Financial Statements
August 31, 2023

Fort Bend Central Appraisal District

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CPAs & BUSINESS ADVISORS

Independent Auditor's Report

To the Board of Directors
Fort Bend Central Appraisal District
Rosenberg, Texas

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities and the major fund of the Fort Bend Central Appraisal District (the District) as of and for the year ended August 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 accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the Fort Bend Central Appraisal District, as of August 31, 2023, and the respective changes in financial position and the respective budgetary comparison for the general fund 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 (GAAS). 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 Fort Bend Central Appraisal 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.

Adoption of New Accounting Standard

As discussed in Note 1 to the financial statements, the District has adopted the provisions of GASB Statement No. 96, *Subscription-Based Information Technology Arrangements* (SBITAs) for the year ended August 31, 2023. As a result of implementing the standard there was no effect on governmental activities' beginning net position. 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 Fort Bend Central Appraisal District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS 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 GAAS, 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 Fort Bend Central Appraisal 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 Fort Bend Central Appraisal 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 and the pension and OPEB schedules on pages 4 through 9 and 39 through 43 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 GAAS, 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.

Eide Bailly LLP

Abilene, Texas
August 15, 2024

As management of Fort Bend Central 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 August 31, 2023.

FINANCIAL HIGHLIGHTS

Government-Wide

- The District's net position on a government-wide basis totaled $7,260,576 at August 31, 2023, an increase of $640,319 or 9.7% over August 31, 2022. Approximately 17.7% of this balance is invested in capital assets, net of related debt.

General Fund

- At the end of the current fiscal year, total fund balance for the General Fund was $5,470,100, of which $3,652,887 is assigned for various purposes. At August 31, 2023, the District had unassigned fund balance of $1,817,213.

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 consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains required 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 reported as net position. Net position is equivalent to the equity section of a private-sector balance sheet.

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

The government-wide financial statements of the District are principally funded by monies provided from local taxing entities (governmental activities). The District does not have any business-type activities.

The government-wide financial statements can be found on pages 10 through 13 of this report.

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

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

Because the focus of the general fund is narrower than that of the government-wide financial statements, it is useful to compare the information presented in the general fund with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financial decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balance provide a reconciliation to facilitate this comparison between the governmental funds and governmental activities. The governmental fund financial statements can be found on pages 10 through 13 of this report.

The District adopts an annual budget for its General Fund. A budgetary comparison schedule has been provided for the General Fund to demonstrate compliance with this budget. The budgetary comparison schedule can be found on page 14 of this report.

Notes to the financial statements. The notes provide additional information that is essential for 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 15 through 38 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 is required by Governmental Accounting Standards Board to be a part of the District's basic financial statements. Required supplementary information can be found on pages 39-43 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

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

Summary of Statement of Net Position

	Governmental Activities	
	2023	2022
Current and other assets	$ 6,584,395	$ 5,127,843
Net pension asset*	-	2,989,853
Capital assets, net	4,952,675	5,410,884
Total assets	11,537,070	13,528,580
Deferred outflows of resources	3,183,633	2,342,507
Current liabilities	1,114,295	440,899
Noncurrent liabilities	6,207,692	4,978,973
Total liabilities	7,321,987	5,419,872
Deferred inflows of resources	138,140	3,830,958
Net position		
Net investment in capital assets	1,286,977	1,600,600
Unrestricted	5,973,599	5,019,657
Total net position	$ 7,260,576	$ 6,620,257

* The District carried a net pension liability in 2023 which is reflected in noncurrent liabilities.

GOVERNMENTAL ACTIVITIES

Revenues for the District's governmental activities were $20,430,076 while total expenses were $19,789,757 for a net increase in net position of $640,319.

Changes in Net Position
For the Fiscal Year Ended August 31,

	Governmental Activities	
	2023	2022
Revenues		
Assessments	$ 21,039,957	$ 18,234,256
Less refunds to taxing authorities	(880,768)	(336,509)
Interest income	125,534	47,162
Other income	145,353	116,346
Total revenues	20,430,076	18,061,255
Expenditures		
Current		
Personnel	9,303,594	7,628,934
Data processing	1,023,988	742,681
Office and field supplies	78,306	102,496
Professional services	1,243,788	825,876
Building/facilities	345,804	329,359
GIS Data and Software Maintenance	55,814	49,236
Copy	144,781	104,544
Mailing	421,253	373,868
Vehicle mileage	31,927	185,939
Travel and training	396,903	277,109
Board of Director	21,787	17,671
Insurance and retirement	3,656,434	3,460,885
Appraisal Review Board	1,388,598	1,189,302
Interest on long term debt	85,930	63,077
Capital outlay	283,516	719,243
Depreciation	1,307,334	1,109,336
Total expenses	19,789,757	17,179,556
Change in net position	640,319	881,699
Net position, beginning	6,620,257	5,738,558
Net position, ending	$ 7,260,576	$ 6,620,257

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

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

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

The general fund is the chief operating fund of the District. At the end of the fiscal year, the District's general fund (as presented in the balance sheet on page 10) reported an ending fund balance of $5,470,100.

Budgetary highlights. Actual expenditures were less than budget by $1,151,108. Savings were noted in personnel, data processing, professional services, building/facilities, GIS data and software maintenance, mailing, Board of Directors, insurance and retirement, Appraisal Review Board, other reserve funds offset by higher than budgeted expenditures in office and field supplies, copy, travel and training, debt service and capital outlay.

CAPITAL ASSETS AND LONG-TERM OBLIGATIONS

Capital assets. The District's investment in capital assets for its governmental activities as of August 31, 2023, amounts to $4,952,675 (net of accumulated depreciation/amortization). This represents a decrease of $458,209 from the prior fiscal year. This investment in capital assets includes right to use leased assets, construction in progress, furniture and equipment and digital media. Additional information on the District's capital assets can be found in Note 5 (pages 22-23) in the notes to the financial statements.

Capital Assets Schedule (net of depreciation/amortization)

	Governmental Activities	
	2023	2022
Right to use leased/SBITA assets being amortized	$ 7,554,057	$ 6,900,430
Construction in progress	55,153	-
Furniture and equipment	1,973,089	1,832,744
Digital media	2,522,655	2,522,655
Total capital assets	12,104,954	11,255,829
Less accumulated depreciation/amortization	(7,152,279)	(5,844,945)
Total capital assets, net	$ 4,952,675	$ 5,410,884

Long-term obligations. At the end of the current fiscal year, the District had long-term obligations for its lease obligation, subscription based information technology arrangements (SBITA) obligation, accrued personal leave, net pension liability, and total OPEB liability in the amounts of $3,342,821, $322,877, $1,007,337, $1,306,423, and $228,234, respectively. The District had a net pension asset in the prior year but at August 31, 2023, had a net pension liability. Additional information on the District's long-term obligations can be found in Notes 6 (page 23), Note 7 (pages 23-24), Note 8 (page 24), Note 11 (pages 26-33) and Note 12 (pages 34-37) in the notes to the financial statements.

REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of the District's finances and accountability. If you have any questions concerning this report, or if you need any additional information, please contact the Fort Bend Central Appraisal District, Jordan Wise, 2801 B.F. Terry Boulevard, Rosenberg, TX 77471.

	General Fund	Adjustments (Note A)	Statement of Net Position
Assets			
Cash and cash equivalents	$ 5,918,292	$ -	$ 5,918,292
Accounts receivable	666,103	-	666,103
Capital assets, net	-	1,251,148	1,251,148
Right to use leased assets, net	-	3,307,535	3,307,535
Right to use SBITA assets, net		393,992	393,992
Total assets	6,584,395	4,952,675	11,537,070
Deferred outflows of resources			
Deferred outflows - pension	-	3,105,100	3,105,100
Deferred outflows - OPEB	-	78,533	78,533
Total assets and deferred outflows of resources	$ 6,584,395	8,136,308	14,720,703
Liabilities			
Accounts payable	$ 423,309	-	423,309
Accrued liabilities	360,236	-	360,236
Unearned revenue	330,750	-	330,750
Noncurrent liabilities			
Due within one year	-	1,655,831	1,655,831
Due in more than one year	-	3,017,204	3,017,204
Net pension liability	-	1,306,423	1,306,423
OPEB liability	-	228,234	228,234
Total liabilities	1,114,295	6,207,692	7,321,987
Deferred inflows of resources			
Deferred inflows - pension	-	56,530	56,530
Deferred inflows - OPEB	-	81,610	81,610
Fund balance/net position			
Fund balances			
Assigned	3,652,887	(3,652,887)	-
Unassigned	1,817,213	(1,817,213)	-
Total fund balances	5,470,100	(5,470,100)	-
Total liabilities, deferred inflows of resources, and fund balances	$ 6,584,395	875,732	7,460,127
Net Position			
Net investment in capital assets		1,286,977	1,286,977
Unrestricted		5,973,599	5,973,599
Total net position		$ 7,260,576	$ 7,260,576

Total Fund Balances - Governmental Fund Balance Sheet	$ 5,470,100
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 governmental funds. At the end of the year, the cost of these assets was $12,104,954 and the accumulated depreciation/amortization was $7,152,279. The net effect of including capital assets (net of depreciation/ amortization) in the governmental activities is an increase to net position.	4,952,675
Accrued liabilities for compensated absences for personal leave are not due and payable in the current period and therefore have not been included in the fund financial statements. The net effect of including the accrual for compensated absences in the governmental activities is a decrease to net position.	(1,007,337)
Leases payable are not due and payable in the current period and therefore are not reported as a liability in governmental funds. The net effect of including leases payable in the governmental activities is a decrease to net position.	(3,342,821)
Subscription liabilities are not due and payable in the current period and therefore are not reported as a liability in governmental funds. The net effect of including subscription liabilities payable in the governmental activities is a decrease to net position.	(322,877)
The District recognized a net pension liability in the amount of $1,306,423, deferred outflow of resources of $3,105,100 and a deferred inflow of resources of $56,530. The net effect of these is an increase to net position.	1,742,147
The District recognized an OPEB liability in the amount of $228,234, deferred outflows of resources of $78,533 and deferred inflows of resources of $81,610. The net effect of these is to decrease net position.	(231,311)
Total Net Position - Statement of Net Position	$ 7,260,576

	General Fund	Adjustments (Note B)	Statement of Activities
Revenues			
Assessments from taxing authorities	$ 21,039,957	$ -	$ 21,039,957
Refund to taxing authorities	(880,768)	-	(880,768)
Interest income	125,534	-	125,534
Other income	145,353	-	145,353
Total revenues	20,430,076	-	20,430,076
Expenditures			
Current			
Personnel	9,474,380	(170,786)	9,303,594
Data processing	966,942	57,046	1,023,988
Office and field supplies	78,306	-	78,306
Professional services	1,243,788	-	1,243,788
Building/facilities	345,804	-	345,804
GIS data and software maintenance	55,814	-	55,814
Copy	144,781	-	144,781
Mailing	421,253	-	421,253
Vehicle mileage	31,927	-	31,927
Travel and training	396,903	-	396,903
Board of Directors	21,787	-	21,787
Insurance and retirement	3,656,434	-	3,656,434
Appraisal Review Board	1,388,598	-	1,388,598
Debt service			
Debt principal	467,463	(467,463)	-
Debt interest	85,930	-	85,930
Capital outlay	1,132,641	(849,125)	283,516
Depreciation/amortization	-	1,307,334	1,307,334
Total expenditures	19,912,751	(122,994)	19,789,757
Excess (deficiency) of revenues over (under) expenditures	517,325	122,994	640,319
Other financing sources			
Proceeds from SBITAs	322,877	(322,877)	-
Total other financing sources	322,877	(322,877)	-
Net change in fund balance	840,202	(199,883)	640,319
Fund balance/net position			
Beginning of year	4,629,898	1,990,359	6,620,257
End of year	$ 5,470,100	$ 1,790,476	$ 7,260,576

Net Change in Fund Balance - Governmental Fund	$ 840,202
Amount reported for governmental activities in the statement of activities are different because:	
Prepaid assets benefit future periods and are included as an asset on the statement of net position. This is the net decrease in prepaid assets reported on the statement of net position.	(57,046)
Proceeds from issuance of SBITAs payable are reported as other financing sources in the fund financial statements but are shown as long-term liabilities in the government-wide financial statements.	(322,877)
Increases to liabilities for compensated absences for personal leave are not shown in the fund financial statements. The net effect of the current year's increase in the liabilities is to decrease net position.	(129,408)
Repayment of leases payable of $467,463 is an expenditure in the governmental fund, but the repayment reduces long-term liabilities in the statement of net position and is not an expense on the statement of activities. The net result of principal paid on leases payable is an increase in net position.	467,463
Current year capital outlays are expenditures in the fund financial statements but are shown as increases in capital assets in the government wide financial statements.	849,125
Depreciation/amortization is not recognized as an expenditure in governmental funds since it does not require the use of current financial resources. The effect of recording current year depreciation/amortization is to decrease net position.	(1,307,334)
Certain expenditures for the pension that are recorded to the fund financial statements must be recorded as deferred outflows of resources. Contributions made after the measurement date caused the change in net position to decrease in the amount of $27,429. The District's share of the unrecognized deferred outflows and inflows for TCDRS as of the measurement date must be amortized and the District's pension expense must be recognized. These cause the change in net position to increase in the in the amount of $336,459. The net effect is an increase in net position.	309,030
Certain expenditures for OPEB that are recorded to the fund financial statements must be recorded as deferred outflows of resources. Contributions made after the measurement date caused the change in net position to increase in the amount of $2,001. The District's share of the unrecognized deferred outflows and inflows for TCDRS as of the measurement date must be amortized and the District's OPEB expense must be recognized. These cause the change in net position to decrease in the in the amount of $10,837. The net effect is a decrease in net position.	(8,836)
Change in Net Position - Statement of Activities	$ 640,319

	Original Budget	Final Budget	Actual	Variance from Final Budget
Revenues				
Assessments from taxing authorities	$ 21,063,859	$ 21,063,859	$ 21,039,957	$ (23,902)
Refund to taxing authorities	-	-	(880,768)	(880,768)
Interest income	-	-	125,534	125,534
Other income	-	-	145,353	145,353
Total revenues	21,063,859	21,063,859	20,430,076	(633,783)
Expenditures				
Current				
Personnel	9,682,458	9,682,458	9,474,380	208,078
Data processing	1,096,459	1,096,459	966,942	129,517
Office and field supplies	76,900	76,900	78,306	(1,406)
Professional services	1,246,258	1,246,258	1,243,788	2,470
Building/facilities	777,706	777,706	345,804	431,902
GIS data and software maintenance	71,652	71,652	55,814	15,838
Copy	98,587	98,587	144,781	(46,194)
Mailing	612,793	612,793	421,253	191,540
Vehicle mileage	-	-	31,927	(31,927)
Travel and training	332,467	332,467	396,903	(64,436)
Board of Directors	24,690	24,690	21,787	2,903
Insurance and retirement	4,467,956	4,467,956	3,656,434	811,522
Appraisal Review Board	1,457,656	1,457,656	1,388,598	69,058
Other reserve funds	150,000	150,000	-	150,000
Debt service				
Principal on long term debt	-	-	467,463	(467,463)
Interest on long term debt	-	-	85,930	(85,930)
Capital outlay	968,277	968,277	1,132,641	(164,364)
Total expenditures	21,063,859	21,063,859	19,912,751	1,151,108
Excess (deficiency) of revenues over (under) expenditures	-	-	517,325	517,325
Other financing sources				
Proceeds from SBITAs	-	-	322,877	322,877
Total other financing sources	-	-	322,877	322,877
Net change in fund balance	-	-	840,202	840,202
Fund balance				
Beginning of year	4,629,898	4,629,898	4,629,898	-
End of year	$ 4,629,898	$ 4,629,898	$ 5,470,100	$ 840,202

Note 1 - Reporting Entity

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

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

Government-Wide and Fund Financial Statements

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

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of timing of related cash flows.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Appraisal assessment revenues are recognized as soon as they are both measurable and available. Appraisal assessment 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 revenue to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

Interest income is considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when the District receives cash.

Fund Accounting

The District reports the following governmental fund:

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

Implementation of GASB Statement No. 96

As of September 1, 2022, the District adopted GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. The implementation of this standard establishes that a SBITA results in a right to use subscription IT asset – an intangible asset – and a corresponding liability. The standard provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA. The Statement requires recognition of certain SBITA assets and liabilities for SBITAs that previously were recognized as outflows of resources based on the payment provisions of the contract. The implementation of this standard had no effect on beginning net position. The additional disclosures required by this standard are included in Note 8.

Cash and Cash Equivalents

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

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

The Board of Directors of the District authorize the District to invest, with certain stipulations, in obligations of the U.S. Government, its agencies and instrumentalities, not to exceed two (2) years to stated maturity, and excluding mortgage backed securities; fully insured or collateralized certificates of deposit from a bank doing business in the State of Texas, not to exceed one year to stated maturity; no-load, SEC registered money market mutual funds; constant dollar, AAA-rated Texas local government investment pools and depository time accounts of a bank doing business in Texas under a written depository agreement and providing for 102% collateral held independently of the pledging bank. At August 31, 2023, the District had $6,456,852 (bank balances) invested in interest-bearing checking or savings accounts.

Capital Assets

Capital assets are reported in the statement of net position. The District defines capital assets with an initial, individual cost of $5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated assets are recorded at acquisition value. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

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

Assets	Years
Leasehold improvements	15
Furniture and equipment	3-12
Digital media	5

Right-to-Use Leased Assets

Right to use leased assets are recognized at the lease commencement date and represent the District's right to use an underlying asset for the lease term. Right to use leased assets are measured at the initial value of the lease liability plus any payments made to the lessor before commencement of the lease term, less any lease incentives received from the lessor at or before the commencement of the lease term, less any lease incentives received from the lessor at or before the commencement of the lease term, plus any initial direct costs necessary to place the leased asset into service. Right to use leased assets are amortized over the shorter of the lease term or useful life of the underlying asset using the straight-line method. The amortization period for each of the two phases of the building lease are 6 and 14 years.

Right-to-Use Subscription IT Assets

Right to use subscription IT assets are recognized at the subscription commencement date and represent the District's right to use the underlying IT asset for the subscription term. Right to use subscription IT assets are measured at the initial value of the subscription liability plus any payments made to the vendor at the commencement of the subscription term, less any subscription incentives received from the vendor at or before the commencement of the subscription term, plus any capitalizable initial implementation costs necessary to place the subscription asset into service. Right to use subscription IT assets are amortized over the shorter of the subscription term or useful live of the underlying asset using the straight-line method. The amortization period is two years.

Lease Liability

In the government-wide financial statements, long-term obligations such as lease payable and accrued compensated absences for personal leave are reported as liabilities in the statement of net position. Lease liabilities represent the District's obligation to make lease payments arising from the lease. Lease liabilities are recognized at lease commencement date based on the present value of future lease payments expected to be made during the lease term. The present value of lease payments are discounted based on a borrowing rate determined by the District.

Compensated Absences

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

Use of Estimates

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

Deferred Outflows

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

Deferred Inflows

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

Pensions

The fiduciary net position of the District's plan with Texas County & District Retirement System (TCDRS) has been determined using the economic resources measurement focus and full accrual basis of accounting. This includes for purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, and information about assets, liabilities and additions to/deductions from TCDRS's fiduciary net position. Benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Other Post-Employment Benefits (OPEB)

The fiduciary net position of the Texas County & District Retirement System Group Term Life Program (GTLP) has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. This includes for purposes of measuring the total OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, OPEB expense, and information about assets, liabilities and additions to/deductions from GTLP's fiduciary net position. Benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms.

Appraisal Assessments

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

Note 2 - Stewardship, Compliance and Accountability

Budgetary Information

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

Note 3 - Fair Value Measurements

GASB Statement No. 72, Fair Value Measurement and Application, which defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction. Fair value accounting requires characterization of the inputs used to measure fair value into three-level fair value hierarchy.

The hierarchy is as follows:

- Level 1 inputs are based on unadjusted quoted market prices for identical assets or liabilities in an active market the entity has the ability to access.
- Level 2 inputs are observable inputs that reflect the assumptions market participants would use in pricing the asset or liability developed based on market data obtained from sources independent from the entity.
- Level 3 inputs are observable inputs that reflect the entity's own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available.

There are three general valuation techniques that may be used to measure fair value:

- Market approach – uses prices generated by market transactions involving identical or comparable assets or liabilities.
- Cost approach – uses the amount that currently would be required to replace the service capacity of an asset (replacement cost).
- Income approach – uses valuation techniques to convert future amounts to present amounts based on current market expectations.

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The District does not have any investments subject to recurring fair value measurements at December 31, 2023.

Note 4 - Deposits and Investments

The District's funds are required to be deposited and invested under the terms of a depository contract. The depository bank deposits for safekeeping and trust with the District's agent bank approved pledged securities in an amount sufficient to protect District funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation (FDIC) insurance.

Investments

Compliance with the Public Funds Investment Act: The Public Funds Investment Act (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports and establishment of appropriate policies. Among other things, it requires the District to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, (9) and bid solicitation preferences for certificates of deposit.

Custodial Credit Risk - Deposit

State law requires governmental entities to contract with financial institutions in which funds will be deposited to secure those deposits with insurance or pledged securities with a fair value equaling or exceeding the amount on deposit at the end of each business day. The pledged securities must be in the name of the governmental entity and held by the entity or its agent. The District's deposits on August 31, 2023, were fully secured by federal deposit insurance coverage as well as pledged securities. As such, the District has no custodial credit risk for deposits.

Custodial Credit Risk – Investments

State law limits investments in local government investment pools to those rated no lower than AAA or an equivalent rating by at least one nationally recognized rating service. In accordance with its investment policy, the District manages its exposure to declines in fair value by limiting the portfolio's concentration by industry of its investments as follows in the table below.

Furthermore, the District will limit the maximum weighted average maturity of the investment portfolio to 365 days. In addition, the District will structure the investment portfolio so that investments mature to meet cash requirements for ongoing operations; thereby avoiding the need to liquidate investments prior to maturity; invest operating funds primarily in certificates of deposit, short-term securities, money market mutual funds, or local government investment pools functioning as money market mutual funds; diversity maturities and staggering purchase dates to minimize the impact of market movements over time.

	Max. % of Portfolio
U.S. Treasury securities	not to exceed 100%
U.S. Government agencies and instrumentalities	not to exceed 85%
Fully insured or collateralized CDs	not to exceed 100%
Repurchase agreements	not to exceed 20%
Money market mutual funds	not to exceed 50%
Authorized pools	not to exceed 50%
Certificate of deposit account registry service	not to exceed 85%

Note 5 - Capital Assets

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

	Balance September 1, 2022	Additions	Retirements	Balance August 31, 2023
Governmental activities				
Capital assets, not being depreciated				
Construction in progress	$ -	$ 55,153	$ -	$ 55,153
Total capital assets, not being depreciated	-	55,153	-	55,153
Capital assets, being depreciated				
Furniture and equipment	$ 1,832,744	$ 140,345	$ -	$ 1,973,089
Digital media	2,522,655	-	-	2,522,655
Total capital assets, being depreciated	4,355,399	140,345	-	4,495,744
Accumulated depreciation				
Furniture and equipment	(1,066,231)	(239,085)	-	(1,305,316)
Digital media	(1,645,851)	(348,582)	-	(1,994,433)
Total accumulated depreciation	(2,712,082)	(587,667)	-	(3,299,749)
Total capital assets, being depreciated, net	1,643,317	(447,322)	-	1,195,995
Right to use leased assets, being amortized				
Buildings	6,900,430	-	-	6,900,430
Total right to use leased assets, being amortized	6,900,430	-	-	6,900,430
Less accumulated amortization				
Buildings	(3,132,863)	(460,032)	-	(3,592,895)
Total accumulated amortization	(3,132,863)	(460,032)	-	(3,592,895)
Total right to use leased assets, being amortized, net	3,767,567	(460,032)	-	3,307,535
Right to use subscription IT assets being amortized	-	653,627	-	653,627
Less accumulated amortization, IT assets	-	(259,635)	-	(259,635)
Total right-to use subscription IT assets, net	-	393,992	-	393,992
Total capital assets, net	$ 5,410,884	$ (458,209)	$ -	$ 4,952,675

The District recognized depreciation and amortization expense of $1,307,334 in the statement of activities.

The estimated cost to complete the construction in progress as of August 31, 2023, was approximately $22,000,000.

Note 6 - Long-Term Obligations

The changes in long-term obligations for the year ended August 31, 2023, are as follows:

	Balance September 1, 2022	Additions	Retirements	Balance August 31, 2023	Due Within One Year
Lease obligation	$ 3,810,284	$ -	$ (467,463)	$ 3,342,821	$ 476,899
Subscription IT liabilities	-	322,877		322,877	322,877
Accrued personal leave	877,929	985,463	(856,055)	1,007,337	856,055
Total long-term obligations	$ 4,688,213	$ 1,308,340	$ (1,323,518)	$ 4,673,035	$ 1,655,831

Note 7 - Leases

On March 5, 1996, the District signed a lease-purchase agreement to finance the construction of a new building. The lease's original terms were to include payments for 180 months, commencing on May 1, 1997 and ending on May 1, 2012. The District had an option to extend for successive terms of 60 months each; the rent for the 120 months equals the appraised value of leased premises at beginning of lease plus cost of construction for improvements, interest cost on construction, amortized at rate of 6 3/8%; $100 month after first 120 months.

The District signed Amendment No. 2, dated April 28, 1998 but effective May 1, 1997, to allow prepayments to be made, credited to the unpaid principal balance and interest ceasing on prepaid principal.

The District signed Amendment No. 3, for 180 months, commencing May 1, 2012 through May 1, 2027 to extend lease, expand/improve facility by funding costs to purchase an additional 5 acres of land and infrastructure improvements to expand facility, rent for first 120 months equals cost of acquisition of additional 5 acres land/infrastructure plus cost of construction for improvements, not to exceed $5 million, $100 months after first 120 months through end of lease.

The District signed Amendment No. 4 in 2016 to restructure rent payments to allocate costs associated with Phase 2 expansion, including addition of 11,500 square feet and expansion of parking lot to add 64 parking spaces, estimated to be $2,491,050. Primary term shall be extended an additional 180 months, commencing first day of month following completion of Phase 2 expansion. Monthly rent shall include remaining amount outstanding for Phase 1 Expansion.

Remaining principal and interest payments on leases are as follows:

Fiscal Year	Principal	Interest	Total Requirements
2024	$ 476,899	$ 62,501	$ 539,400
2025	486,525	52,875	539,400
2026	496,346	43,055	539,401
2027	506,364	33,036	539,400
2028	308,343	24,753	333,096
2029-2033	672,683	67,884	740,567
2034-2036	395,661	11,203	406,864
	$ 3,342,821	$ 295,307	$ 3,638,128

Note 8 - Subscription Based Information Technology Arrangements

The District has entered into a SBITA contract for mapping software. The District made one payment in November 2022. The subscription liability was valued using a discount rate of 5.37%. The discount rates were based on the risk-free rate published by the United States Treasury as the District has no comparable publicly traded debt. The rates are then adjusted for the specific terms of each lease and the rating of the entity. The District made an additional payment of $340,650 in October 2023. The contract terminates in November 2024.

At August 31, 2023, the District has recognized a right to use asset, net of accumulated amortization, of $393,992 and an SBITA liability of $322,877 related to this agreement. During the fiscal year, the District recorded $259,635 in amortization expense and $13,993 in interest expense for the right to use asset.

Remaining principal and interest payments on SBITAs are as follows:

Fiscal Year	Principal	Interest	Total Requirements
2024	$ 322,877	$ 3,780	$ 326,657
	$ 322,877	$ 3,780	$ 326,657

Note 9 - Unearned Revenue

The District assesses appraisal fees for the first quarter of the following year, prior to year-end. At August 31, 2023, the District had recorded unearned revenue of $330,750 for appraisal assessments received for fiscal year 2024.

Note 10 - Fund Balance

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

Nonspendable fund balance includes fund balances that cannot be spent either because it is not in spendable form or because of legal or contractual constraints. At August 31, 2023, the District had no nonspendable fund balance.

Restricted fund balance includes the amount that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation. At August 31, 2023, the District had no restricted fund balance.

Committed fund balance is established and modified by a resolution from the District's Board, the District's highest level of decision-making authority, and can be used only for the specific purposes determined by the Board's resolution. At August 31, 2023, the District had no committed fund balance.

Assigned fund balance is intended to be used by the District for specific purposes but does not meet the criteria to be classified as restricted or committed. At August 31, 2023, the District had assigned fund balance for the following purposes:

Fund balance assignment:	
Capital expenditures	$ 1,847,540
Legislation implementation	150,000
Third party fee appraisals	120,000
Compensated absences	153,022
Salaries	275,000
Insurance	25,000
Technology	75,000
Legal costs	450,000
Furniture & fixtures	20,000
Training	20,000
Future administrative building	517,325
	$ 3,652,887

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

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

Note 11 - Retirement Plan

Plan Description

The District provides retirement, disability, and death benefits for all of its full-time employees through a nontraditional defined benefit pension plan in the state-wide Texas County and District Retirement System (TCDRS). The Board of Trustees of TCDRS is responsible for the administration of the state-wide agent multiple-employer public employee retirement system consisting of nearly 830 nontraditional defined benefit pension plans. TCDRS in the aggregate issues an annual comprehensive financial report (ACFR) on a calendar year basis. The ACFR is available upon written request from the TCDRS Board of Trustees at P.O. Box 2034, Austin, Texas 78768-2034 or at https://www.tcdrs.org.

Benefits Provided

The plan provisions are adopted by the governing body of the District, within the options available in the Texas state statutes governing TCDRS (TCDRS Act). Members can retire at ages 60 and above with 8 or more years of service or with 30 years of service regardless of age or when the sum of their age and years of service equals 75 or more. Members are vested after 8 years 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.

Benefit amounts are determined by the sum of the employee's deposits to the plan, with interest, and employer-financed monetary credits. The level of these monetary credits is adopted by the governing body of the employer within the actuarial constraints imposed by the TCDRS Act so that the resulting benefits can be expected to be adequately financed by the employer's commitment to contribute. At retirement, death, or disability, the benefit is calculated by converting the sum of the employee's accumulated deposits and the employer-financed monetary credits to a monthly annuity using annuity purchase rates prescribed by the TCDRS Act. There are no automatic post-employment benefit changes, including automatic COLAs. Ad hoc post-employment benefit changes, including ad hoc COLAs, can be granted by the District's Board within certain guidelines.

Membership

District membership in the TCDRS plan at December 31, 2022, consisted of the following:

Inactive Employees' Accounts	
Receiving Benefits	53
Entitled to but not yet receiving benefits	71
Total	124
Active Employees' Accounts	138
Total	138

Contributions

The District has elected the annually determined contribution rate (Variable-Rate) plan provisions of the TCDRS Act. The plan is funded by monthly contributions from both employee members and the District based on the covered payroll of employee members. Under the TCDRS Act, the contribution rate of the District is actuarially determined annually. The employee contribution rate and the employer contribution rate may be changed by the governing body of the District within the options available in the TCDRS Act.

	Contribution Rates	
	2022	2023
Member	7.0%	7.0%
Employer	14.51%	13.70%
Employer contributions	$ 1,174,231	$ 1,291,174
Member contributions	576,428	643,504

Actuarial Assumptions

The total pension liability in the December 31, 2022 actuarial valuation was determined using the following actuarial assumptions:

Actuarial Cost Method	Entry age normal
Amortization Method	Level percentage of payroll, closed
Remaining Amortization Period	18.2 years
Asset Valuation Method	5 year smoothed market
Discount Rate	7.60%
Long-term expected Investment Rate of Return*	7.50%
Salary Increases*	4.70%, average
Payroll Growth Rate	2.50%
*Includes Inflation of 2.50%	

The plan does not have an automatic cost-of-living adjustment and one is not considered to be substantively automatic under GASB No. 68. Therefore, no assumption for future cost-of-living adjustments is included in the GASB calculation or in the funding valuation. Each year, the plan may elect an ad-hoc COLA for its retirees.

Disability rates for males and females were as follows:

Age	Male and Female Occupational	Male and Female All Other Causes
less than 25	0.001%	0.001%
25	0.001	0.003
26	0.001	0.006
27	0.001	0.009
28	0.001	0.011
29	0.001	0.013
30	0.001	0.014
31	0.001	0.016
32	0.001	0.018
33	0.001	0.020
34	0.001	0.023
35	0.001	0.025
36	0.001	0.028
37	0.001	0.030
38	0.001	0.034
39	0.001	0.038
40	0.001	0.042
41	0.001	0.046
42	0.001	0.050
43	0.001	0.058
44	0.001	0.066
45	0.001	0.074
46	0.001	0.082
48	0.001	0.099
49	0.001	0.108
50	0.001	0.117
51	0.001	0.126
52	0.001	0.135
53	0.001	0.144
54	0.001	0.153
55	0.001	0.162
56	0.001	0.171
57	0.001	0.180
58	0.001	0.189
59	0.001	0.198
60 and above	-	-

Mortality rates for depositing members were based on 135% of Pub-2010 General Employees Amount-Weighted Mortality Table for males and 120% Pub-2010 General Employees Amount-Weighted Mortality Table for females, both projected with 100% of the MP-2021 Ultimate scale after 2010. Service retirees, beneficiaries, and non-depositing members were based on 135% of Pub-2010 General Retirees Amount-Weighted Mortality Table for males and 120% Pub-2010 General Retirees Amount-Weighted Mortality Table for females, both projected with 100% of the MP-2021 Ultimate scale after 2010. Disabled retirees were based on 160% of Pub-2010 General Disabled Retirees Amount-Weighted Mortality Table for males and 125% Pub-2010 General Disabled Retirees Amount-Weighted Mortality Table for females, both projected with 100% of the MP-2021 Ultimate scale after 2010.

Service retirement rates for males and females were as follows:

Age	Active Svc<15	Active Svc 15-24	Active Svc 25-29	Active Svc 30+	Active All Svc
40-49	5.3%	6.3%	7.7%	8.8%	0.0%
50-51	5.6	6.8	8.3	9.4	-
52-53	6.0	7.2	8.8	10.0	-
54-56	6.8	8.1	9.9	11.3	-
57-59	7.5	9.0	11.0	12.5	-
60-61	9.0	10.8	13.2	15.0	12.0
62	13.5	16.2	19.8	22.5	18.0
63-64	11.3	13.5	16.5	18.8	15.0
65-66	22.5	22.5	27.5	27.5	25.0
67	21.6	21.6	26.4	26.4	24.0
68-69	18.9	18.9	23.1	23.1	21.0
70-74	20.7	20.7	25.3	25.3	23.0
75 & Above	100.0	100.0	100.0	100.0	100.0

The actuarial assumptions were developed from an actuarial experience investigation of TCDRS over the years 2017 - 2020. Assumptions were recommended by Milliman, Inc., adopted by the TCDRS Board of Trustees in 2021.

There were no changes in methods or assumptions reflected in the December 31, 2022 actuarial valuation.

Discount Rate

The discount rate used to measure the total pension liability did not change from the rate used in the prior year valuation, 7.60%.

In order to determine the discount rate to be used, the actuary used an alternative method to determine the sufficiency of the fiduciary net position in all future years. This alternative method reflects the funding requirements under the 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 cost-of-living adjustment 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 is equal to the long-term assumed rate of return on investments. This long-term assumed rate of return should be net of investment expenses, but gross of administrative expenses. Therefore, the actuary has used a discount rate of 7.60%, net of investment expense. 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.

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

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

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

Asset Class	Benchmark	Target Allocation[1]	Geometric Real Rate of Return[2]
U.S. 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 Equity REITs Index+ 33% S&P Global REIT (net) Index	2.00%	4.15%
Master Limited Partnerships	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 minus the assumed inflation of 2.3%, 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] Incudes vintage years 2006 - present of quarter Pooled Horizons IRRs.

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

At August 31, 2023, the District reported a net pension liability of $1,306,423 measured at December 31, 2022. For the fiscal year ended August 31, 2023, the District recognized pension expense of $975,155.

Changes in the net pension liability/(asset) for the measurement year ended December 31, 2022, are as follows:

	Increase (Decrease)		
Changes in Net Pension Liability / (Asset)	Total Pension Liability (a)	Fiduciary Net Position (b)	Net Pension Liability / (Asset) (a) - (b)
Balances at December 31, 2021	$ 30,581,708	$ 33,571,561	$ (2,989,853)
Changes for the year			
Service cost	1,288,240	-	1,288,240
Interest on total pension liability [1]	2,368,363	-	2,368,363
Effect of plan changes [2]	(1,030)	-	(1,030)
Effect of economic/demographic gains or losses	579,365	-	579,365
Effect of assumptions changes or inputs	-	-	-
Refund of contributions	(32,238)	(32,238)	-
Benefit payments	(1,408,696)	(1,408,696)	-
Administrative expenses	-	(18,793)	18,793
Member contributions	-	609,663	(609,663)
Net investment income	-	(2,004,897)	2,004,897
Employer contributions	-	1,263,745	(1,263,745)
Other [3]	-	88,944	(88,944)
Balances as of December 31, 2022	$ 33,375,712	$ 32,069,289	$ 1,306,423

[1] Reflects the change in the liability due to the time value of money. TCDRS does not charge fees or interest.
[2] Reflects plan changes adopted effective in 2022.
[3] Relates to the allocation of system-wide items.

Discount Rate Sensitivity Analysis

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

	1% Decrease (6.60%)	Current Discount Rate (7.60%)	1% Increase (8.60%)
Total pension liability	$ 37,633,275	$ 33,375,712	$ 29,760,033
Fiduciary net position	32,069,289	32,069,289	32,069,289
Net pension liability (asset)	$ 5,563,986	$ 1,306,423	$ (2,309,256)

At August 31, 2023, the District's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources are as follows:

	Deferred Inflows of Resurces	Deferred Outflows of Resources
Differences between expected and actual economic experience	$ -	$ 684,534
Changes in actuarial assumptions	56,530	835,740
Net difference between projected and actual investment earnings	-	731,887
Contributions paid to TCDRS subsequent to the measurement date	-	852,939
Total	$ 56,530	$ 3,105,100

$852,939 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ending August 31, 2024. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense in the District's fiscal years as follows:

Year Ended August 31,	Pension Expense
2024	$ 151,596
2025	460,904
2026	559,518
2027	1,023,613
	$ 2,195,631

Note 12 - Other Post-Employment Benefits

Plan Description

The District participates in the retiree Group Term Life (GTL) program for the Texas County & District Retirement System (TCDRS), which is a statewide, agent multiple-employer, public employee retirement system. The fund for this benefit is a separate trust administered by the board of TCDRS. The fund receives monthly participating employers' premiums and pays benefits when due. The obligations of the program are payable only from this fund, and are not an obligation of, or a claim against, the TCDRS Pension Trust Fund. The fund's assets are pooled with those of the Pension Trust Fund under provisions of the TCDRS Act and annually receive an allocation of income based on the fund value. No assets are accumulated in a trust that meets the criteria in GASB 74, paragraph 4, for the OPEB plan. This optional program provides group term life insurance coverage to currently employed members, and if elected by employers, to retirees.

Benefits Provided

Benefits are provided under the authority of the TCDRS Act and may be amended by the Texas State Legislature. Current employees of participating employers are insured for an amount equivalent to the employee's current annual compensation. Employers may also choose to cover retirees. Retirees are insured for $5,000. Life insurance proceeds are payable as a lump sum. The coverage provided to retirees is a postemployment benefit other than pension benefits.

Membership

District membership in the GTL plan at December 31, 2022 consisted of the following:

Inactive Employees Accounts	
Receiving benefits	45
Entitled to but not yet receiving benefits	20
	65
Active employees	138

Contributions

The District contributes to the GTL program at a contractually required rate. An annual actuarial valuation is performed, and the contractual rate is equal to the cost of providing one-year term life insurance. The premium rate is expressed as a percentage of the covered payroll of members employed by the participating employer. There is a one-year delay between the actuarial valuation that serves as the basis for the employer contribution rate and the calendar year when the rate goes into effect.

The GTL program is voluntary, and employers can cease participation at any time. Therefore, the funding policy of the program is to ensure that adequate resources are available to meet all insurance benefit payments for the upcoming year. It is not the intent of the funding policy to pre-fund retiree term life insurance during employees' entire careers. The District's contribution, which equaled the required contribution, were as follows for the years ended December 31:

	2022	2023
Employer rate	0.23%	0.18%
Employer contributions	$ 19,196	$ 18,032

Actuarial Assumptions

The total OPEB liability in the December 31, 2022 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	December 31, 2022
Actuarial Cost Method	Entry Age Normal
Amortization Method	Straight-line
Remaining Amortization Period	Expected working life
Asset Valuation Method	Does not apply
Discount Rate *	3.72%
Inflation Rate	Does not apply
Long-term expected Investment Rate of Return	Does not apply
Salary Increases	Does not apply
Payroll Growth Rate	Does not apply

** 20 Year Bond GO Index published by bondbuyer.com as of December 31, 2022.*

The plan does not have an automatic cost-of-living adjustment. Therefore, no assumption for future cost-of-living adjustments is included in the GASB calculation or in the funding valuation. Each year, the plan may elect an ad hoc COLA for its retirees.

Mortality rates for depositing members were based on 135% of the Pub-2010 General Employees Amount-Weighted Mortality Table for males and 120% Pub-2010 General Employees Amount-Weighted Mortality Table for females.

Service retirees, beneficiaries, and non-depositing members were based on 135% of Pub-2010 General Retirees Amount-Weighted Mortality Table for males and 120% Pub-2010 General Retirees Amount-Weighted Mortality Table for females, both projected with 100% of the MP-2021 Ultimate scale after 2010.

Disabled retirees were based on 160% of Pub-2010 General Retirees Amount-Weighted Mortality Table for males and 125% Pub-2010 General Retirees Amount-Weighted Mortality Table for females, both projected with 100% of the MP-2021 Ultimate scale after 2010.

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.

The actuarial assumptions and methods that determined the total OPEB liability as of December 31, 2022 were based on the results of an actuarial experience study for the period January 1, 2017 – December 31, 2020.

Discount Rate

The GTL program is treated as an unfunded OPEB plan because the GTL trust covers both actives and retirees and the assets are not segregated for these groups. A discount rate of 3.72% based on the 20 Year Bond GO Index published by bondbuyer.com is used as of the measurement date of December 31, 2022.

OPEB Liability, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At August 31, 2023, the District reported a total OPEB liability of $228,234 measured at December 31, 2022. For the year ended August 31, 2023, the District recognized OPEB expense of $19,921.

Changes in the total OPEB liability for the measurement year ended December 31, 2022 are as follows:

Changes in Total OPEB Liability	Total OPEB Liability
Balances as of December 31, 2021	$ 290,760
Changes for the year	
Change in actuary estimate	-
Service Cost	13,262
Interest on total OPEB liability (1)	6,200
Changes of benefit terms (2)	-
Effect of economic/demographic experience	8,616
Effect of assumptions changes or inputs (3)	(84,507)
Benefit payments	(6,097)
Other	-
Net changes	(62,526)
Balance as of December 31, 2022	$ 228,234

(1) Reflects the change in the liability due to the time value of money. TCDRS does not charge fees or interest.
(2) No plan changes valued.
(3) Reflects change in discount rate.

Discount Rate Sensitivity Analysis

The following presents the total OPEB liability of the District, calculated using the discount rate of 3.72%, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.72%) or 1 percentage point higher (4.72%) than the current rate.

	1% Decrease (2.72%)	Discount Rate (3.72%)	1% Increase 4.72%)
Total OPEB Liability	$ 274,687	$ 228,234	$ 192,150

At August 31, 2023, the District reported its deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Inflows of Resources	Deferred Outflows of Resources
Differences between expected and actual experience	$ 1,174	$ 14,275
Changes in assumptions	80,436	53,173
Contributions paid to TCDRS subsequent to the measurement date	-	11,085
Total	$ 81,610	$ 78,533

$11,085 reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability for the year ended August 31, 2024. The other net amounts of the employer's balances of deferred outflows and inflows of resources related to OPEB, excluding contributions made subsequent to the measurement date, will be recognized in OPEB expense as follows:

Year Ended August 31,	OPEB Expense
2024	$ 459
2025	459
2026	456
2027	927
2028	(5,618)
Thereafter	(10,845)
	$ (14,162)

Note 13 - Contingencies

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

Note 14 - 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. The District's risk management program encompasses obtaining workers compensation through Texas Mutual and property and liability insurance through Oklahoma Surety Company. The District has not had any significant reduction in insurance coverage and the amounts of insurance settlements have not exceeded insurance coverage for any of the last three years.

Required Supplementary Information
August 31, 2023

Fort Bend Central Appraisal District

	Year Ended December 31, 2014	Year Ended December 31, 2015	Year Ended December 31, 2016	Year Ended December 31, 2017	Year Ended December 31, 2018	Year Ended December 31, 2019	Year Ended December 31, 2020	Year Ended December 31, 2021	Year Ended December 31, 2022
Total Pension Liability									
Service cost	$ 545,385	$ 618,104	$ 699,238	$ 782,390	$ 828,582	$ 922,180	$ 1,029,467	$ 1,151,424	$ 1,288,240
Interest on total pension liability	1,283,826	1,392,229	1,479,935	1,627,450	1,757,530	1,889,050	2,068,518	2,214,719	2,368,363
Effect of plan changes	-	(109,797)	-	-	-	337,918	-	-	(1,030)
Effect of assumption changes or inputs	-	221,917	-	146,630	-	-	1,629,585	(84,794)	-
Effect of economic/demographic (gains) or losses	177,853	(121,095)	202,444	57,092	73,213	224,225	136,887	41,147	579,365
Benefit payments/refunds of contributions	(667,544)	(854,844)	(953,845)	(1,048,022)	(1,059,871)	(1,201,384)	(1,331,077)	(1,434,547)	(1,440,934)
Net change in total pension liability	1,339,520	1,146,514	1,427,772	1,565,540	1,599,454	2,171,989	3,533,380	1,887,949	2,794,004
Total pension liability, beginning	15,909,592	17,249,112	18,395,626	19,823,398	21,388,938	22,988,392	25,160,379	28,693,759	30,581,708
Total pension liability, ending (a)	$ 17,249,112	$ 18,395,626	$ 19,823,398	$ 21,388,938	$ 22,988,392	$ 25,160,379	$ 28,693,759	$ 30,581,708	$ 33,375,712
Fiduciary Net Position									
Contributions - Employer	$ 482,052	$ 569,591	$ 653,667	$ 694,181	$ 782,260	$ 1,447,646	$ 1,074,718	$ 983,911	$ 1,263,745
Contributions - Member	254,285	291,032	333,990	354,691	399,695	433,104	446,936	502,728	609,663
Net investment income	1,070,455	(144,082)	1,252,860	2,669,717	(388,866)	3,393,553	2,557,195	6,043,180	(2,004,897)
Benefit payments/refunds of contributions	(667,544)	(854,844)	(953,845)	(1,048,022)	(1,059,871)	(1,201,384)	(1,331,077)	(1,434,547)	(1,440,934)
Administrative expenses	(12,632)	(12,195)	(13,605)	(13,930)	(16,601)	(18,860)	(20,112)	(18,163)	(18,793)
Other	39,994	70,580	124,798	(122)	5,741	26,709	8,091	9,046	88,944
Net change in fiduciary net position	1,166,610	(79,918)	1,397,865	2,656,515	(277,642)	4,080,768	2,735,751	6,086,155	(1,502,272)
Fiduciary net position, beginning	15,805,457	16,972,067	16,892,149	18,290,014	20,946,529	20,668,887	24,749,655	27,485,406	33,571,561
Fiduciary net position, ending (b)	$ 16,972,067	$ 16,892,149	$ 18,290,014	$ 20,946,529	$ 20,668,887	$ 24,749,655	$ 27,485,406	$ 33,571,561	$ 32,069,289
Net pension liability / (asset), ending = (a) - (b)	$ 277,045	$ 1,503,477	$ 1,533,384	$ 442,409	$ 2,319,505	$ 410,724	$ 1,208,353	$ (2,989,853)	$ 1,306,423
Fiduciary net position as a percentage of total pension liability	98.39%	91.83%	92.26%	97.93%	89.91%	98.37%	95.79%	109.78%	96.09%
Covered payroll	$ 3,632,646	$ 4,157,601	$ 4,771,291	$ 5,067,012	$ 5,709,927	$ 6,187,198	$ 6,384,803	$ 7,181,830	$ 8,709,477
Net pension liability as a percentage of covered payroll	7.63%	36.16%	32.14%	8.73%	40.62%	6.64%	18.93%	-41.63%	15.00%

GASB 68 requires 10 years of data to be provided in this schedule. Historical data is presented only for years for which GASB 68 has been implemented.

See Notes to Required Supplementary Information

Year Ending August 31,	Actuarially Determined Contribution	Actual Employer Contribution	Contribution Deficiency (Excess)	Pensionable Covered Payroll	Actual Contribution as a Percentage of Covered Payroll
2013	$ 413,995	$ 413,995	$ -	$ 3,374,039	12.3%
2014	460,256	482,052	(21,796)	3,632,646	13.3%
2015	489,765	569,591	(79,826)	4,157,601	13.7%
2016	533,908	653,667	(119,759)	4,771,291	13.7%
2017	586,760	694,181	(107,421)	5,067,012	13.7%
2018	663,494	782,260	(118,766)	5,709,927	13.7%
2019	704,722	1,447,646	(742,924)	6,187,198	23.4%
2020	748,937	1,074,718	(325,781)	6,384,803	16.8%
2021	815,856	983,911	(168,055)	7,181,830	13.7%
2022	1,174,231	1,174,231	-	8,092,564	14.5%
2023	1,291,174	1,291,174	-	6,903,825	18.7%

	Year Ended December 31, 2017	Year Ended December 31, 2018	Year Ended December 31, 2019	Year Ended December 31, 2020	Year Ended December 31, 2021	Year Ended December 31, 2022
Total OPEB Liability						
Service cost	$ 6,414	$ 7,399	$ 6,800	$ 10,265	$ 11,838	$ 13,262
Interest on total OPEB liability	5,645	6,006	6,810	6,352	5,973	6,200
Effect of plan changes	-	-	-	-	-	-
Effect of assumption changes or inputs	7,964	(21,331)	50,929	32,274	6,834	(84,507)
Effect of economic/demographic (gains) or losses	7,752	3,590	1,492	3,544	(1,644)	8,616
Change of assumptions	-	-	-	-	-	-
Benefit payments/refunds of contributions	(3,547)	(3,426)	(3,712)	(3,831)	(4,309)	(6,097)
Net change in total OPEB liability	24,228	(7,762)	62,319	48,604	18,692	(62,526)
Total OPEB liability, beginning	144,679	168,907	161,145	223,464	272,068	290,760
Total OPEB liability, ending	$ 168,907	$ 161,145	$ 223,464	$ 272,068	$ 290,760	$ 228,234
Covered payroll	$ 5,067,012	$ 5,709,927	$ 6,187,198	$ 6,384,803	$ 7,181,830	$ 8,709,477
Total OPEB liability as a percentage of covered payroll	3.33%	2.82%	3.61%	4.26%	4.05%	2.62%

Note: No assets are accumulated in a trust that meets the criteria in GASB 74, paragraph 4 for the OPEB plan.

GASB Statement No. 75 requires ten years of information to be presented in this table. However, until ten years of data is available, the District will present information only for those years for which information is available.

Note A: Net Pension Liability – Texas County & District Retirement System

Assumptions

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

Valuation date	Actuarially determined contribution rates are calculated as of December 31, two years prior to the end of the fiscal year in which contributions are reported.
Actuarial cost method	Normal entry age
Amortization method	Level percentage of payroll, closed
Remaining amortization period	18.2 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, including inflation
Investment rate of return	7.5%, 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 plan provisions	No changes in plan provisions were reflected in the Schedule.

Note B: Total OPEB Liability- Texas County & District Retirement System

Assumptions

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

Valuation date	Actuarially determined contribution rates are calculated as of December 31, two years prior to the end of the fiscal year in which contributions are reported.
Actuarial cost method	Entry age normal
Amortization method	Straight-line amortization
Remaining amortization period	Expected working life
Discount rate	3.72%; 20 Year Bond GO Index published by bondbuyer.com as of December 31, 2022
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	Mortality rates for depositing members were based on 135% of the Pub-2010 General Employees Amount-Weighted Mortality Table for males and 120% Pub-2010 General Employees Amount-Weighted Mortality Table for females. Service retirees, beneficiaries, and non-depositing members were based on 135% of Pub-2010 General Retirees Amount-Weighted Mortality Table for males and 120% Pub-2010 General Retirees Amount-Weighted Mortality Table for females, both projected with 100% of the MP-2021 Ultimate scale after 2010. Disabled retirees were based on 160% of Pub-2010 General Retirees Amount-Weighted Mortality Table for males and 125% Pub-2010 General Retirees Amount-Weighted Mortality Table for females, both projected with 100% of the MP-2021 Ultimate scale after 2010.
Change in discount rate	The discount rate was changed from 2.06% to 3.72%