

BRAZORIA COUNTY APPRAISAL DISTRICT
ANGLETON, TEXAS

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED
DECEMBER 31, 2023



**8 WEST WAY COURT
LAKE JACKSON, TEXAS 77566**

THIS PAGE LEFT BLANK INTENTIONALLY.

BRAZORIA COUNTY APPRAISAL DISTRICT

Angleton, Texas

Annual Financial Report For the Year Ended December 31, 2023

Table of Contents

Financial Section

	<u>Page</u>
Independent Auditor's Report.....	7-9
Management's Discussion and Analysis	11-16
Government-Wide Financial Statements:	
Statement of Net Position	18
Statement of Activities	19
Balance Sheet - General Fund	20
Reconciliation of the General Fund Balance Sheet to the Governmental Activities Statement of Net Position.....	21
Statement of Revenues, Expenditures, and Change in Fund Balance - General Fund	22
Reconciliation of the Statement of Revenues, Expenditures, and Change in Fund Balance of General Fund to the Governmental Activities Statement of Activities	23
Notes to the Financial Statements.....	26-45

Required Supplementary Information

Schedule of Revenues, Expenditures, and Change in Fund Balance - Budget and Actual - General Fund	49-51
Texas County and District Retirement System Schedule of Change in - Net Pension Liability/(Asset) and Related Ratios.....	52-53
Texas County and District Retirement System Schedule of Employer Contributions	54
Notes to the Required Supplementary Information	55

THIS PAGE LEFT BLANK INTENTIONALLY.

FINANCIAL SECTION

THIS PAGE LEFT BLANK INTENTIONALLY.



Independent Auditor's Report

To the Board of Directors
Brazoria County Appraisal District
Angleton, Texas

Opinions

We have audited the accompanying financial statements of the governmental activities and general fund of the Brazoria County Appraisal District (the "District"), as of and for the year ended December 31, 2023, 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 general fund of the District, as of December 31, 2023, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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

As discussed in Note 1 of the financial statements, during the year ended December 31, 2023, the District implemented Governmental Accounting Standards Board (GASB) Statement No. 96, *Subscription Based Information Technology Arrangements*. 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 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.

Lake Jackson
8 W Way Ct.
Lake Jackson, TX 77566
979-297-4075

El Campo
201 W. Webb St.
El Campo, TX 77437
979-543-6836

Angleton
2801 N. Velasco, Suite C
Angleton, TX 77515
979-849-8297

Bay City
2245 Avenue G
Bay City, TX 77414
979-245-9236



Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

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

KM&L, LLC

Lake Jackson, Texas
March 5, 2024

THIS PAGE LEFT BLANK INTENTIONALLY.

BRAZORIA COUNTY APPRAISAL DISTRICT

Management's Discussion and Analysis For the Year Ended December 31, 2023

As management of the Brazoria County Appraisal District (the "District"), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended December 31, 2023.

Financial Highlights

- The assets and deferred outflows of resources of the District exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$ 1,866,810 (net position).
- The District's total net position increased by \$ 306,714.
- As of the close of the current fiscal year, the District's governmental fund reported ending fund balances of \$ 791,223. 45.48% of this total amount, \$ 359,883 (unassigned fund balance) is available for use within the District's fund designation. \$ 231,340 is nonspendable for prepaid expenditures and \$ 200,000 has been committed for fixed asset replacement.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$ 359,883 or 5.00% of the total general fund expenditures.

Overview of the Financial Statements

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

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

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

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

BRAZORIA COUNTY APPRAISAL DISTRICT

Management's Discussion and Analysis For the Year Ended December 31, 2023

The government-wide financial statements distinguish functions of the District that are principally supported by intergovernmental revenues (*governmental activities*). The *governmental activities* of the District include general government and administration.

The government-wide financial statements can be found on pages 18 through 19 of this report.

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

- **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 current sources and uses of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating 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 funds balance sheet and the governmental fund statements of revenues, expenditures, and changes in fund balances provides a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The District maintains one individual governmental fund. The governmental fund financial statements can be found on pages 20 through 23 of this report.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 26 through 45 of this report.

Required Supplementary Information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information that further explains and supports the information in the financial statements. Required supplementary information can be found on pages 49 through 55 of this report.

BRAZORIA COUNTY APPRAISAL DISTRICT

*Management's Discussion and Analysis
For the Year Ended December 31, 2023*

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of government's financial position. In the case of the District, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$1,866,810 as of December 31, 2023.

A portion of the District's net position of \$ 805,980 (43.17%) reflects its investments in capital assets (e.g., land, buildings and improvements, furniture and equipment, right to use leased assets and subscription assets), less any debt used to acquire those assets that is still outstanding. The District uses capital assets to provide services to the citizens and taxing jurisdictions; consequently these assets are not available for future spending.

DISTRICT'S NET POSITION

	<u>Governmental Activities</u>	
	<u>2023</u>	<u>2022</u>
Assets:		
Current and other assets	\$ 2,428,542	\$ 3,332,188
Capital assets	<u>1,467,511</u>	<u>1,224,849</u>
Total assets	<u>3,896,053</u>	<u>4,557,037</u>
Total deferred outflows of resources	<u>1,758,959</u>	<u>1,564,863</u>
Liabilities:		
Other liabilities	1,637,319	1,595,163
Long-term liabilities	<u>1,886,084</u>	<u>569,068</u>
Total liabilities	<u>3,523,403</u>	<u>2,164,231</u>
Total deferred inflows of resources	<u>264,799</u>	<u>2,397,573</u>
Net Position:		
Net investment in capital assets	805,980	814,252
Unrestricted	<u>1,060,830</u>	<u>745,844</u>
Total net position	<u>\$ 1,866,810</u>	<u>\$ 1,560,096</u>

The remaining balance of unrestricted net position of \$ 1,060,830 (56.83%) may be used to meet the District's ongoing obligations to citizens, taxing jurisdictions, and creditors.

BRAZORIA COUNTY APPRAISAL DISTRICT

Management's Discussion and Analysis For the Year Ended December 31, 2023

Analysis of the District's Operations. The following table provides a summary of the District's operations for the years ended December 31, 2023 and 2022. Governmental activities increased the District's net position by \$ 306,714 in 2023.

DISTRICT'S ACTIVITIES

	<u>Governmental Activities</u>	
	<u>2023</u>	<u>2022</u>
Revenues:		
General Revenues:		
Assessments from taxing jurisdiction	\$ 6,760,316	\$ 6,299,289
Investment income	80,063	26,732
Miscellaneous	<u>20,077</u>	<u>25,264</u>
Total revenues	<u>6,860,456</u>	<u>6,351,285</u>
Expenses:		
Appraisal services	6,527,297	5,680,172
Interest and fiscal charges	<u>26,445</u>	<u>13,470</u>
Total expenses	<u>6,553,742</u>	<u>5,693,642</u>
Change in net position	306,714	657,643
Net position - beginning	<u>1,560,096</u>	<u>902,453</u>
Net position - ending	<u>\$ 1,866,810</u>	<u>\$ 1,560,096</u>

Financial Analysis of the District's Funds

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

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

As of the end of the current fiscal year, the District's governmental fund reported ending fund balances of \$ 791,223. 45.48% of this total amount \$ 359,883 constitutes unassigned fund balance. The remainder of the fund balance is classified to indicate that it is not available for new spending because it has already been committed for fixed asset replacement of \$ 200,000 and nonspendable for prepaid expenditures of \$ 231,340.

BRAZORIA COUNTY APPRAISAL DISTRICT

*Management's Discussion and Analysis
For the Year Ended December 31, 2023*

General Fund Budgetary Highlights

The District amended the budget during the year as expenditures fluctuated throughout the year. The District's actual expenditures exceeded the budgeted expenditures by \$ 20,259 due to the implementation of GASB No. 96 *Subscription Based Information Technology Arrangements*. The budget did not account for the implementation of this standard.

Capital Assets

The District's investment in capital assets for its governmental activities as of December 31, 2023, amounts to \$ 1,467,511 (net of accumulated depreciation/amortization). This investment in capital assets includes land, building and improvements, furniture and equipment, right to use leased assets, and subscription assets.

Capital Assets at Year-end Net of Accumulated Depreciation/Amortization

	Governmental Activities	
	2023	2022
Land	\$ 63,616	\$ 63,616
Building and improvements	1,019,708	1,072,515
Furniture and equipment	5,727	16,389
Right to use leased assets	55,395	72,329
Subscription assets	<u>323,065</u>	<u>-</u>
	<u>\$ 1,467,511</u>	<u>\$ 1,224,849</u>

Additional information on the District's capital assets can be found in Note 4 on page 36 of this report.

Debt Administration

At the end of the current year, the District had a note payable of \$ 257,395. In addition, the District had lease liability of \$ 56,704, subscription liability of \$ 347,432, net pension liability of \$ 1,046,148 and compensated absences of \$ 178,405.

	Governmental Activities	
	2023	2022
Note payable	\$ 257,395	\$ 337,604
Lease liability	56,704	72,993
Subscription liability	347,432	-
Net pension liability	1,046,148	-
Compensated absences	<u>178,405</u>	<u>158,471</u>
	<u>\$ 1,886,084</u>	<u>\$ 569,068</u>

Additional information on the District's debt administration can be found in Note 5 on pages 36 through 37 of this report.

BRAZORIA COUNTY APPRAISAL DISTRICT

*Management's Discussion and Analysis
For the Year Ended December 31, 2023*

Economic Factors and Next Year's Budgets and Rates

In the 2024 Budget, General Fund revenues are budgeted to increase 7.80% from the 2023 budget. The increase is to meet the expenditures necessary for property appraisals in the coming year. Payroll costs, legal fees and director election expenditures are a major part of the increase. All other increases are due to economic factors.

Request for Information

This financial report is designed to provide a general overview of the District's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Chief Appraiser, 500 N. Chenango, Angleton, Texas 77515 or by calling 979-849-7792.

BASIC FINANCIAL STATEMENTS

BRAZORIA COUNTY APPRAISAL DISTRICT*Statement of Net Position**December 31, 2023*

	<u>Governmental Activities</u>
Assets:	
Cash and cash equivalents	\$ 2,191,001
Receivables, net:	
Accounts	3,566
Other	2,635
Prepaid expenditures	231,340
Capital Assets:	
Land	63,616
Buildings and improvements (net)	1,019,708
Furniture and equipment (net)	5,727
Right to use leased assets (net)	55,395
Subscription assets (net)	<u>323,065</u>
Total assets	<u>3,896,053</u>
Deferred Outflows of Resources:	
Deferred outflows of resources	<u>1,758,959</u>
Total deferred outflows of resources	<u>1,758,959</u>
Liabilities:	
Accounts payable	82,752
Due to other governments	280,493
Unearned revenue	1,274,074
Noncurrent Liabilities:	
Due within one year	390,033
Due in more than one year:	
Other long-term liabilities	449,903
Net pension liability	<u>1,046,148</u>
Total liabilities	<u>3,523,403</u>
Deferred Inflows of Resources:	
Deferred inflows of resources	<u>264,799</u>
Total deferred inflows of resources	<u>264,799</u>
Net Position:	
Net investment in capital assets	805,980
Unrestricted	<u>1,060,830</u>
Total net position	<u>\$ 1,866,810</u>

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

BRAZORIA COUNTY APPRAISAL DISTRICT*Statement of Activities**For the Year Ended December 31, 2023*

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Net (Expense) Revenue and Changes in Net Position</u>
Governmental Activities:		
Appraisal Services:		
Personnel	\$ 4,763,783	\$(4,763,783)
Purchased and contracted services	518,044	(518,044)
Maintenance and supplies	579,740	(579,740)
Other operating	477,639	(477,639)
Depreciation	188,091	(188,091)
Interest and fiscal charges	<u>26,445</u>	<u>(26,445)</u>
Total governmental activities	<u>\$ 6,553,742</u>	<u>(6,553,742)</u>
General Revenues:		
Intergovernmental Revenues:		
Assessments from taxing jurisdictions		6,760,316
Investment earnings		80,063
Miscellaneous		<u>20,077</u>
Total general revenues		<u>6,860,456</u>
Change in net position		306,714
Net position - beginning		<u>1,560,096</u>
Net position - ending		<u>\$ 1,866,810</u>

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

BRAZORIA COUNTY APPRAISAL DISTRICT*Balance Sheet - General Fund**December 31, 2023*

	<u>General Fund</u>
<u>Assets</u>	
Cash and cash equivalents	\$ 2,191,001
Receivables, net:	
Accounts	3,566
Other	2,635
Prepaid expenditures	<u>231,340</u>
 Total assets	 \$ <u>2,428,542</u>
<u>Liabilities and Fund Balance</u>	
Liabilities:	
Accounts payable	\$ 82,752
Due to other governments	280,493
Unearned revenue	<u>1,274,074</u>
 Total liabilities	 <u>1,637,319</u>
 Fund Balance:	
Nonspendable	231,340
Committed:	
Fixed asset replacement	200,000
Unassigned	<u>359,883</u>
 Total fund balance	 <u>791,223</u>
 Total liabilities and fund balance	 \$ <u>2,428,542</u>

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

BRAZORIA COUNTY APPRAISAL DISTRICT

Reconciliation of the General Fund Balance Sheet to the Governmental Activities Statement of Net Position December 31, 2023

Total fund balance - general fund balance sheet	\$	791,223
---	----	---------

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the general fund. Those assets consist of:

Capital assets	\$	2,871,882	
Accumulated depreciation/amortization	(<u>1,404,371</u>)	1,467,511

Some liabilities are not due and payable in the current period and therefore, are not reported as liabilities in the funds. Liabilities at year-end related to such items consist of:

Deferred outflows - pension	\$	1,758,959	
Notes payable	(257,395)	
Lease liability	(56,704)	
Subscription liability	(347,432)	
Compensated absences	(178,405)	
Net pension liability	(1,046,148)	
Deferred inflows - pension	(<u>264,799</u>)	(<u>391,924</u>)

Net position of governmental activities	\$	<u><u>1,866,810</u></u>
---	----	-------------------------

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

BRAZORIA COUNTY APPRAISAL DISTRICT*Statement of Revenues, Expenditures, and Change in Fund Balance - General Fund
For the Year Ended December 31, 2023*

	<u>General Fund</u>
Revenues:	
Intergovernmental Revenue:	
Assessments from taxing jurisdictions	\$ 6,760,316
Interest income	80,063
Miscellaneous income	<u>20,077</u>
Total revenues	<u>6,860,456</u>
Expenditures:	
Current:	
Personnel	4,978,629
Purchased and contracted services	518,044
Maintenance and supplies	579,740
Other operating	477,639
Capital outlay	430,753
Debt Service:	
Principal	179,819
Interest and fiscal charges	<u>26,445</u>
Total expenditures	<u>7,191,069</u>
Deficiency of revenues over expenditures	(<u>330,613</u>)
Other Financing Sources:	
Issuance of subscription based IT arrangements	<u>430,753</u>
Total other financing sources	<u>430,753</u>
Change in fund balance	100,140
Fund balance - beginning	<u>691,083</u>
Fund balance - ending	\$ <u><u>791,223</u></u>

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

BRAZORIA COUNTY APPRAISAL DISTRICT

*Reconciliation of the Statement of Revenues, Expenditures and Change in
Fund Balance of General Fund to the Statement of Activities
For the Year Ended December 31, 2023*

Change in fund balance - general fund	\$	100,140
---------------------------------------	----	---------

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

Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation/amortization expense.

Capital outlay	\$	430,753	
Depreciation/amortization expense		<u>(188,091)</u>	242,662

The net change in net pension liability/(asset), deferred outflows and deferred inflows is reported in the statement of activities but does not require the use of current resources and, therefore, is not reported as an expenditure in the governmental funds. The net change consists of the following:

Net pension asset increased	\$(2,092,090)	
Deferred outflows increased	194,096	
Deferred inflows decreased	<u>2,132,774</u>	234,780

Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of debt principal is an expenditure in the general fund, but the repayment reduces long-term liabilities in the statement of net position.

Issuance of subscription based IT arrangement	\$(430,753)	
Principal payments on note payable	80,209	
Principal payments on lease payable	16,289	
Principal payments on subscription liability	83,321	
Change in compensated absences	<u>(19,934)</u>	<u>(270,868)</u>

Change in net position of governmental activities	\$	<u>306,714</u>
---	----	----------------

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

THIS PAGE LEFT BLANK INTENTIONALLY.

BRAZORIA COUNTY APPRAISAL DISTRICT

Notes to the Financial Statements

For the Year Ended December 31, 2023

Note	Page
1. Summary of Significant Accounting Policies	26
2. Deposits and Investments	33
3. Deferred Outflows/Inflows of Resources and Unearned Revenue	35
4. Capital Assets.....	36
5. Long Term Debt	36
6. Leases	37
7. Subscription Based Information Technology Arrangements	38
8. Texas County and District Retirement System Pension Plan.....	38
9. Risk Pool Participation.....	45
10. Risk Management	45
11. Litigation	45
12. Excess of Expenditures Over Appropriations	45
13. Subsequent Events	45

BRAZORIA COUNTY APPRAISAL DISTRICT

Notes to the Financial Statements

For the Year Ended December 31, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General Statement

The District operates under a Board of Directors (Board). The Board, a six member group, is the level of government which has governance responsibilities over all appraisal activities within the jurisdiction (Brazoria County) of the Brazoria County Appraisal District. The Board receives funding from each of the taxing jurisdictions of Brazoria County and must comply with the concomitant requirements of these funding source entities. However, the Board is not included in any other governmental "reporting entity" as defined in Section 2100, Codification of Governmental Accounting and Financial Reporting Standards, since board members are elected by the boards of taxing jurisdictions and have decision making authority, power to designate management, the responsibility to significantly influence operations and primary accountability for fiscal matters.

The accounting and reporting policies of the District relating to the funds included in the accompanying basic financial statements conform to accounting principles generally accepted in the United States of America applicable to state and local governments. Generally accepted accounting principles for local governments include those principles prescribed by the Governmental Accounting Standards Board (GASB), the American Institute of Certified Public Accountants in the publication entitled Audits of State And Local Governmental Units and by the Financial Accounting Standards Board (when applicable).

Financial Reporting Entity

The District's basic financial statements include the accounts of all District operations. The District has no component units. The decision to not include a potential component unit in the reporting entity was made by applying the criteria for including organizations as component units within the District's reporting entity, as defined by GASB in its Statement No. 61, "*The Financial Reporting Entity*."

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report financial information on all of the nonfiduciary activities of the primary government. Governmental activities are supported by intergovernmental revenues.

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

BRAZORIA COUNTY APPRAISAL DISTRICT

Notes to the Financial Statements

For the Year Ended December 31, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Assessments from taxing entity jurisdictions are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

Assessments from taxing entity jurisdictions, miscellaneous revenue and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered measurable and available only when cash is received by the government.

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

The District has presented the following major governmental fund:

The *General Fund* is the District's primary operating fund. It accounts for all financial resources of the District, except those required to be accounted for in another fund. All assessments from taxing entity jurisdictions and other receipts that are not restricted by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures, fixed charges and capital improvement costs that are not paid through other funds are paid from the General Fund.

New Pronouncements

GASB issues statements on a routine basis with the intent to provide authoritative guidance on the preparation of financial statements and to improve governmental accounting and financial reporting of governmental entities. Management reviews these statements to ensure that preparation of its financial statements are in conformity with generally accepted accounting principles and to anticipate changes in those requirements. The following recent GASB Statements reflect the action and consideration of management regarding these requirements:

GASB Statement No. 94 "Public-Private and Public-Public Partnerships and Availability Payment Arrangements" was issued in March 2020. The statement was implemented and did not have a material effect on the financial statements of the District. The requirements of this statement are effective for reporting periods beginning after June 15, 2022.

BRAZORIA COUNTY APPRAISAL DISTRICT

Notes to the Financial Statements

For the Year Ended December 31, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

New Pronouncements - Continued

GASB Statement No. 96 "Subscription-Based Information Technology Arrangements" was issued in May 2020. The statement was implemented and did not have a material effect on the financial statements of the District. The requirements of this statement are effective for reporting periods beginning after June 15, 2022.

GASB Statement No. 99 "Omnibus 2022" was issued in April 2022. The statement was implemented and did not have a material effect on the financial statements of the District. The requirements of this statement are effective for reporting periods beginning after June 15, 2022.

GASB Statement No. 100 "Accounting Changes and Error Corrections - an amendment to GASB Statement No. 62" was issued in June 2022. The management of the District does not expect the implementation of this standard to have a material effect on the financial statements of the District. The requirements of this statement are effective for reporting periods beginning after June 15, 2023.

GASB Statement No. 101 "Compensated Absences" was issued in June 2022. The management of the District does not expect the implementation of this standard to have a material effect on the financial statements of the District. The requirements of this statement are effective for reporting periods beginning after December 15, 2023.

Budgetary Data

The accounting system for the Appraisal District contains budgetary control as an integral part of the records. The budgetary procedures, as specified by the Texas Property Tax Code, requires that the budget be adopted by September 15 of the year preceding the year the budget is to take effect. During the year ended December 31, 2023, the District made two budget amendments.

Encumbrances

Encumbrances for goods or purchased services are documented by purchase orders or contracts. Under Texas law, appropriations lapse at December 31, and encumbrances outstanding at that time are to be either canceled or appropriately provided for the subsequent year's budget. There were no end-of-year outstanding encumbrances that were provided for in subsequent year's budget.

Cash and Cash Equivalents

Cash and cash equivalents include amounts in demand deposits and short-term investments with an original maturity date of three months or less. In accordance with the GASB Statement 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools", investments are stated at fair value. State statutes authorize the government to invest in obligations of the U. S. Treasury, commercial paper, corporate bonds and repurchase agreements, and other such securities or obligations as allowed in the Public Funds Investment Act (PFIA) as amended and approved by the Board. The District's management believes it complied with the requirements of the PFIA and the District's investment policies.

BRAZORIA COUNTY APPRAISAL DISTRICT

*Notes to the Financial Statements
For the Year Ended December 31, 2023*

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Capital Assets

Capital assets, which includes furniture and equipment, are reported in the governmental activities columns in the government-wide financial statements. All capital assets are valued at historical cost or estimated historical cost if actual historical is not available. Donated assets are valued at acquisition value. Repairs and maintenance are recorded as expenses. Renewals and betterments are capitalized.

Assets capitalized have an original cost of \$ 5,000 or more and over three years of useful life. Depreciation and amortization have been calculated on each class of depreciable property using the straight-line method. Estimated useful lives are as follows:

Buildings and improvements	39 Years
Furniture and equipment	5-15 Years
Right to use leased assets	5 Years
Subscription assets	4 Years

Deferred Outflows and Inflows of Resources

Guidance for deferred outflows of resources and deferred inflows of resources is provided by GASB No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position". Concepts Statement No. 4, Elements of Financial Statements, introduced and defined those elements as a consumption of net assets that applies to future period, and an acquisition of net assets that applies to future period, respectively.

Previous financial reporting standards do not include guidance for reporting those financial statement elements, which are distinct from assets and liabilities. Further, GASB No. 65, "Items Previously Reported as Assets and Liabilities", had an objective to either (a) properly classify certain items that were previously reported as assets and liabilities as deferred outflows of resources or deferred inflows of resources or (b) recognize certain items that were previously reported as assets and liabilities as outflows of resources (expenses or expenditures) or inflows of resources (revenues).

Assessments from Taxing Entities

In accordance with the Texas Property Tax Code, the taxing jurisdictions served by the Appraisal District are assessed their portion of the amount of the total Appraisal District's budget that the total dollar amount of the taxing jurisdictions property taxes relate to that total budget amount. These taxing jurisdiction's annual allocations are then divided into four equal calendar quarterly payments.

In accordance with the Texas Property Tax Code, if the total amount of the payments made by the taxing units exceed the amount actually spent or obligated to be spent during the fiscal year for which the payments were made, the Chief Appraiser shall credit the excess amount against each taxing unit's allocated payments for the following year. At December 31, 2023, the District was obligated to the taxing entities as assessments exceeded expenditures by \$ 280,493.

BRAZORIA COUNTY APPRAISAL DISTRICT

Notes to the Financial Statements

For the Year Ended December 31, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Leases

Lessee: The District is a lessee for noncancellable leases of equipment. The District recognizes a lease liability and an intangible right to use lease asset (lease asset) in the government-wide financial statements. The District recognizes lease liabilities with an initial, individual value of \$ 5,000 or more.

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

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

- The District uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the District generally uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the District is reasonably certain to exercise.

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

Lease assets are reported with other capital assets and lease liabilities are reported with long- term debt on the statement of net position.

Subscription Based Information Technology Arrangements

The District adopted GASB 96 - Subscription Based Information Technology Arrangements (SBITA). The District recognizes a liability and corresponding right to use the information technology software in the government-wide financial statements. The District recognizes subscription liabilities with an initial, individual value of \$ 5,000 or more and a contract term of twelve months or more.

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

BRAZORIA COUNTY APPRAISAL DISTRICT

Notes to the Financial Statements

For the Year Ended December 31, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Subscription Based Information Technology Arrangements - Continued

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

- The District generally uses its estimated incremental borrowing rate as the discount rate for subscriptions.
- The subscription term includes the noncancellable period of the subscription. Subscription payments included in the measurement of the subscription liability are composed of fixed payments.

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

Subscription assets are reported with other capital assets and subscription liabilities are reported with long-term debt on the statement of net position.

Compensated Absences

The District's vacation policy provides that each employee may carry over unused vacation, not to exceed ten days, to subsequent years. Payment of this accumulated vacation is prohibited except in cases of resignation. Regular full-time employees leaving the District in good standing are entitled to receive all accrued unused vacation.

The District's sick leave policy provides that each employee may carry over unused sick leave, not to exceed 60 days. Payment of this accumulated sick leave is prohibited except in cases of resignation. Regular full-time employees leaving the District in good standing are entitled to receive one-half of accrued unused sick days.

The following is a summary of benefits payable at December 31, 2023:

Governmental activities	\$ <u>178,405</u>
-------------------------	-------------------

Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. The District has not recorded any bond premiums and discounts. Bond issuance costs are reported as expenditures or expenses in the current period.

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

BRAZORIA COUNTY APPRAISAL DISTRICT

Notes to the Financial Statements

For the Year Ended December 31, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Fund Balance

The Board of Directors meets on a regular basis to manage and review cash financial activities and to ensure compliance with established policies. The District's Unassigned General Fund Balance is maintained to provide the District with sufficient working capital and a margin of safety to address local and regional emergencies without borrowing. The unassigned General Fund Balance may only be appropriated by resolution of the Board of Directors. Fund Balance of the District may be committed for a specific source by formal action of the Board of Directors. Amendments or modifications of the committed fund balance must also be approved by formal action by the Board of Directors.

Nonspendable Fund Balance - Includes amounts that cannot be spent because they are either not in spendable form, or, for legal or contractual reasons, must be kept intact. This classification includes inventories, prepaid amounts, assets held for sale, and long-term receivables.

Restricted Fund Balance - Constraints placed on the use of these resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors or other governments; or are imposed by law (through constitutional provisions enabling legislation).

Committed Fund Balance - Amounts that can only be used for specific purposes because of a board resolution by the government's highest level of decision-making authority.

Assigned Fund Balance - Amounts that are constrained by the District's intent to be used for specific purposes, but that do not meet the criteria to be classified as restricted or committed. Intent can be stipulated by the Chief Appraiser. With the exception of the General Fund, this is the residual fund balance classification for all government funds with positive balances.

Unassigned Fund Balance - This is the residual classification of the General Fund. Only the General Fund reports a positive unassigned fund balance. Other governmental funds might report a negative balance in this classification, as the result of overspending for specific purposes for which amounts had been restricted, committed, or assigned.

Net Position

Net position represents the differences between assets and deferred outflows of resources, and liabilities and deferred inflows of resources. Net investment in capital assets, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent proceeds. Restricted net position, as presented in the government-wide Statement of Net position, are reported when constraints placed on the use of net position are either 1) externally imposed by creditors (such as through debt covenants, grantors, contributors, or laws or regulations of other governments), or 2) imposed by law through constitutional provisions or enabling legislation.

BRAZORIA COUNTY APPRAISAL DISTRICT

*Notes to the Financial Statements
For the Year Ended December 31, 2023*

NOTE 2 - DEPOSITS AND INVESTMENTS

The District classifies deposits and investments for financial statement purposes as cash and temporary investments, and investments based upon both liquidity (demand deposits) and maturity date (deposits and investments) of the asset at the date of purchase. For this purpose, a temporary investment is one that when purchased had a maturity date of three months or less. See Note 1 for additional Governmental Accounting Standards Board Statement No. 31 disclosures. Cash and temporary investments, and investments, as reported on the statement of net position at December 31, 2023, are as follows:

	<u>Unrestricted</u>
Cash and Temporary Investments:	
Cash (petty cash accounts)	\$ 400
Financial Institution Deposits:	
Demand deposits	1,426,211
Local Government Investment Pool:	
TexPool	<u>764,390</u>
 Total	 \$ <u>2,191,001</u>

Deposits

All deposits with financial institutions must be collateralized in an amount equal to 100 percent of uninsured balances. At December 31, 2023, in addition to petty cash of \$ 400, the carrying amount of the District's cash, savings, and time deposits was \$ 1,426,211. The financial institutions balances were \$ 1,596,388 at December 31, 2023. Bank balances of \$ 250,000 were covered by federal depository insurance, and \$ 1,346,388 was covered by collateral pledged in the District's name. The collateral was held in safekeeping departments of unrelated banks, which act as the pledging bank's agent. The District maintains copies of all safekeeping receipts.

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that in the event of a financial institution failure, the District's deposits may not be returned to them. The District requires that all deposits with financial institutions be collateralized in an amount equal to 100 percent of uninsured balances.

Under Texas state law, a bank serving as the District depository must have a bond or in lieu thereof, deposited or pledged securities with the District or an independent third party agent, an amount equal to the highest daily balance of all deposits the District may have during the term of the depository contract, less any applicable FDIC insurance.

Investments

Chapter 2256 of the Texas Government Code (the Public Funds Investment Act) authorizes the District to invest its funds under written investment policy (the "investment policy") that primarily emphasizes safety of principal and liquidity, addresses investment diversification, yield, and maturity and addresses the quality and capability of investment personnel. This investment policy defines what constitutes the legal list of investments allowed under the policies, which excludes certain instruments allowed under chapter 2256 of the Texas Government Code.

BRAZORIA COUNTY APPRAISAL DISTRICT

*Notes to the Financial Statements
For the Year Ended December 31, 2023*

NOTE 2 - DEPOSITS AND INVESTMENTS - Continued

Investments - Continued

The District's deposits and investments are invested pursuant to the investment policy, which is approved by the Board of Directors. The investment policy includes lists of authorized investment instruments and allowable stated maturity of individual investments. In addition it addresses the priorities of preservation of capital, liquidity, diversification and yield. Additionally, the soundness of financial institutions (including broker/dealers) in which the District will deposit funds is addressed. The District's investment policy and types of investments are governed by the Public Funds Investment Act (PFIA). The District's management believes it complied with the requirements of the PFIA and the District's investment policy.

The District's Investment Officer submits an investment report each quarter to the Board of Directors. The report details the investment positions of the District and the compliance of the investment portfolio's as they relate to both the investment strategy and policy approved by Board of Directors and Texas State law.

The District is authorized to invest in the following investment instruments provided that they meet the guidelines of the investment policy:

1. Obligations of, or guaranteed by, governmental entities as permitted by Government Code 2256.009;
2. Certificates of deposit and share certificates as permitted by Government Code 2256.010;
3. Fully collateralized repurchase agreements permitted by Government Code 2256.011;
4. Banker's acceptances as permitted by Government Code 2256.012;
5. Commercial paper as permitted by Government Code 2256.013;
6. No-load money market mutual funds and no-load mutual funds as permitted by Government Code 2256.014;
7. Public funds investment pools as permitted by Government Code 2256.016.

The District participates in one Local Government Investment Pools (LGIPs): Texpool. The State Comptroller of Public Accounts oversees Texpool. Federated Investors is the full service provider to the pools managing the assets, providing participant services, and arranging for all custody and other functions in support of the pool's operations under a contract with the Comptroller.

At December 31, 2023 Texpool had a weighted average maturity of 38 days. Although Texpool portfolio had a weighted average maturity of 38 days, the District considers holdings in these funds to have a one day weighted average maturity. This is due to the fact that the share position can usually be redeemed each day at the discretion of the shareholder, unless there has been a significant change in value. The following table includes the portfolio balances of all investment types of the District at December 31, 2023.

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity Maturity (Days)</u>
Texpool	\$ <u>764,390</u>	38

BRAZORIA COUNTY APPRAISAL DISTRICT

Notes to the Financial Statements

For the Year Ended December 31, 2023

NOTE 2 - DEPOSITS AND INVESTMENTS - Continued

Investments - Continued

Credit Risk - As of December 31, 2023, the LGIPs (which represent 100% of the District's portfolio) are rated AAAM by Standard and Poor's.

Fair Value - The District categorizes its fair value measurements within the fair value hierarchy established by GASB No 72. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurement) and the lowest priority to unobservable inputs (level 3 measurements). As of December 31, 2023, the District had no assets or liabilities within the fair value hierarchy established by GASB No. 72.

NOTE 3 - DEFERRED OUTFLOWS/INFLOWS OF RESOURCES AND UNEARNED REVENUE

Governmental funds report unearned revenue in connection with receivables for revenues that are considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned.

As of December 31, 2023, the District's governmental funds did not have any amounts classified as deferred inflows or outflows of resources. The unearned revenue reported in the governmental funds at December 31, 2023 was as follows:

	<u>Unearned Revenue</u>
Assessments from taxing entity jurisdictions	\$ <u>1,274,074</u>

Governmental Activities

Governmental activities defer the recognition of pension expense for contributions made from the measurement date to the current year-end of December 31, 2023 and report these as deferred outflows of resources. Governmental activities also defer revenue recognition in connection with resources that have been received, but not yet earned and report these amounts as a deferred inflow of resources. Further, for governmental activities, like governmental funds, defer revenue recognition in connection with resources that have been received, but not yet earned and report these amounts as a liability (unearned revenue).

As of December 31, 2023, the various components of deferred outflows of resources, deferred inflows of resources and unearned revenue reported in the governmental activities were as follows:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Unearned Revenue</u>
TCDRS deferred inflows and outflows of resources less current amortization	\$ 1,151,395	\$ 264,799	\$ -
Pension contributions subsequent to the measurement date	607,564	-	-
Assessments from taxing entity jurisdictions	<u>-</u>	<u>-</u>	<u>1,274,074</u>
	<u>\$ 1,758,959</u>	<u>\$ 264,799</u>	<u>\$ 1,274,074</u>

BRAZORIA COUNTY APPRAISAL DISTRICT*Notes to the Financial Statements**For the Year Ended December 31, 2023***NOTE 4 - CAPITAL ASSETS**

Capital asset activity for the year ended December 31, 2023, was as follows:

	Balance 01/01/23	Additions	Retirements	Balance 12/31/23
Governmental Activities:				
Capital Assets, Not Being Depreciated/Amortized:				
Land	\$ 63,616	\$ -	\$ -	\$ 63,616
Total capital assets, not being depreciated/ amortized	63,616	-	-	63,616
Capital Assets, Being Depreciated/Amortized:				
Building and improvements	1,573,672	-	-	1,573,672
Furniture and equipment	719,175	-	-	719,175
Right to use leased assets	84,666	-	-	84,666
Subscription assets	-	430,753	-	430,753
Total capital assets, being depreciated/ amortized	2,377,513	430,753	-	2,808,266
Less Accumulated Depreciation/Amortization For:				
Building and improvements	501,157	52,807	-	553,964
Furniture and equipment	702,786	10,662	-	713,448
Right to use leased assets	12,337	16,934	-	29,271
Subscription assets	-	107,688	-	107,688
Total accumulated depreciation/ amortization	1,216,280	188,091	-	1,404,371
Total capital assets, net	\$ 1,224,849	\$ 242,662	\$ -	\$ 1,467,511

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

Appraisal services	\$ 188,091
--------------------	------------

NOTE 5 - LONG TERM DEBT**Notes Payable**

On December 15, 2010, the District purchased the Snow Building, which it currently occupies, for \$ 1,120,000. On December 13, 2011, the District refinanced the loan payable on the building at an interest rate of 3.23%. The note calls for one hundred seventy nine monthly installments of \$ 7,500. The note payable requirements by year as of December 31, 2023 are as follows:

Year	Principal	Interest	Total
2024	\$ 82,893	\$ 7,110	\$ 90,003
2025	85,633	4,370	90,003
2026	88,869	1,440	90,309
	\$ 257,395	\$ 12,920	\$ 270,315

BRAZORIA COUNTY APPRAISAL DISTRICT*Notes to the Financial Statements**For the Year Ended December 31, 2023***NOTE 5 - LONG TERM DEBT - Continued****Summary of Long Term Debt Transactions**

Transactions for the year ended December 31, 2023 are summarized as follows:

	Balance 01/01/23	Additions	Reductions	Balance 12/31/23	Current Portion
Governmental Activities:					
Note payable	\$ 337,604	\$ -	\$ 80,209	\$ 257,395	\$ 82,893
Lease liability	72,993	-	16,289	56,704	16,784
Subscription liability	-	430,753	83,321	347,432	111,951
Net pension liability	-	4,548,265	3,502,117	1,046,148	-
Compensated absences	158,471	350,868	330,934	178,405	178,405
Total governmental activities	\$ 569,068	\$ 5,329,886	\$ 4,012,870	\$ 1,886,084	\$ 390,033

NOTE 6 - LEASES

In October 2021, the District entered a five year lease agreement for the lease of a postage machine. Based on this agreement, the District is required to make monthly payments of \$ 529. There are no renewal options included in this lease agreement and the District will not purchase the postage machine at the end of the lease term. An initial lease liability was recorded in the amount of \$ 29,432 using 3.00% discount rate during the current fiscal year.

In November 2020, the District entered a five year lease agreement for the lease of a copier. Based on this agreement, the District is required to make monthly payments of \$ 163. There are no renewal options included in this lease agreement and the District will not purchase the copier at the end of the lease term. An initial lease liability was recorded in the amount of \$ 9,071 using 3.00% discount rate during the current fiscal year.

In May 2022, the District entered a five year lease agreement for the lease of six copiers. Based on this agreement, the District is required to make monthly payments of \$ 829. There are no renewal options included in this lease agreement and the District will not purchase the copiers at the end of the lease term. An initial lease liability was recorded in the amount of \$ 46,163 using 3.00% discount rate during the current fiscal year.

The future principal and interest lease payments as of December 31, 2023, were as follows:

Year Ended December 31	Principal	Interest	Total Requirement
2024	\$ 16,784	\$ 1,472	\$ 18,256
2025	16,969	961	17,930
2026	14,769	473	15,242
2027	8,182	113	8,295
Totals	\$ 56,704	\$ 3,019	\$ 59,723

BRAZORIA COUNTY APPRAISAL DISTRICT

Notes to the Financial Statements

For the Year Ended December 31, 2023

NOTE 7 - SUBSCRIPTION BASED INFORMATION TECHNOLOGY ARRANGEMENTS

In January 2023, the District entered a four year subscription based information technology arrangement for subscriptions of aerial mapping software. Based on this agreement, the District is required to make annual payments of \$ 123,795. There are no renewal options included in this lease agreement. An initial subscription liability was recorded in the amount of \$ 430,753 using 3.409% discount rate during the current fiscal year.

The future principal and interest subscription payments as of December 31, 2023, were as follows:

<u>Year Ended December 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirement</u>
2024	\$ 111,951	\$ 11,844	\$ 123,795
2025	115,767	8,028	123,795
2026	<u>119,714</u>	<u>4,081</u>	<u>123,795</u>
Totals	\$ <u>347,432</u>	\$ <u>23,953</u>	\$ <u>371,385</u>

NOTE 8 - TEXAS COUNTY AND DISTRICT RETIREMENT SYSTEM PENSION PLAN

Plan Description - The District provides retirement, disability, and death benefits for all of its full-time employees through a non-traditional defined benefit pension plan in the statewide Texas County and District Retirement System (TCDRS). The Board of Trustees of TCDRS is responsible for the administration of the statewide agent multiple-employer public employee retirement system consisting of more than 850 non-traditional defined benefit plans. TCDRS in the aggregate issues a annual comprehensive financial report (ACFR) on a calendar year basis. The ACFR is available upon written request from the TCDRS Board of Trustees at P.O. Box 2034, Austin, TX 79768-2034.

The plan provisions are adopted by the governing body of the employer, within the options available in the Texas state statutes governing TCDRS (TCDRS Act). Members can retire at age 60 and above with 10 or more years of service, with 30 years of service regardless of age, or when the sum of their age and years of service equals 80 or more. Members are vested after 10 years of service, but must leave their accumulated contributions in the plan to receive any employer-financed benefit. Members who withdraw their personal contributions in a lump sum are not entitled to any amounts contributed by their employer.

All eligible employees of the District are required to participate in TCDRS.

The plan provisions are adopted by the Board of Directors of the District, within the options available in the state statutes governing TCDRS. Plan provisions for the District were as follows:

	<u>Plan Year 2023</u>	<u>Plan Year 2022</u>
Employee deposit rate	7.00%	7.00%
Employer deposit rate	16.00%	16.00%
Matching ratio (District to employee)	2 to 1	2 to 1
Years required for vesting	10	10
Service retirement eligibility (expressed as age/years of service)	60/10, 0/30	60/10, 0/30

BRAZORIA COUNTY APPRAISAL DISTRICT

Notes to the Financial Statements

For the Year Ended December 31, 2023

NOTE 8 - TEXAS COUNTY AND DISTRICT RETIREMENT SYSTEM PENSION PLAN – Continued

Employees Covered by Benefit Terms:

At the December 31, 2022 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	22
Inactive employees entitled to but not yet receiving benefits	41
Active employees	<u>58</u>
	<u>121</u>

Contributions - The contribution rates for employees in TCDRS are either 4%, 5%, 6%, or 7% of employee compensation, and the employer matching percentages are either 100%, 150%, or 200%, both as adopted by the governing body of the employer. Under the state laws governing TCDRS, the contribution rate for each employer is determined annually by the actuary, using the Entry Age Normal (EAN) actuarial cost method. Participating employers are required to contribute at the actuarially determined rates to ensure adequate funding for each employer’s plan. Employer contribution rates are determined annually and approved by the TCDRS Board of Trustees.

Each employer has the opportunity to make additional contributions in excess of its annual required contribution rate either by adopting an elected rate that is higher than the required rate or by making additional contributions on an ad hoc basis. Employers may make additional contributions to pay down their liabilities faster, pre-fund benefit enhancements and/or buffer against future adverse experience. In addition, employers annually review their plans and may adjust benefits and costs based on their local needs and budgets. Although accrued benefits may not be reduced, employers may reduce future benefit accruals and immediately reduce costs.

Employees of the District were required to contribute 7.00% of their annual compensation during the fiscal year. The District’s required contribution rates of 13.08% and 14.05% in calendar years 2023 and 2022, respectively. The District’s contributions to TCDRS for the year ended December 31, 2023 were \$ 607,564.

Net Pension Liability - The District’s Net Pension Liability was measured as of December 31, 2022, and the Total Pension Liability (TPL) used to calculate the Net Pension Asset was determined by an actuarial valuation as of that date.

Actuarial Assumptions:

The Total Pension Liability in the December 31, 2022 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.50% per year
Overall payroll growth	3.00% per year
Investment Rate of Return	7.50%, net of pension plan investment expense, including inflation

BRAZORIA COUNTY APPRAISAL DISTRICT

*Notes to the Financial Statements
For the Year Ended December 31, 2023*

NOTE 8 - TEXAS COUNTY AND DISTRICT RETIREMENT SYSTEM PENSION PLAN - Continued

Except where indicated in the section of this GASB 68 report entitled “Actuarial Methods and Assumptions Used for GASB Calculations”, the assumptions used in this analysis for the December 31, 2022 financial reporting metrics are the same as those used in the December 31, 2022 actuarial valuation analysis for the District.

Following is a description of the assumptions used in the December 31, 2022 actuarial valuation analysis for the District. This information may also be found in the Brazoria County Appraisal District December 31, 2022 Summary Valuation Report.

Economic Assumptions:

TCDRS System-Wide Economic Assumptions

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

The assumed long-term investment return of 7.50% is net after investment and administrative expenses. It is assumed returns will equal the nominal annual rate of 7.50% for calculating the actuarial accrued liability and the normal cost contribution rate for the retirement plan of each participating employer.

The annual salary increase rates assumed for individual members vary by length of service and by entry-age group. The annual rates consist of a general wage inflation component of 3.00% (made up of 2.50% inflation and 0.50% productivity increase assumptions) and a merit, promotion and longevity component that on average approximates 1.70% per year for a career employee.

Employer Specific Economic Assumptions

Growth in membership	0.00%
Payroll growth	2.00%

The payroll growth assumption is for the aggregate covered payroll of an employer.

The long-term expected rate of return on TCDRS assets is determined by adding expected inflation to expected long-term real returns, and reflecting expected volatility and correlation. The capital market assumptions and information shown below are provided by TCDRS’ investment consultant, Cliffwater LLC. The numbers are based on January 2023 information for a 10-year time horizon.

The valuation assumption for 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 target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

BRAZORIA COUNTY APPRAISAL DISTRICT

Notes to the Financial Statements

For the Year Ended December 31, 2023

NOTE 8 - TEXAS COUNTY AND DISTRICT RETIREMENT SYSTEM PENSION PLAN - Continued

Asset Class	Benchmark	Target Allocation ⁽¹⁾	Geometric Real Rate of Return (Expected minus Inflation) ⁽²⁾
US Equities	Dow Jones U.S. Total Stock Market Index	11.50%	4.95%
Global Equities	MSCI World (net) Index	2.50%	4.95%
International Equities - Developed Markets	MSCI World Ex USA (net) Index	5.00%	4.95%
International Equities - Emerging Markets	MSCI Emerging Markets (net) Index	6.00%	4.95%
Investment-Grade Bonds	Bloomberg U.S. Aggregate Bond Index	3.00%	2.40%
Strategic Credit	FTSE High-Yield Cash-Pay Index	9.00%	3.39%
Direct Lending	Morningstar LSTA US Leveraged Loan TR USD Index	16.00%	6.95%
Distressed Debt	Cambridge Associates Distressed Securities Index ⁽³⁾	4.00%	7.60%
REIT Equities	67% FTSE NAREIT All Equity REITs Index + 33% S&P Global REIT (net) Index	2.00%	4.15%
Master Limited Partnerships (MLPs)	Alerian MLP Index	2.00%	5.30%
Private Real Estate Partnerships	Cambridge Associates Real Estate Index ⁽⁴⁾	6.00%	5.70%
Private Equity	Cambridge Associates Global Private Equity & Venture Capital Index ⁽⁵⁾	25.00%	7.95%
Hedge Funds	Hedge Fund Research, Inc. (HFRI) Fund of Funds Composite Index	6.00%	2.90%
Cash Equivalents	90-Day U.S. Treasury	2.00%	0.20%

⁽¹⁾ Target asset allocation adopted at the March 2023 TCDRS Board meeting.

⁽²⁾ Geometric real rates of return equal the expected return for the asset class minus the assumed inflation rate of 2.30%, per Cliffwater's 2023 capital market assumptions

⁽³⁾ Includes vintage years 2005-present of Quarter Pooled Horizon IRRs.

⁽⁴⁾ Includes vintage years 2007-present of Quarter Pooled Horizon IRRs.

⁽⁵⁾ Includes vintage years 2006-present of Quarter Pooled Horizon IRRs.

Discount Rate - The discount rate is the single rate of return that, when applied to all projected benefit payments results in an actuarial present value of projected benefit payments equal to the total of the following:

1. The actuarial present value of benefit payments projected to be made in future periods in which (a) the amount of the pension plan's fiduciary net position is projected to be greater than the benefit payments that are projected to be made in that period and (b) pension plan assets up to that point are expected to be invested using a strategy to achieve the long-term rate of return, calculated using the long-term expected rate of return on pension plan investments.
2. The actuarial present value of projected benefit payments not include in (1), calculated using the municipal bond rate.

BRAZORIA COUNTY APPRAISAL DISTRICT

Notes to the Financial Statements

For the Year Ended December 31, 2023

NOTE 8 - TEXAS COUNTY AND DISTRICT RETIREMENT SYSTEM PENSION PLAN - Continued

Therefore, if plan investments in a given future year are greater than projected benefit payments in that year and are invested such that they are expected to earn the long-term rate of return, the discount rate applied to projected benefit payments in that year should be the long-term expected rate of return on plan investments. If future years exist where this is not the case, then an index rate reflecting the yield on a 20-year, tax-exempt municipal bond should be used to discount the projected benefit payments for those years.

The determination of a future date when plan investments are not sufficient to pay projected benefit payments is often referred to as a depletion date projection. A depletion date projection compares projections of the pension plan's fiduciary net position to projected benefit payments and aims to determine a future value, if one exists, when the fiduciary net position is projected to be less than projected benefit payments. If an evaluation of the sufficiency of the projected fiduciary net position compared to projected benefit payments can be made with sufficient reliability without performing a depletion date projection, alternative methods to determine sufficiency may be applied.

In order to determine the discount rate to be used by the employer we have used an alternative method to determine the sufficiency of the fiduciary net position in all future years. Our alternative method reflects the funding requirements under the employer's funding policy and the legal requirements under the TCDRS Act.

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

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

Since the projected fiduciary net position is projected to be sufficient to pay projected benefit payments in all future years, the discount rate for purposes of calculating the total pension liability and net pension liability of the employer is equal to the long-term assumed rate of return on investments. This long-term assumed rate of return should be net of investment expenses, but gross of administrative expenses for GASB 68 purposes. Therefore, we have used a discount rate of 7.60%. This rate reflects the long-term assumed rate of return on assets for funding purposes of 7.50%, net of all expenses, increased by 0.10% to be gross of administrative expenses.

BRAZORIA COUNTY APPRAISAL DISTRICT

Notes to the Financial Statements

For the Year Ended December 31, 2023

NOTE 8 - TEXAS COUNTY AND DISTRICT RETIREMENT SYSTEM PENSION PLAN - Continued

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability / (Asset) (a)-(b)
Balance as of December 31, 2021	\$ 18,655,070	\$ 19,701,012	\$(1,045,942)
Changes for the Year:			
Service cost	465,464	-	465,464
Interest on total pension liability ⁽¹⁾	1,423,102	-	1,423,102
Effect of plan changes ⁽²⁾	-	-	-
Effect of economic/demographic gains or losses	(169,287)	-	(169,287)
Effect of assumptions changes or inputs	-	-	-
Refunds of contributions	(93,714)	(93,714)	-
Employer contributions	-	548,839	(548,839)
Member contributions	-	229,183	(229,183)
Net investment income	-	(1,152,538)	1,152,538
Benefit payment,	(712,045)	(712,045)	-
Administrative expense	-	(10,855)	10,855
Other changes ⁽³⁾	-	12,560	(12,560)
Balance as of December 31, 2022	\$ <u>19,568,590</u>	\$ <u>18,522,442</u>	\$ <u>1,046,148</u>

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

⁽²⁾ No plan changes valued.

⁽³⁾ Relates to allocation of system-wide items.

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

	1% Decrease In Discount Rate (6.60%)	Discount Rate (7.60%)	1% Increase In Discount Rate (8.60%)
Total pension liability	\$ 22,187,592	\$ 19,568,590	\$ 17,362,467
Fiduciary net position	<u>18,522,442</u>	<u>18,522,442</u>	<u>18,522,442</u>
Net pension liability / (asset)	\$ <u>3,665,150</u>	\$ <u>1,046,148</u>	\$(<u>1,159,975</u>)

BRAZORIA COUNTY APPRAISAL DISTRICT*Notes to the Financial Statements**For the Year Ended December 31, 2023***NOTE 8 - TEXAS COUNTY AND DISTRICT RETIREMENT SYSTEM PENSION PLAN - Continued**

	Year Ended <u>12-31-22</u>
<i>Pension Expense:</i>	
Service cost	\$ 465,464
Interest on total pension liability ⁽¹⁾	1,423,102
Administrative expenses	10,855
Member contributions	(229,183)
Expected investment return net of investment expenses	(1,496,306)
Recognition of deferred inflows/outflows of resources:	
Recognition of economic/demographic gains or losses	(357)
Recognition of assumption changes or inputs	188,979
Recognition of investment gains or losses	47,789
Other ⁽²⁾	<u>(12,560)</u>
Pension expense	\$ <u>397,783</u>

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

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

Deferred Inflows and Outflows - At December 31, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$ 204,063	\$ 264,799
Net difference between projected and actual investment earnings	546,283	-
Changes in assumptions	401,049	-
Contributions subsequent to the measurement date ⁽³⁾	<u>607,564</u>	<u>-</u>
Totals	\$ <u>1,758,959</u>	\$ <u>264,799</u>

Amounts currently reported as deferred outflows of resources and deferred inflows of resources related to pensions, excluding contributions made subsequent to the measurement date, will be recognized in pension expenses as follows:

Year Ended <u>December 31,</u>	
2024	\$ (23,437)
2025	216,322
2026	215,942
2027	477,769
2028	-
Thereafter ⁽⁴⁾	-

⁽³⁾ Any eligible employer contributions were made subsequent to the measurement date through the employer's fiscal year end, the employer should reflect these contributions, adjusted as outlined in GASB No. 71.

⁽⁴⁾ Total remaining balance to be recognized in future years, if any. Note that additional deferred inflows and outflows of resources may impact these numbers.

BRAZORIA COUNTY APPRAISAL DISTRICT

Notes to the Financial Statements

For the Year Ended December 31, 2023

NOTE 9 - RISK POOL PARTICIPATION

Worker's Compensation Pool

The District is a participant in the Texas Municipal League Intergovernmental Risk Pool for coverage of worker's compensation and property and liability coverage. The District pays annual premiums to the pool for the coverages stated. The agreement with the Texas Municipal League Intergovernmental Risk Pool requires the pool to be self-sustaining. Workers compensation claims are managed by the Texas Municipal League.

Unemployment Compensation Pool

The District provided unemployment compensation coverage to its employees through participation in the Texas Association of Counties Unemployment Compensation Fund (the TAC Fund). The TAC Fund operates as a group account as authorized under Chapter 205 of the Texas Labor Code. Members of the TAC Fund have elected to become reimbursing employers rather than pay the state unemployment payroll tax. TAC Fund members make regular payments into an escrow account that is used to reimburse the state for members' unemployment claims. For the year ending December 31, 2023, the District made deposits to the TAC Fund in the amount of \$ 2,415 with a reserve refund of \$ -0-. There were no charges in 2023.

NOTE 10 - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2023, 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.

NOTE 11 - LITIGATION

At December 31, 2023, the District was involved in five hundred forty-six (546) property lawsuits. None of these cases involve monetary damages against the District. Any financial impact that could result from a judicial determination that reduces a property's valuation will be experienced by the Brazoria County taxing units where the property is located. Any impact will be in the form of a reduction in the taxing units' potential tax revenue.

NOTE 12 - EXCESS OF EXPENDITURES OVER APPROPRIATIONS

During the year ended December 31, 2023, the District incurred expenditures in excess of appropriations in the general fund of \$ 20,259. This was caused by the implementation of GASB No. 96 *Subscription Based Information Technology Arrangements*. The District had a subscription based information technology arrangement that was not budgeted for and if not for this, the District would have had appropriations in excess of expenditures.

NOTE 13 - SUBSEQUENT EVENTS

The District has evaluated subsequent events through March 5, 2024, the date which the financial statements were available to be issued.

THIS PAGE LEFT BLANK INTENTIONALLY.

REQUIRED SUPPLEMENTARY INFORMATION

THIS PAGE LEFT BLANK INTENTIONALLY.

BRAZORIA COUNTY APPRAISAL DISTRICT

*Schedule of Revenues, Expenditures and Change in Fund Balance -
Budget And Actual - General Fund
For the Year Ended December 31, 2023*

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Intergovernmental Revenue:				
Assessments from taxing jurisdictions	\$ 7,040,810	\$ 7,040,810	\$ 6,760,316	\$(280,494)
Interest income	5,000	5,000	80,063	75,063
Miscellaneous income	<u>25,000</u>	<u>25,000</u>	<u>20,077</u>	<u>(4,923)</u>
Total revenues	<u>7,070,810</u>	<u>7,070,810</u>	<u>6,860,456</u>	<u>(210,354)</u>
Expenditures:				
Current:				
Personnel:				
Salaries and wages	3,803,570	3,742,570	3,488,680	253,890
Retirement benefits	608,580	608,580	607,564	1,016
Defined benefit plan	254,840	254,840	229,948	24,892
Health and life insurance	616,400	616,400	576,286	40,114
Medicare contribution	58,620	58,620	52,963	5,657
Worker's compensation	16,000	16,000	13,725	2,275
Unemployment compensation	3,000	3,000	2,415	585
Travel allowance	<u>6,000</u>	<u>8,000</u>	<u>7,048</u>	<u>952</u>
Total personnel	<u>5,367,010</u>	<u>5,308,010</u>	<u>4,978,629</u>	<u>329,381</u>
Purchased and Contracted Services:				
Legal fees	55,000	115,000	114,650	350
ARB legal fees	5,000	5,000	-	5,000
Bank fees	200	200	-	200
Independent auditor	8,000	9,000	9,000	-
Computer services	25,000	17,900	16,040	1,860
Special contract services	483,000	474,000	349,324	124,676
Insurance and bonds premium	<u>25,000</u>	<u>29,000</u>	<u>29,030</u>	<u>(30)</u>
Total purchased and contracted services	<u>601,200</u>	<u>650,100</u>	<u>518,044</u>	<u>132,056</u>

(continued)

BRAZORIA COUNTY APPRAISAL DISTRICT

*Schedule of Revenues, Expenditures and Change in Fund Balance -
Budget And Actual - General Fund - Continued
For the Year Ended December 31, 2023*

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Maintenance and Supplies:				
Janitorial supplies	\$ 7,500	\$ 7,500	\$ 6,609	\$ 891
Office supplies	20,000	20,000	19,904	96
Appraiser supplies	1,000	1,000	-	1,000
Mapping supplies	1,000	1,000	-	1,000
Copier supplies	27,000	27,000	22,966	4,034
Postage and freight	175,000	185,000	183,107	1,893
Printing and stationary	20,000	20,000	18,254	1,746
Computer forms and supplies	105,000	90,000	81,998	8,002
Equipment maintenance and support	187,000	187,000	184,731	2,269
Repairs and maintenance	60,000	67,500	62,171	5,329
Total maintenance and supplies	603,500	606,000	579,740	26,260
Other Operating:				
Fixed travel	239,100	224,100	217,495	6,605
Rental expense	3,000	3,000	3,000	-
Equipment rentals	20,000	2,000	1,221	779
Miscellaneous	500	6,600	5,012	1,588
Computer equipment and software	50,000	40,000	35,001	4,999
Utilities	49,000	56,500	61,105	(4,605)
Telephone	15,000	15,000	10,515	4,485
Legal and public notices	4,000	4,000	3,695	305
Subscriptions	15,000	20,000	18,936	1,064
Dues and memberships	8,000	8,000	5,164	2,836
Continuing education	22,000	27,000	23,435	3,565
Board of Director's expense	8,000	11,000	10,723	277
Board of Review expense	35,000	71,000	82,337	(11,337)
Contingency	30,000	-	-	-
Total other operating	498,600	488,200	477,639	10,561
Capital outlay	10,000	10,000	430,753	(420,753)
Debt Service:				
Principal	80,500	96,500	179,819	(83,319)
Interest and fiscal charges	10,000	12,000	26,445	(14,445)
Total debt service	90,500	108,500	206,264	(97,764)
Total expenditures	\$ 7,170,810	\$ 7,170,810	\$ 7,191,069	\$ (20,259)

BRAZORIA COUNTY APPRAISAL DISTRICT

*Schedule of Revenues, Expenditures and Change in Fund Balance -
Budget And Actual - General Fund - Continued
For the Year Ended December 31, 2023*

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Deficiency of revenues over expenditures	<u>\$ (100,000)</u>	<u>\$ (100,000)</u>	<u>\$ (330,613)</u>	<u>\$ (230,613)</u>
Other Financing Sources:				
Issuance of subscription based IT arrangement	<u>-</u>	<u>-</u>	<u>430,753</u>	<u>430,753</u>
Total other financing sources	<u>-</u>	<u>-</u>	<u>430,753</u>	<u>430,753</u>
Change in fund balance	<u>(100,000)</u>	<u>(100,000)</u>	<u>100,140</u>	<u>200,140</u>
Fund balance - beginning	<u>691,083</u>	<u>691,083</u>	<u>691,083</u>	<u>-</u>
Fund balance - ending	<u>\$ 591,083</u>	<u>\$ 591,083</u>	<u>\$ 791,223</u>	<u>\$ 200,140</u>

BRAZORIA COUNTY APPRAISAL DISTRICT

Texas County and District Retirement System

Schedule of Changes in Net Pension Liability/(Asset) and Related Ratios

For the Last Ten Years With a Measurement Date of December 31,

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total Pension Liability					
Service cost	\$ 465,464	\$ 471,312	\$ 389,023	\$ 386,290	\$ 366,360
Interest on the Total Pension Liability	1,423,102	1,348,804	1,245,624	1,157,885	1,041,762
Effect of plan changes	-	-	-	-	-
Effect of assumption changes or inputs	-	13,521	1,051,634	-	-
Effect of economic/demographic (gains) losses	(169,287)	(122,346)	156,845	1,601	437,889
Benefit payments/refunds of contributions	(805,759)	(652,709)	(462,385)	(468,124)	(397,878)
Net Change in Total Pension Liability	913,520	1,058,582	2,380,741	1,077,652	1,448,133
Total Pension Liability - Beginning	<u>18,655,070</u>	<u>17,596,488</u>	<u>15,215,747</u>	<u>14,138,095</u>	<u>12,689,962</u>
Total Pension Liability - Ending (a)	<u>\$ 19,568,590</u>	<u>\$ 18,655,070</u>	<u>\$ 17,596,488</u>	<u>\$ 15,215,747</u>	<u>\$ 14,138,095</u>
Fiduciary Net Position					
Employer contributions	\$ 548,839	\$ 504,045	\$ 458,142	\$ 352,937	\$ 332,666
Member contributions	229,183	237,026	229,073	210,801	198,694
Investment Income net of investment expenses	(1,152,538)	3,541,104	1,484,898	2,014,093	(228,871)
Benefit payments/refunds of contributions	(805,759)	(652,709)	(462,385)	(468,124)	(397,878)
Administrative expense	(10,855)	(10,658)	(11,763)	(10,950)	(9,851)
Other	<u>12,560</u>	<u>6,930</u>	<u>8,077</u>	<u>5,275</u>	<u>5,219</u>
Net Change in Plan Fiduciary Net Position	(1,178,570)	3,625,738	1,706,042	2,104,032	(100,021)
Fiduciary Net Position - Beginning	<u>19,701,012</u>	<u>16,075,274</u>	<u>14,369,232</u>	<u>12,265,200</u>	<u>12,365,221</u>
Fiduciary Net Position - Ending (b)	<u>\$ 18,522,442</u>	<u>\$ 19,701,012</u>	<u>\$ 16,075,274</u>	<u>\$ 14,369,232</u>	<u>\$ 12,265,200</u>
Net Pension Liability/(Asset) (a-b)	<u>\$ 1,046,148</u>	<u>\$ (1,045,942)</u>	<u>\$ 1,521,214</u>	<u>\$ 846,515</u>	<u>\$ 1,872,895</u>
Fiduciary Net Position as a Percentage of Total Pension Liability	<u>94.65%</u>	<u>105.61%</u>	<u>91.36%</u>	<u>94.44%</u>	<u>86.75%</u>
Pensionable Covered Payroll	<u>\$ 3,274,049</u>	<u>\$ 3,386,088</u>	<u>\$ 3,272,478</u>	<u>\$ 3,011,441</u>	<u>\$ 2,838,489</u>
Net Pension Liability/(Asset) as a Percentage of Covered Payroll	<u>31.95%</u>	<u>(30.89%)</u>	<u>46.49%</u>	<u>28.11%</u>	<u>65.98%</u>

Note - This schedule is presented to illustrate the requirement to show information for 10 years. However, recalculations of prior years are not required, and if prior years are not reported in accordance with the standards of GASB 68, they should not be shown. Therefore, we have shown only years for which the new GASB statements have been implemented.

<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
\$ 349,321	\$ 337,093	\$ 317,538	\$ 290,120
983,942	892,056	824,694	764,529
-	-	(53,069)	-
80,170	-	153,555	-
(334,647)	89,149	(23,070)	(61,854)
<u>(366,740)</u>	<u>(369,131)</u>	<u>(328,328)</u>	<u>(297,736)</u>
712,046	949,167	891,320	695,059
<u>11,977,916</u>	<u>11,028,749</u>	<u>10,137,429</u>	<u>9,442,370</u>
\$ <u>12,689,962</u>	\$ <u>11,977,916</u>	\$ <u>11,028,749</u>	\$ <u>10,137,429</u>
\$ 352,198	\$ 302,106	\$ 308,066	\$ 254,852
192,771	178,955	166,367	152,478
1,555,549	724,446	(67,833)	618,139
(366,740)	(369,131)	(328,328)	(297,736)
(8,223)	(7,863)	(7,009)	(7,205)
<u>2,311</u>	<u>32,746</u>	<u>2,241</u>	<u>(22,808)</u>
1,727,866	861,259	73,504	697,720
<u>10,637,355</u>	<u>9,776,096</u>	<u>9,702,592</u>	<u>9,004,872</u>
\$ <u>12,365,221</u>	\$ <u>10,637,355</u>	\$ <u>9,776,096</u>	\$ <u>9,702,592</u>
\$ <u>324,741</u>	\$ <u>1,340,561</u>	\$ <u>1,252,653</u>	\$ <u>434,837</u>
<u>97.44%</u>	<u>88.81%</u>	<u>88.64%</u>	<u>95.71%</u>
\$ <u>2,753,878</u>	\$ <u>2,556,497</u>	\$ <u>2,376,676</u>	\$ <u>2,178,262</u>
<u>11.79%</u>	<u>52.44%</u>	<u>52.71%</u>	<u>19.96%</u>

BRAZORIA COUNTY APPRAISAL DISTRICT*Texas County and District Retirement System**Schedule of Employer Contributions**For the Ten Years Ended December 31,*

	<u>Actuarially Determined Contribution⁽¹⁾</u>	<u>Actual Employer Contribution⁽¹⁾</u>	<u>Contribution Deficiency (Excess)</u>	<u>Pensionable Covered Payroll⁽²⁾</u>	<u>Actual Contribution as a % of Covered Payroll</u>
2014	\$ 254,852	\$ 254,852	\$ -	\$ 2,178,262	\$ 11.7%
2015	264,286	308,066	(43,780)	2,376,676	13.0%
2016	274,312	302,106	(27,794)	2,556,497	11.8%
2017	312,841	352,198	(39,357)	2,753,878	12.8%
2018	330,116	332,666	(2,550)	2,838,489	11.7%
2019	310,179	352,937	(42,758)	3,011,441	11.7%
2020	397,274	458,142	(60,868)	3,272,440	12.8%
2021	402,945	504,045	(101,100)	3,386,036	14.9%
2022	459,996	578,839	(118,843)	3,274,049	17.7%
2023	455,814	607,564	(151,750)	3,484,816	17.4%

(1) TCDRS calculates actuarially determined contributions on a calendar year basis. GASB Statement No. 68 indicates the employer should report employer contribution amounts on a fiscal year basis.

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

BRAZORIA COUNTY APPRAISAL DISTRICT

*Notes to the Required Supplementary Information
For The Year Ended December 31, 2023*

NOTE 1 - SCHEDULE OF CHANGES IN NET PENSION LIABILITY/(ASSET) AND RELATED RATIOS

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

Methods and assumptions used to determine contribution rates:

Actuarial Cost Method	Entry Age (level percentage of pay)
Amortization Method	Level percentage of payroll, closed
Remaining Amortization Period	9.1 years (based on contribution rate calculated in 12/31/2022 valuation)
Asset Valuation Method	5-year smoothed market
Inflation	2.50%
Salary Increases	Varies by age and service. 4.7% average over career including inflation.
Investment Rate of Return	7.50%, net of administrative and investment expenses, including inflation
Retirement Age	Members who are eligible for service retirement are assumed to commence receiving benefit payments based on age. The average age at service retirement for recent retirees is 61.
Mortality	135% of the Pub-2010 General Retirees Table for males and 120% of the Pub-2010 General Retirees Table for females, both projected with 100% of the MP-2021 Ultimate scale after 2010.
Changes in Assumptions and Methods Reflected in the Schedule of Employer Contributions*	2015: New inflation, mortality and other assumption were reflected. 2017: New mortality assumptions were reflected. 2019: New inflation, mortality, and other assumptions were reflected. 2022: New investment return and inflation assumptions were reflected.
Changes in Plan Provisions Reflected in the Schedule of Employer Contributions*	2015: No changes in plan provisions were reflected in the Schedule. 2016: Employer contributions reflect that a 1% flat COLA was adopted. 2017: New Annuity Purchase Rates were reflected for benefits earned after 2017. 2018: No changes in plan provisions were reflected in the Schedule. 2019: No changes in plan provisions were reflected in the Schedule. 2020: No changes in plan provisions were reflected in the Schedule. 2021: No changes in plan provisions were reflected in the Schedule. 2022: No changes in plan provisions were reflected in the Schedule.

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

THIS PAGE LEFT BLANK INTENTIONALLY.