FRANKLIN COUNTY APPRAISAL DISTRICT
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED AUGUST 31, 2026

FRANKLIN COUNTY APPRAISAL DISTRICT
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WILF & HENDERSON, P.C.
CERTIFIED PUBLIC ACCOUNTANTS
Member of American Institute of Certified Public Accountants
Member of Private Company Practice Section
Member of AICPA Governmental Audit Quality Center

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Franklin County Appraisal District
Mount Vernon, Texas

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the governmental activities and each major fund of Franklin County Appraisal District (the District) as of and for the year ended August 31, 2026, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Franklin County Appraisal District, as of August 31, 2026, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter – Restatement of Fund Balance

As discussed in Note 11 to the financial statements, the beginning fund balance of the General Fund and the beginning net position of the governmental activities as of September 1, 2025 was restated to correct errors in the prior financial statements related to accounts payable, accrued payroll, other payroll liabilities, compensated absences, and fixed assets. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis and the budgetary comparison information on pages 4-7 and 23 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have issued our report dated November 4, 2026, on our consideration of Franklin County Appraisal District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the District's internal control over financial reporting and compliance.

Wilf & Henderson, P.C.

Wilf & Henderson, P.C.
Certified Public Accountants
Texarkana, Texas
November 4, 2026

MANAGEMENT'S DISCUSSION AND ANALYSIS

FRANKLIN COUNTY APPRAISAL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED AUGUST 31, 2026

As management of Franklin County Appraisal District, we offer readers of the District's financial statements this narrative overview and analysis of the financial activities and performance for the year ended August 31, 2026. The information presented here should be read in conjunction with the independent auditor's report and the District's financial statements.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts – management's discussion and analysis (this section), basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the District's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the government, reporting the District's operations in more detail than the government-wide statements.
- The governmental funds statements tell how general government services were financed in the short-term as well as what remains for future spending.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements.

Government-wide Statements

The government-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the District's net position and how they have changed. Net position, the difference between the District's assets and liabilities, is one way to measure the District's financial health or position.

- Over time, increases or decreases in the District's net position are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the District, consideration should be given to additional nonfinancial factors such as changes in the number of properties appraised.

The government-wide financial statements of the District include the governmental activities. The District's basic expenditures are included here, such as tax appraisal expenses. Charges for services finance most of these activities.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's most significant funds, not the District as a whole. Funds are accounting devices that the District uses to keep track of specific sources of funding and spending for particular purposes.

The District has the following kinds of funds:

- *Governmental Funds* – All of the District's basic services are included in governmental funds, which focus on 1) how cash and other financial assets that can readily be converted to cash flow in and out and 2) the balance remaining at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information on the following pages that explains the relationship (or differences) between them.

FINANCIAL SUMMARY

Prior-Period Restatement

The prior-year financial statements have been restated to correct material misstatements related to previously unrecorded accounts payable, accrued payroll, other payroll liabilities, and compensated absences, as well as the removal of fixed assets that did not meet capitalization criteria. These adjustments affected governmental fund balance and government-wide net position. See Note 11 for additional details.

Government-wide Financial Statements

Our analysis focuses on the net position (Table I) and changes in net position (Table II) of the District's governmental activities.

TABLE I
FRANKLIN COUNTY APPRAISAL DISTRICT
STATEMENT OF NET POSITION

	Governmental Activities		
	2026	2025, As Restated	Total % Change
Current Assets	$ 253,977	$ 380,802	-33%
Capital Assets, Net	308,428	185,855	66%
Total Assets	562,405	566,657	-1%
Current Liabilities	134,060	97,973	37%
Non-current Liabilities	16,499	4,790	244%
Total Liabilities	150,559	102,763	47%
Net Position			
Net Investment in Capital Assets	246,775	185,855	33%
Restricted for Debt Service	-	-	0%
Unrestricted	165,071	278,039	-41%
Total Net Position	$ 411,846	$ 463,894	-11%

TABLE II
FRANKLIN COUNTY APPRAISAL DISTRICT
STATEMENT OF ACTIVITIES

	Governmental Activities		
	2026	2025, As Restated	Total % Change
Revenues			
Program Revenues			
Charges for Services	$ 844,259	$ 777,470	9%
General Revenues			
Investment Earnings	11,266	16,034	-30%
Total Revenues	855,525	793,504	8%
Expenses			
Tax Appraisal	905,832	881,169	3%
Interest on Long-term Debt	1,741	-	0%
Total Expenses	907,573	881,169	3%
Change in Net Position	(52,048)	(87,665)	-41%
Net Position, Beginning (As Restated)	463,894	551,559	-16%
Net Position, Ending	$ 411,846	$ 463,894	-11%

Financial Highlights

The District's financial position declined during the fiscal year ended August 31, 2026, as total net position decreased from $463,894 to $411,846. Expenses increased from the prior year. Revenues increased from the prior year due to increased funding requirements agreed-upon by the taxing entities to meet the District's operating needs.

The year-over-year decline is primarily attributable to increased repairs and maintenance costs, capital outlay, and lease and SBITA activity, which contributed to an overall decrease in the District's financial performance.

The decrease in unrestricted net position from $278,039 to $165,071 reflects current year operating activity and the continued impact of long-term obligations on unrestricted net position under governmental accounting standards.

DETAILED ANALYSES

Government-Wide Financial Statement Analysis

Net position of the District's governmental activities decreased from $463,894 to $411,846. Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements – was $165,071 at August 31, 2026.

Total revenues and expenses increased from the prior year resulting in a $52,048 decrease in net position. Charges for services increased due to increased operating needs recognized by the District and requested of the taxing entities. The increase in expenses reflects management's continued monitoring of operational costs while maintaining District services and priorities.

Fund Financial Statement Analysis

As the District completed the year, its governmental funds reported a combined fund balance of $184,048 which is a decrease of 38% from 2025. Revenue from appraisal fees was up 9%. Overall, total revenue for the year was up $62,021. Overall expenditures for the year totaled $1,047,147, of which $185,002 is related to capital outlay for vehicles, building improvements, and other fixtures. Total expenditures increased by 24%. The combination of all these factors caused the District's fund balance to decrease by $110,962.

General Fund - The General Fund balance decreased from the prior year, primarily due to increased repairs and maintenance costs and payroll expenses. Portions of fund balance were assigned for specific purposes; therefore, not all resources are available for general appropriation.

SIGNIFICANT CAPITAL ASSET AND LONG-TERM FINANCING ACTIVITY

Capital Asset Activity

At the end of the fiscal year, the District had $308,428 invested in a broad range of capital assets, including land, buildings, furniture and fixtures, vehicles, lease, and subscription assets. This amount represents a net increase of $122,574 from last year, consisting of $185,002 of additions and $62,428 of depreciation and amortization expense.

More detailed information about the District's capital assets is presented in Note 3 to the financial statements.

Long-term Financing Activity

At August 31, 2026, the District had $16,499 in long-term liabilities and accumulated leave. More detailed information about the District's long-term liabilities is presented in Note 4 to the financial statements.

CURRENTLY KNOWN FACTS, DECISIONS, OR CONDITIONS

Based on information currently known as of the date of this report management believes the District's future-period financial positions and results may be most significantly affected by (a) personnel and staffing levels that drive operating cost, (b) increasing contract appraisal cost from new industrial solar farms, lithium mining, geothermal powerplant and related business personal property, (c) state and federal funding decisions (including legislative mandates) that may change revenue or expenditure requirements, and (d) construction and interest rate conditions that may affect the timing and affordability of the capital program and future debt service. For additional detail, see the District's adopted budget and the related note disclosures.

The District considered many economic and operational factors when adopting the fiscal year 2027 balanced budget. The budget consists of estimated total revenues expected to increase 15% to $972,096 over the original 2026 budget of $843,556. The increase in revenues is primarily attributable to increased funding requirements agreed-upon by the taxing entities to meet the District's operating needs. Expenditures are expected to increase, specifically payroll costs and contract services. With continued conservative budgeting and spending practices, the District is hopeful that there will be no change to fund balance.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the District's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be directed to the Chief Appraiser's Office, Franklin County Appraisal District, P.O. Box 720, Mt. Vernon, TX, 75457.

FINANCIAL STATEMENTS

FRANKLIN COUNTY APPRAISAL DISTRICT
STATEMENT OF NET POSITION
AUGUST 31, 2026

	Governmental Activities
Assets	
Current Assets	
Cash	$ 253,977
Capital Assets	
Land	15,000
Building and Improvements	308,221
Furniture, Fixtures, and Technology	38,950
Vehicles	108,738
Accumulated Depreciation	(230,712)
Right-to-Use Lease Asset (Net of Accumulated Amortization)	7,877
Subscription Asset (Net of Accumulated Amortization)	60,354
Total Capital Assets	308,428
Total Assets	$ 562,405
Liabilities	
Current Liabilities	
Accounts Payable	$ 49,026
Accrued Payroll	13,923
Other Payroll Liabilities	6,980
Accrued Interest Payable	573
Compensated Absences (Current Portion)	12,249
Lease Liability (Current Portion)	6,030
Subscription Liability (Current Portion)	45,279
Total Current Liabilities	134,060
Noncurrent Liabilities	
Compensated Absences (Noncurrent Portion)	6,155
Lease Liability (Noncurrent Portion)	1,573
Subscription Liability (Noncurrent Portion)	8,771
Total Noncurrent Liabilities	16,499
Total Liabilities	$ 150,559
Net Position	
Net Investment in Capital Assets	$ 246,775
Unrestricted	165,071
Total Net Position	$ 411,846

The accompanying notes are an integral part of this statement.

FRANKLIN COUNTY APPRAISAL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2026

	Primary Government		
		Program Revenues	Net (Expense) Revenue
	Expenses	Charges for Services	Governmental Activities
Governmental Activities			
Tax Appraisal	$ 905,832	$ 844,259	$ (61,573)
Interest on Long-term Debt	1,741	-	(1,741)
Total Governmental Activities	$ 907,573	$ 844,259	(63,314)
General Revenues			
Investment Earnings			11,266
Total General Revenues			11,266
Change in Net Position			(52,048)
Net Position, Beginning (As Previously Reported)			562,600
Restatement of Net Position, Beginning (See Note 11)			(98,706)
Net Position, Beginning (As Restated)			463,894
Net Position, Ending			$ 411,846

The accompanying notes are an integral part of this statement.

FRANKLIN COUNTY APPRAISAL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
AUGUST 31, 2026

	General Fund	Total Governmental Funds
Assets		
Cash	$ 253,977	$ 253,977
Total Assets	$ 253,977	$ 253,977
Liabilities		
Accounts Payable	$ 49,026	$ 49,026
Accrued Payroll	13,923	13,923
Other Payroll Liabilities	6,980	6,980
Total Liabilities	69,929	69,929
Fund Balance		
Assigned		
Appraisal Expenses	9,048	9,048
Legal	20,000	20,000
Vehicle	25,000	25,000
Reserve	120,000	120,000
Technology	10,000	10,000
Unassigned	-	-
Total Fund Balance	184,048	184,048
Total Liabilities and Fund Balance	$ 253,977	$ 253,977

The accompanying notes are an integral part of this statement.

FRANKLIN COUNTY APPRAISAL DISTRICT
RECONCILIATION OF GOVERNMENTAL FUND BALANCE
TO THE STATEMENT OF NET POSITION
AUGUST 31, 2026

Total Governmental Fund Balance	$	184,048
Fixed assets, net of dispositions and accumulated depreciation are added to the fund balance.		308,428
Compensated absences are deducted from the fund balance.		(18,404)
Lease liabilities, subscription liabilities, and related accrued interest are deducted from fund balance to arrive at net position.		(62,226)
Government-Wide Net Position	$	411,846

The accompanying notes are an integral part of this statement.

FRANKLIN COUNTY APPRAISAL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED AUGUST 31, 2026

	General Fund	Total Governmental Funds
Revenues		
Appraisal Fees	$ 844,259	$ 844,259
Investment Earnings	11,266	11,266
Total Revenues	855,525	855,525
Expenditures		
Tax Appraisal		
Salaries, Wages, Taxes, and Benefits	551,421	551,421
Contract Services	148,208	148,208
Dues and Subscriptions	24,531	24,531
Insurance	8,616	8,616
Professional Fees	29,329	29,329
Repairs and Maintenance	17,950	17,950
Supplies	11,577	11,577
Travel and Training	26,467	26,467
Utilities	10,309	10,309
Other Operating Expenditures	13,562	13,562
Capital Outlay	185,002	185,002
Debt Service - Principal	19,007	19,007
Debt Service - Interest	1,168	1,168
Total Expenditures	1,047,147	1,047,147
Excess (Deficiency) of Revenues Over Expenditures	(191,622)	(191,622)
Other Financing Sources (Uses)		
Lease Proceeds	10,354	10,354
Subscription Asset Proceeds	70,306	70,306
Total Other Financing Sources (Uses)	80,660	80,660
Net Change in Fund Balance	(110,962)	(110,962)
Fund Balance, Beginning (As Previously Reported)	349,437	349,437
Restatement of Fund Balance, Beginning (See Note 11)	(54,427)	(54,427)
Fund Balance, Beginning (As Restated)	295,010	295,010
Fund Balance, Ending	$ 184,048	$ 184,048

The accompanying notes are an integral part of this statement.

FRANKLIN COUNTY APPRAISAL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2026

Net Change in Governmental Fund Balance	$	(110,962)
Fixed assets acquired, net of depreciation and amortization expense, are deducted in the fund financial statements and added to net assets in the government-wide financial statements.		122,574
The change in the compensated absences liability is not recognized in the governmental fund financial statements but is recognized as an expense of the government-wide financial statements. The net effect of the current year change in the compensated absences liability is to decrease or increase net position, depending on whether the liability increased on decreased.		(1,434)
Lease and subscription liabilities incurred, in excess of principal payments made, are subtracted from governmental fund balance.		(61,653)
Accrued interest payable on lease and subscription assets is subtracted from governmental fund balance because the interest expense has been incurred, but has not yet been paid and recognized as an expenditure in the governmental fund statements, while it is recognized as an expense in the government-wide statements under the accrual basis of accounting.		(573)
Change in Government-Wide Net Position	$	(52,048)

The accompanying notes are an integral part of this statement.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Franklin County Appraisal District (the District) is a governmental unit under the applicable laws and regulations of the State of Texas. It is governed by a Board of Directors appointed by the entities for which the District appraises property. The District's basic financial statements are prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applicable to state and local governments. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The more significant accounting policies of the District are described below.

Reporting Entity

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

Formation

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

Overview of Financial Statements

The basic financial statements include both government-wide financial statements and fund financial statements.

Government-Wide Financial Statements – The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sectors. The reports apply the accrual basis of accounting and reflect the total economic resources of the District. These statements represent:

> **Governmental Activities** – Activities financed by taxes and fees and expenses connected with providing basic services.

Fund Financial Statements – The fund financial statements provide detailed information regarding the District's most significant activities and are not intended to provide information for the District as a whole. Funds are accounting devices that are used to account for specific sources of funds. The District has one fund type that is described as follows:

> **Governmental Fund** – The general fund is the District's only governmental fund which is used to account for the same functions that are reported as governmental activities. The governmental fund uses a modified accrual basis of accounting and reflects the flow of current financial resources.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting and Measurement Focus

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied. The basis of accounting and measurement focus used for various financial statement presentations are described as follows:

Financial Statement Presentation	Basis of Accounting	Measurement Focus
Government-Wide Financial Statements	Accrual Basis	Economic Resources
Fund Financial Statements:		
Governmental Funds	Modified Accrual Basis	Current Financial Resources

Under the accrual basis of accounting and economic resources measurement focus, revenues are recorded when earned and expenditures are recorded when a liability is incurred. Under the modified basis of accounting and current financial resources measurement focus, revenues are recognized when it is considered measurable and available. Revenue is considered available if it is collected within 60 days of year end. Expenditures are recorded when a liability has been incurred, as well.

Cash and Cash Equivalents

The District considers all highly liquid debt instruments purchased with maturity of three months or less to be cash equivalents.

Budgetary Information

The Board of Directors adopts an annual budget for the General Fund, the District's only fund. The budget is prepared on a basis consistent with generally accepted accounting principles. The budgetary process, the legal level of budgetary control, the amendment process, and the lapse policy for appropriations are described in the Notes to Required Supplementary Information.

Capital Assets

Capital assets, which may include land, buildings and improvements, furniture, fixtures, technology, and vehicles, are reported in the government-wide statement of net position. Capital assets are defined by the District as assets with an initial, individual cost of more than $5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost. 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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets (continued)

Capital assets are depreciated using the straight-line method over the following estimated useful lives (in years):

	General Fund
Building and Improvements	7 - 33
Furniture, Fixtures, and Technology	3 - 15
Vehicles	5 - 7

Compensated Absences

The District provides paid-time-off (PTO) to employees for both sick leave and vacation purposes. PTO is accrued each pay period at variable rates based on the employee's years of service. Employees may accrue PTO throughout each fiscal year; however, any accrued balance in excess of 160 hours as of August 31 is forfeited.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America require management to make estimates and assumptions that affect the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

Fund Equity

The Governmental Accounting Standards Board (GASB) has issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* (GASB 54). This Statement defines the different types of fund balances that a governmental entity must use for financial reporting purposes. GASB 54 requires the fund balance amounts to be properly reported within one of the fund balance categories as following:

Non-spendable fund balance – represents amounts that cannot be spent because they are either not in spendable form (such as inventory, prepaids, or long-term receivables) or legally required to remain intact (such as notes receivable or principal of a permanent fund).

Restricted fund balance – represents amounts with external constraints placed on the use of these resources (such as debt covenants, grantors, other governments, etc.) or imposed by enabling legislation. Restrictions may be changed or lifted only with the consent of resource providers.

Committed fund balance – represents amounts that can only be used for specific purposes imposed by a formal action of the District's highest level of decision-making authority, the Board of Directors. Committed resources cannot be used for any other purposes unless the Board of Directors removes or changes the specific use by taking the same formal action that imposed the constraint originally.

Assigned fund balance – represents amount the District intends to use for specific purposes as expressed by the Board of Directors or an official delegated with the authority.

Unassigned fund balance – represents the residual classification for the general fund or deficit balances in other funds.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Equity (continued)

Sometimes the District will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted fund balance to have been depleted before using any components of the unrestricted fund balance. Further when the components of unrestricted fund balance can be used for the same purpose, restricted fund balance is depleted first, followed by unrestricted fund balance – committed and assigned, in order as needed. Unassigned fund balance is applied last.

Leases

GASB Statement 87, *Leases*, issued June 2017 was adopted for the year ending August 31, 2022. The scope of this statement addresses accounting and financial reporting for leases by governments. The District did participate in one lease.

Subscription-Based Information Technology Arrangements

GASB Statement 96, *Subscription-Based Information Technology Arrangements*, issued May 2020 was adopted for the year ended August 31, 2023. The scope of this statement addresses accounting and financial reporting for SBITAs by governments. The District did participate in two SBITAs.

New Accounting Pronouncement

GASB Statement No. 103, *Financial Reporting Model Improvements*, issued April 2024, is effective for the fiscal year ending August 31, 2026. This Statement is intended to improve key components of the financial reporting model to enhance its effectiveness in providing information essential for decision-making and assessing a government's accountability. The Statement includes changes to management's discussion and analysis, the presentation of unusual or infrequent items, major component unit information, and budgetary comparison information, among other reporting requirements. The District implemented this Statement for the fiscal year ended August 31, 2026.

GASB Statements No. 104, *Disclosure of Certain Capital Assets*, issued September 2024, is effective for the fiscal year ending August 31, 2026. The Statement requires lease assets, subscription assets, and certain intangible right-to-use assets to be disclosed separately by major class of underlying asset. It also requires other intangible assets to be disclosed separately by major class. Additionally, the Statement establishes criteria for identifying capital assets held for sale and requires disclosure of their historical cost, accumulated depreciation, and any related debt pledged as collateral. The District implemented this Statement for the fiscal year ended August 31, 2026.

NOTE 2 – DEPOSITS AND INVESTMENTS

District Policies and Legal and Contractual Provisions Governing Deposits

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

NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

The captions and amounts of cash on the balance sheet at August 31, 2026 consists of the following:

	General Fund
Cash in Bank	$ 253,977
Total Cash and Investments	$ 253,977

At August 31, 2026, the carrying amount of the District's deposits (cash, certificates of deposit, and interest-bearing savings accounts) was $253,977 and the bank balance was $254,078. The District's cash deposits at August 31, 2026 and during the year ended August 31, 2026 were entirely covered by FDIC insurance or by pledged collateral held by the District's agent bank in the District's name.

The Public Funds Investment Act (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports and establishment of appropriate policies. Among other things, it requires the District to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, and (9) bid solicitation preferences for certificates of deposit. Statutes authorize the District to invest in (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas; (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) banker's acceptances, (7) mutual funds, (8) investment pools, (9) guaranteed investment contracts, (10) and common trust funds. The Public Funds Investment Act (PFIA) governs the District's investment policies and types of investments. The District's management believes that it has complied with the requirements of the PFIA and the District's investment policies.

Credit Risk – For an investment, credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The District's investment policy details stipulations for approved investments in repurchase agreements, banker's acceptance, commercial paper, mutual funds, money market mutual funds, and investment pools. As outlined in the District's policy, a public fund investment pool must be continuously rated no lower than a AAA or AAAm or an equivalent rating by at least one nationally recognized rating service. As of August 31, 2026, the District held no investments.

Interest Rate Risk – To limit the risk that changes in interest rates will adversely affect the fair value of investments, the District requires that invested instruments' maturities do not exceed one year from the time of purchase except when a longer maturity may be specifically authorized by the Board for a given investment provided legal limits are not exceeded.

NOTE 3 – PROPERTY, PLANT, AND EQUIPMENT

A summary of changes in governmental fund capital assets are as follows:

	Balance August 31, 2025	Additions	Deductions	Balance August 31, 2026
Land	$ 15,000	$ -	$ -	$ 15,000
Total Capital Assets Not Being Depreciated	15,000	-	-	15,000
Building and Improvements	278,221	30,000	-	308,221
Furniture, Fixtures, and Technology	33,514	5,436	-	38,950
Vehicles	61,519	47,219	-	108,738
Right-to-Use Lease Assets				
CAMA Hardware	-	11,816	-	11,816
Subscription Assets				
CAMA Software	-	22,796		22,796
Webhosting	-	67,735	-	67,735
Total Capital Assets Being Depreciated/Amortized	373,254	185,002	-	558,256
Building and Improvements	(152,815)	(9,605)	-	(162,420)
Furniture, Fixtures, and Technology	(20,706)	(3,833)	-	(24,539)
Vehicles	(28,879)	(14,874)	-	(43,753)
Right-to-Use Lease Assets	-	(3,939)	-	(3,939)
Subscription Assets	-	(30,177)	-	(30,177)
Less: Accumulated Depreciation/Amortization	(202,400)	(62,428)	-	(264,828)
Total Capital Assets, Net	$ 185,854	$ 122,574	$ -	$ 308,428

Depreciation and amortization expense for the year ended August 31, 2026 was $62,428.

NOTE 4 – LONG-TERM LIABILITIES

The following is a summary of changes in long-term liabilities for the year ended August 31, 2026:

	Balance at 9/1/2025	Additions	Retirements/ Deductions	Balance at 8/31/2026	Due Within One Year	Long-term Balance
Governmental Activities:						
Compensated Absences	$ 45,697	$ -	$ (27,293)	$ 18,404	$ 12,249	$ 6,155
Lease Liability	-	10,354	(2,751)	7,603	6,030	1,573
Subscription Liability	-	70,306	(16,256)	54,050	45,279	8,771
Total Governmental Activities Long-term Liabilities	$ 45,697	$ 80,660	$ (46,300)	$ 80,057	$ 63,558	$ 16,499

NOTE 5 – LEASES

Lease agreements are summarized as follows under the criteria of GASB 87:

Description	Date	Payment Terms	Payment Amount	Interest Rate	Original Present Value of Liability	Balance at August 31, 2026
CAMA Hardware	1/1/2026	8, Quarterly	$1,463/Year 1 $1,588/Year 2	3.61%	$ 10,354	$ 7,603

The District entered into a lease agreement for CAMA hardware in which the District will pay the lessor $1,463 per quarter for the first four quarters and $1,588 for the remaining four quarters, at a fixed interest rate of 3.61%.

Annual requirements to amortize long-term lease obligations and related interest are as follows:

Requirements for Year Ending August 31,	Principal	Interest	Total
2027	$ 6,030	$ 195	$ 6,225
2028	1,573	14	1,587
Total	$ 7,603	$ 209	$ 7,812

NOTE 6 – SUBSCRIPTION-BASED INFORMATION TECHNOLOGY ARRANGEMENTS

Subscription-based information technology arrangements are summarized as follows under the criteria of GASB 96:

Description	Date	Payment Terms	Payment Amount	Interest Rate	Original Present Value of Liability	Balance at August 31, 2026
CAMA Software	1/1/2026	8, Quarterly	$8,625/Year 1 $8,850/Year 2	3.61%	$ 59,110	$ 42,854
Webhosting	1/1/2026	2, Annually	$11,600	3.61%	$ 11,196	$ 11,196
						$ 54,050

The District entered into a lease agreement for CAMA software in which the District will pay the lessor $8,625 per quarter for the first four quarters and $8,850 for the remaining four quarters, at a fixed interest rate of 3.61%.

The District entered into a subscription agreement for webhosting in which the District will pay the lessor $11,600 annually, at a fixed interest rate of 3.61%.

Annual requirements to amortize long-term subscription-based information technology arrangement obligations and related interest are as follows:

Requirements for Year Ending August 31,	Principal	Interest	Total
2027	$ 45,279	$ 1,496	$ 46,775
2028	8,771	79	8,850
Total	$ 54,050	$ 1,575	$ 55,625

NOTE 7 – HEALTH CARE COVERAGE

During the year ended August 31, 2026, employees of Franklin County Appraisal District were covered by a health insurance plan (the Plan). The District contributed 100% of the health insurance premiums per pay period per employee to the Plan. The District also provides employees coverage for supplemental dental and vision insurance. The employees, at their option, authorized payroll withholding to pay any premium for their dependents. All contributions were paid to a licensed insurer.

The contract between the District and the licensed insurer is renewable annually and terms of coverage and contributions costs are included in the contractual provisions.

NOTE 8 – RETIREMENT PLAN

The District contributes to the Franklin County Appraisal District Money Purchase Pension Plan and Trust (the Plan), a defined contribution pension plan. The Plan is intended to qualify under Section 401(a) of the Internal Revenue Code and as a governmental plan under Section 414(d). It was originally effective September 1, 1982 and was most recently amended and restated effective September 1, 2021. The District is the Plan Administrator, and Russell McCurdy serves as Trustee. The Plan year ends August 31.

Benefit terms, including contribution requirements, are established and may be amended by the District's Board of Directors. Employees become eligible to participate after three months of service, with no minimum age requirement, and enter the Plan immediately.

Participants are required to contribute 7% of Plan compensation. The District also contributes 13% of Plan compensation to each participant's account. Benefits depend solely on the amounts contributed to each participant's account plus investment earnings or losses.

Participants are vested in District pension contributions as follows: 0% for fewer than 5 years of vesting service, 50% at 5 years, increasing 10% for each additional year, to 100% at 10 years. Nonvested amounts are forfeited at termination of employment. Forfeitures may be used, at the discretion of the Plan Administrator, to restore forfeitures, reduce District contributions, or pay reasonable Plan expenses.

For the year ended August 31, 2026, the District recognized pension expense of $49,037. No forfeitures were used to reduce pension expense during the year. At August 31, 2026, the District owed $6,980 to the Plan, which is included in other payroll liabilities.

NOTE 9 – COMPENSATED ABSENCES

The compensated absences liability is reported in the Statement of Net Position as a current liability for the amount expected to be paid within one year and long-term liability for the remaining balance. As of August 31, 2026, the compensated absences liability consisted of the current portion in the amount of $12,249, and the long-term portion in the amount of $6,155, for a total compensated absences liability of $18,404.

NOTE 10 – RISK MANAGEMENT

The District is exposed to various risks of loss due to torts of theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the fiscal year ended August 31, 2026, the District purchased commercial insurance to cover general liabilities. There were no significant reductions in coverage in the past fiscal year, and there were no settlements exceeding insurance coverage for each of the past three fiscal years.

NOTE 11 – ERROR CORRECTIONS AND RESTATEMENT OF BEGINNING BALANCES

During the year ended August 31, 2026, the District identified that the prior-year financial statements did not include accounts payable of $34,279, accrued payroll of $14,308, and other payroll liabilities of $5,840. Additionally, the government-wide net position has been restated to include additional compensated absences of $16,971, and to correct the prior-year capitalization of fixed assets that did not meet the criteria for capitalization. The related asset balances and accumulated depreciation have been adjusted accordingly.

	Governmental Fund Balance	Government-Wide Net Position
Fund Balance/Net Position, As Previously Reported	$ 349,437	$ 562,600
Adjustments for:		
Accounts Payable	(34,279)	(34,279)
Accrued Payroll	(14,308)	(14,308)
Other Payroll Liabilities	(5,840)	(5,840)
Compensated Absences	-	(16,971)
Fixed Assets	-	(27,308)
Fund Balance/Net Position, As Restated	$ 295,010	$ 463,894

NOTE 12 – COMMITMENTS AND CONTINGENCIES

Various taxpayer appraisal valuation disputes inevitably arise during the year. Most are settled through negotiations during meetings between taxpayers and the Chief Appraiser and/or the Appraisal Review Board (ARB). The resolution of these disputes may result in adjustments to individual taxpayers' appraised property values; however, such adjustments do not result in financial obligations or liabilities of the District.

NOTE 13 – SUBSEQUENT EVENTS

The District has evaluated subsequent events through November 4, 2026, the date which the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

FRANKLIN COUNTY APPRAISAL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
(BUDGET AND ACTUAL)
GENERAL FUND
FOR THE YEAR ENDED AUGUST 31, 2026

	General Fund				
	Original Budget	Final Budget	Variance: Original to Final	GAAP Basis Actual Amounts	Variance: Final to Actual
Revenues					
Appraisal Fees	$ 843,556	$ 843,556	$ -	$ 844,259	$ 703
Investment Earnings	-	-	-	11,266	11,266
Total Revenues	843,556	843,556	-	855,525	11,969
Expenditures					
Tax Appraisal					
Salaries, Wages, Taxes, and Benefits	510,500	510,500	-	551,421	(40,921)
Contract Services	156,406	156,406	-	148,208	8,198
Dues and Subscriptions	26,500	26,500	-	24,531	1,969
Insurance	6,650	6,650	-	8,616	(1,966)
Professional Fees	18,000	18,000	-	29,329	(11,329)
Repairs and Maintenance	12,000	12,000	-	17,950	(5,950)
Supplies	13,500	13,500	-	11,577	1,923
Travel and Training	23,800	23,800	-	26,467	(2,667)
Utilities	15,600	15,600	-	10,309	5,291
Other Operating Expenditures	4,800	4,800	-	13,562	(8,762)
Capital Outlay	35,500	35,500	-	185,002	(149,502)
Debt Service - Principal	19,100	19,100	-	19,007	93
Debt Service - Interest	1,200	1,200	-	1,168	32
Total Expenditures	843,556	843,556	-	1,047,147	(203,591)
Excess (Deficiency) of Revenues Over Expenditures	-	-	-	(191,622)	(191,622)
Other Financing Sources (Uses)					
Lease Proceeds	-	-	-	10,354	10,354
Subscription Asset Proceeds	-	-	-	70,306	70,306
Total Other Financing Sources (Uses)	-	-	-	80,660	80,660
Net Change in Fund Balance	-	-	-	(110,962)	(110,962)
Fund Balance, Beginning (As Restated)	295,010	295,010	-	295,010	-
Fund Balance, Ending	$ 295,010	$ 295,010	$ -	$ 184,048	$ (110,962)

Fund Balance Treatment

Any expenditures, expenses, or budgetary shortfalls in excess of the revised/final budget will be covered by available fund balance, to the extent such fund balance is legally available and not otherwise restricted,committed, or assigned for another purpose. The use of fund balance represents a planned or approved financing source for the overbudget amount and will reduce ending fund balance, accordingly.

The accompanying notes are an integral part of this statement.

FRANKLIN COUNTY APPRAISAL DISTRICT
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED AUGUST 31, 2026

NOTE 1 - BUDGETARY INFORMATION

The Board of Directors adopts an annual operating budget for the General Fund in accordance with Texas Tax Code §6.06. The budget is adopted on a basis consistent with GAAP. The proposed budget is presented to the Board and the participating taxing units, and it is adopted by Board resolution before September 15. The legal level of budgetary control is the fund level. Expenditures may not legally exceed appropriations at that level without Board approval. The Board was aware that actual expenditures would exceed budgeted amounts and anticipated utilizing available fund balance to cover the resulting deficit. Amendments require board approval. No budget amendments were adopted for the year ended August 31, 2026. Appropriations lapse at year end and the District does not use encumbrance accounting.

NOTE 2 – EXCESS OF EXPENDITURES OVER APPROPRIATIONS

For the year ended August 31, 2026, General Fund expenditures exceeded appropriations by $203,591 at the total-fund level. The excess was funded with available fund balance.

NOTE 3 – EXPLANATION OF SIGNIFICANT VARIANCES

Capital outlay exceeded the budget by $149,502, primarily because the accumulation of funds from year-to-year for capital outlay purchases was expended in the current year. Salaries, wages, taxes, and benefits exceeded the budget by $40,921 due to an employee transitioning from part-time to full-time status during the year. Professional fees exceeded the budget by $11,329 because the homestead audit costed more than anticipated by the Board. Investment earnings of $11,266 were not budgeted.

REPORT ON COMPLIANCE AND INTERNAL CONTROLS

WILF & HENDERSON, P.C.
CERTIFIED PUBLIC ACCOUNTANTS
Member of American Institute of Certified Public Accountants
Member of Private Company Practice Section
Member of AICPA Governmental Audit Quality Center

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

Board of Directors
Franklin County Appraisal District
Mount Vernon, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of Franklin County Appraisal District, as of and for the year ended August 31, 2026, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 4, 2026.

Report on Internal Control over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

Purpose of this Report

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

Wilf & Henderson, P.C.

Wilf & Henderson, P.C.
Certified Public Accountants
Texarkana, Texas
November 4, 2026

FRANKLIN COUNTY APPRAISAL DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED AUGUST 31, 2026

I. Summary of the Auditor's Results

a. The auditor's report expresses an unmodified opinion on whether the financial statements of the Franklin County Appraisal District were prepared in accordance with GAAP.

b. No significant deficiencies or material weaknesses relating to the audit of the financial statements are reported in the report on internal control over financial reporting and on compliance and other matters required by the GAO's Government Auditing Standards.

c. No instances of noncompliance material to the financial statements of the Franklin County Appraisal District were disclosed during the audit.

II. Financial Statement Audit:

a. No findings reported.

FRANKLIN COUNTY APPRAISAL DISTRICT
SCHEDULE OF STATUS OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED AUGUST 31, 2026

There were no prior year audit findings or responses.