

**HOUSTON COUNTY
APPRAISAL DISTRICT**

AUDITED FINANCIAL STATEMENTS

DECEMBER 31, 2023

**HOUSTON COUNTY APPRAISAL DISTRICT
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**HOUSTON COUNTY APPRAISAL DISTRICT
BOARD OF DIRECTORS
DECEMBER 31, 2023**

Kathi Calvert..... Chairman
Laronica Smith..... Secretary
Brandon BridgesMember
Tod English.....Member
W. F. Kitchen.....Member
Tommy LundyMember
Carey MinterChief Appraiser



INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Houston County Appraisal District

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the fiduciary activities, and the major fund of Houston 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, the fiduciary activities, and the major governmental fund of Houston County Appraisal District as of December 31, 2023, and the respective changes in financial position in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' 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 opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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 within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and

INDEPENDENT AUDITORS' REPORT – CONTINUED

therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of changes in net pension liability, and the schedule of pension contributions and related notes on pages 5 - 8 and 30 - 35, respectively, be presented to supplement the basic financial statements. Such information, 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.

INDEPENDENT AUDITORS' REPORT – CONTINUED

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 10, 2024, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Todd, Hamaker & Johnson, LLP

Todd, Hamaker & Johnson, LLP
Lufkin, Texas

April 10, 2024

**HOUSTON COUNTY APPRAISAL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2023
(UNAUDITED)**

As management of the Houston 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. We encourage readers to consider information presented here as well as the District's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The District's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources (or net position) at December 31, 2023 by \$265,488.
- During the year, revenues exceeded expenses (or an increase in net position) by \$68,324.
- No new long-term debt was incurred in the year and none was outstanding at year end.

OVERVIEW OF THE FINANCIAL STATEMENTS

In accordance with GASB Statement No. 34 – *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, the basic financial statements must include both government-wide and fund financial statements. Governments must also present a Management's Discussion and Analysis, Notes to the Financial Statements, and Required Supplementary Information.

GASB Statement No. 34 provides that for special-purpose governments engaged in a single government program, the fund financial statements and the government-wide statements may be combined. The District has elected to present financial statements under this combined method.

Using this method, governments will present financial statements that begin with *governmental fund financial statements*, with columns for major funds (usually only a general fund). The next column is an adjustments column. It reconciles the amounts reported in the governmental funds to show how specific individual accounts would change when reported on the accrual basis of accounting. The final column of these combined statements shows the amounts that normally would appear in the *government-wide statements*.

Combined Financial Statements (pages 10 - 13).

Governmental Fund Financial Statements (first column).

Governmental fund financial statements focus on near-term inflows and outflows of spendable resources available at the end of the fiscal year. Revenues are recognized when they are both measurable and available. Expenditures are recorded when the related fund liability is incurred.

Governmental fund balance sheets present only current assets and liabilities. Capital assets and long-term liabilities are excluded.

Governmental fund statements of revenues, expenditures and changes in fund balance report information about the inflows, outflows, and balances of current financial resources.

**HOUSTON COUNTY APPRAISAL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2023
(UNAUDITED)**

Government-wide Financial Statements (final column).

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 liabilities, with the difference between the two reported as net position.

The *statement of activities* presents information showing how the District's net position changed during the fiscal year. All of the current year's revenues and expenses are accounted for in the statement of activities, regardless of when cash is received or paid.

Notes to the Financial Statements (pages 16 - 28).

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

Required Supplementary Information (pages 30 - 35).

In addition to the basic financial statements and accompanying notes, this report also presents certain supplementary information as required by the Governmental Accounting Standards Board.

THE DISTRICT'S 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. A portion of the District's net position, or \$2,395, is invested in capital assets and is not available for future spending. The remaining portion of the District's net position, or \$263,093, is unrestricted in nature and available for future spending.

The District's Net Position

	<u>2023</u>	<u>2022</u>
ASSETS		
Current and other assets	\$ 634,495	\$ 665,005
Capital assets	<u>2,395</u>	<u>3,934</u>
Total assets	<u>636,890</u>	<u>668,939</u>
DEFERRED OUTFLOWS	<u>147,996</u>	<u>102,571</u>
LIABILITIES		
Long-term liabilities	65,878	-
Other liabilities	<u>409,317</u>	<u>288,761</u>
Total liabilities	<u>475,195</u>	<u>288,761</u>
DEFERRED INFLOWS	<u>44,203</u>	<u>285,585</u>
NET POSITION		
Invested in capital assets, net of related debt	2,395	3,934
Unrestricted	<u>263,093</u>	<u>193,230</u>
Total net position	<u>\$ 265,488</u>	<u>\$ 197,164</u>

**HOUSTON COUNTY APPRAISAL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2023
(UNAUDITED)**

Change in Net Position

	<u>2023</u>	<u>2022</u>
REVENUES		
Program revenues		
Entity assessments	\$ 1,134,061	\$ 1,038,160
Certificates, mapping, other	12,285	12,856
General revenues		
Investment income	6,428	743
Gain (loss) on disposal of assets	-	(189)
Total revenues	<u>1,152,774</u>	<u>1,051,570</u>
EXPENSES		
General government	1,084,450	946,367
Interest on long-term debt	-	-
Total expenses	<u>1,084,450</u>	<u>946,367</u>
Increase (decrease) in net position	68,324	105,203
Net position, beginning of year	<u>197,164</u>	<u>91,961</u>
Net position, end of year	<u><u>\$ 265,488</u></u>	<u><u>\$ 197,164</u></u>

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

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

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, *unrestricted fund balances* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of December 31, 2023, the District's governmental funds reported a total fund balance of \$176,380. \$63,523 of this balance is committed to reflect the appropriation of a portion of the existing fund balance to eliminate a projected deficit in the subsequent year's budget. A portion of the District's fund balance, or \$18,754, is in non-spendable form and represents prepaid amounts. The remainder of the fund balance, or \$94,103, is unassigned. During the year, the fund balance in the District's governmental funds increased by \$6,999.

General Fund Budget. A comparison of the general fund budget and actual results is presented as required supplementary information on pages 30-32. Actual revenues were higher than budgeted amounts by \$18,712. Actual expenditures were lower than budgeted amounts by \$7,730.

The General fund balance increased by \$6,999 during the fiscal year; a decrease of \$31,818 was budgeted.

**HOUSTON COUNTY APPRAISAL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2023
(UNAUDITED)**

CAPITAL ASSETS

The District's investment in capital assets as of December 31, 2023, totaled \$2,395 (net of accumulated depreciation). No capital purchases or disposals were made during the year.

Capital Assets (Net of Depreciation)

	<u>Governmental Activities</u>	
	<u>2023</u>	<u>2022</u>
Leasehold improvements	\$ 3,550	\$ 3,550
Furniture and equipment	49,770	49,770
Less accumulated depreciation	<u>(50,925)</u>	<u>(49,386)</u>
Net	<u>\$ 2,395</u>	<u>\$ 3,934</u>

DEBT ADMINISTRATION

At the end of the current fiscal year, the District had no outstanding long-term indebtedness.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The 2024 budget was approved at the District's July 2023 board meeting. Revenues and expenses were budgeted at levels consistent with the 2023 year. The budget includes a projected deficit of \$63,523 to be covered by existing fund balance.

REQUESTS FOR INFORMATION

The financial report is designed to provide our citizens, customers, investors and creditors with a general overview of the District's finances. If you have questions about this report or need any additional information, contact the District's business office at P.O. Drawer 112, Crockett, Texas 75835.

Basic Financial Statements

**HOUSTON COUNTY APPRAISAL DISTRICT
STATEMENT OF NET POSITION AND
GOVERNMENTAL FUND BALANCE SHEET
DECEMBER 31, 2023**

	General Fund	Adjustments (Note A)	Statement of Net Position
ASSETS			
Cash and cash equivalents	\$ 343,861	\$ -	\$ 343,861
Certificates of deposit	116,280	-	116,280
Prepaid amounts	18,754	-	18,754
SBITA assets, net of accumulated amortization	-	155,600	155,600
Capital assets, net of accumulated depreciation	-	2,395	2,395
Total assets	<u>478,895</u>	<u>157,995</u>	<u>636,890</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension plan	-	147,996	147,996
Total deferred outflows of resources	-	<u>147,996</u>	<u>147,996</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 478,895</u>	<u>305,991</u>	<u>784,886</u>
LIABILITIES			
Accrued expenses	\$ -	-	-
Accrued compensated absences	-	6,843	6,843
Unearned revenue - next year budget assessments	302,515	-	302,515
Noncurrent liabilities			
SBITA liabilities - current portion	-	70,187	70,187
SBITA liabilities - noncurrent portion	-	65,878	65,878
Net pension liability	-	29,772	29,772
Total liabilities	<u>302,515</u>	<u>172,680</u>	<u>475,195</u>
DEFERRED INFLOWS OF RESOURCES			
Pension plan	-	44,203	44,203
Total deferred inflows of resources	-	<u>44,203</u>	<u>44,203</u>
FUND BALANCE/NET POSITION			
Fund balance			
Nonspendable - prepaid amounts	18,754	(18,754)	-
Committed for 2024 budget	63,523	(63,523)	-
Unassigned	94,103	(94,103)	-
Total fund balance	<u>176,380</u>	<u>(176,380)</u>	<u>-</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE	<u>\$ 478,895</u>		
Net position			
Invested in capital assets, net of related debt		2,395	2,395
Unrestricted		<u>263,093</u>	<u>263,093</u>
TOTAL NET POSITION		<u>\$ 265,488</u>	<u>\$ 265,488</u>

See accompanying notes to the financial statements.

**HOUSTON COUNTY APPRAISAL DISTRICT
RECONCILIATION OF GOVERNMENTAL FUND BALANCE
TO NET POSITION OF GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2023**

**NOTE A – ADJUSTMENTS FROM GOVERNMENTAL FUND
BALANCE TO NET POSITION OF GOVERNMENTAL ACTIVITIES**

Total governmental fund balance	\$ 176,380
Capital assets used in governmental activities are not current financial resources and therefore, are not reported in the governmental funds.	157,995
Deferred pension plan amounts relate to subsequent pension plan measurement periods and/or do not consume current financial resources and therefore, these amounts are not reported in the governmental funds.	103,793
Payables for accrued compensated absences are not due in the current period and therefore, are not reported in the governmental funds.	(6,843)
Payables for SBITA liabilities are not due in the current period and therefore, are not reported in the governmental funds.	(136,065)
Net pension assets/liabilities are not due in the current period and therefore, are not reported in the governmental funds.	<u>(29,772)</u>
Net position of governmental activities	<u>\$ 265,488</u>

See accompanying notes to the financial statements.

HOUSTON COUNTY APPRAISAL DISTRICT
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUND REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED DECEMBER 31, 2023

	General Fund	Adjustments (Note B)	Statement of Activities
EXPENDITURES/EXPENSES			
General government			
Salaries	\$ 468,770	\$ 208	\$ 468,978
Employee benefits	204,078	(43,537)	160,541
Administration expense	21,998	-	21,998
Data processing	99,866	(36,285)	63,581
Appraisal engineers	95,000	-	95,000
Office expense	54,511	-	54,511
Travel and auto	73,153	-	73,153
Rents and leases	29,732	-	29,732
Utilities and telephone	25,850	-	25,850
Legal and accounting	17,263	-	17,263
Insurance	2,728	-	2,728
Mapping expense	24,113	(5,319)	18,794
Contract labor	8,625	-	8,625
Dues and memberships	2,908	-	2,908
Legal notice and advertising	1,339	-	1,339
Appraisal review board	6,562	-	6,562
Books and subscriptions	2,440	-	2,440
Repairs and maintenance	-	-	-
Capital outlay	1,839	-	1,839
Contingency	5,000	-	5,000
Depreciation and amortization	-	23,608	23,608
Total general government expenditures	<u>1,145,775</u>	<u>(61,325)</u>	<u>1,084,450</u>
PROGRAM REVENUES			
Operating assessments	941,271	-	941,271
Collection assessments	192,790	-	192,790
Tax certificates	9,960	-	9,960
Mapping and other income	2,325	-	2,325
Total program revenues	<u>1,146,346</u>	<u>-</u>	<u>1,146,346</u>
GENERAL REVENUES			
Investment income	6,428	-	6,428
Gain (loss) on disposal of assets	-	-	-
Total general revenues	<u>6,428</u>	<u>-</u>	<u>6,428</u>
Excess (deficiency) of revenues over expenditures	6,999	(6,999)	
Change in net position		68,324	68,324
FUND BALANCE/NET POSITION			
Beginning of the year	<u>169,381</u>	<u>27,783</u>	<u>197,164</u>
End of the year	<u>\$ 176,380</u>	<u>\$ 89,108</u>	<u>\$ 265,488</u>

See accompanying notes to the financial statements.

**HOUSTON COUNTY APPRAISAL DISTRICT
RECONCILIATION OF EXCESS (DEFICIENCY) OF REVENUES
OVER EXPENDITURES - GOVERNMENTAL FUNDS TO
CHANGE IN NET POSITION - STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2023**

**NOTE B – ADJUSTMENTS FROM EXCESS (DEFICIENCY) OF REVENUES
OVER EXPENDITURES TO CHANGE IN NET POSITION**

Excess (deficiency) of revenues over expenditures - governmental fund	\$ 6,999
This amount represents the change in accrued compensated absences from the beginning of the period to the end of the period.	(208)
This amount represents the change in net pension liabilities from the beginning of the period to the end of the period.	43,537
Governmental funds report capital outlay as expenditures. In the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation and amortization expense. This is the amount depreciation and amortization exceeded capital outlays in the current period.	<u>17,996</u>
Change in net position - statement of activities	<u>\$ 68,324</u>

See accompanying notes to the financial statements.

**HOUSTON COUNTY APPRAISAL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
DECEMBER 31, 2023**

	<u>Custodial Funds</u>
ASSETS	
Cash	\$ 1,993,433
TOTAL ASSETS	<u>1,993,433</u>
LIABILITIES	
Accounts payable	14,544
Refunds and overpayments payable	748
Due to other funds	499
Due to other governmental units	<u>1,960,840</u>
TOTAL LIABILITIES	<u>1,976,631</u>
NET POSITION	
Restricted for:	
Individuals or other governments	<u>16,802</u>
TOTAL NET POSITION	<u>\$ 16,802</u>

See accompanying notes to the financial statements.

**HOUSTON COUNTY APPRAISAL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2023**

	<u>Custodial Funds</u>
ADDITIONS	
Taxes and fees collected	\$ 20,372,357
Interest earnings	<u>1,903</u>
TOTAL ADDITIONS	<u>20,374,260</u>
DEDUCTIONS	
Taxes and fees collected for other governments	20,059,301
Taxes and fees collected for the District	2,836
Legal services	269,119
Bank fees	226
Refunds and overpayments	<u>42,402</u>
TOTAL DEDUCTIONS	<u>20,373,884</u>
NET INCREASE (DECREASE) IN FIDUCIARY NET POSITION	376
NET POSITION - BEGINNING OF YEAR	<u>16,426</u>
NET POSITION - END OF YEAR	<u>\$ 16,802</u>

See accompanying notes to the financial statements.

Notes to the Financial Statements

**HOUSTON COUNTY APPRAISAL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023**

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Introduction

The financial statements of Houston County Appraisal District (the "District") have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") as applied to government units. The Governmental Accounting Standards Board ("GASB") is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant accounting and reporting policies used by the District are discussed below.

Reporting Entity

Houston County Appraisal District is a governmental unit under the applicable laws of the State of Texas. The District is responsible for appraising property in the district for each taxing unit that levies ad valorem taxes on property within the district. In addition, the District collects property taxes for some of the taxing units within its jurisdiction.

It is governed by a Board of Directors which is composed of five members, appointed by the governing bodies of the entities for which the District appraises and collects taxes. Funding for the District is provided annually from each taxing entity based on an approved budget.

For financial reporting purposes, based on standards established by GASB Statement No. 61, *The Financial Reporting Entity: Omnibus—an amendment of GASB Statements No. 14 and No. 34*, these financial statements should present the District (the primary government) and its component units. Component units generally are legally separate entities for which the primary government is financially accountable or for which the nature and significance of their relationship with a primary government are such that exclusion would cause the reporting entity's financial statements to be misleading. The District does not have any blended or discretely presented component units.

Government-wide and Fund Financial Statements

GASB Statement No. 34 provides that for special-purpose governments engaged in a single government program, the fund financial statements and the government-wide statements may be combined. The District has elected to present financial statements using this combined method.

The government-wide financial statements include the statement of net position and the statement of activities. These statements report information on all of the activities of the District as a whole. *Governmental activities* include programs normally supported by taxes, grants, and other intergovernmental revenues.

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

New Accounting Pronouncements

GASB Statement No. 94, *Public-Private and Public -Public Partnerships and Availability Payment Arrangements* ("GASB 94"), is intended to enhance comparability in accounting and financial reporting and

**HOUSTON COUNTY APPRAISAL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023**

to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements. The requirements of this statement are effective for financial statements for periods beginning after June 15, 2022. Implementation of GASB 94 had no effects on the District's financial disclosures.

GASB Statement No. 96, *Subscription-Based Information Technology Arrangements* ("GASB 96"), is intended to provide guidance on the accounting and financial reporting for subscription-based information technology arrangements. The requirements of this statement are effective for financial statements for periods beginning after June 15, 2022. Implementation of GASB 96 is reflected in the District's financial disclosures.

GASB Statement No. 100, *Accounting Changes and Error Corrections – an Amendment to GASB 62* ("GASB 100"), is intended to enhance accounting and financial reporting for accounting changes and error corrections. The requirements of this statement are effective for financial statements for periods beginning after June 15, 2023. Management has not evaluated the effects of implementing GASB 100 on the financial disclosures.

GASB Statement No. 101, *Compensated Absences* ("GASB 101"), is intended to update the recognition and measurement guidance for compensated absences. The requirements of this statement are effective for financial statements for periods beginning after December 15, 2023. Management has not evaluated the effects of implementing GASB 101 on the financial disclosures.

GASB Statement No. 102, *Certain Risk Disclosures* ("GASB 102"), is intended to improve financial reporting and disclosure of certain concentrations or constraints and related events that have occurred or have begun to occur. The requirements of this statement are effective for financial statements for periods beginning after June 15, 2024. Management has not evaluated the effects of implementing GASB 102 on the financial disclosures.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Revenues from taxing entities for budget assessments are recognized in the fiscal year for which the assessments apply.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The District considers revenues to be available if they are collected within 60 days of the end of the fiscal year. Expenditures are recorded when the related liability is incurred, as under accrual accounting. Debt service expenditures, both principal and interest, are recorded only when payment is due.

The District's funds are classified as either governmental or fiduciary and are described below.

Governmental Funds. Governmental funds account for all or most of a government's general activity.

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.

Fiduciary funds account for assets held by a government in a trustee or agency capacity on behalf of others.

Custodial funds are used to account for assets received and held for the benefit of other funds, individuals, or organizations. Custodial funds held by the District function as clearing accounts and are not reflected in the government-wide financial statements because the resources of those funds are not available to support the District's own programs, but are presented in separate financial statements.

**HOUSTON COUNTY APPRAISAL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
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When an expenditure is incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) amounts are available, it is the District's policy to generally consider restricted amounts to have been reduced first. When an expenditure is incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used, it is the policy of the District that committed amounts would be reduced first, followed by assigned amounts, and then unassigned amounts. In both instances, when a proposed expenditure is made with specific balances identified as the source of the funding, that specific fund balance will be used.

Assets, Liabilities, Deferred Inflows of Resources, and Net Position or Fund Balance

Deposits and Investments

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, certificates of deposit and short-term, highly liquid investments that are readily convertible to known amounts of cash and so near maturity that they present insignificant risk of changes in value due to changes in interest rates. Cash equivalents include investments with original maturities of three months or less and are stated at fair value. Certificates of deposit consist of deposits with original maturities greater than three months. Certificates of deposit are recorded at cost, which approximates market value at December 31, 2023.

The District is required by the Public Funds Collateral Act (Government Code, chapter 2257) to maintain security for all deposits of funds that exceed coverage provided by the Federal Deposit Insurance Corporation ("FDIC"). As of the balance sheet date, the District's cash deposits were fully collateralized by securities pledged by the depository banks. Based on audit procedures conducted in conjunction with the audit of the basic financial statements, the District complied with the requirements of the Public Funds Collateral Act.

The District is required by the Public Funds Investment Act (Government Code, chapter 2256) (the "Act") to adopt, implement, and publicize a written investment policy which primarily emphasizes safety of principal and liquidity, and addresses investment diversification, yield, and maturity. Additionally, the policy must address the quality and capability of investment management and include the types of investments in which the entity may invest its funds, as well as the maximum allowable stated maturity of any individual investment, the maximum dollar-weighted average maturity allowed based on the stated maturity date for the portfolio of pooled fund groups, and bid requirements for certificates of deposit.

The District is authorized to invest in the following instruments, as authorized by the Public Funds Investment Act: U.S. Treasury securities which have a liquid market; direct obligations of the State of Texas, and other obligations that are guaranteed by the State of Texas or United States of America; obligations of states, agencies, counties, and other political subdivisions of any state having been rated as investment quality by a nationally recognized investment rating firm and having received a rating of not less than "A" or its equivalent; fully insured or collateralized certificates of deposit at commercial banks; repurchase agreements collateralized by U.S. Treasury or U.S. Government Agency securities in accordance with a master repurchase agreement; joint pools of political subdivisions in the State of Texas which invest in instruments and follow practices allowed by current law (investment in such pools shall be limited to 15% of the City's entire portfolio and the pool must be continuously rated no lower than "AAA" or "AAA-m" by at least one nationally recognized rating service).

The Act also requires an annual audit of investment practices. Audit procedures conducted in conjunction with the audit of the basic financial statements disclosed that the District's investment practices adhered to its policies and were consistent with the requirements of the Public Funds Investment Act.

**HOUSTON COUNTY APPRAISAL DISTRICT
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Fair Value of Financial Instruments

The District evaluates the fair value of its non-investment financial instruments based on the current interest rate environment and current pricing of debt instruments with comparable terms. The carrying value of all non-investment financial instruments, including debt, is considered to approximate fair value.

Revenues

The District is financed primarily through the allocation of anticipated budget costs to the taxing units participating in the District. Each taxing unit is allocated a portion of the budget equal to the proportion of that taxing unit's assessed property values (property within the District boundaries) in relation to the assessed property values for all of the taxing units of the District in total for that year. The District may refund to the taxing entities assessments levied that were in excess of the District's budgetary requirements. During the year, no such refunds were made.

Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods. These amounts are recorded as prepaid assets and excluded from current period expenses. Prepayments for insurance and other expenses which related to future periods, totaled \$18,754 at December 31, 2023.

Capital Assets, Depreciation, and Amortization

Capital assets, which include primarily furniture and equipment, are reported in the government-wide financial statements. Capital assets are considered by the District to be assets with an initial, individual cost of more than \$1,000 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. Contributed capital assets are recorded at estimated fair market value at the date received.

Costs incurred for normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are expensed.

Capital assets are depreciated using the straight-line method. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts, and the resulting gain or loss is recorded in operations. The estimated useful lives for all assets are between 5 and 10 years.

Deferred Inflows/Outflows of Resources

Deferred Outflows of Resources. In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until that time. The District has one item, which arises only under a full accrual basis of accounting, that qualifies for reporting in this category: pension plan amounts. These items are reported on the government-wide statement of net position and are described fully later in these notes.

Deferred Inflows of Resources. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has one item, which arises only under a full accrual basis of accounting, that qualifies for reporting in this category: pension plan amounts. These items are reported on the government-wide statement of net position and are described fully later in these notes.

**HOUSTON COUNTY APPRAISAL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
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Compensated Absences

It is the District's policy to encourage all employees to utilize their vacation and compensatory time annually. Employees may carry forward any unused, unearned vacation and compensatory time in accordance with the District's personnel policy guidelines. Unused, earned vacation and compensatory time is payable to employees at separation. Accordingly, compensated absences have been accrued in these financial statements.

Sick leave is recorded as an expenditure during the fiscal year in which such benefits are paid. Sick leave may accumulate, but does not vest.

Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in governmental activities.

Pensions

For purposes of measuring the net pension liability/net pension asset, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the Fiduciary Net Position of the Texas County and District Retirement System ("TCDRS") and additions to/deductions from TCDRS's Fiduciary Net Position have been determined on the same basis as they are reported by TCDRS. For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Net Position and Fund Balance

In the government-wide financial statements, the difference between the District's total assets and total liabilities represents net position. Net position is displayed in three components – invested in capital assets, net of related debt; restricted; and unrestricted. At December 31, 2023, there were no restrictions on net position. Unrestricted net position represents the net assets available for future operations.

In the governmental fund financial statements, fund balance is classified as follows:

Non-spendable – amounts that cannot be spent either because they are in non-spendable form (such as inventories and prepaid amounts) or because they are legally or contractually required to be maintained intact.

Restricted – amounts that can be spent only for specific purposes due to constraints imposed on resources either (a) externally by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Committed – amounts that can only be used for specific purposes pursuant to constraints imposed by formal resolutions or ordinances of the Board of Directors – the government's highest level of decision making authority. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the Board of Directors.

Assigned – amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes.

Unassigned – all other spendable amounts.

**HOUSTON COUNTY APPRAISAL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023**

At December 31, 2023, committed fund balance in the governmental fund represents the portion of fund balance appropriated by the Board needed to eliminate the projected deficit in the 2024 budget.

Estimates

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

STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgets and Budgetary Process

The District Board adopts an annual budget for the general fund before the beginning of each fiscal year. The budget is amended, if necessary, during the year. In accordance with legal requirements, the District adopts an annual budget for the General Fund. Budgeted expenditures for the current year, as adopted in the original budget, may be amended to take into account special authorizations of the Board during the year. All appropriations lapse at the end of each fiscal year. The original budget for the current fiscal year was amended once during the year. A comparison of governmental fund revenues and expenditures to budgeted amounts is presented as Required Supplementary Information ("RSI") following the notes to the financial statements.

DETAILED NOTES ON ALL FUNDS

ASSETS

Deposits and Investments

Custodial Credit Risk—Deposits. In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned. The District's policy requires funds on deposit at depository banks to be collateralized to the extent that the deposits exceed FDIC coverage. As of December 31, 2023, the District's deposits held by depository banks totaled \$2,723,321, including certificates of deposit totaling \$116,280 and fiduciary fund deposits of \$2,235,799. All deposits were fully collateralized by securities pledged by the depository banks with total collateral value of \$4,178,760, in addition to FDIC coverage.

Tax Collections

As noted previously, the District collects property taxes for some of the taxing units within its jurisdiction and remits those amounts at least monthly to the entities. Collection activity is transacted through a separate bank account and reported in the District's fiduciary fund statements. At December 31, 2023, collections on deposit due to be remitted to governmental entities and other individuals totaled \$1,993,433.

Receivables

The District had no receivable balances at December 31, 2023.

**HOUSTON COUNTY APPRAISAL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023**

Subscription-Based Information Technology Arrangements (“SBITA”) Assets

In accordance with GASB 96, the District has begun reporting certain items that qualify as SBITA assets. A summary of changes in assets under SBITAs for the year ended December 31 follows. See also, *SBITA Liabilities* later in these notes.

	Balance 12/31/2022	Additions	Disposals	Balance 12/31/2023
SBITA assets	\$ -	\$ 177,669	\$ -	\$ 177,669
Accumulated amortization	-	(22,069)	-	(22,069)
Total SBITA assets, net	<u>\$ -</u>	<u>\$ 155,600</u>	<u>\$ -</u>	<u>\$ 155,600</u>

Amortization expense of \$22,069 was charged to to general government expenses.

Capital Assets

A summary of changes in capital assets for the year ended December 31, 2023, is as follows:

	Balance 12/31/2022	Additions	Disposals	Balance 12/31/2023
Capital assets, being depreciated				
Leasehold improvements	\$ 3,550	\$ -	\$ -	\$ 3,550
Furniture and equipment	49,770	-	-	49,770
Total being depreciated	53,320	-	-	53,320
Less accumulated depreciation:	(49,386)	(1,539)	-	(50,925)
Total capital assets, net	<u>\$ 3,934</u>	<u>\$ (1,539)</u>	<u>\$ -</u>	<u>\$ 2,395</u>

Depreciation expense of \$1,539 was charged to general government expenses at December 31, 2023.

LIABILITIES

Unearned Revenue

Unearned revenue – next year budget assessments consists of amounts received from the participating taxing entities within the District, which pay their proportional share of the costs of the District based on the budget estimates for the year. As of December 31, 2023, \$302,515 had been received by the District to be applied toward the 2024 budget requirements.

Long-term Debt

The District had no outstanding long-term debt at December 31, 2023.

SBITA Liabilities

In accordance with GASB 96, the District has begun reporting certain items that qualify as SBITA liabilities. Changes in SBITA liability activity for the year ended December 31, 2023 was as follows:

	Balance 12/31/22	Additions	Reductions	Balance 12/31/23	Due Within One Year
Pritchard & Abbott	\$ -	\$ 177,669	\$ (41,604)	\$ 136,065	\$ 70,187

**HOUSTON COUNTY APPRAISAL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023**

Pritchard & Abbott. The District has entered into multiple agreements with Pritchard & Abbott, Inc. to provide software to the District. The SBITA liability for the agreements has been calculated using an imputed interest rate of 3.00%, resulting in interest charges of \$181 for the year. The District paid \$41,785 under the contracts during the year. The terms of the related agreements are as follows:

Appraisal software services for tax years 2024 and 2025. The agreement totals \$59,950 annually for 2024 and 2025, due in eight (8) quarterly payments of \$14,987 beginning in January 2024.

Annual mapping software services for 2023 through 2024. The agreement totals \$5,500 per year to be paid in quarterly payments of \$1,375 beginning in February 2023.

CAMA cloud software for 2023 through 2025. The agreement totals \$50,755, with \$36,285 due January 1, 2023 and the remainder to be paid in equal annual installments of \$7,235 beginning in January 2024.

The annual requirements for the SBITA liabilities follows:

<u>Year Ending December 31,</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2024	\$ 70,187	\$ 2,498
2025	65,878	1,307
Totals	<u>\$ 136,065</u>	<u>\$ 3,805</u>

Defined Benefit Pension Plan

Plan Description. Houston County Appraisal District participates as one of 849 plans in the non-traditional defined benefit plan in the statewide Texas County and District Retirement System ("TCDRS"). The Board of Trustees of TCERS is responsible for the administration of the statewide agent multiple-employer public employee retirement system. TCERS in the aggregate issues a comprehensive annual financial report ("CAFR") on a calendar year basis. The CAFR is available online at www.tcders.org.

Benefits Provided. The Plan provides retirement, disability, and survivor benefits for all of its full-time and part-time non-temporary employees. TCERS is a savings-based plan. For the District's plan, 7% of each employee's pay is deposited into his or her TCERS account. By law, employee accounts earn 7% interest on beginning of year balances annually. At retirement, the account is matched at an employer set percentage (current match is 150%) and is then converted to an annuity. There are no automatic cost of living adjustments. The plan provisions are adopted by the governing body of the District, within the options available in the Texas state statutes governing TCERS.

Members can retire at ages 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 ten years of service but must leave their accumulated contributions in the plan to receive any employer-financed benefit. Members who withdraw their personal contributions in a lump sum are not entitled to any amounts contributed by the District.

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	2
Inactive employees entitled to but not yet receiving benefits	8
Active employees	<u>10</u>
	20

**HOUSTON COUNTY APPRAISAL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
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Discount Rate. The discount rate used to measure the Total Pension Liability was 7.60%, which is net of investment expenses and increased by 0.10% to be gross of administrative expenses. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

Actuarial Assumptions. The required contribution was determined as part of the December 31, 2022, actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at December 31, 2022, included (a) 7.5% investment rate of return (net of administrative expenses), and (b) projected salary increases of 4.7 percent. Both (a) and (b) included an inflation component of 2.5 percent. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period. The total pension liability is being amortized as a level percentage of payroll on a closed basis. The remaining amortization period at December 31, 2022, was 6.4 years.

Salary increases were based on a service-related table. Mortality rates for active members were based on the Pub-2010 General Employees Amount-Weighted Mortality Table, using 135% for males and 120% for females, both projected with 100% of the MP-2021 Ultimate Scale after 2010. Mortality rates for retirees were based on the Pub-2010 General Retirees Amount-Weighted Mortality Table, using 135% for males and 120% for females, both projected with 100% of the MP-2021 Ultimate Scale after 2010. Mortality rates for disabled retirees were based on the Pub-2010 General Disabled Retirees Amount-Weighted Mortality Table, using 160% for males and 120% for females, both projected with 100% of the MP-2021 Ultimate Scale after 2010.

The demographic assumptions were developed from an actuarial experience investigation of TCDRS over the year 2017-2020. They were adopted by the TCDRS Board of Trustees in December of 2021. All economic assumptions were adopted by the TCDRS Board of Trustees in March of 2021. These assumptions, except where required to be different by GASB 68, are used to determine the total pension liability as of December 31, 2022. The assumptions are reviewed annually for continued compliance with the relevant actuarial standards of practice.

The long-term expected rate of return on pension plan investments is 7.60%. 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.

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 current valuation assumption was adopted by TCDRS in March 2021. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the table that follows.

**HOUSTON COUNTY APPRAISAL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023**

Asset Class:	Target Allocation	Long-term Expected Real Rate of Return (Geometric)
US equities	11.5%	4.95%
Global equities	2.5%	4.95%
International equities - developed	5.0%	4.95%
International equities - emerging	6.0%	4.95%
Investment-grade bonds	3.0%	2.40%
Strategic credit	9.0%	3.39%
Direct lending	16.0%	6.95%
Distressed debt	4.0%	7.60%
REIT equities	2.0%	4.10%
Master limited partnerships	2.0%	5.30%
Private real estate partnerships	6.0%	5.70%
Private equity	25.0%	7.95%
Hedge funds	6.0%	2.90%
Cash equivalents	2.0%	0.20%
Total	100.0%	

Contributions and Actuarial Information. The plan is funded by monthly contributions from both employee members and the District based on the covered payroll of employee members. The contribution rates for employees in TCDRS are either 4%, 5%, 6%, or 7% of employee gross earnings. The employee contribution rate may be changed by the District, within the options available in the TCDRS Act. Under the TCDRS Act, the contribution rate of the District is actuarially determined annually, and the employer is required to contribute at that rate. The employer may increase its contribution rate and/or make additional contributions in excess of its annual required contribution.

The District has elected the annually determined contribution rate ("ADCR") plan provisions of the TCDRS Act. The District contributes using the actuarially determined rate of 11.38%. For plan year 2022, the District's actual contributions totaled \$52,654, which equaled required contributions. For fiscal year 2023, the District's actual contributions totaled \$56,915, which exceeded required contributions by \$1,701. For both periods, the contribution rate payable by the employee members was 7.00% as adopted by the District.

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

Sensitivity of the Net Pension Liability/Asset to Changes in the Discount Rate. The table that follows, presents the net pension liability/asset of the District, calculated using the discount rate of 7.6%, 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 (6.6%) or 1-percentage-point higher (8.6%) 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	\$ 2,339,313	\$ 2,114,999	\$ 1,920,229
Fiduciary net position	<u>2,085,227</u>	<u>2,085,227</u>	<u>2,085,227</u>
Net pension liability (asset)	<u>\$ 254,086</u>	<u>\$ 29,772</u>	<u>\$ (164,998)</u>

**HOUSTON COUNTY APPRAISAL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023**

Changes in the Net Pension Liability/Asset. A schedule of changes in net pension liability/asset is as follows.

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
	(a)	(b)	(a) - (b)
Balance at 12/31/2021	\$ 1,946,900	\$ 2,160,398	\$ (213,498)
Changes for the year:			
Service cost	61,705	-	61,705
Interest on total pension liability	151,298	-	151,298
Effect of plan changes	-	-	-
Effect of economic/demographic (gains) or losses	(8,551)	-	(8,551)
Effect of assumptions changes	-	-	-
Benefit payments	(36,353)	(36,353)	-
Administrative expenses	-	(1,222)	1,222
Employer contributions	-	52,644	(52,644)
Member contributions	-	31,923	(31,923)
Net investment income	-	(130,758)	130,758
Other	-	8,594	(8,594)
Net changes	168,099	(75,171)	243,270
Balance at 12/31/2022	<u>\$ 2,114,999</u>	<u>\$ 2,085,227</u>	<u>\$ 29,772</u>

Pension Expense and Deferred Outflows and Inflows of Resources Related to Pensions. For the fiscal year ended December 31, 2023, the District recognized net pension (benefit) expense of \$13,369.

At December 31, 2023, the District reported deferred amounts related to pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 1,092	\$ (39,062)
Difference between projected and actual investment earnings	51,570	-
Changes in actuarial assumptions	38,419	(5,141)
Contributions subsequent to the measurement date	56,915	-
Totals	<u>\$ 147,996</u>	<u>\$ (44,203)</u>

Amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Plan year ended December 31,</u>	Deferred Outflows of Resources	Deferred Inflows of Resources
2023	\$ 58,588	\$ (21,033)
2024	21,362	(21,033)
2025	8,641	(2,137)
2026	59,405	-
2027	-	-
Total	<u>\$ 147,996</u>	<u>\$ (44,203)</u>

**HOUSTON COUNTY APPRAISAL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023**

OTHER INFORMATION

Commitments

The District leases office space in Crockett, Texas. The District is currently occupying the office space on a month-to-month basis. During the year the District paid a rate of \$2,100 per month. The District paid \$25,200 in rental fees during the year.

In February 2018 the District entered into a contract with Pictometry International Corp. for aerial real estate imaging and software. The contract covers two phases with the initial phase covering three years for \$98,808 and the second phase covering an additional three years for \$98,808. The District has the ability to opt-out of the contract at any time. The initial term of the contract is payable in various amounts and dates beginning on the date of contract signing. During the year, the District paid \$16,436 under this agreement.

During the prior year, the District entered into an agreement with Pritchard & Abbott, Inc. to provide annual appraisal valuation of mineral, industrial, utility, and personal property for tax years 2023, 2024, and 2025 totaling \$65,000 per year to be paid in twelve (12) quarterly payments of \$16,250 beginning in February 2023.

Investment with Principal Financial Group, Inc.

In prior years, the District utilized Principal Financial Group, Inc. ("Principal") for certain insurance products. In October 2001, Principal underwent a process of mutualization and thereby issued stock to its then-customers. In December 2001, Principal issued 120 shares of stock to the District at no cost to the District. The shares are held by Computershare Investor Services as agent for the District. At December 31, 2023, the stock was valued at \$78.67 per share, with a total value of \$9,440. During the year, the total value of the shares decreased by \$630. The District anticipates selling the stock. Accordingly, the value of the stock is not recorded in the accompanying financial statements.

During the year, the District received dividends from Principal totaling \$312. The dividends are reported in "Mapping and other income" in the District's financial statements.

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 provides insurance coverage for each of these risks. Management believes such coverage is sufficient to preclude any significant uninsured losses to the District.

Contingencies and Uncertainties

Lawsuits – Property Valuation. The District is a defendant in lawsuits involving disputes regarding appraised taxable value of property. The potential liability to the District in each of these appeals is possible recovery of the plaintiff's attorney's fees, court costs, and expenses. No provision for any liability that might result from these appeals has been recorded in the basic financial statements. At the present time, the final outcome of these cases is not determinable and final losses, if any, cannot be reasonably determined.

Subsequent Events

Management has evaluated subsequent events through April 10, 2024, the date when the financial statements were available to be issued.

**Required Supplementary Information
(unaudited)**

HOUSTON COUNTY APPRAISAL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL (BUDGETARY BASIS)
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2023

	Appraisal Department			
	Original Budget	Final Appropriated Budget	Budgetary Basis Actual	Variances Favorable (Unfavorable)
REVENUES				
Operating assessment	\$ 941,271	\$ 941,271	\$ 941,271	\$ -
Collection assessment	-	-	-	-
Tax certificates	-	-	-	-
Mapping, other income	-	-	2,325	2,325
Interest income	-	-	6,428	6,428
Total revenues	941,271	941,271	950,024	8,753
EXPENDITURES				
Salaries	379,910	379,910	379,910	-
Employee benefits	153,764	153,764	165,796	(12,032)
Administration expense	12,000	12,000	11,000	1,000
Data processing	68,400	68,400	71,268	(2,868)
Appraisal engineers	95,000	95,000	95,000	-
Office expense	33,000	33,000	32,886	114
Travel and auto	75,500	75,500	71,119	4,381
Rents and leases	12,300	12,300	17,817	(5,517)
Utilities and telephone	16,000	16,000	16,550	(550)
Legal and accounting	36,600	36,600	13,763	22,837
Insurance	1,900	1,900	3,776	(1,876)
Mapping expense	29,500	29,500	24,113	5,387
Contract labor	9,000	9,000	4,799	4,201
Dues and memberships	2,200	2,200	2,673	(473)
Legal notices and advertising	1,500	1,500	899	601
Appraisal review board	4,500	4,500	6,562	(2,062)
Books and subscriptions	3,890	3,890	2,440	1,450
Repairs and maintenance	500	500	-	500
Capital outlay	2,500	2,500	231	2,269
Contingency	6,000	6,000	5,000	1,000
Total expenditures	943,964	943,964	925,602	18,362
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ (2,693)	\$ (2,693)	\$ 24,422	\$ 27,115

continued

HOUSTON COUNTY APPRAISAL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL (BUDGETARY BASIS)
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2023
(CONTINUED)

	Collection Department			
	Original Budget	Final Appropriated Budget	Budgetary Basis Actual	Variances Favorable (Unfavorable)
REVENUES				
Operating assessment	\$ -	\$ -	\$ -	\$ -
Collection assessment	192,791	192,791	192,790	(1)
Tax certificates	-	-	9,960	9,960
Mapping, other income	-	-	-	-
Interest income	-	-	-	-
Total revenues	192,791	192,791	202,750	9,959
EXPENDITURES				
Salaries	85,120	85,120	88,860	(3,740)
Employee benefits	44,096	44,096	49,434	(5,338)
Administration expense	10,000	10,000	10,998	(998)
Data processing	27,000	27,000	28,598	(1,598)
Appraisal engineers	-	-	-	-
Office expense	17,500	17,500	21,625	(4,125)
Travel and auto	7,500	7,500	2,034	5,466
Rents and leases	7,400	7,400	11,915	(4,515)
Utilities and telephone	7,500	7,500	9,300	(1,800)
Legal and accounting	3,600	3,600	3,500	100
Insurance	400	400	175	225
Mapping expense	-	-	-	-
Contract labor	4,000	4,000	3,826	174
Dues and memberships	300	300	235	65
Legal notices and advertising	500	500	440	60
Appraisal review board	-	-	-	-
Books and subscriptions	-	-	-	-
Repairs and maintenance	-	-	-	-
Capital outlay	6,000	6,000	1,608	4,392
Contingency	1,000	1,000	-	1,000
Total expenditures	221,916	221,916	232,548	(10,632)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ (29,125)	\$ (29,125)	\$ (29,798)	\$ (673)

continued

HOUSTON COUNTY APPRAISAL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL (BUDGETARY BASIS)
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2023
(CONTINUED)

	Combined			
	Original Budget	Final Appropriated Budget	Budgetary Basis Actual	Variances Favorable (Unfavorable)
REVENUES				
Operating assessment	\$ 941,271	\$ 941,271	\$ 941,271	\$ -
Collection assessment	192,791	192,791	192,790	(1)
Tax certificates	-	-	9,960	9,960
Mapping, other income	-	-	2,325	2,325
Interest income	-	-	6,428	6,428
Total revenues	<u>1,134,062</u>	<u>1,134,062</u>	<u>1,152,774</u>	<u>18,712</u>
EXPENDITURES				
Salaries	465,030	465,030	468,770	(3,740)
Employee benefits	197,860	197,860	215,230	(17,370)
Administration expense	22,000	22,000	21,998	2
Data processing	95,400	95,400	99,866	(4,466)
Appraisal engineers	95,000	95,000	95,000	-
Office expense	50,500	50,500	54,511	(4,011)
Travel and auto	83,000	83,000	73,153	9,847
Rents and leases	19,700	19,700	29,732	(10,032)
Utilities and telephone	23,500	23,500	25,850	(2,350)
Legal and accounting	40,200	40,200	17,263	22,937
Insurance	2,300	2,300	3,951	(1,651)
Mapping expense	29,500	29,500	24,113	5,387
Contract labor	13,000	13,000	8,625	4,375
Dues and memberships	2,500	2,500	2,908	(408)
Legal notices and advertising	2,000	2,000	1,339	661
Appraisal review board	4,500	4,500	6,562	(2,062)
Books and subscriptions	3,890	3,890	2,440	1,450
Repairs and maintenance	500	500	-	500
Capital outlay	8,500	8,500	1,839	6,661
Contingency	7,000	7,000	5,000	2,000
Total expenditures	<u>1,165,880</u>	<u>1,165,880</u>	<u>1,158,150</u>	<u>7,730</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ (31,818)	\$ (31,818)	\$ (5,376)	\$ 26,442
RECONCILIATION OF BUDGETARY BASIS TO GAAP BASIS:				
GAAP ADJUSTMENTS				
Accounts payable	-	-	-	-
Prepaid insurance	-	-	12,375	12,375
FUND BALANCE AT BEGINNING OF YEAR	<u>169,381</u>	<u>169,381</u>	<u>169,381</u>	<u>-</u>
FUND BALANCE AT END OF YEAR	<u>\$ 137,563</u>	<u>\$ 137,563</u>	<u>\$ 176,380</u>	<u>\$ 38,817</u>

See Independent Auditors' Report.

HOUSTON COUNTY APPRAISAL DISTRICT
SCHEDULE OF CHANGES IN NET PENSION LIABILITY (ASSET)
AND RELATED RATIOS - LAST TEN YEARS *
FOR THE YEAR ENDED DECEMBER 31, 2023

	Plan Year Ending December 31, **									
	2022	2021	2020	2019	2018	2017	2016	2015	2014	
TOTAL PENSION LIABILITY										
Service cost	\$ 61,705	\$ 62,062	\$ 52,108	\$ 56,783	\$ 54,569	\$ 51,388	\$ 52,863	\$ 49,227	\$ 47,770	
Interest on total pension liability	151,298	145,244	135,151	122,725	110,949	98,874	87,081	81,462	71,630	
Effect of plan changes	-	-	-	-	-	-	-	(2,666)	-	
Effect of economic/demographic (gains) or losses	(8,551)	(64,251)	(1,311)	5,457	769	7,541	4,739	(48,563)	3,006	
Effect of assumption changes or inputs	-	(10,281)	96,047	-	-	11,212	-	14,524	-	
Benefit payments/refunds of contributions	(36,353)	(68,584)	(30,807)	(23,122)	(23,122)	(23,122)	(25,944)	(15,415)	-	
NET CHANGE IN TOTAL PENSION LIABILITY	168,099	64,190	251,188	161,843	143,165	145,893	118,739	78,569	122,406	
TOTAL PENSION LIABILITY - BEGINNING	1,946,900	1,882,710	1,631,522	1,469,679	1,326,514	1,180,621	1,061,882	983,313	860,907	
TOTAL PENSION LIABILITY - ENDING	(a) \$ 2,114,999	\$ 1,946,900	\$ 1,882,710	\$ 1,631,522	\$ 1,469,679	\$ 1,326,514	\$ 1,180,621	\$ 1,061,882	\$ 983,313	
PLAN FIDUCIARY NET POSITION										
Employer contributions	\$ 52,644	\$ 49,453	\$ 52,198	\$ 50,247	\$ 47,703	\$ 45,431	\$ 44,382	\$ 43,696	\$ 43,107	
Member contributions	31,923	31,929	32,210	30,864	29,028	28,156	27,560	27,161	26,390	
Investment income, net of investment expenses	(130,758)	388,032	159,823	209,700	(22,607)	152,957	68,599	(17,294)	51,350	
Benefit payments/refunds of contributions	(36,352)	(68,584)	(30,807)	(23,122)	(23,122)	(23,122)	(25,944)	(15,415)	-	
Administrative expenses	(1,222)	(1,169)	(1,288)	(1,178)	(1,026)	(828)	(745)	(651)	(631)	
Other	8,594	847	1,739	2,201	1,722	668	8,361	5,683	(46)	
NET CHANGE IN PLAN FIDUCIARY NET POSITION	(75,171)	400,508	213,875	268,712	31,698	203,262	122,213	43,180	120,170	
PLAN FIDUCIARY NET POSITION - BEGINNING	2,160,398	1,759,890	1,546,015	1,277,303	1,245,605	1,042,343	920,130	876,950	756,780	
PLAN FIDUCIARY NET POSITION - ENDING	(b) \$ 2,085,227	\$ 2,160,398	\$ 1,759,890	\$ 1,546,015	\$ 1,277,303	\$ 1,245,605	\$ 1,042,343	\$ 920,130	\$ 876,950	
NET PENSION LIABILITY (ASSET) - ENDING	(a - b) \$ 29,772	\$ (213,498)	\$ 122,820	\$ 85,507	\$ 192,376	\$ 80,909	\$ 138,278	\$ 141,752	\$ 106,363	
RELATED RATIOS										
Plan Fiduciary Net Position as a percentage of Total Pension Liability	98.59%	110.97%	93.48%	94.76%	86.91%	93.90%	88.29%	86.65%	89.18%	
Pensionable Covered Payroll	\$ 462,692	\$ 449,572	\$ 460,147	\$ 440,904	\$ 414,687	\$ 402,229	\$ 393,716	\$ 388,015	\$ 376,999	
Net Pension Liability (Asset) as a percentage of Covered Payroll	6.43%	-47.49%	26.69%	19.39%	46.39%	20.12%	35.12%	36.53%	28.21%	

* - GASB 68 requires ten years of data to be presented. Data for only nine years are available.
 ** - In accordance with GASB standards, the District has elected to present data calculated at the actuarial valuation/ measurement date, which occurs on December 31 of the year preceding each fiscal year.

**HOUSTON COUNTY APPRAISAL DISTRICT
SCHEDULE OF PENSION CONTRIBUTIONS
LAST TEN FISCAL YEARS
FOR THE YEAR ENDED DECEMBER 31, 2023**

<u>Fiscal Year Ending December 31</u>	<u>Actuarially Determined Contribution</u>	<u>Actual Employer Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Pensionable Covered Payroll</u>	<u>Actual Contribution as a % of Covered Payroll</u>
2014	\$ 41,168	\$ 43,107	\$ (1,939)	\$ 376,999	11.4%
2015	39,927	43,696	(3,769)	388,015	11.3%
2016	38,545	44,382	(5,837)	393,716	11.3%
2017	44,245	45,431	(1,186)	402,226	11.3%
2018	45,616	47,703	(2,087)	414,687	11.5%
2019	48,500	50,247	(1,747)	440,904	11.4%
2020	50,616	52,198	(1,582)	460,147	11.3%
2021	49,453	49,453	-	449,572	11.0%
2022	52,654	52,654	-	462,692	11.4%
2023	55,214	56,915	(1,701)	485,177	11.7%

See Independent Auditors' Report and Notes to the Schedule of Pension Contributions.

**HOUSTON COUNTY APPRAISAL DISTRICT
NOTES TO THE SCHEDULE OF PENSION CONTRIBUTIONS
DECEMBER 31, 2023**

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

Methods and Assumptions Used to Determine Contribution Rates

<i>Actuarial Cost Method</i>	Entry Age
<i>Amortization Method</i>	Level percentage of payroll, Closed
<i>Amortization Period</i>	6.4 years (based on contribution rate calculated in 12/31/22 valuation)
<i>Asset Valuation Method</i>	5-year smoothed market
<i>Inflation</i>	2.50%
<i>Salary Increases</i>	4.7% average over career including inflation, varies by age and service.
<i>Investment Rate of Return</i>	7.5%, net of investment expenses, including inflation
<i>Retirement Age</i>	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.
<i>Mortality</i>	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.
<i>Changes in Assumptions and Methods Reflected in the Schedule of Employer Contributions*</i>	2015: New inflation, mortality, and other assumptions 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.
<i>Changes in Plan Provisions Reflected in the Schedule of Employer Contributions*</i>	2015: No changes in plan provisions were reflected in the Schedule. 2016: No changes in plan provisions were reflected in the Schedule. 2017: New Annuity Purchase Rates were reflected for benefits earned after 2017. 2018 - 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 these Notes.*

Other Information No changes in plan provisions are reflected in the Schedule of Pension Contributions.

Presentation of Schedule In accordance with GASB standards, the District reports contribution activity included in the Schedule of Pension Contributions based on the District's fiscal year end of December 31.

Internal Control and Compliance



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

To the Board of Directors
Houston County Appraisal District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and the major governmental fund of Houston 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 and have issued our report thereon dated April 10, 2024.

Report on Internal Control Over Financial Reporting

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

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

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT
AUDITING STANDARDS – CONTINUED***

provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Todd, Hamaker & Johnson, LLP

Todd, Hamaker & Johnson, LLP
Lufkin, Texas

April 10, 2024