.00%	4.75%
International 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 Index	16.00%	6.85%
Distressed Debt	Cambridge Associates Distressed Securities Index ⁽³⁾	4.00%	6.80%
REIT Equities	67% FTSE NAREIT Equity REITs Index + 33% S&P Global REIT (net) Index	2.00%	3.95%
Master Limited Partnerships (MLPs)	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	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%

⁽¹⁾ Target asset allocation adopted at the March 2025 TCDRS Board Meeting.

⁽²⁾ Geometric real rates of return equal the expected return minus the assumed inflation 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 projected fiduciary net position was determined to be sufficient compared to projected benefit payments. Based on that assumption, the pension plan's Fiduciary Net Position was projected to be

PALO PINTO COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)
SEPTEMBER 30, 2025

sufficient to pay projected benefit payments in all future years. Therefore, the discount rate for purposes of calculating the total pension liability and net pension liability of the employer is equal to the long-term assumed rate of return on investments (7.60%).

Changes in Net Pension Liability / (Asset)

	Increase (Decrease)		
	Total Pension Liability (a)	Fiduciary Net Position (b)	Net Pension Liability / (Asset) (a) – (b)
Balances as of December 31, 2023	\$48,697,338	\$47,932,183	\$ 765,155
Changes for the year:			
Service cost	1,419,068	-	1,419,068
Interest on total pension liability ⁽¹⁾	3,718,232	-	3,718,232
Effect of plan changes ⁽²⁾	-	-	-
Effect of economic/demographic gains or losses	534,585	-	534,585
Effect of assumptions changes or inputs	-	-	-
Refund of contributions	(47,767)	(47,767)	-
Benefit payments	(2,381,306)	(2,381,306)	-
Administrative expense	-	(28,564)	28,564
Member contributions	-	716,201	(716,201)
Net investment income	-	4,879,325	(4,879,325)
Employer contributions	-	1,404,511	(1,404,511)
Other ⁽³⁾	-	(2,779)	2,779
Balances as of December 31, 2024	<u>\$51,940,151</u>	<u>\$52,471,804</u>	<u>(\$ 531,653)</u>

⁽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.

Sensitivity Analysis

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

	1% Decrease 6.60%	Current Discount Rate 7.60%	1% Increase 8.60%
Net pension liability (asset)	<u>\$6,024,788</u>	<u>(\$531,653)</u>	<u>(\$6,037,188)</u>

PALO PINTO COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)
SEPTEMBER 30, 2025

Pension Expense/(Income)

	<u>January 1, 2024 to December 31, 2024</u>
Service cost	\$1,419,068
Interest on total pension liability ⁽¹⁾	3,718,232
Effect of plan changes	-
Administrative expenses	28,564
Member contributions	(716,201)
Expected investment return net of investment expenses	(3,630,174)
Recognition of deferred inflows/outflows of resources:	
Recognition of economic/demographic gains or losses	188,555
Recognition of assumption changes or inputs	-
Recognition of investment gains or losses	(568,473)
Other ⁽²⁾	<u>2,779</u>
Pension expense	<u>\$ 442,350</u>

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

⁽²⁾ Relates to allocation of system-wide items.

Deferred Outflows / Inflows of Resources

As of September 30, 2025, the deferred outflows and inflows of resources are as follows:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 468,979	\$ -
Change in assumptions	-	-
Net difference between projected and actual earnings		504,210
Contributions made subsequent to measurement date	<u>1,164,436</u>	<u>-</u>
Total	<u>\$1,633,415</u>	<u>\$504,210</u>

\$1,633,415 reported as deferred outflows of resources resulting from contributions subsequent to the measurement date will be recognized as an addition to the net pension asset for the plan year ending December 31, 2025. Other amounts of the County's deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended December 31:</u>	
2025	(\$218,979)
2026	851,731
2027	(418,151)
2028	(249,832)

PALO PINTO COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)
SEPTEMBER 30, 2025

12. DEFINED OTHER POST-EMPLOYMENT BENEFIT PLANS

Group Term Life Program

A. Plan Description

A description of the OPEB plan pursuant to Paragraph 50 of GASB Statement No. 75 is as follows:

1. The County participates in the retiree Group Term Life (GTL) program for the TCDRS which is a statewide, multiple-employer, public employee retirement system.
2. A brief description of benefit terms:
 - a) All full- and part-time non-temporary employees participate in the plan, regardless of the number of hours they work in a year and are eligible for the TCDRS pension plan. Only employers that have elected participation in the retiree GTL program are included in the OPEB plan.
 - b) The plan provides a \$5,000 post-retirement death benefit to beneficiaries of service retirees and disability retirees of employers that have elected participation in the retiree GTL program.
 - c) The OPEB benefit is a fixed \$5,000 lump-sum benefit.
 - d) No future increases are assumed in the \$5,000 benefit amount.
 - e) Benefit terms are established under the TCDRS Act. Participation in the retiree GTL program is optional and the employer may elect to opt out of (or opt into) coverage as of January 1 each year.
3. Membership information is shown in the chart below.
4. Contributions made to the retiree GTL program are held in the GTL fund. The GTL fund does not meet the requirements of a trust under Paragraph 4b of GASB 75, as the assets of the GTL fund can be used to pay active GTL benefits which are not part of the OPEB plan.
5. Benefit terms are established under the TCDRS Act. Participation in the retiree GTL program is optional and the employer may elect to opt out of (or opt into) coverage as of January 1 each year. The County's contribution rate for the retiree GTL program is calculated annually on an actuarial basis and is equal to the cost of providing a one-year death benefit equal to \$5,000.

B. Membership Information

<u>Members</u>	<u>12/31/23</u>	<u>12/31/24</u>
Number of inactive employees entitled to but not yet receiving benefits ⁽¹⁾	42	49
Number of active employees	169	176
Average age of active employees	48.69	48.01
Average length of service in years for active employees	12.46	12.28
 <u>Inactive Employees Receiving Benefits</u> ⁽¹⁾		
Number of benefit recipients ⁽¹⁾	111	115

⁽¹⁾ "Receiving benefits" indicates the member is retired and receiving monthly pension benefits, and his or her beneficiary is eligible for the \$5,000 lump sum upon the retiree's death.

C. Actuarial Methods and Assumptions Used for GASB Calculations

All actuarial assumptions and methods that determined the total OPEB liability as of December 31, 2024 were based on the results of an actuarial experience study for the period January 1, 2017 – December 31, 2020, except where required to be different by GASB 75.

PALO PINTO COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)
SEPTEMBER 30, 2025

Valuation Timing	Actuarially determined contribution 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 Level Percent of Salary
Amortization Method:	
Recognition of economic/demographic gains or losses	Straight-line amortization over expected working life
Recognition of assumptions changes or inputs	Straight-line amortization over expected working life
Asset Valuation Method	Does not apply
Inflation	Does not apply
Salary Increases	Do not affect benefits but are used in the allocation of costs under the actuarial cost method. Merit salary increases range from 0.40% to 5.25% for all members depending on years of service and entry age.
Investment Rate of Return (Discount Rate)	4.08% (20-year Bond GO Index published by bondbuyer.com as of 12/26/24)
Cost-of-Living Adjustment	Does not apply
Disability	The rates of disability range from .000% to .001% for work-related disability and .000% to .198% for all other causes depending on age.
Mortality:	
Depositing members	135% of the 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	135% of the Pub-2010 General Healthy Retirees Amount-Weighted Mortality Table for males and 120% Pub-2010 General Healthy Retirees Amount-Weighted Mortality Table for females, both projected with 100% of the MP-2021 Ultimate scale after 2010.
Disabled retirees	160% of the Pub-2010 General Disabled 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.
Retirement	Members eligible for service retirement from age 40 to 74 range from 5.3% to 25.3% for both male and females depending on age and length of service. For all eligible members ages 75 and later, retirement is assumed to occur immediately.
Other Termination of Employment	Annual rates for termination range from 0.0% to 33.0% for both males and females depending on entry age and years of service.

PALO PINTO COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)
SEPTEMBER 30, 2025

D. Changes in Total OPEB Liability

	<u>Changes in Total OPEB Liability</u>
Balances as of December 31, 2023	\$514,619
Changes for the year:	
Service cost	16,910
Interest on total OPEB liability ⁽¹⁾	17,113
Changes of benefit terms ⁽²⁾	-
Effect of economic/demographic (gains) or losses	8,215
Effect of assumptions changes or inputs ⁽³⁾	(68,764)
Benefit payments	(13,301)
Other	<u>-</u>
 Balance as of December 31, 2024	 <u>\$474,792</u>

⁽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⁾ Reflects change in discount rate.

Sensitivity Analysis

The following presents the total OPEB liability of the County, calculated using the discount rate of 4.08%, as well as what the County's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (3.08%) or 1 percentage point higher (5.08%) than the current rate. Note that the healthcare cost trend rate does not affect the total OPEB liability, so sensitivity to the healthcare cost trend rate is not shown.

	1% Decrease <u>3.08%</u>	Current Discount Rate <u>4.08%</u>	1% Increase <u>5.08%</u>
Total OPEB liability	<u>\$560,607</u>	<u>\$474,792</u>	<u>\$407,253</u>

E. OPEB Expense

	<u>January 1, 2024 to December 31, 2024</u>
Service cost	\$16,910
Interest on total pension liability ⁽¹⁾	17,113
Effect of plan changes	-
Recognition of deferred inflows/outflows of resources:	
Recognition of economic/demographic gains or losses	(3,911)
Recognition of assumption changes or inputs	(24,314)
Other	<u>-</u>
 OPEB expense	 <u>\$ 5,798</u>

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

PALO PINTO COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)
SEPTEMBER 30, 2025

F. Deferred Outflows / Inflows of Resources

As of September 30, 2025, the deferred outflows and inflows of resources are as follows:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$16,130	\$ 15,197
Changes of assumptions	24,998	120,819
Contributions made subsequent to measurement date	<u>21,483</u>	<u>-</u>
Total	<u>\$62,611</u>	<u>\$136,016</u>

\$21,483 reported as deferred outflows of resources resulting from contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability for the plan year ending December 31, 2025. The remaining amounts of the County's deferred outflows of resources and deferred inflows of resources related to OPEB benefits will be recognized in OPEB expense as follows:

<u>Year Ended December 31:</u>	
2025	(\$38,224)
2026	(36,338)
2027	(8,217)
2028	(12,109)

Retiree Health Care Plan

The County administers the Palo Pinto County Retiree Health Care Plan for retired employees.

A. Plan Description

Pre-65 Plan – Any employee who meets the retirement eligibility requirements of the TCDRS, and who leaves the employ of the County may, upon retirement, elect to remain on the County's group medical until the retiree reaches age 65 or qualifies for Medicare. The County pays 100% of the total monthly premium prescribed in the current health plan for retired participants who continue coverage. The retired employee may continue coverage for dependents, if he or she pays the entire premium for the dependent. Premiums are determined annually by estimating the amount needed to cover projected claims. The benefit is subject to annual appropriations by the Commissioners' Court.

Post-65 Plan – Retirees may purchase a Medicare supplement policy without prescription drug coverage for a reduced premium. Retirees have the option to purchase prescription drug coverage to which the County does not contribute. Spouses may receive the same plan at retiree's expense. Premiums and benefits are subject to change each year. Percent of premium paid by County is subject to change with the intent of leaving the dollar amount of benefit the same. The benefit is subject to annual appropriations by the Commissioners' Court.

B. Demographic Information

<u>Status</u>	<u>9/30/24</u>	<u>9/30/25</u>
Active – Employee Only	111	111
Active – Employee and Dependent	31	31
Retired – Employee Only	21	21
Retired – Employee and Dependent	2	2

PALO PINTO COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)
SEPTEMBER 30, 2025

C. Actuarial Methods and Assumptions Used for GASB Calculations

GASB accounting methodology were used to determine the post-retirement medical benefit obligations.

Actuarial Method	Individual Entry Age Normal Cost Method – Level Percentage of Projected Salary
Service Cost	Determined for each employee as the Actuarial Present Value of Benefits allocated to the valuation year. The benefit attributed to the valuation year is that incremental portion of the total projected benefit earned during the year in accordance with the plan's benefit formula. This allocation is based on each participant's service between date of hire and date expected termination.
Total OPEB Liability	The Actuarial Present Value of Benefits allocated to all periods prior to the valuation year.
Discount Rate	4.06% (1.56% real rate of return plus 2.50% inflation)
Average Per Capita Claim Cost	The medical claim cost ranges from \$8,674 at age 50 to \$13,120 at age 64 and the Medicare supplement annual premium of \$3,349.03 is used for the per capita claims cost for age 65 and older.
Health Care Cost Trend	Level 4.50%
Mortality	RPH-2014 Total Table with Projection MP-2021
Turnover	Rates varying based on gender, age and select and ultimate at 15 years. Rates are based on the TCDRS actuarial assumptions from the 2017 retirement plan valuation report. The rates vary by entry age, gender and years. For males the rates range from 2.4% to 33.4% and for females the rates range from 2.7% to 36.2%.
Disability	None assumed
Retirement Rates	The retirement rates were developed from the assumption used in the 2017 actuarial report for the TCDRS retirement plans. The rates are unisex and range from 10% at age 50 to 25% at age 65.
Retiree Contributions	The retiree pays the full additional dependent contribution rate to age 65 and 65% of the Medicare supplement premium.
Salary Scale	3.50%
Data Assumptions - Coverage	100% of all who currently have healthcare coverage will continue with the same coverage until eligibility for Medicare. 100% of all actives who currently have healthcare coverage will continue with coverage upon retirement. For those with family coverage 25% will elect to continue with coverage including the spouse and the remainder will elect individual coverage. Spouse coverage is to age 65.
Valuation Date	September 30, 2025
Measurement Date	September 30, 2025

PALO PINTO COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)
SEPTEMBER 30, 2025

D. Changes in Total OPEB Liability

	<u>Changes in Total OPEB Liability</u>
Balances as of September 30, 2024	\$4,018,887
Changes for the year:	
Service cost	275,268
Interest cost	170,403
Changes of benefit terms	-
Differences between expected and actual experience	-
Changes in assumptions	-
Other changes	-
Contributions-employer	-
Net investment income	-
Benefit payments	(194,073)
Administrative expense	<u>-</u>
Balance as of September 30, 2025	<u>\$4,270,485</u>

Sensitivity Analysis of the Discount and Trend Rate

Discount Rate

The following presents the total OPEB liability of the County, calculated using the discount rate of 4.06%, as well as what the County's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (3.06%) or 1 percentage point higher (5.06%) than the current rate.

	1% Decrease <u>3.06%</u>	Current Discount Rate <u>4.06%</u>	1% Increase <u>5.06%</u>
Total OPEB liability	<u>\$4,858,753</u>	<u>\$4,270,485</u>	<u>\$3,787,895</u>

Trend Rate

The following presents the total OPEB liability of the County, calculated using the healthcare cost trend rate of 4.50%, as well as what the County's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (3.50%) or 1 percentage point higher (5.50%) than the current rate.

	1% Decrease <u>3.50%</u>	Current Trend Rate <u>4.50%</u>	1% Increase <u>5.50%</u>
Total OPEB liability	<u>\$3,688,692</u>	<u>\$4,270,485</u>	<u>\$5,006,799</u>

PALO PINTO COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)
SEPTEMBER 30, 2025

E. OPEB Expense

	<u>October 1, 2024 to September 30, 2025</u>
Service cost at October 1, 2024	\$275,268
Interest cost (including interest on Service Cost)	170,403
Changes of benefit terms	-
Current recognized deferred outflows (inflows)	-
Difference between expected and actual experience	(93,336)
Changes in assumptions or other inputs	(101,700)
Other changes, if significant	-
Difference of projected investment earnings	<u>-</u>
 Total OPEB expense as of September 30, 2025	 <u>\$250,635</u>

F. Deferred Outflows / Inflows of Resources

As of September 30, 2025, the deferred outflows and inflows of resources are as follows:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 359,604
Changes of assumptions/inputs	318,459	640,630
Net difference between projected and actual investments	-	-
Contributions made subsequent to measurement date	<u>-</u>	<u>-</u>
 Total	 <u>\$318,459</u>	 <u>\$1,000,234</u>

Amounts currently reported as deferred outflows of resources and deferred inflows of resources related to OPEB benefits will be recognized in OPEB expense as follows:

<u>Year Ended September 30:</u>	
2026	(\$195,036)
2027	(205,232)
2028	(217,202)
2029	(61,964)
2030	(1,587)
Thereafter	(754)

The combined total OPEB liability, OPEB related deferred outflows of resources and OPEB related deferred inflows of resources of the Group Term Life Program and the Retiree Health Care Plan is as follows:

Total OPEB Liability	\$4,745,277
Deferred Outflows of Resources	381,070
Deferred Inflows of Resources	1,136,250

PALO PINTO COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)
SEPTEMBER 30, 2025

13. DEFERRED COMPENSATION PLAN

The County offers its employees two deferred compensation plans created in accordance with Internal Revenue Code 457. The plans, available to all County employees on a voluntary basis, permit them to defer a portion of their salaries until future years. The County does not make any contributions to the plans.

Deferred compensation is available to employees' beneficiaries in case of death. One plan is through the National Association of Counties and its assets are administered by Nationwide Retirement Solutions, an independent third-party administrator. The second plan's assets are managed by ITT Hartford, an independent administrator. All amounts of compensation deferred under the plans, all property and rights purchased with those amounts and all income attributed to those amounts, property or rights are solely the property and rights of the participants.

14. JUDICIAL ASSESSMENT RECEIVABLES

At September 30, 2025, the County has not recorded the receivables from judicial assessments in the accompanying financial statements; nor have they been recorded in the prior year. Though these amounts are significant, the County has not determined the allowances for uncollectible amounts for recording them at year end. Consequently, the effects on the financial statements of not including the judicial assessment receivables are not reasonably determinable.

15. NET POSITION/FUND BALANCES

The Governmental Activities' net position consisted of the following at September 30, 2025:

Net investment in capital assets	<u>\$16,361,112</u>
Restricted:	
General Government	2,236,509
Administration of Justice	401,903
Public Safety	199,831
Corrections and Rehabilitation	47,410
Community and Economic Development	148,876
Infrastructure and Environmental Services	224,059
Net pension asset	<u>531,653</u>
Total restricted	<u>3,790,241</u>
Unrestricted	<u>29,946,614</u>
Total net position	<u>\$50,097,967</u>

PALO PINTO COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)
SEPTEMBER 30, 2025

The Governmental Funds' fund balances consisted of the following at September 30, 2025:

	General Fund	American Rescue Plan Fund	Capital Improvement Fund	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable:					
Prepays	\$ 368,365	\$ -	\$ -	\$ 120	\$ 368,485
Inventories	<u>114,375</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>114,375</u>
Total nonspendable	<u>482,740</u>	<u>-</u>	<u>-</u>	<u>120</u>	<u>482,860</u>
Restricted:					
General Government	-	892,806	-	1,342,248	2,235,054
Administration of Justice	-	-	-	401,903	401,903
Public Safety	34,095	-	-	165,736	199,831
Corrections and Rehabilitation	-	-	-	47,410	47,410
Community and Economic Development	-	-	-	148,876	148,876
Infrastructure and Environmental Services	<u>-</u>	<u>-</u>	<u>-</u>	<u>224,059</u>	<u>224,059</u>
Total restricted	<u>34,095</u>	<u>892,806</u>	<u>-</u>	<u>2,330,232</u>	<u>3,257,133</u>
Committed:					
General Government	6,941	-	-	-	6,941
Health and Human Services	-	-	-	4,869	4,869
Infrastructure and Environmental Services	<u>-</u>	<u>-</u>	<u>3,455,322</u>	<u>820,372</u>	<u>4,275,694</u>
Total committed	<u>6,941</u>	<u>-</u>	<u>3,455,322</u>	<u>825,241</u>	<u>4,287,504</u>
Assigned:					
2025-26 budget deficit	<u>1,575,587</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,575,587</u>
Unassigned	<u>28,390,400</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>28,390,400</u>
Total fund balance	<u>\$30,489,763</u>	<u>\$892,806</u>	<u>\$3,455,322</u>	<u>\$3,155,593</u>	<u>\$37,993,484</u>

16. ERROR CORRECTION

During fiscal year 2025, the County corrected an error from its September 30, 2024 financial statements. The error related to an unrecorded accounts payable item from the prior year. The effect of the correction of this error decrease in the Nonmajor Funds beginning fund and the government-wide level beginning net position by \$107,898.

19. CHANGE IN ACCOUNTING PRINCIPLE

During fiscal year 2025, the County adopted GASB Statement No. 101, - *Compensated Absences*. This adoption led to recognizing an additional estimated liability for vacation and sick leave. The adoption required an adjustment of \$489,985 to the beginning net position on the Statement of Activities. As such, the previously reported amount of net position of \$42,511,614 was restated to \$41,913,731, with addition of the error correction noted above. The estimate calculated at September 30, 2025, increased the estimated liability by \$97,295. Therefore, the Governmental Activities reports \$574,330 of noncurrent

PALO PINTO COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)
SEPTEMBER 30, 2025

liabilities – portion due or payable within one year and \$342,451 noncurrent liabilities – portion due or payable after one year.

REQUIRED SUPPLEMENTARY INFORMATION

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

PALO PINTO COUNTY, TEXAS
BUDGETARY COMPARISON SCHEDULE -
GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2025

	Budgeted Amounts		Actual	Variance With Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Property taxes	\$ 16,692,413	\$ 16,692,413	\$ 17,514,879	\$ 822,466
Sales taxes	2,600,000	2,600,000	2,884,408	284,408
Mixed beverage tax	75,000	75,000	107,188	32,188
Licenses, fees and fines	2,896,900	2,896,900	3,122,959	226,059
Governmental grants	244,770	249,390	238,952	(10,438)
Inmate revenue	82,000	82,000	71,283	(10,717)
Interest earned	218,500	218,500	1,393,837	1,175,337
Other revenue	186,000	221,700	358,417	136,717
Total revenues	<u>22,995,583</u>	<u>23,035,903</u>	<u>25,691,923</u>	<u>2,656,020</u>
Expenditures				
29th District Court	659,805	659,805	522,244	137,561
Commissioners' Court	76,749	76,749	72,797	3,952
Constable	712,939	721,539	666,289	55,250
County Attorney	401,864	401,864	388,266	13,598
County Auditor	354,506	354,506	347,387	7,119
County Clerk	574,525	574,525	545,029	29,496
County Court	256,376	256,376	241,640	14,736
County Extension Service	133,613	133,613	129,262	4,351
County Treasurer	174,487	174,487	169,100	5,387
District Attorney	426,874	431,494	418,321	13,173
District Clerk	308,135	308,135	263,427	44,708
Election Administration	331,053	331,053	300,153	30,900
Emergency Management	113,426	113,426	102,053	11,373
General Operations	5,318,830	5,256,206	4,439,828	816,378
Health Services	10,000	10,000	10,000	-
Information Technology	164,364	225,608	217,384	8,224
Jail and detention	3,178,657	3,201,757	2,941,734	260,023
Justice of the Peace	750,151	751,531	731,038	20,493
Narcotics Unit	199,728	194,728	125,352	69,376
Public Works	533,230	533,230	441,433	91,797
Road and Bridge:				
Precinct No. 1	779,277	779,277	682,399	96,878
Precinct No. 2	1,283,170	1,284,520	956,131	328,389
Precinct No. 3	958,849	954,349	662,744	291,605
Precinct No. 4	1,009,317	1,159,867	905,947	253,920
Sheriff	3,002,174	3,011,174	2,577,189	433,985
Tax Assessor-Collector	831,250	831,250	751,464	79,786
Veterans' Administration	62,916	62,916	54,745	8,171
Total expenditures	<u>22,606,265</u>	<u>22,793,985</u>	<u>19,663,356</u>	<u>3,130,629</u>
Excess of revenues over expenditures before other sources and (uses)	<u>389,318</u>	<u>241,918</u>	<u>6,028,567</u>	<u>5,786,649</u>

PALO PINTO COUNTY, TEXAS
BUDGETARY COMPARISON SCHEDULE -
GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2025

	Budgeted Amounts		Actual	Variance With Final Budget - Positive (Negative)
	Original	Final		
Other sources and (uses):				
Issuance of RTU lease liabilities	-	-	40,518	40,518
Issuance of lease financing liabilities	-	-	150,550	150,550
Proceeds from the sale of capital assets	-	1,350	1,350	-
Transfers out	(1,087,800)	(1,092,300)	(1,066,850)	25,450
Total other sources and (uses)	(1,087,800)	(1,090,950)	(874,432)	216,518
Net change in fund balances	(698,482)	(849,032)	5,154,135	6,003,167
Fund balances, beginning of year	25,335,628	25,335,628	25,335,628	-
Fund balances, end of year	<u>\$ 24,637,146</u>	<u>\$ 24,486,596</u>	<u>\$ 30,489,763</u>	<u>\$ 6,003,167</u>

PALO PINTO COUNTY, TEXAS

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
TEXAS COUNTY AND DISTRICT RETIREMENT SYSTEM

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Total Pension Liability										
Service cost	\$ 1,419,068	\$ 1,187,028	\$ 1,165,836	\$ 1,138,604	\$ 1,078,785	\$ 1,100,438	\$ 1,073,724	\$ 995,107	\$ 1,207,726	\$ 1,046,808
Interest on total pension liability	3,718,232	3,468,587	3,292,856	3,147,776	3,029,788	3,112,978	2,928,202	2,546,892	2,503,133	2,523,339
Effect of plan changes	-	824,899	-	174,539	-	(3,082,847)	(150,442)	2,847,868	(3,403,227)	(192,524)
Effect of assumption changes or inputs	-	-	-	(80,952)	2,250,679	-	-	168,325	-	415,741
Effect of economic/demographic (gains) or losses	534,585	52,529	167,106	(372,086)	(413,081)	(293,307)	143,741	(272,062)	(336,008)	(989,135)
Benefit payments/refunds of contributions	(2,429,072)	(2,529,641)	(2,146,842)	(2,106,216)	(1,881,092)	(1,805,679)	(1,678,293)	(1,636,946)	(1,373,929)	(1,336,135)
Net change in total pension liability	3,242,813	3,003,402	2,478,956	1,901,665	4,065,079	(968,417)	2,316,932	4,649,184	(1,402,305)	1,468,094
Total pension liability, beginning	48,697,338	45,693,936	43,214,980	41,313,315	37,248,236	38,216,653	35,899,721	31,250,537	32,652,842	31,184,748
Total pension liability, ending (a)	\$ 51,940,151	\$ 48,697,338	\$ 45,693,936	\$ 43,214,980	\$ 41,313,315	\$ 37,248,236	\$ 38,216,653	\$ 35,899,721	\$ 31,250,537	\$ 32,652,842
Fiduciary Net Position										
Employer contributions	\$ 1,404,511	\$ 1,149,971	\$ 1,189,956	\$ 1,142,024	\$ 1,055,052	\$ 956,238	\$ 973,986	\$ 856,180	\$ 868,018	\$ 887,413
Member contributions	716,201	645,016	605,742	556,422	558,119	560,604	543,693	536,931	512,318	517,657
Investment income net of investment expenses	4,879,325	4,816,758	(2,725,675)	8,505,344	3,673,327	5,061,849	(590,482)	4,055,653	1,923,170	(48,568)
Benefit payments/refunds of contributions	(2,429,073)	(2,529,641)	(2,146,842)	(2,106,216)	(1,881,092)	(1,805,678)	(1,678,293)	(1,636,946)	(1,373,929)	(1,336,135)
Administrative expenses	(28,564)	(25,028)	(25,723)	(25,431)	(28,490)	(27,100)	(24,756)	(21,015)	(20,966)	(18,878)
Other	(2,779)	(19,171)	(10,156)	(467)	(4,404)	(4,935)	(1,611)	(3,489)	(180,009)	(322,305)
Net change in fiduciary net position	4,539,621	4,037,905	(3,112,698)	8,071,676	3,372,512	4,740,978	(777,463)	3,787,314	1,728,602	(320,816)
Fiduciary net position, beginning	47,932,183	43,894,278	47,006,976	38,935,300	35,562,788	30,821,810	31,599,273	27,811,959	26,083,357	26,404,173
Fiduciary net position, ending (b)	\$ 52,471,804	\$ 47,932,183	\$ 43,894,278	\$ 47,006,976	\$ 38,935,300	\$ 35,562,788	\$ 30,821,810	\$ 31,599,273	\$ 27,811,959	\$ 26,083,357
Net pension liability / (asset), ending = (a) - (b)	\$ (531,653)	\$ 765,155	\$ 1,799,658	\$ (3,791,996)	\$ 2,378,015	\$ 1,685,448	\$ 7,394,843	\$ 4,300,448	\$ 3,438,578	\$ 6,569,485
Fiduciary net position as a % of total pension liability	101.02%	98.43%	96.06%	108.77%	94.24%	95.48%	80.65%	88.02%	89.00%	79.88%
Covered payroll	\$ 10,231,439	\$ 9,214,507	\$ 8,653,457	\$ 7,948,879	\$ 7,973,135	\$ 8,008,635	\$ 7,767,043	\$ 7,497,204	\$ 7,318,831	\$ 7,395,103
Net pension liability as a % of covered payroll	-5.20%	8.30%	20.80%	-47.70%	29.83%	21.05%	95.21%	57.36%	46.98%	88.84%

PALO PINTO COUNTY, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER PENSION CONTRIBUTIONS
TEXAS COUNTY AND DISTRICT RETIREMENT SYSTEM

<u>Year Ending September 30,</u>	<u>Actuarially Determined Contribution (1)</u>	<u>Actual Employer Contribution (1)</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Payroll (2)</u>	<u>Actual Contribution as a % of Covered Payroll</u>
2016	\$ 887,413	\$ 887,413	\$ -	\$ 7,395,103	12.0%
2017	868,018	868,018	-	7,318,831	11.9%
2018	940,711	940,711	-	7,693,090	12.2%
2019	973,986	973,986	-	7,767,043	12.5%
2020	990,948	1,050,948	(60,000)	8,038,393	13.1%
2021	977,909	1,127,909	(150,000)	7,835,814	14.4%
2022	1,103,658	1,103,658	-	8,843,416	12.5%
2023	1,128,923	1,238,923	(110,000)	9,045,844	13.7%
2024	1,263,117	1,363,117	(100,000)	9,955,405	13.7%
2025	1,382,032	1,492,232	(110,200)	10,832,991	13.8%

(1) TCDRS calculates actuarially determined contributions on a calendar year basis. GASB Statement No. 68 indicates the employer should report employer contribution amounts on a fiscal year basis. If additional assistance is needed, please contact TCDRS.

(2) Payroll is calculated based on contributions as reported to TCDRS.

PALO PINTO COUNTY, TEXAS

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS
TEXAS COUNTY AND DISTRICT RETIREMENT SYSTEM

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Total OPEB Liability										
Service cost	\$ 16,910	\$ 13,244	\$ 21,014	\$ 18,182	\$ 17,155	\$ 11,940	\$ 13,994	\$ 12,537	N/A	N/A
Interest on total OPEB liability	17,113	17,942	12,539	12,663	14,451	16,815	14,803	15,226	N/A	N/A
Effect of plan changes	-	-	-	-	-	-	-	-	N/A	N/A
Effect of assumption changes or inputs	(68,764)	38,183	(164,520)	10,445	63,093	105,318	(45,807)	17,627	N/A	N/A
Effect of economic/demographic (gains) or losses	8,215	(18,702)	23,895	(19,879)	(13,085)	(9,594)	10,291	(9,405)	N/A	N/A
Benefit payments	(13,301)	(10,136)	(12,980)	(12,718)	(12,757)	(12,013)	(10,874)	(8,997)	N/A	N/A
Net change in total OPEB liability	(39,827)	40,531	(120,052)	8,693	68,857	112,466	(17,593)	26,988	N/A	N/A
Total OPEB liability, beginning	514,619	474,088	594,140	585,447	516,590	404,124	421,717	394,729	N/A	N/A
Total OPEB liability, ending	<u>\$ 474,792</u>	<u>\$ 514,619</u>	<u>\$ 474,088</u>	<u>\$ 594,140</u>	<u>\$ 585,447</u>	<u>\$ 516,590</u>	<u>\$ 404,124</u>	<u>\$ 421,717</u>	<u>N/A</u>	<u>N/A</u>
Pensionable Covered payroll	<u>\$ 10,231,439</u>	<u>\$ 9,214,507</u>	<u>\$ 8,653,457</u>	<u>\$ 7,948,879</u>	<u>\$ 7,973,135</u>	<u>\$ 8,008,635</u>	<u>\$ 7,767,043</u>	<u>\$ 7,497,204</u>	<u>N/A</u>	<u>N/A</u>
Net OPEB liability as a % of covered payroll	<u>4.64%</u>	<u>5.58%</u>	<u>5.48%</u>	<u>7.47%</u>	<u>7.34%</u>	<u>6.45%</u>	<u>5.20%</u>	<u>5.62%</u>	<u>N/A</u>	<u>N/A</u>

This schedule is presented to illustrate the requirement to show information for 10 years. However, recalculations of prior years are not required, and if prior years are not reported in accordance with the standards of GASB 74/75, they should not be shown here. Therefore, we have shown only years for which the new GASB statements have been implemented.

PALO PINTO COUNTY, TEXAS

**REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS
PALO PINTO COUNTY RETIREE HEALTH CARE PLAN**

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Total OPEB Liability										
Service cost	\$ 275,268	\$ 222,303	\$ 222,303	\$ 339,207	\$ 339,207	\$ 257,481	\$ 257,481	\$ 247,435	N/A	N/A
Interest cost	170,403	187,931	177,957	115,887	109,931	177,915	157,617	157,892	N/A	N/A
Change of benefit terms	-	-	-	-	-	-	-	-	N/A	N/A
Difference between expected and actual experience	-	(343,163)	-	(147,800)	-	(204,297)	-	-	N/A	N/A
Changes in assumptions	-	331,300	-	(1,421,882)	-	371,429	-	-	N/A	N/A
Other changes	-	-	-	-	-	-	-	-	N/A	N/A
Contributions-employer	-	-	-	-	-	-	-	-	N/A	N/A
Net investment income	-	-	-	-	-	-	-	-	N/A	N/A
Benefit payments	(194,073)	(194,073)	(188,260)	(188,262)	(180,590)	(180,590)	(164,666)	(164,666)	N/A	N/A
Administrative expense	-	-	-	-	-	-	-	-	N/A	N/A
Net change in total OPEB liability	251,598	204,298	212,000	(1,302,850)	268,548	421,938	250,432	240,661	N/A	N/A
Total OPEB liability, beginning	4,018,887	3,814,589	3,602,589	4,905,439	4,636,891	4,214,953	3,964,521	3,723,860	N/A	N/A
Total OPEB liability, ending	<u>\$ 4,270,485</u>	<u>\$ 4,018,887</u>	<u>\$ 3,814,589</u>	<u>\$ 3,602,589</u>	<u>\$ 4,905,439</u>	<u>\$ 4,636,891</u>	<u>\$ 4,214,953</u>	<u>\$ 3,964,521</u>	<u>N/A</u>	<u>N/A</u>
Covered payroll	<u>\$ 8,497,884</u>	<u>\$ 8,497,884</u>	<u>\$ 7,652,911</u>	<u>\$ 7,652,911</u>	<u>\$ 7,052,997</u>	<u>\$ 7,052,997</u>	<u>\$ 6,627,588</u>	<u>\$ 6,627,588</u>	<u>N/A</u>	<u>N/A</u>
Net OPEB liability as a % of covered payroll	<u>50.25%</u>	<u>47.29%</u>	<u>49.84%</u>	<u>47.07%</u>	<u>69.55%</u>	<u>65.74%</u>	<u>63.60%</u>	<u>59.82%</u>	<u>N/A</u>	<u>N/A</u>

This schedule is presented to illustrate the requirement to show information for 10 years. However, recalculations of prior years are not required, and if prior years are not reported in accordance with the standards of GASB 74/75, they should not be shown here. Therefore, we have shown only years for which the new GASB statements have been implemented.

PALO PINTO COUNTY, TEXAS
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED SEPTEMBER 30, 2025

BUDGET

Annual budgets are adopted on the GAAP basis of accounting for all governmental funds except capital project funds. All annual appropriations lapse at fiscal year-end.

The County Judge is, by statute, the Budget Officer of the County and has the responsibility of preparing the County's budget. Under the County's budgeting procedures, each department submits a budget request to the County Judge. The County Judge reviews budget requests and holds informal hearings when needed. Before October 1, a proposed budget is presented to the Commissioners' Court. A public hearing is then held and the Commissioners' Court takes action on the proposed budget. Before determining the final budget, the Commissioners' Court may increase or decrease the amounts requested by the various departments. Amounts finally budgeted may not exceed the estimate of revenues and available fund balance.

Once the budget has been adopted by the Commissioners' Court, the County Auditor is responsible for monitoring the expenditures of the various departments of the County to prevent expenditures from exceeding budgeted appropriations and for keeping members of the Commissioners' Court advised of the conditions of the various funds and accounts.

The appropriated budget is prepared by fund. Any transfers of appropriations are first approved by the Commissioners' Court. No amendments may be made without Commissioners' Court approval to the total budget for each department within a fund. Thus, the legal level of budgetary control is at the department level. No supplemental appropriations were required during the year.

For the year ended September 30, 2025, there were no expenditures that exceeded appropriations.

DEFINED BENEFIT PENSION PLAN

Texas County and District Retirement System

Changes in benefit terms or assumptions

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

DEFINED OTHER POST-EMPLOYMENT BENEFIT PLAN

Texas County and District Retirement System

Changes in benefit terms or assumptions

The only changes of the benefit terms or assumptions that affected measurement of the Texas County and District Retirement System total OPEB plan liability during the measurement period was an increase in the Investment Real Rate of Return from 3.26% per year to 4.08% per year.

PALO PINTO COUNTY, TEXAS
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (CONT'D.)
YEAR ENDED SEPTEMBER 30, 2025

Palo Pinto County Retiree Health Care Plan

Changes in benefit terms or assumptions

There were no changes in the benefit terms or assumptions that affected measurement of the Palo Pinto County Retiree Health Care Plan during the measurement period.

***COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS
AS OTHER SUPPLEMENTARY INFORMATION***

This supplementary information includes financial statements and schedules not required by the Governmental Accounting Standards Board, nor a part of the basic financial statements, but are presented for purposes of additional analysis.

PALO PINTO COUNTY, TEXAS
COMBINING BALANCE SHEET - GENERAL FUND
SEPTEMBER 30, 2025

	10 General Fund	11/12/13/14 Road and Bridge Fund	Total
ASSETS			
Cash	\$ 9,988,563	\$ 2,722,489	\$ 12,711,052
Investments	13,939,370	3,941,883	17,881,253
Receivables, net:			
Property taxes	404,357	86,875	491,232
Sales tax	490,073	-	490,073
Accounts	67,255	33,949	101,204
Due from other funds	164,250	36,466	200,716
Prepaid expenses	367,320	1,045	368,365
Inventory	2,536	111,839	114,375
Total assets	<u>\$ 25,423,724</u>	<u>\$ 6,934,546</u>	<u>\$ 32,358,270</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 313,162	\$ 214,601	\$ 527,763
Accrued liabilities	224,804	38,551	263,355
Due to other funds	3,977	-	3,977
Due to others	340,360	-	340,360
Unearned revenue	241,820	-	241,820
Total liabilities	<u>1,124,123</u>	<u>253,152</u>	<u>1,377,275</u>
Deferred inflows of resources:			
Unavailable property taxes	<u>404,357</u>	<u>86,875</u>	<u>491,232</u>
Fund balances:			
Nonspendable	369,856	112,884	482,740
Restricted	34,095	-	34,095
Committed	6,941	-	6,941
Assigned	1,367,207	208,380	1,575,587
Unassigned	22,117,145	6,273,255	28,390,400
Total fund balances	<u>23,895,244</u>	<u>6,594,519</u>	<u>30,489,763</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 25,423,724</u>	<u>\$ 6,934,546</u>	<u>\$ 32,358,270</u>

PALO PINTO COUNTY, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2025

	10	11/12/13/14	
	General	Road	Total
	Fund	and Bridge	
	Fund	Fund	
Revenues			
Property taxes	\$ 14,332,119	\$ 3,182,760	\$ 17,514,879
Sales taxes	2,884,408	-	2,884,408
Mixed beverage tax	107,188	-	107,188
Licenses, fees and fines	2,395,876	727,083	3,122,959
Governmental grants	238,952	-	238,952
Inmate revenue	71,283	-	71,283
Interest earned	1,102,979	290,858	1,393,837
Other revenue	358,050	367	358,417
Total revenues	<u>21,490,855</u>	<u>4,201,068</u>	<u>25,691,923</u>
Expenditures			
29th District Court	522,244	-	522,244
Commissioners' Court	72,797	-	72,797
Constable	666,289	-	666,289
County Attorney	388,266	-	388,266
County Auditor	347,387	-	347,387
County Clerk	545,029	-	545,029
County Court	241,640	-	241,640
County Extension Service	129,262	-	129,262
County Treasurer	169,100	-	169,100
District Attorney	418,321	-	418,321
District Clerk	263,427	-	263,427
Election Administration	300,153	-	300,153
Emergency Management	102,053	-	102,053
General operations	4,439,828	-	4,439,828
Health services	10,000	-	10,000
Information Technology	217,384	-	217,384
Jail and detention	2,941,734	-	2,941,734
Justice of the Peace	731,038	-	731,038
Narcotics Unit	125,352	-	125,352
Public Works	441,433	-	441,433
Road and Bridge:			
Precinct No. 1	-	682,399	682,399
Precinct No. 2	-	956,131	956,131
Precinct No. 3	-	662,744	662,744
Precinct No. 4	-	905,947	905,947
Sheriff	2,577,189	-	2,577,189
Tax Assessor-Collector	751,464	-	751,464
Veteran's Administration	54,745	-	54,745
Total expenditures	<u>16,456,135</u>	<u>3,207,221</u>	<u>19,663,356</u>
Excess of revenues over expenditures before other sources and (uses)	<u>5,034,720</u>	<u>993,847</u>	<u>6,028,567</u>
Other sources and (uses):			
Issuance of RTU lease liabilities	40,518	-	40,518
Issuance of lease financing liabilities	-	150,550	150,550
Proceeds from the sale of capital assets	-	1,350	1,350
Transfers out	(1,050,000)	(16,850)	(1,066,850)
Total other sources and (uses)	<u>(1,009,482)</u>	<u>135,050</u>	<u>(874,432)</u>
Net change in fund balances	4,025,238	1,128,897	5,154,135
Fund balances, beginning of year	<u>19,870,006</u>	<u>5,465,622</u>	<u>25,335,628</u>
Fund balances, end of year	<u>\$ 23,895,244</u>	<u>\$ 6,594,519</u>	<u>\$ 30,489,763</u>

PALO PINTO COUNTY, TEXAS

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - GENERAL FUND FOR THE YEAR ENDED SEPTEMBER 30, 2025

	General (10)		Variance Favorable (Unfavorable)
	Final Budget	Actual	
Revenues			
Property taxes	\$ 14,089,501	\$ 14,332,119	\$ 242,618
Sales taxes	2,600,000	2,884,408	284,408
Mixed beverage tax	75,000	107,188	32,188
Licenses, fees and fines	2,197,500	2,395,876	198,376
Governmental grants	249,390	238,952	(10,438)
Inmate revenue	82,000	71,283	(10,717)
Interest earned	150,500	1,102,979	952,479
Other revenue	219,700	358,050	138,350
Total revenues	19,663,591	21,490,855	1,827,264
Expenditures			
29th District Court	659,805	522,244	137,561
Commissioners' Court	76,749	72,797	3,952
Constable	721,539	666,289	55,250
County Attorney	401,864	388,266	13,598
County Auditor	354,506	347,387	7,119
County Clerk	574,525	545,029	29,496
County Court	256,376	241,640	14,736
County Extension Service	133,613	129,262	4,351
County Treasurer	174,487	169,100	5,387
District Attorney	431,494	418,321	13,173
District Clerk	308,135	263,427	44,708
Election Administration	331,053	300,153	30,900
Emergency Management	113,426	102,053	11,373
General operations	5,256,206	4,439,828	816,378
Health services	10,000	10,000	-
Information Technology	225,608	217,384	8,224
Jail and detention	3,201,757	2,941,734	260,023
Justice of the Peace	751,531	731,038	20,493
Narcotics Unit	194,728	125,352	69,376
Public Works	533,230	441,433	91,797
Road and Bridge:			
Precinct No. 1	-	-	-
Precinct No. 2	-	-	-
Precinct No. 3	-	-	-
Precinct No. 4	-	-	-
Sheriff	3,011,174	2,577,189	433,985
Tax Assessor-Collector	831,250	751,464	79,786
Veteran's Administration	62,916	54,745	8,171
Total expenditures	18,615,972	16,456,135	2,159,837
Excess of revenues over (under) expenditures before other sources and (uses)	1,047,619	5,034,720	3,987,101
Other sources and (uses):			
Issuance of RTU lease liabilities	-	40,518	40,518
Issuance of lease financing liabilities	-	-	-
Proceeds from the sale of capital assets	-	-	-
Transfers out	(1,075,000)	(1,050,000)	25,000
Total other sources and (uses):	(1,075,000)	(1,009,482)	65,518
Net change in fund balances	(27,381)	4,025,238	4,052,619
Fund balances, beginning of year	19,870,006	19,870,006	-
Fund balances, end of year	\$ 19,842,625	\$ 23,895,244	\$ 4,052,619

Road and Bridge (11/12/13/14)			Total		
Final Budget	Actual	Variance Favorable (Unfavorable)	Final Budget	Actual	Variance Favorable (Unfavorable)
\$ 2,602,912	\$ 3,182,760	\$ 579,848	\$ 16,692,413	\$ 17,514,879	\$ 822,466
-	-	-	2,600,000	2,884,408	284,408
-	-	-	75,000	107,188	32,188
699,400	727,083	27,683	2,896,900	3,122,959	226,059
-	-	-	249,390	238,952	(10,438)
-	-	-	82,000	71,283	(10,717)
68,000	290,858	222,858	218,500	1,393,837	1,175,337
2,000	367	(1,633)	221,700	358,417	136,717
<u>3,372,312</u>	<u>4,201,068</u>	<u>828,756</u>	<u>23,035,903</u>	<u>25,691,923</u>	<u>2,656,020</u>
-	-	-	659,805	522,244	137,561
-	-	-	76,749	72,797	3,952
-	-	-	721,539	666,289	55,250
-	-	-	401,864	388,266	13,598
-	-	-	354,506	347,387	7,119
-	-	-	574,525	545,029	29,496
-	-	-	256,376	241,640	14,736
-	-	-	133,613	129,262	4,351
-	-	-	174,487	169,100	5,387
-	-	-	431,494	418,321	13,173
-	-	-	308,135	263,427	44,708
-	-	-	331,053	300,153	30,900
-	-	-	113,426	102,053	11,373
-	-	-	5,256,206	4,439,828	816,378
-	-	-	10,000	10,000	-
-	-	-	225,608	217,384	8,224
-	-	-	3,201,757	2,941,734	260,023
-	-	-	751,531	731,038	20,493
-	-	-	194,728	125,352	69,376
-	-	-	533,230	441,433	91,797
779,277	682,399	96,878	779,277	682,399	96,878
1,284,520	956,131	328,389	1,284,520	956,131	328,389
954,349	662,744	291,605	954,349	662,744	291,605
1,159,867	905,947	253,920	1,159,867	905,947	253,920
-	-	-	3,011,174	2,577,189	433,985
-	-	-	831,250	751,464	79,786
-	-	-	62,916	54,745	8,171
<u>4,178,013</u>	<u>3,207,221</u>	<u>970,792</u>	<u>22,793,985</u>	<u>19,663,356</u>	<u>3,130,629</u>
(805,701)	993,847	1,799,548	241,918	6,028,567	5,786,649
-	-	-	-	40,518	40,518
150,550	150,550	-	150,550	150,550	-
1,350	1,350	-	1,350	1,350	-
(17,300)	(16,850)	450	(1,092,300)	(1,066,850)	25,450
<u>134,600</u>	<u>135,050</u>	<u>450</u>	<u>(940,400)</u>	<u>(874,432)</u>	<u>65,968</u>
(671,101)	1,128,897	1,799,998	(698,482)	5,154,135	5,852,617
5,465,622	5,465,622	-	25,335,628	25,335,628	-
<u>\$ 4,794,521</u>	<u>\$ 6,594,519</u>	<u>\$ 1,799,998</u>	<u>\$ 24,637,146</u>	<u>\$ 30,489,763</u>	<u>\$ 5,852,617</u>

PALO PINTO COUNTY, TEXAS
COMBINING BALANCE SHEET
NONMAJOR FUNDS
SEPTEMBER 30, 2025

	Special Revenue Funds							
	15	20	21	23	24	25	30	32
	CETRZ	Commissary	Sheriff SB22	Historical Commission	Marlow Cemetery Trust	County Attorney	District Attorney Fees	Tax Assessor-Collector
ASSETS								
Cash	\$ -	\$ 47,479	\$ 227,342	\$ 29,786	\$ 1,134	\$ 711	\$ 1,828	\$ 20,982
Investments	-	-	-	-	-	-	-	-
Receivables, net:								
Property taxes	-	-	-	-	-	-	-	-
Occupancy taxes	-	-	-	-	-	-	-	-
Accounts	-	173	-	-	-	-	-	-
Due from other funds	-	-	-	-	-	-	-	320
Prepaid expenses	-	-	-	120	-	-	-	-
Total assets	\$ -	\$ 47,652	\$ 227,342	\$ 29,906	\$ 1,134	\$ 711	\$ 1,828	\$ 21,302
LIABILITIES AND FUND BALANCES								
Liabilities:								
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Accrued liabilities	-	-	3,797	-	-	-	-	-
Due to other funds	-	-	-	-	-	-	-	-
Due to others	-	242	-	-	-	-	-	-
Unearned revenues	-	-	223,545	-	-	-	-	-
Total liabilities	-	242	227,342	-	-	-	-	-
Deferred inflows of resources:								
Unavailable property taxes	-	-	-	-	-	-	-	-
Fund balances:								
Nonspendable	-	-	-	120	-	-	-	-
Restricted	-	47,410	-	29,786	-	711	1,828	21,302
Committed	-	-	-	-	1,134	-	-	-
Total fund balances	-	47,410	-	29,906	1,134	711	1,828	21,302
Total liabilities and fund balances	\$ -	\$ 47,652	\$ 227,342	\$ 29,906	\$ 1,134	\$ 711	\$ 1,828	\$ 21,302

Special Revenue Funds								
35 Hotel/ Motel Fund	36 District Attorney SB22	37 Co. Attorney Pretrial Intervention	38 Opioid Settlement	41 District Attorney SB22	42 District Attorney Forfeited	45 Sheriff Forfeited	48 District Attorney State	49 Election Services Fund
\$ 328,730	\$ 96,124	\$ 27,752	\$ 90,079	\$ 29,513	\$ 92,490	\$ 5,703 31,897	\$ 50,145	\$ 3,598
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
226,031	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
<u>\$ 554,761</u>	<u>\$ 96,124</u>	<u>\$ 27,752</u>	<u>\$ 90,079</u>	<u>\$ 29,513</u>	<u>\$ 92,490</u>	<u>\$ 37,600</u>	<u>\$ 50,145</u>	<u>\$ 3,598</u>
\$ 435,671	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	1,365	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	94,759	-	-	29,513	-	-	-	-
<u>435,671</u>	<u>96,124</u>	<u>-</u>	<u>-</u>	<u>29,513</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
119,090	-	27,752	90,079	-	92,490	37,600	50,145	3,598
-	-	-	-	-	-	-	-	-
<u>119,090</u>	<u>-</u>	<u>27,752</u>	<u>90,079</u>	<u>-</u>	<u>92,490</u>	<u>37,600</u>	<u>50,145</u>	<u>3,598</u>
<u>\$ 554,761</u>	<u>\$ 96,124</u>	<u>\$ 27,752</u>	<u>\$ 90,079</u>	<u>\$ 29,513</u>	<u>\$ 92,490</u>	<u>\$ 37,600</u>	<u>\$ 50,145</u>	<u>\$ 3,598</u>

PALO PINTO COUNTY, TEXAS
COMBINING BALANCE SHEET
NONMAJOR FUNDS
SEPTEMBER 30, 2025

	Special Revenue Funds						
	50	51	52	53	54	55	56
	County	District		Juvenile	Law	Courthouse	Justice
	Clerk	Clerk	Preservation	Case	Library	Security	Technology
	PRF	PRF	of Records	Management	Fund	Fund	Fund
ASSETS							
Cash	\$ 71,698	\$ 105,146	\$ 27,506	\$ 20,345	\$ 30,668	\$ 34,581	\$ 41,617
Investments	726,125	77,107	88,970	-	105,065	9,270	94,901
Receivables, net:							
Property taxes	-	-	-	-	-	-	-
Occupancy taxes	-	-	-	-	-	-	-
Accounts	-	-	-	-	-	-	-
Due from other funds	12,365	1,786	16	80	1,890	1,138	96
Prepaid expenses	-	-	-	-	-	-	-
Total assets	<u>\$ 810,188</u>	<u>\$ 184,039</u>	<u>\$ 116,492</u>	<u>\$ 20,425</u>	<u>\$ 137,623</u>	<u>\$ 44,989</u>	<u>\$ 136,614</u>
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ 1,421	\$ 209	\$ 1,232
Accrued liabilities	125	-	-	-	-	6,723	-
Due to other funds	-	-	-	-	-	-	-
Due to others	-	-	-	-	-	-	-
Unearned revenues	-	-	-	-	-	-	-
Total liabilities	<u>125</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,421</u>	<u>6,932</u>	<u>1,232</u>
Deferred inflows of resources:							
Unavailable property taxes	-	-	-	-	-	-	-
Fund balances:							
Nonspendable	-	-	-	-	-	-	-
Restricted	810,063	184,039	116,492	20,425	136,202	38,057	135,382
Committed	-	-	-	-	-	-	-
Total fund balances	<u>810,063</u>	<u>184,039</u>	<u>116,492</u>	<u>20,425</u>	<u>136,202</u>	<u>38,057</u>	<u>135,382</u>
Total liabilities and fund balances	<u>\$ 810,188</u>	<u>\$ 184,039</u>	<u>\$ 116,492</u>	<u>\$ 20,425</u>	<u>\$ 137,623</u>	<u>\$ 44,989</u>	<u>\$ 136,614</u>

			Debt Service Funds		Capital Projects Funds						Total
57	58	59	62	63	70	71	72	73	75	76	Other
Justice Court Security Fee	Employee Fund	Special Court Fund	Texas Capital Fund	TWDB Fund	Texas Capital Fund	Sewer Plant	Dempsey Facility	HAVA Project	Court Facility	TXCDBG Project	Governmental Funds
\$ 53,750	\$ 3,684	\$ 19,397	\$ -	\$ 30,235	\$ 100	\$ 228,175	\$ 378,629 390,092	\$ 51,798	\$ 42,391	\$ -	\$ 2,193,116
-	-	-	-	-	-	-	-	-	-	-	1,523,427
-	-	-	-	1,455	-	-	-	-	-	-	1,455
-	-	-	-	-	-	-	8,200	-	-	-	226,031
-	-	-	-	-	-	-	-	-	-	-	8,373
23	77	-	-	68	-	-	-	-	1,060	-	18,919
-	-	-	-	-	-	-	-	-	-	-	120
<u>\$ 53,773</u>	<u>\$ 3,761</u>	<u>\$ 19,397</u>	<u>\$ -</u>	<u>\$ 31,758</u>	<u>\$ 100</u>	<u>\$ 228,175</u>	<u>\$ 776,921</u>	<u>\$ 51,798</u>	<u>\$ 43,451</u>	<u>\$ -</u>	<u>\$ 3,971,441</u>
\$ -	\$ 26	\$ -	\$ -	\$ -	\$ -	\$ 4,116	\$ -	\$ -	\$ -	\$ -	\$ 442,675
-	-	-	-	-	-	-	-	-	-	-	12,010
-	-	-	-	11,649	-	-	-	-	-	-	11,649
-	-	-	-	-	-	-	-	-	-	-	242
-	-	-	-	-	-	-	-	-	-	-	347,817
-	26	-	-	11,649	-	4,116	-	-	-	-	814,393
-	-	-	-	1,455	-	-	-	-	-	-	1,455
-	-	-	-	-	-	-	-	-	-	-	120
53,773	-	19,397	-	18,654	100	224,059	-	51,798	-	-	2,330,232
-	3,735	-	-	-	-	-	776,921	-	43,451	-	825,241
<u>53,773</u>	<u>3,735</u>	<u>19,397</u>	<u>-</u>	<u>18,654</u>	<u>100</u>	<u>224,059</u>	<u>776,921</u>	<u>51,798</u>	<u>43,451</u>	<u>-</u>	<u>3,155,593</u>
<u>\$ 53,773</u>	<u>\$ 3,761</u>	<u>\$ 19,397</u>	<u>\$ -</u>	<u>\$ 31,758</u>	<u>\$ 100</u>	<u>\$ 228,175</u>	<u>\$ 776,921</u>	<u>\$ 51,798</u>	<u>\$ 43,451</u>	<u>\$ -</u>	<u>\$ 3,971,441</u>

PALO PINTO COUNTY, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - NONMAJOR FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2025

	Special Revenue Funds							
	15	20	21	23	24	25	30	32
	CETRZ	Commissary	Sheriff SB22	Historical Commission	Marlow Cemetery Trust	County Attorney	District Attorney Fees	Tax Assessor-Collector
Revenues								
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Occupancy tax	-	-	-	-	-	-	-	-
Licenses, fees and fines	-	-	-	-	-	204	77	3,188
Governmental grants	44,008	-	303,574	-	-	-	-	-
Commissary revenue	-	94,159	-	-	-	-	-	-
Interest earned	-	-	15,508	1,246	48	-	-	834
Other revenue	-	-	-	7,347	-	-	-	-
Total revenues	<u>44,008</u>	<u>94,159</u>	<u>319,082</u>	<u>8,593</u>	<u>48</u>	<u>204</u>	<u>77</u>	<u>4,022</u>
Expenditures								
Capital projects	-	-	-	-	-	-	-	-
Commissary	-	98,786	-	-	-	-	-	-
County Attorney	-	-	-	-	-	-	-	-
County Clerk	-	-	-	-	-	-	-	-
Courthouse security	-	-	-	-	-	-	-	-
Debt Service - principal	-	-	-	-	-	-	-	-
Debt Service - interest	-	-	-	-	-	-	-	-
Debt Service - agent fees	-	-	-	-	-	-	-	-
District Attorney	-	-	-	-	-	-	-	-
General operations	-	-	-	5,840	-	-	-	-
Hotel/motel tax	-	-	-	-	-	-	-	-
Road and Bridge:								
Precinct No. 2	20,564	-	-	-	-	-	-	-
Precinct No. 4	104	-	-	-	-	-	-	-
Sheriff	-	-	319,082	-	-	-	-	-
Vending expenditures	-	-	-	-	-	-	-	-
Total expenditures	<u>60,858</u>	<u>98,786</u>	<u>319,082</u>	<u>5,840</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures before other sources/(uses)	<u>(16,850)</u>	<u>(4,627)</u>	<u>-</u>	<u>2,753</u>	<u>48</u>	<u>204</u>	<u>77</u>	<u>4,022</u>
Other sources:								
Transfers in	16,850	-	-	500	-	-	-	-
Total other sources	<u>16,850</u>	<u>-</u>	<u>-</u>	<u>500</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>-</u>	<u>(4,627)</u>	<u>-</u>	<u>3,253</u>	<u>48</u>	<u>204</u>	<u>77</u>	<u>4,022</u>
Fund balances, beginning of year, as originally reported	-	52,037	-	26,653	1,086	507	1,751	17,280
Error correction	-	-	-	-	-	-	-	-
Fund balances, beginning of year, as restated	<u>-</u>	<u>52,037</u>	<u>-</u>	<u>26,653</u>	<u>1,086</u>	<u>507</u>	<u>1,751</u>	<u>17,280</u>
Fund balances, end of year	<u>\$ -</u>	<u>\$ 47,410</u>	<u>\$ -</u>	<u>\$ 29,906</u>	<u>\$ 1,134</u>	<u>\$ 711</u>	<u>\$ 1,828</u>	<u>\$ 21,302</u>

Special Revenue Funds								
35 Hotel/ Motel Fund	36 District Attorney SB22	37 Co. Attorney Pretrial Intervention	38 Opioid Settlement	41 District Attorney SB22	42 District Attorney Forfeited	45 Sheriff Forfeited	48 District Attorney State	49 Election Services Fund
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
591,916	-	-	-	-	-	-	-	-
-	153,890	5,750	37,129	145,487	-	-	20,967	448
-	-	-	-	-	-	-	-	-
3,756	7,687	1,276	2,780	3,684	3,921	1,706	96	234
-	-	-	-	-	-	-	-	2,401
<u>595,672</u>	<u>161,577</u>	<u>7,026</u>	<u>39,909</u>	<u>149,171</u>	<u>3,921</u>	<u>1,706</u>	<u>21,063</u>	<u>3,083</u>
-	-	-	-	-	-	-	-	-
-	161,577	9,871	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	149,171	406	-	12,334	-
-	-	-	-	-	-	-	-	7,200
567,381	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
<u>567,381</u>	<u>161,577</u>	<u>9,871</u>	<u>-</u>	<u>149,171</u>	<u>406</u>	<u>-</u>	<u>12,334</u>	<u>7,200</u>
28,291	-	(2,845)	39,909	-	3,515	1,706	8,729	(4,117)
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
<u>28,291</u>	<u>-</u>	<u>(2,845)</u>	<u>39,909</u>	<u>-</u>	<u>3,515</u>	<u>1,706</u>	<u>8,729</u>	<u>(4,117)</u>
198,697	-	30,597	50,170	-	88,975	35,894	41,416	7,715
(107,898)	-	-	-	-	-	-	-	-
<u>90,799</u>	<u>-</u>	<u>30,597</u>	<u>50,170</u>	<u>-</u>	<u>88,975</u>	<u>35,894</u>	<u>41,416</u>	<u>7,715</u>
<u>\$ 119,090</u>	<u>\$ -</u>	<u>\$ 27,752</u>	<u>\$ 90,079</u>	<u>\$ -</u>	<u>\$ 92,490</u>	<u>\$ 37,600</u>	<u>\$ 50,145</u>	<u>\$ 3,598</u>

PALO PINTO COUNTY, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - NONMAJOR FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2025

	Special Revenue Funds							
	50 County Clerk PRF	51 District Clerk PRF	52 Preservation of Records	53 Juvenile Case Management	54 Law Library Fund	55 Courthouse Security Fund	56 Justice Technology Fund	57 Justice Court Security Fee
Revenues								
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Occupancy tax	-	-	-	-	-	-	-	-
Licenses, fees and fines	158,571	18,427	489	20,900	20,449	28,392	17,379	5,076
Federal and state grants	-	-	-	-	-	-	-	-
Commissary revenue	-	-	-	-	-	-	-	-
Interest earned	35,932	7,201	4,821	1,004	5,489	2,462	5,414	2,136
Other revenue	-	-	-	-	-	-	-	-
Total revenues	<u>194,503</u>	<u>25,628</u>	<u>5,310</u>	<u>21,904</u>	<u>25,938</u>	<u>30,854</u>	<u>22,793</u>	<u>7,212</u>
Expenditures								
Capital projects	-	-	-	-	-	-	-	-
Commissary	-	-	-	-	-	-	-	-
County Attorney	-	-	-	-	-	-	-	-
County Clerk	357,628	-	-	-	-	-	-	-
Courthouse security	-	-	-	-	-	310,182	-	-
Debt Service - principal	-	-	-	-	-	-	-	-
Debt Service - interest	-	-	-	-	-	-	-	-
Debt Service - agent fees	-	-	-	-	-	-	-	-
District Attorney	-	-	-	-	-	-	-	-
General operations	-	-	-	18,000	16,272	-	8,936	-
Hotel/motel tax	-	-	-	-	-	-	-	-
Road and Bridge:								
Precinct No. 2	-	-	-	-	-	-	-	-
Precinct No. 4	-	-	-	-	-	-	-	-
Sheriff	-	-	-	-	-	-	-	-
Vending expenditures	-	-	-	-	-	-	-	-
Total expenditures	<u>357,628</u>	<u>-</u>	<u>-</u>	<u>18,000</u>	<u>16,272</u>	<u>310,182</u>	<u>8,936</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures before other sources/(uses)	<u>(163,125)</u>	<u>25,628</u>	<u>5,310</u>	<u>3,904</u>	<u>9,666</u>	<u>(279,328)</u>	<u>13,857</u>	<u>7,212</u>
Other sources:								
Transfers in	-	-	-	-	-	300,000	-	-
Total other sources/(uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>300,000</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>(163,125)</u>	<u>25,628</u>	<u>5,310</u>	<u>3,904</u>	<u>9,666</u>	<u>20,672</u>	<u>13,857</u>	<u>7,212</u>
Fund balances, beginning of year, as originally reported	973,188	158,411	111,182	16,521	126,536	17,385	121,525	46,561
Error correction	-	-	-	-	-	-	-	-
Fund balances, beginning of year, as restated	<u>973,188</u>	<u>158,411</u>	<u>111,182</u>	<u>16,521</u>	<u>126,536</u>	<u>17,385</u>	<u>121,525</u>	<u>46,561</u>
Fund balances, end of year	<u>\$ 810,063</u>	<u>\$ 184,039</u>	<u>\$ 116,492</u>	<u>\$ 20,425</u>	<u>\$ 136,202</u>	<u>\$ 38,057</u>	<u>\$ 135,382</u>	<u>\$ 53,773</u>

		Debt Service Funds		Capital Projects Funds						Total
58	59	62	63	70	71	72	73	75	76	Other
Employee Fund	Special Court Fund	Texas Capital Fund	TWDB Fund	Texas Capital Fund	Sewer Plant	Dempsey Facility	HAVA Project	Court Facility	TXCDBG Project	Governmental Funds
\$ -	\$ -	\$ -	\$ 38,618	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 38,618
-	-	-	-	-	-	-	-	-	-	591,916
-	3,067	-	-	-	-	-	-	11,620	-	294,037
-	-	-	-	-	-	-	-	-	-	705,055
-	-	-	-	-	-	-	-	-	-	94,159
158	734	3,080	1,327	-	13,633	34,170	2,193	1,530	-	164,060
2,038	-	10,920	-	-	-	56,033	-	-	-	78,739
2,196	3,801	14,000	39,945	-	13,633	90,203	2,193	13,150	-	1,966,584
-	-	-	-	-	137,550	45,317	-	-	-	182,867
-	-	-	-	-	-	-	-	-	-	98,786
-	-	-	-	-	-	-	-	-	-	171,448
-	-	-	-	-	-	-	-	-	-	357,628
-	-	-	-	-	-	-	-	-	-	310,182
-	-	14,000	45,000	-	-	-	-	-	-	59,000
-	-	-	83	-	-	-	-	-	-	83
-	-	-	-	-	400	-	-	-	-	400
-	-	-	-	-	-	-	-	-	-	161,911
-	-	-	-	-	-	-	-	-	-	56,248
-	-	-	-	-	-	-	-	-	-	567,381
-	-	-	-	-	-	-	-	-	-	20,564
-	-	-	-	-	-	-	-	-	-	104
-	-	-	-	-	-	-	-	-	-	319,082
2,137	-	-	-	-	-	-	-	-	-	2,137
2,137	-	14,000	45,083	-	137,950	45,317	-	-	-	2,348,011
59	3,801	-	(5,138)	-	(124,317)	44,886	2,193	13,150	-	(381,427)
-	-	-	-	-	-	-	-	-	-	317,350
-	-	-	-	-	-	-	-	-	-	317,350
59	3,801	-	(5,138)	-	(124,317)	44,886	2,193	13,150	-	(64,077)
3,676	15,596	-	23,792	100	348,376	732,035	49,605	30,301	-	3,327,568
-	-	-	-	-	-	-	-	-	-	(107,898)
3,676	15,596	-	23,792	100	348,376	732,035	49,605	30,301	-	3,219,670
\$ 3,735	\$ 19,397	\$ -	\$ 18,654	\$ 100	\$ 224,059	\$ 776,921	\$ 51,798	\$ 43,451	\$ -	\$ 3,155,593

PALO PINTO COUNTY, TEXAS
COMBINING STATEMENT OF FIDUCIARY NET POSITION
SEPTEMBER 30, 2025

	40 District Attorney Seized Funds	79 Sheriff's Department Civil Process	80 Tax Collection	81 Auto Registration	82 Justice of the Peace Precinct #2
Assets					
Cash	\$ 125,787	\$ 23,644	\$ 317,451	\$ 436,300	\$ 5,229
Investments	-	-	-	-	-
Other receivables	-	-	10,578	-	244
Due from other funds	-	-	-	-	-
Total assets	<u>125,787</u>	<u>23,644</u>	<u>328,029</u>	<u>436,300</u>	<u>5,473</u>
Liabilities					
Due to other funds	<u>901</u>	<u>2,494</u>	<u>26,278</u>	<u>41,904</u>	<u>5,473</u>
Total liabilities	<u>901</u>	<u>2,494</u>	<u>26,278</u>	<u>41,904</u>	<u>5,473</u>
Net Position					
Restricted for other purposes	<u>124,886</u>	<u>21,150</u>	<u>301,751</u>	<u>394,396</u>	<u>-</u>
Total net position	<u>\$ 124,886</u>	<u>\$ 21,150</u>	<u>\$ 301,751</u>	<u>\$ 394,396</u>	<u>\$ -</u>

83	84	85	87	88	89	90
Justice of the Peace Precinct #3	Justice of the Peace Precinct #4	Justice of the Peace Precinct #5	County Treasurer (Special)	County Clerk	Juvenile Rest	District Clerk
\$ 11,092	\$ 7,611	\$ 23,252	\$ 88,147	\$ 36,902	\$ 216	\$ 17,243
-	-	-	-	-	-	-
-	2,044	1,789	-	3,929	-	5,017
-	-	-	49,603	-	-	-
<u>11,092</u>	<u>9,655</u>	<u>25,041</u>	<u>137,750</u>	<u>40,831</u>	<u>216</u>	<u>22,260</u>
11,092	9,655	25,041	499	40,800	201	20,958
<u>11,092</u>	<u>9,655</u>	<u>25,041</u>	<u>499</u>	<u>40,800</u>	<u>201</u>	<u>20,958</u>
-	-	-	137,251	31	15	1,302
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 137,251</u>	<u>\$ 31</u>	<u>\$ 15</u>	<u>\$ 1,302</u>

PALO PINTO COUNTY, TEXAS
COMBINING STATEMENT OF FIDUCIARY NET POSITION
SEPTEMBER 30, 2025

	92	93	94	95	96
	Justice of the Peace Precinct #1	County Clerk	County Attorney	District Clerk	District Attorney
Assets					
Cash	\$ 51,401	\$ 126,378	\$ 1,626	\$ 1,934,049	\$ -
Investments	-	-	-	47,396	-
Other receivables	9,977	-	-	-	-
Due from other funds	-	-	-	-	-
Total assets	<u>61,378</u>	<u>126,378</u>	<u>1,626</u>	<u>1,981,445</u>	<u>-</u>
Liabilities					
Due to other funds	<u>61,378</u>	<u>600</u>	<u>6</u>	<u>100</u>	<u>-</u>
Total liabilities	<u>61,378</u>	<u>600</u>	<u>6</u>	<u>100</u>	<u>-</u>
Net Position					
Restricted for other purposes	<u>-</u>	<u>125,778</u>	<u>1,620</u>	<u>1,981,345</u>	<u>-</u>
Total net position	<u>\$ -</u>	<u>\$ 125,778</u>	<u>\$ 1,620</u>	<u>\$ 1,981,345</u>	<u>\$ -</u>

97	98	110	
Public Works	Inmate Trust	Deferred Compensation	Totals
\$ 6,226	\$ 8,044	\$ -	\$ 3,220,598
-	-	892,129	939,525
-	-	-	33,578
-	-	-	49,603
<u>6,226</u>	<u>8,044</u>	<u>892,129</u>	<u>4,243,304</u>
<u>6,226</u>	<u>6</u>	<u>-</u>	<u>253,612</u>
<u>6,226</u>	<u>6</u>	<u>-</u>	<u>253,612</u>
-	8,038	892,129	3,989,692
<u>\$ -</u>	<u>\$ 8,038</u>	<u>\$ 892,129</u>	<u>\$ 3,989,692</u>

PALO PINTO COUNTY, TEXAS
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
SEPTEMBER 30, 2025

	40 District Attorney Seized Funds	79 Sheriff's Department Civil Process	80 Tax Collection	81 Auto Registration	82 Justice of the Peace Precinct #2
Additions					
District Attorney	\$ 3,922	\$ -	\$ -	\$ -	\$ -
Sheriff's Department	-	220,294	-	-	-
Tax Assessor/Collector	-	-	100,792,360	16,176,270	-
Justices of the Peace	-	-	-	-	28,624
County Treasurer	-	-	-	-	-
County Clerk	-	-	-	-	-
Juvenile Department	-	-	-	-	-
District Clerk	-	-	-	-	-
County Attorney	-	-	-	-	-
Public Works	-	-	-	-	-
Inmate Trust	-	-	-	-	-
Total additions	<u>3,922</u>	<u>220,294</u>	<u>100,792,360</u>	<u>16,176,270</u>	<u>28,624</u>
Deductions					
Sheriff's Department	-	217,644	-	-	-
Tax Assessor/Collector	-	-	100,717,225	16,076,839	-
Justices of the Peace	-	-	-	-	28,624
County Treasurer	-	-	-	-	-
County Clerk	-	-	-	-	-
Juvenile Department	-	-	-	-	-
District Clerk	-	-	-	-	-
County Attorney	-	-	-	-	-
District Attorney	-	-	-	-	-
Public Works	-	-	-	-	-
Inmate Trust	-	-	-	-	-
Deferred compensation	-	-	-	-	-
Total deductions	<u>-</u>	<u>217,644</u>	<u>100,717,225</u>	<u>16,076,839</u>	<u>28,624</u>
Change in net position	3,922	2,650	75,135	99,431	-
Net position - beginning	120,964	18,500	226,616	294,965	-
Net position - ending	<u>\$ 124,886</u>	<u>\$ 21,150</u>	<u>\$ 301,751</u>	<u>\$ 394,396</u>	<u>\$ -</u>

83	84	85	87	88	89	90
Justice of the Peace Precinct #3	Justice of the Peace Precinct #4	Justice of the Peace Precinct #5	County Treasurer (Special)	County Clerk	Juvenile Rest	District Clerk
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-
-	-	-	-	-	-	-
72,116	73,054	132,137	529,700	-	-	-
-	-	-	-	35,837	-	-
-	-	-	-	-	23	-
-	-	-	-	-	-	72,338
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>72,116</u>	<u>73,054</u>	<u>132,137</u>	<u>529,700</u>	<u>35,837</u>	<u>23</u>	<u>72,338</u>
-	-	-	-	-	-	-
72,116	73,054	132,137	507,111	-	-	-
-	-	-	-	35,806	-	-
-	-	-	-	-	8	-
-	-	-	-	-	-	72,338
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>72,116</u>	<u>73,054</u>	<u>132,137</u>	<u>507,111</u>	<u>35,806</u>	<u>8</u>	<u>72,338</u>
-	-	-	22,589	31	15	-
-	-	-	114,662	-	-	1,302
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 137,251</u>	<u>\$ 31</u>	<u>\$ 15</u>	<u>\$ 1,302</u>

PALO PINTO COUNTY, TEXAS
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
SEPTEMBER 30, 2025

	92	93	94	95
	Justice of the Peace Precinct #1	County Clerk	County Attorney	District Clerk
Additions				
District Clerk	\$ -	\$ -	\$ -	\$ -
Sheriff's Department	-	-	-	-
Tax Assessor/Collector	-	-	-	-
Justices of the Peace	316,362	-	-	-
County Treasurer	-	-	-	-
County Clerk	-	30,929	-	-
Juvenile Department	-	-	-	-
District Clerk	-	-	-	1,532,223
County Attorney	-	-	4,223	-
Public Works	-	-	-	-
Inmate Trust	-	-	-	-
Total additions	<u>316,362</u>	<u>30,929</u>	<u>4,223</u>	<u>1,532,223</u>
Deductions				
Sheriff's Department	-	-	-	-
Tax Assessor/Collector	-	-	-	-
Justices of the Peace	316,362	-	-	-
County Treasurer	-	-	-	-
County Clerk	-	64,979	-	-
Juvenile Department	-	-	-	-
District Clerk	-	-	-	132,182
County Attorney	-	-	4,224	-
District Attorney	-	-	-	-
Public Works	-	-	-	-
Inmate Trust	-	-	-	-
Deferred compensation	-	-	-	-
Total deductions	<u>316,362</u>	<u>64,979</u>	<u>4,224</u>	<u>132,182</u>
Change in net position	-	(34,050)	(1)	1,400,041
Net position - beginning	-	159,828	1,621	581,304
Net position - ending	<u>\$ -</u>	<u>\$ 125,778</u>	<u>\$ 1,620</u>	<u>\$ 1,981,345</u>

96	97	98	110	
District Attorney	Public Works	Inmate Trust	Deferred Compensation	Totals
\$ -	\$ -	\$ -	\$ -	\$ 3,922
-	-	-	-	220,294
-	-	-	-	116,968,630
-	-	-	-	622,293
-	-	-	-	529,700
-	-	-	-	66,766
-	-	-	-	23
-	-	-	-	1,604,561
-	-	-	-	4,223
-	66,204	-	-	66,204
-	-	233,978	-	233,978
-	66,204	233,978	-	120,320,594
-	-	-	-	217,644
-	-	-	-	116,794,064
-	-	-	-	622,293
-	-	-	-	507,111
-	-	-	-	100,785
-	-	-	-	8
-	-	-	-	204,520
-	-	-	-	4,224
6,505	-	-	-	6,505
-	66,204	-	-	66,204
-	-	233,340	-	233,340
-	-	-	444,115	444,115
6,505	66,204	233,340	444,115	119,200,813
(6,505)	-	638	(444,115)	1,119,781
6,505	-	7,400	1,336,244	2,869,911
\$ -	\$ -	\$ 8,038	\$ 892,129	\$ 3,989,692

PALO PINTO COUNTY, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - COMMISSARY FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2025

Revenues	
Commissary revenue	\$ 16,790
Phone card revenue	71,416
Over-the-counter revenue	5,953
Other income	-
Total revenues	<u>94,159</u>
Expenditures	
Commissary:	
Operations and management	6,000
Phone card expense	52,067
Commissary supplies	2,483
Over-the-counter supplies	3,529
Indigent supplies	6,428
Cable TV	2,412
Repairs and maintenance	1,417
Miscellaneous expense	24,450
Capital expense	-
Total expenditures	<u>98,786</u>
Excess of revenues over (under) expenditures	(4,627)
Fund balance, beginning of year	<u>52,037</u>
Fund balance, end of year	<u>\$ 47,410</u>