

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



SINGLETON, CLARK
& COMPANY, PC CERTIFIED PUBLIC ACCOUNTANTS

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

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FINANCIAL SECTION

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INDEPENDENT AUDITOR'S REPORT

Honorable County Judge and Members of the Commissioners Court
Hudspeth County, Texas

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying modified cash basis financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Hudspeth County, Texas ("the 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the County, as of September 30, 2025, and the respective changes in modified cash basis financial position for the year then ended in accordance with the modified cash basis of accounting described in Note-1 to the financial statements.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the County 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 a Matter

We draw attention to Note-1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinions are 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 the modified cash basis of accounting described in Note-1 of the financial statements, and for determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible 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 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 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 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

The management's discussion and analysis, budgetary comparison information, and net pension liability and contributions information for the Texas County & District Retirement System are presented to supplement the basic financial statements. 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 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 information listed in the table of contents is presented for purposes of additional analysis and is not a required part of 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 basic 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 information is 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 our report dated January 5, 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.

Singleton, Clark & Company, PC

Singleton, Clark & Company, PC
Alpine, Texas

January 5, 2026

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HUDSPETH COUNTY, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2025

As management of Hudspeth County, Texas (the "County"), we offer readers of the County's financial statements this narrative overview and analysis of the financial activities of the County for the fiscal year ended September 30, 2025.

Financial Highlights

- The assets and deferred outflows of resources of the County exceeded its liabilities and deferred inflows at the close of the most recent fiscal year by \$13,995,627 (*net position*). Of this amount, \$8,930,835 represents unrestricted net position, which may be used to meet the County's ongoing obligations to citizens and creditors.
- The County's total net position decreased during the year by \$672,808 as a result of current year operations.
- At the close of the current fiscal year, the County's governmental funds reported combined fund balances of \$8,379,173, a decrease of \$534,599 from current operations in comparison with the prior year. Of this amount, \$6,328,835, or 76%, is available for spending at the County's discretion (*unassigned fund balance*).
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$6,328,835, which represents 77% of total General Fund expenditures.

Overview of the Financial Statements

The discussion and analysis provided here are intended to serve as an introduction to the County's basic financial statements. The County's basic financial statements consist of three components: 1) government-wide financial statements, 2) modified cash basis fund financial statements, and 3) the notes to financial statements. This report also includes required supplementary information and other supplementary information intended to furnish additional detail to support the basic financial statements themselves.

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

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

The *statement of activities* presents information showing 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 related cash flows*. Thus, revenues and expenses are reported for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the County include general government, judicial, public safety, corrections and rehabilitation, health and human services, community and economic development, and infrastructure and environmental services. The County currently does not have any business-type activities.

HUDSPETH COUNTY, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2025

Modified Cash Basis Fund Financial Statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The County, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The County has the option of utilizing three different categories of funds for external financial reporting: governmental funds, proprietary funds, and fiduciary funds.

Governmental Funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-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 assessing a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the 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 government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The County maintains several individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Indigent Health Care Fund, Tribe and Local Assistance Fund, ARPA Grant Fund, and the SB-22 Rural Law Grant Fund, which are considered to be major funds. Data from the remaining governmental funds are combined into a single aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements in the combining statements section of this report.

The County adopts an annual appropriated budget for its General Fund. A budgetary comparison statement has been provided for the General Fund following the notes to the financial statements section of this report to demonstrate compliance with this budget.

Proprietary Funds. The County has the option of maintaining two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The County does not currently utilize an enterprise fund. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among a County's functions. Because the services provided by internal service funds predominantly benefit governmental rather than business-type functions, they are usually included within *governmental activities* in the government-wide financial statements. The County is not currently utilizing an internal service fund.

Fiduciary Funds. Fiduciary funds are used to account for resources held for the benefit of parties outside of the County, or for the County itself prior to remittance to the County Treasurer. Fiduciary funds are not reported in the government-wide financial statements because the resources of those funds are not available to support the County's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The County maintains only one type of fiduciary funds, those being custodial funds. *Custodial funds* report resources held by the County in a custodial capacity for individuals, private organizations, other governments, or the County itself. For Hudspeth County, the custodial funds are primarily used to account for funds collected and held by elected officials for purposes of their offices prior to official remittance to the County.

HUDSPETH COUNTY, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2025

Notes to the Financial Statements. The notes provide additional information that is necessary to acquire a full understanding of the data provided in the government-wide and fund financial statements.

Required Supplementary Information and Other Information. In addition to the basic financial statements and accompanying notes, this report also presents *required supplementary information* concerning the County's budget-to-actual results for the General Fund and progress in funding its obligation to provide pension benefits to its employees. In addition, the combining statements referred to earlier in connection with nonmajor governmental funds follow the required supplementary information in detail statements that present each nonmajor governmental fund separately.

Government-wide Overall Financial Analysis

As noted earlier, net position over time, may serve as a useful indicator of a County's financial health. In the case of the County, assets and deferred outflows of resources exceeded its liabilities and deferred inflows by \$13,995,627 at the close of the most recent fiscal year.

The following chart summarizes the County's components of net position for the current and prior fiscal year:

Table I
Hudspeth County, Texas
Net Position

| | Governmental Activities 2025 | Governmental Activities 2024 | Change |
|---|------------------------------------|------------------------------------|--------------------|
| ASSETS | | | |
| Current & Other Assets | \$ 11,758,820 | \$ 17,505,840 | \$ (5,747,020) |
| Capital Assets | 3,642,864 | 4,395,536 | (752,672) |
| Total Assets | 15,401,684 | 21,901,376 | (6,499,692) |
| DEFERRED OUTFLOWS | | | |
| Deferred Outflows | 186,276 | - | 186,276 |
| LIABILITIES | | | |
| Current Liabilities | 467,601 | 7,248,598 | (6,780,997) |
| Long-term Liabilities | 716,636 | 762,468 | (45,832) |
| Total Liabilities | 1,184,237 | 8,011,066 | (6,826,829) |
| DEFERRED INFLOWS | | | |
| Deferred Inflows | 408,096 | 711,885 | (303,789) |
| NET POSITION | | | |
| Net Investment in Capital Assets, net of Related Debt | 3,014,454 | 3,633,068 | (618,614) |
| Restricted | 2,050,338 | 1,159,583 | 890,755 |
| Unrestricted | 8,930,835 | 8,385,774 | 545,061 |
| Total Net Position | \$ 13,995,627 | \$ 13,178,425 | \$ 817,202 |

HUDSPETH COUNTY, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2025

A portion of the County's net position, \$3,014,454, or 22%, reflects its investment in capital assets (e.g., land, buildings, machinery, equipment, vehicles, and infrastructure), less any related outstanding debt that was used to acquire those assets. The County uses these capital assets to provide a variety of services to its citizens. Accordingly, 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 used to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the County's net position, \$2,050,338, or 15%, represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$8,930,835, or 64%, is unrestricted and may be used to meet the government's ongoing obligations to its citizens and creditors. At the end of the current fiscal year, the County is able to report positive balances in all reported categories of net position, both for the government as a whole, as well as for its separate governmental activities. The same situation held true for the prior fiscal year.

Governmental Activities. The County's overall net position decreased by \$672,808 from the prior fiscal year to end at \$13,995,627. The reasons for this overall decrease are discussed in the following sections for governmental activities and the results of operations within the governmental funds.

The following chart summarizes the County's changes in net position for the current and prior fiscal year:

Table II
Hudspeth County, Texas
Changes in Net Position

| | Governmental Activities 2025 | Governmental Activities 2024 | Change |
|--|------------------------------------|------------------------------------|-------------------|
| Revenues: | | | |
| Program Revenues: | | | |
| Charges for Services | \$ 2,612,954 | \$ 3,125,038 | \$ (512,084) |
| Operating Grants & Contributions | 867,540 | 439,746 | 427,794 |
| General Revenues: | | | |
| Property Taxes | 4,374,584 | 3,953,594 | 420,990 |
| General Sales and Use Taxes | 16,563 | 17,350 | (787) |
| Intergovernmental Revenues | - | 112,572 | (112,572) |
| Investment Earnings | 483,921 | 488,290 | (4,369) |
| Miscellaneous | 454,221 | 860,142 | (405,921) |
| Total Revenue | <u>8,809,783</u> | <u>8,996,732</u> | <u>(186,949)</u> |
| Expenses: | | | |
| General Government | 1,876,034 | 2,382,168 | (506,134) |
| Justice System | 852,350 | 692,248 | 160,102 |
| Public Safety | 2,756,658 | 2,602,037 | 154,621 |
| Corrections and Rehabilitation | 2,096,581 | 2,403,483 | (306,902) |
| Health and Human Services | 198,177 | 93,451 | 104,726 |
| Community and Economic Development | 25,444 | 129,236 | (103,792) |
| Infrastructure and Environmental | 1,646,383 | 2,023,771 | (377,388) |
| Interest on Long-Term Debt | 30,964 | - | 30,964 |
| Total Expenses | <u>9,482,591</u> | <u>10,326,394</u> | <u>(843,803)</u> |
| Increase (Decrease) in Net Position | <u>(672,808)</u> | <u>(1,329,662)</u> | <u>656,854</u> |
| Net Position - Beginning (as restated) | 14,668,435 | 14,508,087 | 160,348 |
| Net Position - Ending | <u>\$ 13,995,627</u> | <u>\$ 13,178,425</u> | <u>\$ 817,202</u> |

HUDSPETH COUNTY, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2025

Financial Analysis of Governmental Funds

As noted earlier, the County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds. The focus of the County's *governmental funds* is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the County's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for discretionary use as they represent the portion of fund balance which has not yet been limited to use for a particular purpose by either an external party, the County itself, or a group or individual that has been delegated authority to assign resources for use for particular purposes by the County's Court.

At September 30, 2025, the County's governmental funds reported combined fund balances of \$8,379,173, a decrease of \$534,599 in comparison with the prior year. Of this amount, \$6,328,835, or 76%, constitutes *unassigned fund balance*, which is available for spending at the County's discretion. The remainder of the fund balance of \$2,050,338, or 24%, is restricted for particular purposes.

The General Fund is the chief operating fund of the County. At the end of the current fiscal year, both total and unassigned fund balance of the General Fund was \$6,328,835, reflecting a decrease of \$306,307 for the year. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total general fund expenditures. As of year end, both unassigned fund balance and total fund balance represented approximately 77% of total General Fund expenditures.

As previously noted, the fund balance of the County's General Fund decreased by \$306,307 during the current fiscal year. The decrease was primarily due to an unanticipated significant reduction in federal prisoner housing revenue during the year caused by less federal usage of this service from the County. This reduction was however able to be offset by expenditures coming in less than budgeted in several County functions.

The Indigent Health Care Fund, a major fund, experienced a \$459,200 decrease in fund balance during the current fiscal year to end at \$1,036,804. The decrease is due to expenditures on indigent health services significantly outpacing inflows to this fund from property taxes.

The Tribe and Local Assistance Fund, a major fund, experienced a \$13,179 decrease in fund balance during the current fiscal year to end with no fund balance. This fund was inadvertently left with fund balance at the end of the prior year. The normal condition of this grant fund should be to not maintain a fund balance.

The ARPA Grant Fund, a major fund, continued expenditures of the County's remaining ARPA grant funding, with \$282,472 in recorded revenues and related usage of this money through expenditures and authorized transfers to the General Fund. This fund reported \$134,801 in remaining money to spend as of year end.

The SB-22 Rural Law Grant Fund, a major fund, reported revenues earned and related expenditures of \$220,308. As of year end, the fund reported remaining funds on hand of \$134,821 for future expenditure.

General Fund Budgetary Highlights

Original budget compared to final budget. During the year there was no need for any significant amendments to increase either the original estimated revenues or original budgeted appropriations. However, there was a need to make amendments to reallocate appropriations within or between departments. Generally, the movement of the appropriations within or between departments was *not* significant.

HUDSPETH COUNTY, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2025

Capital Assets and Debt Administration

Capital assets. The County's investment in capital assets for its governmental activities as of September 30, 2025, amounted to \$3,642,864 (net of accumulated depreciation). This investment in capital assets includes land, buildings, infrastructure, and machinery and equipment. Total capital assets decreased for the current fiscal year by 17%. This was primarily the result of current year depreciation expense exceeding current year new capital asset additions.

**Hudspeth County, Texas
Capital Assets**

| | Governmental Activities 2025 | Governmental Activities 2024 | Change |
|-------------------------------------|------------------------------------|------------------------------------|---------------------|
| Land | \$ 18,000 | \$ 18,000 | \$ - |
| Buildings | 5,970,924 | 5,948,929 | 21,995 |
| Infrastructure | 3,088,842 | 3,088,842 | - |
| Machinery and Equipment | 10,132,553 | 10,121,343 | 11,210 |
| Total | 19,210,319 | 19,177,114 | 33,205 |
| Less Accumulated Depreciation | (15,567,455) | (14,781,578) | (785,877) |
| Capital assets, net of depreciation | <u>\$ 3,642,864</u> | <u>\$ 4,395,536</u> | <u>\$ (752,672)</u> |

Additional information on the County's capital assets can be found in Note-3 of this report.

Long-term Debt. At the end of the current fiscal year, the County had total debt outstanding of \$716,636. This amount consisted of financing leases on equipment and accrued compensated absences earned by employees as of year end.

**Hudspeth County, Texas
Long-Term Debt**

| | Governmental Activities 2025 | Governmental Activities 2024 | Change |
|--------------------------|------------------------------------|------------------------------------|---------------------|
| Financing Leases Payable | \$ 628,410 | \$ 762,468 | \$ (134,058) |
| Total | <u>\$ 628,410</u> | <u>\$ 762,468</u> | <u>\$ (134,058)</u> |

The County's total debt decreased by \$134,058, or 18%, during the current fiscal year. The net decrease was the result of scheduled payments on the County's financing leases during the year.

HUDSPETH COUNTY, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2025

Additional information on the County's long-term debt can be found in Note-6 of this report.

Economic Factors and Next Year's Budgets and Rates

The following economic factors currently affect the County and were considered in developing the 2025-2026 fiscal year budget.

- The County adopted a property tax rate of \$.562370909 for FY26, reflecting a decrease in the rate of 2.5%.
- The County's General Fund, including all sub-General Fund budgets, adopted a total expenditures budget for the year of \$8,822,032, which reflects an increase over final reported General Fund expenditures for FY25 of 6.92%.

Requests for Information

This financial report is designed to provide a general overview of the County finances for all those with an interest in the County's finances. Questions concerning any of the information provided in this report or requests for additional financial information can be addressed by visiting the County Auditor's Office at 109 Millican Street, Sierra Blanca, Texas 79851, or by calling (915) 369-4147.

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

HUDSPETH COUNTY, TEXAS
STATEMENT OF NET POSITION
SEPTEMBER 30, 2025

| | <u>Primary Government Governmental Activities</u> |
|---|---|
| ASSETS | |
| Cash and Temporary Investments | \$ 8,829,021 |
| Property Taxes Receivable | 2,748,174 |
| Allowance for Uncollectible Taxes | (1,374,086) |
| Accounts Receivable | 17,753 |
| Net Pension Asset | 1,537,958 |
| Capital Assets not Being Depreciated: | |
| Land | 18,000 |
| Capital Assets, Being Depreciated | |
| Buildings and Improvements | 5,970,924 |
| Infrastructure | 3,088,842 |
| Machinery, Equipment, and Vehicles | 10,132,553 |
| Accumulated Depreciation | (15,567,455) |
| Total Assets | <u>15,401,684</u> |
| DEFERRED OUTFLOWS OF RESOURCES | |
| Pension Plan Items | <u>186,276</u> |
| Total Deferred Outflows of Resources | <u>186,276</u> |
| LIABILITIES | |
| Unearned Revenues | 467,601 |
| Long-Term Liabilities: | |
| Current Portion of Long-Term Debt | 183,826 |
| Notes Payable | 488,697 |
| Other Long-Term Debt | 44,113 |
| Total Liabilities | <u>1,184,237</u> |
| DEFERRED INFLOWS OF RESOURCES | |
| Pension Plan Items | <u>408,096</u> |
| Total Deferred Inflows of Resources | <u>408,096</u> |
| NET POSITION | |
| Net Investment in Capital Assets | 3,014,454 |
| Restricted for State and Federal Programs | 125,029 |
| Restricted for Health and Welfare | 1,045,105 |
| Restricted for Other Purposes | 880,204 |
| Unrestricted | 8,930,835 |
| Total Net Position | <u>\$ 13,995,627</u> |

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

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

| Functions/Programs: | Expenses | Program Revenues | | Net (Expense) |
|------------------------------------|---------------------|----------------------------|--|--|
| | | Charges for Services | Operating Grants and Contributions | Primary Government Governmental Activities |
| Primary Government: | | | | |
| Governmental Activities: | | | | |
| General Government | \$ 1,876,034 | \$ 539,376 | \$ 763,040 | \$ (573,618) |
| Justice System | 852,350 | 261,022 | 52,136 | (539,192) |
| Public Safety | 2,756,658 | 96,517 | 52,364 | (2,607,777) |
| Corrections and Rehabilitation | 2,096,581 | 1,512,149 | - | (584,432) |
| Health and Human Services | 198,177 | - | - | (198,177) |
| Community and Economic Development | 25,444 | 203,890 | - | 178,446 |
| Infrastructure and Environmental | 1,646,383 | - | - | (1,646,383) |
| Debt Interest | 30,964 | - | - | (30,964) |
| Total Governmental Activities: | <u>\$ 9,482,591</u> | <u>\$ 2,612,954</u> | <u>\$ 867,540</u> | <u>(6,002,097)</u> |
| General Revenues: | | | | |
| | | | | 4,374,584 |
| | | | | 16,563 |
| | | | | 483,921 |
| | | | | 454,221 |
| | | | | <u>5,329,289</u> |
| | | | | Change in Net Postion Before Special Items: <u>(672,808)</u> |
| Special Items: | | | | |
| | | | | 29,410,184 |
| | | | | <u>(29,410,184)</u> |
| | | | | <u>(672,808)</u> |
| | | | | Net Position - Beginning (as restated) <u>14,668,435</u> |
| | | | | <u>\$ 13,995,627</u> |

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

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FUND BASIS FINANCIAL STATEMENTS

HUDSPETH COUNTY, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2025

| | <u>010</u> | <u>050</u> | <u>129</u> | <u>123</u> |
|--------------------------------------|---------------------|------------------------------|---------------------------------------|--------------------|
| | General Fund | Indigent Health Care Fund | Tribe and Local Assistance Fund | ARPA Grant Fund |
| ASSETS | | | | |
| Cash and Temporary Investments | \$ 6,360,955 | \$ 971,175 | \$ 192,979 | \$ 134,801 |
| Property Taxes Receivable | 2,720,692 | 27,482 | - | - |
| Allowance for Uncollectible Taxes | (1,360,345) | (13,741) | - | - |
| Accounts Receivable | 17,753 | - | - | - |
| Due from Other Funds | - | 65,629 | - | - |
| Total Assets | <u>\$ 7,739,055</u> | <u>\$ 1,050,545</u> | <u>\$ 192,979</u> | <u>\$ 134,801</u> |
| LIABILITIES | | | | |
| Due to Other Funds | \$ 44,873 | \$ - | \$ - | \$ - |
| Unearned Revenues | 5,000 | - | 192,979 | 134,801 |
| Total Liabilities | <u>49,873</u> | <u>-</u> | <u>192,979</u> | <u>134,801</u> |
| DEFERRED INFLOWS OF RESOURCES | | | | |
| Deferred Inflows - Property Taxes | 1,360,347 | 13,741 | - | - |
| Total Deferred Inflows of Resources | <u>1,360,347</u> | <u>13,741</u> | <u>-</u> | <u>-</u> |
| FUND BALANCES (DEFICITS) | | | | |
| Restricted for: | | | | |
| State and Federal Grants | - | - | - | - |
| Health and Welfare | - | 1,036,804 | - | - |
| Other Purposes | - | - | - | - |
| Unassigned | 6,328,835 | - | - | - |
| Total Fund Balances | <u>6,328,835</u> | <u>1,036,804</u> | <u>-</u> | <u>-</u> |
| Total Liabilities and Fund Balances | <u>\$ 7,739,055</u> | <u>\$ 1,050,545</u> | <u>\$ 192,979</u> | <u>\$ 134,801</u> |

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

| SB-22 Rural Law Grant Fund | Total Non- Major Funds | Total Governmental Funds |
|-------------------------------|---------------------------|--------------------------------|
| \$ 134,821 | \$ 1,034,290 | \$ 8,829,021 |
| - | - | 2,748,174 |
| - | - | (1,374,086) |
| - | - | 17,753 |
| - | 41,760 | 107,389 |
| <u>\$ 134,821</u> | <u>\$ 1,076,050</u> | <u>\$ 10,328,251</u> |
| | | |
| \$ - | \$ 62,516 | \$ 107,389 |
| 134,821 | - | 467,601 |
| <u>134,821</u> | <u>62,516</u> | <u>574,990</u> |
| | | |
| - | - | 1,374,088 |
| - | - | <u>1,374,088</u> |
| | | |
| - | 125,029 | 125,029 |
| - | 8,301 | 1,045,105 |
| - | 880,204 | 880,204 |
| - | - | 6,328,835 |
| - | 1,013,534 | 8,379,173 |
| <u>\$ 134,821</u> | <u>\$ 1,076,050</u> | <u>\$ 10,328,251</u> |

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HUDSPETH COUNTY, TEXAS
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
GOVERNMENT-WIDE STATEMENT OF NET POSITION
SEPTEMBER 30, 2025

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

| | |
|--|--------------|
| Total Fund Balances - Governmental Funds | \$ 8,379,173 |
|--|--------------|

Capital assets and related accumulated depreciation used in governmental activities are not current financial resources, and therefore not reported in the funds. These are detailed as follows:

| | | |
|--|---------------------|-----------|
| Governmental activities capital assets | \$ 19,210,319 | |
| Less accumulated depreciation | <u>(15,567,455)</u> | 3,642,864 |

Net pension and other post-employment assets or liabilities as well as related deferred inflows and outflows are not reported in the governmental funds, but are reported on the Statement of Net Position. These amounts are detailed as follows:

| | | |
|---|----------------|-----------|
| Current pension funding asset | 1,537,958 | |
| Deferred outflows related to pensions | 14,148 | |
| Deferred inflows related to pensions | (408,096) | |
| Deferred outflows related to other post-employment benefits | <u>172,128</u> | 1,316,138 |

Uncollected property taxes are not available to pay for current operations and are therefore not recorded within the fund balance of the governmental funds. These amounts are however recorded in the statement of net position, net of an allowance for uncollectible amounts.

1,374,088

Long-term liabilities, such as bonds and notes payable, are not due and payable in the current period, and therefore not reported as liabilities in the governmental funds. These are detailed as follows:

| | | |
|--------------------------|-----------------|------------------|
| Financing leases payable | (628,410) | |
| Compensated absences | <u>(88,226)</u> | <u>(716,636)</u> |

Net Position of Governmental Activities

\$ 13,995,627

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

HUDSPETH COUNTY, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2025

| | <u>010</u> | <u>050</u> | <u>129</u> | <u>123</u> |
|--|---------------------|------------------------------|---------------------------------------|--------------------|
| | General Fund | Indigent Health Care Fund | Tribe and Local Assistance Fund | ARPA Grant Fund |
| REVENUES | | | | |
| Property Taxes | \$ 4,304,814 | \$ 57,081 | \$ - | \$ - |
| General Sales and Use Taxes | - | - | - | - |
| Fines, Fees, and Permits | 569,585 | - | - | - |
| Charges for Services | 1,741,110 | - | - | - |
| Rent and Lease Revenue | 18,740 | - | - | - |
| Investment Income | 390,695 | - | 5,372 | - |
| Intergovernmental Revenues | 271,675 | - | 3,444 | 282,472 |
| Other Revenue | 284,703 | - | - | - |
| Total Revenues | <u>7,581,322</u> | <u>57,081</u> | <u>8,816</u> | <u>282,472</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| General Government | 2,018,326 | - | - | 20,689 |
| Justice System | 782,796 | - | - | - |
| Public Safety | 2,011,389 | - | - | - |
| Corrections and Rehabilitation | 1,747,365 | - | - | - |
| Health and Human Services | - | 182,005 | - | - |
| Community and Economic Development | - | - | - | - |
| Infrastructure and Environmental | 1,525,864 | - | - | - |
| Debt Service: | | | | |
| Principal | 134,059 | - | - | - |
| Interest | 30,963 | - | - | - |
| Capital Outlay | - | - | 21,995 | - |
| Total Expenditures | <u>8,250,762</u> | <u>182,005</u> | <u>21,995</u> | <u>20,689</u> |
| Excess (Deficiency) of Revenue Over Expenditures | <u>(669,440)</u> | <u>(124,924)</u> | <u>(13,179)</u> | <u>261,783</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers In | 6,453,283 | - | - | - |
| Other Resources | - | - | - | - |
| Transfers Out | (6,090,150) | (334,276) | - | (261,783) |
| Other Uses | - | - | - | - |
| Total Other Financing Sources (Uses) | <u>363,133</u> | <u>(334,276)</u> | <u>-</u> | <u>(261,783)</u> |
| Net Change in Fund Balance | (306,307) | (459,200) | (13,179) | - |
| Fund Balance-Beginning, as Previously Reported | 7,485,284 | - | - | - |
| Change within Financial Reporting Entity (NonMajor to Major Funds) | - | 1,496,004 | 13,179 | - |
| Restatements (See Note 9) | (850,142) | - | - | - |
| Fund Balance-Beginning, as Adjusted | <u>6,635,142</u> | <u>1,496,004</u> | <u>13,179</u> | <u>-</u> |
| Fund Balance-Ending | <u>\$ 6,328,835</u> | <u>\$ 1,036,804</u> | <u>\$ -</u> | <u>\$ -</u> |

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

| SB-22 Rural Law Grant Fund | Total Non- Major Funds | Total Governmental Funds |
|----------------------------------|---------------------------|--------------------------------|
| \$ - | \$ - | \$ 4,361,895 |
| - | 16,563 | 16,563 |
| - | 40,434 | 610,019 |
| - | 177,893 | 1,919,003 |
| - | 65,192 | 83,932 |
| 4,734 | 83,120 | 483,921 |
| 215,574 | 94,375 | 867,540 |
| - | 169,518 | 454,221 |
| <u>220,308</u> | <u>647,095</u> | <u>8,797,094</u> |
| - | 90,116 | 2,129,131 |
| - | - | 782,796 |
| 220,308 | 325,632 | 2,557,329 |
| - | 178,130 | 1,925,495 |
| - | - | 182,005 |
| - | 23,368 | 23,368 |
| - | - | 1,525,864 |
| - | - | 134,059 |
| - | - | 30,963 |
| - | 18,688 | 40,683 |
| <u>220,308</u> | <u>635,934</u> | <u>9,331,693</u> |
| - | 11,161 | (534,599) |
| - | 232,926 | 6,686,209 |
| - | 29,410,184 | 29,410,184 |
| - | - | (6,686,209) |
| - | (29,410,184) | (29,410,184) |
| - | 232,926 | - |
| - | 244,087 | (534,599) |
| - | 2,060,073 | 9,545,357 |
| - | (1,509,183) | - |
| - | 218,557 | (631,585) |
| - | 769,447 | 8,913,772 |
| <u>\$ -</u> | <u>\$ 1,013,534</u> | <u>\$ 8,379,173</u> |

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HUDSPETH COUNTY, TEXAS
 RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCE TO THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED SEPTEMBER 30, 2025

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

Net Change in Fund Balances - Total Governmental Funds \$ (534,599)

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense. In addition, depreciation expense is only reported on the Statement of Activities.

| | | |
|-------------------------------------|-----------|-----------|
| Expenditures for capitalized assets | \$ 58,200 | |
| Less current year depreciation | (810,872) | (752,672) |

Long-term liabilities, such as bonds and notes payable, are not recorded within the governmental funds due to them not representing current liabilities. When principal repayments are made on these obligations, they represent expenditures in the governmental funds and reduce long-term liabilities in the statement of activities.

| | |
|----------------------------|---------|
| Payments on long-term debt | 134,058 |
|----------------------------|---------|

Revenues in the statements of activities for property taxes are recognized in the period levied, not collected. Therefore the uncollected property taxes of the current period increase the change in net position.

12,689

Governmental funds report pension and other post-employment benefit contributions as current year expenditures. However, these costs are measured actuarially in the statement of activities. These differences in recognition between the governmental funds and Statement of Activities for these items is as follows:

| | |
|------------------------------|---------|
| Current year pension expense | 467,716 |
|------------------------------|---------|

| | |
|---|--------------|
| Change in Net Position- Governmental Activities | \$ (672,808) |
|---|--------------|

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

HUDSPETH COUNTY, TEXAS
STATEMENT OF FIDUCIARY NET POSITION
CUSTODIAL FUNDS
SEPTEMBER 30, 2025

| | Fiduciary Funds | | | Total Fiduciary Funds |
|-------------------------------|-------------------------|---------------------------------------|--------------------|-----------------------------|
| | 108 | 109 | 110 | |
| | District Clerk Funds | Tax Assessor/ Collector Fund | Sheriff's Funds | |
| ASSETS | | | | |
| Cash and Cash Equivalents | \$ 86,975 | \$ 825,957 | \$ 542,398 | \$ 1,455,330 |
| Total Assets | <u>86,975</u> | <u>825,957</u> | <u>542,398</u> | <u>1,455,330</u> |
| NET POSITION | | | | |
| Held for Remittance to County | 86,975 | 825,957 | 542,398 | 1,455,330 |
| Total Net Position | <u>\$ 86,975</u> | <u>\$ 825,957</u> | <u>\$ 542,398</u> | <u>\$ 1,455,330</u> |

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

HUDSPETH COUNTY, TEXAS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
CUSTODIAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2025

| | Fiduciary Funds | | | Total Fiduciary Funds |
|--|-------------------------|---------------------------------------|--------------------|-----------------------------|
| | 108 | 109 | 110 | |
| | District Clerk Funds | Tax Assessor/ Collector Fund | Sheriff's Funds | |
| ADDITIONS | | | | |
| Fees of Office | \$ 404,300 | \$ 162,814 | \$ - | \$ 567,114 |
| Commissary Sales | - | - | 24,790 | 24,790 |
| Interest Income | 2,782 | 25,021 | 11,066 | 38,869 |
| Miscellaneous | - | - | 82,219 | 82,219 |
| Total Additions | <u>407,082</u> | <u>187,835</u> | <u>118,075</u> | <u>712,992</u> |
| DEDUCTIONS | | | | |
| Payments to County | 407,392 | 100,462 | 9,435 | 517,289 |
| Payments to Other Governments | - | - | 44,784 | 44,784 |
| Total Deductions | <u>407,392</u> | <u>100,462</u> | <u>54,219</u> | <u>562,073</u> |
| Change in Net Position | (310) | 87,373 | 63,856 | 150,919 |
| Net Position-Beginning, as Previously Reported | - | - | - | - |
| Restatements (See Note 9) | 87,285 | 738,584 | 478,542 | 1,304,411 |
| Net Position - Beginning, as Adjusted | <u>87,285</u> | <u>738,584</u> | <u>478,542</u> | <u>1,304,411</u> |
| Net Position - Ending | <u>\$ 86,975</u> | <u>\$ 825,957</u> | <u>\$ 542,398</u> | <u>\$ 1,455,330</u> |

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

HUDSPETH COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2025

NOTE-4 PENSION OBLIGATIONS

Texas County & District Retirement System (TCDRS)

Plan Description

- a. The County participates in the Texas County & District Retirement System (TCDRS), which is a statewide, agent multiple-employer, public employee retirement system.
- b. A brief description of benefit terms:
 - 1) All full and part-time non-temporary employees participate in the plan, regardless of the number of hours they work in a year. Employees in a temporary position are not eligible for membership.
 - 2) The plan provides retirement, disability, and survivor benefits.
 - 3) TCDRS is a savings-based plan. For the County’s plan, 7% of each employee’s pay is deposited into his or her TCDRS account. By law, employee accounts earn 7% interest on beginning of year balances annually. At retirement, the account is matched at an employer set percentage (current match is 175%) and is then converted to an annuity.
 - 4) There are no automatic COLAs. Each year, the County may elect an ad hoc COLA for its retirees (if any). There are two COLA types, each limited by actual inflation.
 - 5) Benefit terms are established under the TCDRS Act. They may be amended as of January 1 each year, but must remain in conformity with the Act.
- c. Membership information is shown in the chart below.
- d. The County’s contribution rate is calculated annually on an actuarial basis, although the employer may elect to contribute at a higher rate. The County’s contribution rate is based on the TCDRS funding policy adopted by the TCDRS Board of Trustees and must conform with the TCDRS Act. The employee contribution rates are set by the County and are currently 7%. Contributions to the pension plan from the County for 2024 (the most recent measurement year) are shown in the Schedule of Employer Contributions.
- e. The most recent annual comprehensive financial report for TCDRS can be found at the following link, www.TCDRS.org/Employer.

Membership of the plan as of the two most recent plan years is as follows:

| Members | 12/31/2023 | 12/31/2024 |
|--|------------|------------|
| Number of inactive employees entitled to but not yet receiving benefits: | 185 | 192 |
| Number of active employees | 122 | 117 |
| Average monthly salary:* | \$ 3,171 | \$ 3,275 |
| Average age:* | 44.02 | 43.14 |
| Average length of service in years:* | 8.21 | 8.43 |
| <hr/> | | |
| Inactive Employees (or their Beneficiaries) Receiving Benefits | | |
| Number of benefit recipients: | 57 | 60 |
| Average monthly benefit: | \$ 612 | \$ 696 |

*Averages reported for active employees.

HUDSPETH COUNTY, TEXAS
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED SEPTEMBER 30, 2025

The following are the key assumptions and methods used in this GASB analysis.

| | |
|---|---|
| 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 pay) ¹ |
| 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 | |
| Smoothing period | 5 years |
| Recognition method | Non-asymptotic |
| Corridor | None |
| Inflation | 2.50% |
| Salary Increases | 3.00% |
| Investment Rate of Return | 7.60% (Gross of administrative expenses) |
| Cost-of-Living Adjustments | Cost-of-Living Adjustments for Hudspeth County are not considered to be substantively automatic under GASB-68. Therefore, no assumption for future cost-of-living adjustments is included in the GASB calculations. No assumption for future cost-of-living adjustments is included in the funding valuation. |
| Mortality | Based on Pub-2010 General Employees Amount-Weighted Mortality Table |
| Retirement Age | Hudspeth County Specific Table |
| Turnover | Hudspeth County Specific Table |
| Adjustment for Plans with the Partial-Lump Sum Payment Option (Liability and Normal Cost) | Same as funding valuation. For employers who have elected this option, a .75% increase is applied to the TPL related to the member deposit portion of the estimated monthly benefit for future retirees. |

(1) Individual entry age normal cost method, as required by GASB 68, used for GASB calculations. Note that the replacement life entry age cost method is used for the funding actuarial valuation, which differs from the GASB-required approach in that it assumes that the current benefit provision always applied.

Long-Term Expected Rate of Return

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 the TCDRS investment consultant, Cliffwater LLC. The numbers shown are based on January 2025 information for a 10-year time horizon.

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

HUDSPETH COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2025

Long-Term Expected Rate of Return (continued)

| Asset Class | Benchmark | Target Allocation | Geometric Real Rate of Return |
|----------------------------------|--|-------------------|-------------------------------|
| US Equities | Dow Jones U.S. Total Stock Market Index | 13.0% | 5.35% |
| Global Equities | MSCI World (net) Index | 4.0% | 5.15% |
| Int'l Equities-Developed Mkts | MSCI World Ex USA (net) Index | 6.0% | 4.75% |
| Int'l Equities-Emerging Mkts | MSCI Emerging Markets (net) Index | 0.0% | 4.75% |
| Investment-Grade Bonds | Bloomberg U.S. Aggregate Bond Index | 3.0% | 2.55% |
| Strategic Credit | FTSE High-Yield Cash-Pay Index | 9.0% | 3.70% |
| Direct Lending | Morningstar LSTA US Leveraged Loan TR USD Index | 16.0% | 6.85% |
| Distressed Debt | Cambridge Assoc. Distressed Securities Index | 4.0% | 6.80% |
| REIT Equities | 67% FTSE NAREIT Equity REITs Index + 33% S&P Global REIT (net) Index | 2.0% | 3.95% |
| Master Limited Partnerships | Alerian MLP Index | 2.0% | 4.95% |
| Commodities | Bloomberg Commodities Index | 2.0% | 1.00% |
| Private Real Estate Partnerships | Cambridge Associates Real Estate Index | 6.0% | 5.75% |
| Private Equity | Cambridge Assoc. Global Private Equity & Venture Cap. Index | 25.0% | 8.15% |
| Hedge Funds | HFR, Inc. Fund of Funds Composite Index | 6.0% | 3.60% |
| Cash Equivalents | 90-Day U.S. Treasury | 2.00% | 1.10% |
| | | 100% | |

Discount Rate

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

Sensitivity of the Net Pension Liability/(Asset) to Changes in the Discount Rate

The following presents the net pension liability/(asset) 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% |
|-------------------------------|----------------------|--------------------------------|----------------------|
| Total Pension Liability | \$ 14,042,683 | \$ 12,308,219 | \$ 10,881,450 |
| Fiduciary Net Position | 13,846,176 | 13,846,177 | 13,846,176 |
| Net Pension Liability/(Asset) | \$ 196,507 | \$ (1,537,958) | \$ (2,964,726) |

HUDSPETH COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2025

Pension Plan Fiduciary Net Position

A detail of the changes in the Net Pension Liability/(Asset) of the County is as follows:

| | Total Pension Liability | Fiduciary Net Position | Net Pension Liability/(Asset) |
|---|----------------------------|---------------------------|----------------------------------|
| Balances as of December 31, 2023 | \$ 11,868,179 | \$ 12,699,493 | \$ (831,314) |
| Changes for the year: | | | |
| Service cost | 514,252 | - | 514,252 |
| Interest on total pension liability | 916,325 | - | 916,325 |
| Effect of economic/demographic gains/losses | (327,349) | - | (327,349) |
| Refund of contributions | (206,953) | (206,953) | - |
| Benefit payments | (456,235) | (456,235) | - |
| Administrative expenses | - | (7,537) | 7,537 |
| Member contributions | - | 298,349 | (298,349) |
| Net investment income | - | 1,291,658 | (1,291,658) |
| Employer contributions | - | 231,007 | (231,007) |
| Other | - | (3,605) | 3,605 |
| Balances as of December 31, 2024 | <u>\$ 12,308,219</u> | <u>\$ 13,846,177</u> | <u>\$ (1,537,958)</u> |

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

For the year ended September 30, 2025, the County recognized pension expense of (\$467,716). This amount is inclusive of pension expense recognized within the actuarial valuation measurement at December 31, 2024 and the net change in contributions after the measurement date through September 30, 2025.

At September 30, 2025, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|-----------------------------------|----------------------------------|
| Differences between expected and actual experience | \$ 14,148 | \$ 280,756 |
| Changes of assumptions | - | - |
| Net Difference between projected and actual investment earnings | - | 127,340 |
| Contributions made subsequent to the measurement date | 172,128 | - |
| Total | \$ 186,276 | \$ 408,096 |

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

| Measurement Year Ended December 31, | Pension Expense Amount |
|--|---------------------------|
| 2025 | \$ (209,582) |
| 2026 | 106,860 |
| 2027 | (224,845) |
| 2028 | (66,381) |
| 2029 | - |
| Thereafter | - |

HUDSPETH COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2025

NOTE-5 RISK MANAGEMENT

The County is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. To reduce its risk exposure in these areas the County is a member of the Texas Association of Counties Risk Pool (the "Risk Pool") for liability, property, and workers' compensation. The Risk Pool is a public entity risk pool and was created based on the general objectives of formulation, developing and administering a program of self-insurance for the membership and obtaining lower costs for coverage. The Risk Pool has the power to establish fees, contributions and methods for establishing rates. Under contract with the Risk Pool, the Association provides for such services as claims administration and management, underwriting, loss control training, and financial reporting as its members.

The Pool is governed by a Board of Directors made up of employees or officials of counties, which are members of the Pool. Member counties make contributions to the Pool, and the Pool provides insurance coverage and applicable reinsurance or stop loss coverage. The insurance policies carry various deductibles and aggregate maximum loss totals. The by-laws of the Pool are detailed in a separate document, which can be obtained from the Texas Association of Counties, 1210 San Antonio Street, Austin TX 78701.

NOTE-6 LONG-TERM LIABILITIES

The County from time to time issues general obligation bonds, maintenance tax notes, or obtains financing leases from banks or vendors to provide funds for capital improvement projects or the acquisition of equipment for operating needs. These debt instruments are direct obligations of the County and pledge the full faith and credit of the County for repayment. These debt instruments are generally repaid in equal installments of principal and interest over a period of 3 to 30 years.

Details of long-term debt obligations outstanding at September 30, 2025 for governmental activities are as follows:

Governmental Activities:

| Type | Issue Date | Original Borrowing | Interest Rates to Maturity | Final Maturity | Outstanding 9/30/25 |
|--|------------|--------------------|----------------------------|----------------|---------------------|
| Financing Leases Payable | | | | | |
| Lease Payable - Jail Technology System | 2020 | \$ 329,770 | 2.988% | 2031 | \$ 208,284 |
| Lease Payable - Trash Truck | 2022 | 241,329 | 5.25% | 2028 | 108,428 |
| Lease Payable - Landfill Compactor | 2023 | 513,410 | 4.29% | 2029 | 311,698 |
| Total Financing Leases Payable | | | | | <u>628,410</u> |
| Other Long-Term Debt | | | | | |
| Compensated Absences Payable | | | | | 88,226 |
| Total Other Long-Term Debt | | | | | <u>88,226</u> |
| Grand Total Long-Term Debt | | | | | <u>\$ 716,636</u> |

HUDSPETH COUNTY, TEXAS
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Changes in the County's long-term liabilities for the year ended September 30, 2025 are as follows:

Governmental Activities:

| Description | Balance 10/1/24 | Additions | Deletions | Adjustments | Balance 9/30/25 | Due in One Year |
|--|--------------------|-------------|---------------------|------------------|--------------------|--------------------|
| Financing Leases Payable | | | | | | |
| Note Payable - Trash Truck | \$ 141,027 | \$ - | \$ (32,599) | \$ - | \$ 108,428 | \$ 34,310 |
| Note Payable - Landfill Compactor | 381,778 | - | (70,080) | - | 311,698 | 73,086 |
| Note Payable - Jail Technology System | 239,663 | - | (31,379) | - | 208,284 | 32,317 |
| Total Financing Leases Payable | 762,468 | - | (134,058) | - | 628,410 | 139,713 |
| Other Long-Term Debt: | | | | | | |
| Compensated Absences | - | - | - | 88,226 * | 88,226 | 44,113 |
| Total Other Long-Term Debt | - | - | - | 88,226 | 88,226 | 44,113 |
| Gov. Activities Long-Term Liabilities | \$ 762,468 | \$ - | \$ (134,058) | \$ 88,226 | \$ 716,636 | \$ 183,826 |

* Adjustment shown reflects implementation of GASB Statement 101 - Compensated Absences. Value could be obtained only as of September 30, 2025. This value has also been used as the value as of September 30, 2024 which is presumed to not have been materially different. In future years a net change will be shown to this value in the applicable additions or deletions column.

The debt service requirements for the County's financing leases payable are as follows:

| Year Ended September 30, | Governmental Activities Financing Leases Payable | | Total Governmental Activities | |
|-----------------------------|---|------------------|----------------------------------|------------------|
| | Principal | Interest | Principal | Interest |
| 2026 | \$ 139,713 | \$ 25,308 | \$ 139,713 | \$ 25,308 |
| 2027 | 145,614 | 19,407 | 145,614 | 19,407 |
| 2028 | 151,775 | 13,246 | 151,775 | 13,246 |
| 2029 | 118,203 | 6,817 | 118,203 | 6,817 |
| 2030 | 36,356 | 2,205 | 36,356 | 2,205 |
| 2030-2031 | 36,749 | 1,119 | 36,749 | 1,119 |
| Totals | \$ 628,410 | \$ 68,102 | \$ 628,410 | \$ 68,102 |

HUDSPETH COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2025

NOTE-7 INTERFUND BALANCES AND TRANSFERS

The composition of interfund balances as of September 30, 2025 is as follows:

| Interfund Balances | Amount |
|--------------------------------------|-------------------|
| Due from Other Funds | |
| Indigent Health Care Fund | \$ 65,630 |
| Indigent Defense Fund | 20,883 |
| Abandoned Vehicle Fund | 20,877 |
| Total Due from Other Funds | \$ 107,390 |
| Due to Other Funds | |
| General Fund-General Government | \$ 27,121 |
| General Fund-Road and Bridge | 17,753 |
| Records Preservation Fund | 20,877 |
| Indigent Defense Fund | 20,883 |
| Planner Fund | 4,344 |
| High-Intensity Drug Trafficking Fund | 16,412 |
| Total Due to Other Funds | \$ 107,390 |

Interfund balances between funds result mainly from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. These amounts also include balances of working capital loans made to several nonmajor governmental funds which the General Fund expects to collect in the subsequent year.

Interfund transfers for the year were as follows:

| | Transfer in to: | | | | | | Total |
|-----------------------------|-------------------------|--------------------------|--------------------|-------------------------|---------------------------|--|--------------------|
| | Governmental Funds | | | | | | |
| | Gen. Fund- Gen. Gov. | Gen. Fund- Road/Brige | Gen. Fund- Jail | Gen. Fund- Insurance | Other Non- Major Funds | | |
| Transfer out from: | | | | | | | |
| General Fund - General Gov. | \$ - | \$ 643,163 | \$5,320,090 | \$ - | \$ 126,897 | | \$6,090,150 |
| Indigent Health | 52,881 | - | - | 175,366 | 106,029 | | 334,276 |
| ARPA Fund | 261,783 | - | - | - | - | | 261,783 |
| Total | \$ 314,664 | \$ 643,163 | \$5,320,090 | \$ 175,366 | \$ 232,926 | | \$6,686,209 |

During the year, recurring transfers are used to 1) move revenues from a fund with collection authority to another fund with related expenditure requirements, and 2) move general fund resources to provide subsidies to other funds as needs arise.

HUDSPETH COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2025

NOTE-8 CONTINGENCIES

The government participates in various federal grant programs, the principal of which are subject to program compliance audits pursuant to the Single Audit Act as amended. Accordingly, the government's compliance with applicable grant requirements will be established at a future date. The amount of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the government anticipates such amounts, if any, will be immaterial.

NOTE-9 RESTATEMENTS OF BEGINNING FUND BALANCE AND NET POSITION

The following restatements to beginning fund balance were applied to the sub-funds of the General Fund:

| | General Fund - Sub-General Fund Detail | | | | Total General Fund |
|---|--|--------------------------------|------------------------------|-----------------------|-----------------------|
| | Fund 010 General Gov. | Fund 110 Unremitted Sheriff | Fund 109 Unremitted Other | Other Funds | |
| Fund Balance as Previously Stated at 9/30/24 | \$ 11,133,772 | \$ 360,257 | \$ 67,201 | \$ (4,075,946) | \$ 7,485,284 |
| Retroactively close Fund 118 | 8,117 | - | - | - | 8,117 |
| Retroactively close Fund 131 | (30,404) | - | - | - | (30,404) |
| Correct the prior year misstatement of the Due to LaSalle balance | (262,458) | - | - | - | (262,458) |
| Correct the prior year payroll clearing variances | (137,939) | - | - | - | (137,939) |
| Remove Unremitted Sheriff's funds from General Fund | - | (360,257) | - | - | (360,257) |
| Remove Unremitted Other Custodial Funds from the General | - | - | (67,201) | - | (67,201) |
| Cumulative Restatements | (422,684) | (360,257) | (67,201) | - | (850,142) |
| Fund Balance as Restated at 9/30/24 | <u>\$ 10,711,088</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ (4,075,946)</u> | <u>\$ 6,635,142</u> |

The following restatements to beginning fund balance were applied to selected governmental special revenue funds:

| | Governmental Funds - Special Revenue Funds | | | | Total Gov. Special Revenue Funds |
|--|--|-------------------|-------------------|-------------------|--|
| | Fund 118 HIDTA | Fund 121 HIDTA | Fund 122 HIDTA | Fund 131 HIDTA | |
| Fund Balance as Previously Stated at 9/30/24 | \$ 8,117 | \$ (81,535) | \$ (66,113) | \$ (79,026) | \$ (218,557) |
| Retroactively close funds | (8,117) | 81,535 | 66,113 | 79,026 | 218,557 |
| Cumulative Restatements | (8,117) | 81,535 | 66,113 | 79,026 | 218,557 |
| Fund Balance as Restated at 9/30/24 | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |

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HUDSPETH COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2025

The following restatements to beginning net position were applied to selected fiduciary funds classified as custodial funds:

| | Fiduciary Funds - Custodial Funds | | | Total Custodial Funds |
|--|-----------------------------------|-------------------|---------------------|--------------------------|
| | Fund 108 Tax Collector | Fund 109 Clerk | Fund 110 Sheriff | |
| Net Position as Previously Stated at 9/30/24 | \$ - | \$ - | \$ - | \$ - |
| Reclass from Gen. Fund to Custodial Funds | - | 67,201 | 360,257 | 427,458 |
| Separate Tax Collector and Clerk Funds | 87,285 | (87,285) | - | - |
| Reclassify Due to Others into Net Position | - | 758,668 | 118,285 | 876,953 |
| Cumulative Restatements | 87,285 | 738,584 | 478,542 | 1,304,411 |
| Net Position as Restated at 9/30/24 | <u>\$ 87,285</u> | <u>\$ 738,584</u> | <u>\$ 478,542</u> | <u>\$ 1,304,411</u> |

The following restatements to beginning net position were applied to the government activities of the government-wide financial statements:

| | Governmental Activities |
|---|----------------------------|
| Net Position as Previously Stated at 9/30/24 | \$ 13,178,425 |
| Retroactively close Fund 121 | 81,535 |
| Retroactively close Fund 122 | 66,113 |
| Retroactively close Fund 131, net to Funds 010 and 131 | 48,622 |
| Correct the prior year misstatement of the Due to LaSalle balance | (262,458) |
| Correct prior year payroll clearing misstatements | (137,939) |
| Record property taxes receivable into beginning net position | 1,361,399 |
| Record value of compensated absences for GASB-101 | (88,226) |
| Record net pension asset and related deferred inflows/outflows | 848,422 |
| Remove Unremitted Sheriff's funds from General Fund | (360,257) |
| Remove Unremitted Other Custodial Funds from the General Fund | (67,201) |
| Cumulative Restatements | 1,490,010 |
| Net Position as Restated at 9/30/24 | <u>\$ 14,668,435</u> |

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REQUIRED SUPPLEMENTARY INFORMATION