



June 6, 2023

To the Board of Directors of
Scurry County Appraisal District
Snyder, Texas

We have audited the financial statements of Scurry County Appraisal District (the District) as of and for the year ended December 31, 2022, and have issued our report thereon dated June 6, 2023. Professional standards require that we advise you of the following matters relating to our audit.

Our Responsibility in Relation to the Financial Statement Audit

As communicated in our letter dated July 19, 2022, our responsibility, as described by professional standards, is to form and express opinions about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, as part of our audit, we considered the internal control of the District solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

We have provided our findings regarding material weaknesses noted during our audit in a separate letter to you dated June 6, 2023.

Planned Scope and Timing of the Audit

We conducted our audit consistent with the planned scope and timing we previously communicated to you.

Compliance with All Ethics Requirements Regarding Independence

The engagement team, others in our firm, as appropriate, our firm, and other firms utilized in the engagement, if applicable, have complied with all relevant ethical requirements regarding independence.

Qualitative Aspects of the Entity's Significant Accounting Practices

Significant Accounting Policies

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by the District is described in Note 1 to the financial statements. As described in Note 1, the District changed accounting policies related to the accounting of leases to adopt provisions of GASB Statement No. 87, *Leases*. Accordingly, the accounting change has been retrospectively applied to the financial statements beginning January 1, 2022. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Significant Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments.

The most sensitive accounting estimate affecting the financial statements is:

Management's estimate of its net pension asset is based on reports received from the Texas County and District Retirement System (TCDRS). The net pension asset reported by TCDRS is based on actuarial valuations that utilize various assumptions including the remaining amortization period, discount rate, expected rates of investment return, salary increases, payroll growth rates and mortality rates. The financial statements of the TCDRS plan were audited and received an unmodified opinion. We evaluated the audited financial statements, census data submitted by the District to TCDRS and the District's controls over the census submission process that were used to develop the estimate of its net pension asset to determine that the estimate is reasonable in relation to the financial statements taken as a whole.

Financial Statement Disclosures

Certain financial statement disclosures involve significant judgment and are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the District's financial statements relate to the net pension asset and fund balance commitment.

Significant Difficulties Encountered during the Audit

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

Uncorrected and Corrected Misstatements

For purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole and each applicable opinion unit. Uncorrected misstatements or matters underlying those uncorrected misstatements could potentially cause future period financial statements to be materially misstated, even though the uncorrected misstatements are immaterial to the financial statements currently under audit.

The following summarizes uncorrected financial statement misstatement whose effect in the current period, as determined by management, are immaterial, both individually and in the aggregate, to the financial statements taken as a whole and each applicable opinion unit.

Understatement of right-of-use asset for leases under GASB 87	\$5,000
Understatement of right-of-use liability for leases under GASB 87	\$5,000

There was no effect on net position from these uncorrected misstatements as of and for the year ended December 31, 2022.

The following material misstatements that we identified as a result of our audit procedures were brought to the attention of, and corrected by, management: 1) proposed entry to adjust deferred revenue and revenue for \$37,515; 2) proposed entry to adjust unearned revenue and fund balance for \$73,572; 3) proposed entry to rollforward beginning fund balance for \$72,431; and 4) proposed entry to adjust capital assets for \$52,507.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to the District's financial statements or the auditor's report. No such disagreements arose during the course of the audit.

Circumstances that Affect the Form and Content of the Auditor's Report

For purposes of this letter, professional standards require that we communicate any circumstances that affect the form and content of our auditor's report. We did not identify any circumstances that affect the form and content of the auditor's report.

Representations Requested from Management

We have requested certain written representations from management which are included in the management representation letter dated June 6, 2023.

Management's Consultations with Other Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

Other Significant Matters, Findings, or Issues

In the normal course of our professional association with the District, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, significant events or transactions that occurred during the year, operating and regulatory conditions affecting the entity, and operational plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as the District's auditors.

This report is intended solely for the information and use of the Board of Directors and management of Scurry County Appraisal District and is not intended to be, and should not be, used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Abilene, Texas
June 6, 2023



To the Board of Directors
Scurry County Appraisal District
Snyder, Texas

In planning and performing our audit of the basic financial statements of Scurry County Appraisal District (District) as of and for the year ended December 31, 2022, in accordance with auditing standards generally accepted in the United States of America, we considered the District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and therefore, significant deficiencies or material weaknesses may exist that have not been identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be material weaknesses.

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 over financial reporting, 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 reasonable possibility exists when the likelihood of an event occurring is either reasonably possible or probable as defined as follows:

- *Reasonably possible.* The chance of the future event or events occurring is more than remote but less than likely.
- *Probable.* The future event or events are likely to occur.

We consider the following deficiencies in the District's internal control to be material weaknesses:

Internal Control over the Preparation of Financial Statements

As is common in governmental entities, the District currently does not prepare GAAP-basis financial statements. That is, the District does not prepare financial statements, complete with footnote disclosures, in accordance with generally accepted accounting principles (GAAP), such as those contained in the annual audit report. Furthermore, the District has not established internal controls over the preparation or review of financial statements prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). Although this circumstance is not unusual for an organization of your size, the preparation of financial statements as part of the audit engagement may result in financial statements not being available for management purposes as timely as it would be if prepared by District personnel.

To put this into perspective, most governmental entities' financial resources and software are designed for reporting their finances on a budgetary basis, which can differ significantly from GAAP basis. Preparing financial statements on a GAAP basis can require an extensive knowledge of ever-changing professional standards (pronouncements issued by the Governmental Accounting Standards Board). Many users of the District's internally-generated financial statements (such as Board members and District management) request or need information on a budgetary basis to make short-term budgeting decisions.

To present the financial statements in accordance with generally accepted accounting principles, we also propose various journal entries to convert the modified accrual basis financial statements to the government-wide financial statements which is presented on the full accrual basis of accounting as required by GAAP.

Material Audit Adjustments

During the course of our engagement, we proposed several material audit adjustments to the District's recorded account balances, which if not recorded, would have resulted in a material misstatement of the District's financial statements. The need for these adjustments indicates that the District's interim financial information is not materially correct, which may affect management decisions made during the course of the year. The preparation of adjusting and reclassification journal entries identified during the audit engagement may result in financial statements and related information included in financial statement disclosures not being available for management purposes as timely as if prepared by management personnel.

The purpose of this communication, which is an integral part of our audit, is to describe for management, the Board of Directors, and others within the District the scope of our testing of internal control and the results of that testing. Accordingly, this communication is not intended to be and should not be used for any other purpose.

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Abilene, Texas
June 6, 2023



Financial Statements
December 31, 2022

Scurry County Appraisal District

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Independent Auditor's Report

To the Board of Directors of
Scurry County Appraisal District
Snyder, 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 Scurry County Appraisal District as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the Scurry County Appraisal 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 Scurry County Appraisal District, as of December 31, 2022, 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 the Scurry County 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.

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 Scurry County 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 the Scurry County 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 the Scurry County 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 pension information on pages 4 through 10 and 39 through 42 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.

The image shows a handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Abilene, Texas
June 6, 2023

In this section of the financial statements, we, the administration of the Scurry County Appraisal District (the District), discuss and analyze the District's financial performance. The report provides an overview of the District's financial activities for the fiscal year ended December 31, 2022. Please read it in conjunction with the District's financial statements and notes, which follow this section.

FINANCIAL HIGHLIGHTS

Government-Wide

- The District's net position on a government-wide basis totaled \$274,322 at December 31, 2022, an increase of \$94,875 or 52.87% over December 31, 2021. 11.95% of this balance is invested in capital assets.

General Fund

- At the end of the current fiscal year, total fund balance for the General Fund was \$201,793, of which \$30,178 is committed for future contingencies. \$171,615 is available to meet the District's ongoing obligations.

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 supplementary information in addition to the basic financial statements themselves.

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

The Statement of Net Position presents information on all of the District's assets and deferred outflows of resources and liabilities and deferred inflows of resources, with the difference 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).

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

The government-wide financial statements can be found on pages 11 through 14 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 fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balance provide a reconciliation to facilitate this comparison between the governmental fund and governmental activities. The budgetary comparison schedule can be found on page 15 of this report.

The District has one governmental fund, which is considered a major fund.

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 basic governmental fund financial statements can be found on pages 11 through 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 16 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 through 42 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

A small portion of the District's net position reflects its investment in capital assets (e.g., land, buildings, vehicles, furniture, and equipment). The District uses these capital assets to provide services to the member 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	
	2022	2021
Cash and cash equivalents	\$ 437,392	\$ 355,695
Capital assets, net	32,370	33,099
Right-to-use leased assets, net	42,702	-
Net pension asset	62,936	-
Total assets	575,400	388,794
Deferred outflows of resources	155,988	154,284
Current liabilities	250,091	206,839
Noncurrent liabilities	54,607	146,413
Total liabilities	304,698	353,252
Deferred inflows of resources	152,368	55,004
Net position		
Net investment in capital assets	32,785	33,099
Unrestricted	241,537	146,348
Total net position	\$ 274,322	\$ 179,447

GOVERNMENTAL ACTIVITIES

Revenues for the Scurry County Appraisal District's governmental activities were \$1,304,549 while total expenses were \$1,209,674. The change in net position was an increase of \$94,875.

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

	Governmental Activities	
	2022	2021
Revenues		
Assessments	\$ 1,293,506	\$ 1,234,513
Interest income	7,566	529
Other income	3,477	2,402
	<hr/>	<hr/>
Total revenues	1,304,549	1,237,444
Expenses		
General government	1,201,674	1,221,451
Interest on long-term debt	282	-
Noncapitalized capital outlay	5,066	7,053
Depreciation	2,652	729
	<hr/>	<hr/>
Total expenses	1,209,674	1,229,233
Change in net position	94,875	8,211
Net position, beginning	<hr/>	<hr/>
	179,447	171,236
Net position, ending	<hr/>	<hr/>
	\$ 274,322	\$ 179,447

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 11) reported an ending fund balance of \$201,793.

General fund budgetary highlights. The Board of Directors amended the budget several times during the year.

The actual charges to appropriations were \$65,736 below the final budget amounts (see page 15). The underage was primarily noted in equipment rental and maintenance and professional fees. Resources available for appropriation were \$11,043 above the final budgeted amount.

CAPITAL ASSETS AND LONG-TERM OBLIGATIONS

Capital assets. The Scurry County Appraisal District's investment in capital assets for its governmental activities as of December 31, 2022, amounts to \$75,072 (net of accumulated depreciation and amortization). This represents an increase of \$41,973 from the prior fiscal year due to the implementation of GASB 87, and building improvement additions offset by annual depreciation and amortization. This investment in capital assets includes buildings and improvements, furniture and equipment, and right-to-use leased assets. Additional information on the District's capital assets can be found in Note 5 (p. 25) in the notes to the financial statements.

Capital Assets Schedule (net of depreciation/amortization)

	Governmental Activities	
	2022	2021
Land	\$ 5,400	\$ 5,400
Building and improvements	245,328	245,328
Furniture and equipment	188,411	188,411
Right-to-use leased assets being amortized Equipment	44,625	-
Total capital assets	483,764	439,139
Less accumulated depreciation and amortization	408,692	406,040
Total capital assets, net	<u>\$ 75,072</u>	<u>\$ 33,099</u>

LONG-TERM DEBT

As of December 31, 2022, the District had \$69,099 in long-term liabilities, which includes lease liability and compensated absences. Note in 2021, the District carried a net pension liability but in 2022 carries a net pension asset due to changes in the calculation. This represents a decrease of \$35,027 from the prior fiscal year, an increase due in part to the implementation of GASB 87. Additional information on the District's long-term liabilities can be found in Note 6 and 7 (page 26) in the notes to the financial statements.

	Long Term Debt	
	2022	2021
Lease liability	\$ 42,287	\$ -
Net pension liability	-	73,981
Compensated absences	26,812	30,145
Total capital assets, net	\$ 69,099	\$ 104,126

Economic Factors and Next Year's Budget

Each year in the budgeting process, historical comparisons of budgets and expenditures are considered in determining the proposed budget. The District officials consider many factors when setting the future year's budget. The District strives to maintain the budget in a prudent manner.

In recent years, three significant factors have affected the Appraisal District Budgets: oil production values, the Kinder Morgan lawsuits, and new legislative requirements.

The oil and gas industry remained steady in 2022 and still remains generally consistent in 2023. The taxing units experienced an increase in property values for the year 2022. However, the 2023 appraisal year is anticipated to only slightly increase or decline from the previous year's value. An increase in the oil and gas starting prices is a favorable component. Production in the Hermleigh ISD dropped significantly, and other local school districts remained steady.

The litigation with Kinder Morgan concerning the SACROC valuation continues to be a factor in the appraisal district budget. The taxing units initiated a lawsuit in 2018 concerning the SACROC valuation naming the appraisal district and Kinder Morgan in the petition asserting the property is under-valued. Kinder Morgan then filed a taxpayer lawsuit claiming the property was over-valued in the 2019, 2020, 2021, and 2022 appraisal years. Litigation costs required amending the 2020 budget to fund a trial for the 2019 tax year. Since then, the trial decision has been in appeal. Litigation expenses during 2021 and 2022 were nominal due to the extended time for appellate court decisions. The court decision affecting the 2019 year was eventually overturned. There are no designated funds for a litigation contingency fund currently. Another trial is expected in 2023. There is currently over 19 million in taxing unit withheld levy due to disputed value for the years under litigation. Kinder Morgan is the largest taxpayer in Scurry County.

The third factor is the 87th Texas Legislative Session resulted in new mandates. The new requirements created a need for additional resources for 2021 and 2022. The 88th Texas Legislature recently enacted new mandates that will increase technology costs. By 2024, each appraisal district will require a new Appraisal Review Board public database. The ability to send automated email notifications and evidence online to taxpayers are also required changes. Recent budgets for 2023 have included additional funds for printing and postage due to legislative actions such as a postcard sent to every taxpayer and a new tax estimate website.

The District is currently in good standing with updated equipment and knowledgeable personnel. Workstation computers and a server will be replaced in 2023 and 2024. The Eagleview Aerial flight was conducted in 2023, and the expense will be completed in 2025. Scurry County and the City of Snyder shared in the first payment for 2023. The phone system expense is also under consideration for a VOIP system to reduce the POTS line expense.

All appraisal district operations continue to be evaluated to provide excellent service, efficiency, and accuracy within the scope of our work responsibilities. The appraisal district staff has remained consistent since 2021, with three additional appraisers obtaining certification in 2022. There has been no turnover. The 2023 and 2024 Budget Years are expected to be impacted by economic inflation concerning vendor service contracts and the cost of supplies and equipment.

A primary goal is ensuring the future viability of the District, not only financially but through continued education and retention of qualified personnel. It is a priority that all appraisal district employees meet the mandated training and certification requirements. The appraisal district's board and management will work together to establish, implement, and monitor the performance of the District to meet short and long-term strategic goals.

REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of the Scurry County Appraisal District's finances and accountability. If you have any questions concerning this report, or if you need any additional information, please contact the Scurry County Appraisal District, Jackie Martin, Chief Appraiser, 2612 College Ave., Snyder, Texas 79549.

Scurry County Appraisal District
Statement of Net Position and Governmental Fund Balance Sheet
December 31, 2022

	General Fund	Adjustments (Note A)	Statement of Net Position
Assets			
Cash and cash equivalents	\$ 437,392	\$ -	\$ 437,392
Capital assets, net	-	32,370	32,370
Right-to-use leased assets, net	-	42,702	42,702
Net pension asset	-	62,936	62,936
Total assets	437,392	138,008	575,400
Deferred outflows of resources			
Deferred outflows - pension	-	155,988	155,988
Total assets and deferred outflows of resources	437,392	293,996	731,388
Liabilities			
Accrued liabilities	\$ 10,428	-	10,428
Unearned revenue	225,171	-	225,171
Noncurrent liabilities			
Due within one year	-	14,492	14,492
Due in more than one year	-	54,607	54,607
Total liabilities	235,599	69,099	304,698
Deferred inflows of resources			
Deferred inflows - pension	-	152,368	152,368
Fund balance/net position			
Fund balances			
Committed for contingency	30,178	(30,178)	-
Unassigned	171,615	(171,615)	-
Total fund balances	201,793	(201,793)	-
Total liabilities, deferred inflows of resources, and fund balances	\$ 437,392	(132,694)	457,066
Net position			
Net investment in capital assets		32,785	32,785
Unrestricted		241,537	241,537
Total net position		\$ 274,322	\$ 274,322

Total Fund Balances - Governmental Fund Balance Sheet	\$ 201,793
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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 \$483,764 and the accumulated depreciation/ amortization was \$408,692. The net effect of including capital assets (net of depreciation/ amortization) in the governmental activities is an increase to net position.	75,072
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Capital leases payable are not due and payable in the current period and therefore are not reported as a liability in the governmental funds. The net effect of including capital lease payable in the governmental activities is a decrease in net position.	(42,287)
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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.	(26,812)
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The District recognized a net pension asset in the amount of \$62,936, deferred outflow of resources of \$155,988, and a deferred inflow of resources of \$152,368. The net effect is to increase net position.	<u>66,556</u>
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Total Net Position - Statement of Net Position	<u><u>\$ 274,322</u></u>
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Scurry County Appraisal District

Statement of Activities and Governmental Fund Revenues, Expenditures, and Changes in Fund Balance Year Ended December 31, 2022

	General Fund	Adjustments (Note B)	Statement of Activities
Revenues			
Appraisal assessments	\$ 1,293,506	\$ -	\$ 1,293,506
Interest income	7,566	-	7,566
Other income	3,477	-	3,477
Total revenues	<u>1,304,549</u>	<u>-</u>	<u>1,304,549</u>
Expenditures / expenses			
Current			
Personnel services	846,901	(44,590)	802,311
Occupancy	18,943	-	18,943
Telephone	12,515	-	12,515
Equipment rental and maintenance	4,558	-	4,558
Staff development	6,380	-	6,380
Publications and postage	35,087	-	35,087
Dues	3,272	-	3,272
Travel	54,268	-	54,268
Professional fees	56,650	-	56,650
Programs and services	189,010	-	189,010
Miscellaneous	18,680	-	18,680
Debt Service			
Principal on long-term debt	2,338	(2,338)	-
Interest on long-term debt	282	-	282
Capital outlay	49,691	(44,625)	5,066
Depreciation and amortization	-	2,652	2,652
Total expenditures / expenses	<u>1,298,575</u>	<u>(88,901)</u>	<u>1,209,674</u>
Excess of revenues over expenditures	<u>5,974</u>	<u>88,901</u>	<u>94,875</u>
Other financing sources			
Proceeds from capital lease	44,625	(44,625)	-
Total other financing uses	<u>44,625</u>	<u>(44,625)</u>	<u>-</u>
Change in fund balance/net position	50,599	44,276	94,875
Fund balance/net position			
Beginning of the year	<u>151,194</u>	<u>28,253</u>	<u>179,447</u>
End of the year	<u>\$ 201,793</u>	<u>\$ 72,529</u>	<u>\$ 274,322</u>

Scurry County Appraisal District

Note B – Adjustments to the Statement of Governmental Fund Revenues, Expenditures and Changes in Fund Balance
Year Ended December 31, 2022

Net Change in Fund Balance - Governmental Fund	\$ 50,599
Amounts reported for governmental activities in the statement of activities are different because:	
Decreases to liabilities for compensated absences for personal leave are not shown in the fund financial statements. The net effect of the current year's decrease in the liabilities is to increase net position.	3,333
Repayment of capital leases payable of \$2,338 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 capital leases payable is an increase in net position.	2,338
Government funds report lease proceeds as financing sources when leases are first issued, whereas, these are reported as long-term liabilities in the statement of net position. The net effect of reclassifying lease proceeds of \$44,625 is to decrease net position.	(44,625)
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. Total additions for the current year which were removed from fund balance totaled \$44,625.	44,625
Depreciation and amortization is not recognized as an expenditure in the governmental fund since it does not require the use of current financial resources. The effect of recording current year depreciation and amortization is to decrease net position.	(2,652)
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 increase in the amount of \$16,676. The District's deferred inflows and outflows for TCDRS as of the measurement date must be amortized and the District's pension expense must be recognized. These cause the changes in net position to decrease in the amount of \$24,581. The net effect is an increase in net position.	41,257
Change in Net Position - Statement of Activities	<u>\$ 94,875</u>

Scurry County Appraisal District

Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund Year Ended December 31, 2022

	Original Budget	Final Budget	Actual	Variance from Final Budget
Revenues				
Appraisal assessments	\$ 1,293,506	\$ 1,293,506	\$ 1,293,506	\$ -
Interest income	-	-	7,566	7,566
Other income	-	-	3,477	3,477
Total revenues	<u>1,293,506</u>	<u>1,293,506</u>	<u>1,304,549</u>	<u>11,043</u>
Expenditures				
Personnel services	851,586	849,634	846,901	2,733
Occupancy	22,460	22,460	18,943	3,517
Telephone	12,460	15,660	12,515	3,145
Equipment rental and maintenance	14,000	23,800	4,558	19,242
Staff development	7,000	7,000	6,380	620
Publications and postage	30,300	35,850	35,087	763
Dues	5,000	3,500	3,272	228
Travel	71,500	63,500	54,268	9,232
Professional fees	36,750	107,557	56,650	50,907
Programs and services	195,150	192,450	189,010	3,440
Miscellaneous	42,300	41,400	18,680	22,720
Capital outlay	5,000	1,500	49,691	(48,191)
Debt service				
Principal on long-term debt	-	-	2,338	(2,338)
Interest on long-term debt	-	-	282	(282)
Total expenditures	<u>1,293,506</u>	<u>1,364,311</u>	<u>1,298,575</u>	<u>65,736</u>
Excess of revenues over expenditures	-	(70,805)	5,974	76,779
Other financing sources				
Proceeds from capital lease	-	-	44,625	44,625
Total other financing uses	-	-	44,625	44,625
Change in fund balance	-	(70,805)	50,599	121,404
Fund balance				
Beginning of year	<u>151,194</u>	<u>151,194</u>	<u>151,194</u>	<u>-</u>
End of Year	<u>\$ 151,194</u>	<u>\$ 80,389</u>	<u>\$ 201,793</u>	<u>\$ 121,404</u>

Note 1 - Reporting Entity

Scurry County Appraisal District (the District) was organized, created and established pursuant to rules established by the Texas Property Tax 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.

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. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers 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.

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.

The Board of Directors of the District authorizes the District to invest with certain stipulations, in fully collateralized time deposits, certificates of deposit, money market accounts, interest-bearing checking accounts or "NOW" accounts, and United States Treasury securities. Accordingly, at December 31, 2022, the District had \$453,033 invested in checking accounts. During the year ended December 31, 2022, the District did not own any types of securities other than those permitted by statute.

Capital Assets

Capital assets, which include property, plant and equipment, are reported in the statement of net position. The District defines capital assets as assets with an initial, individual cost of \$5,000 or 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 assets lives are not capitalized.

Property, plant, and equipment of the District are depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Building and improvements	39
Furniture and equipment	5 - 10

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, plus any initial direct costs necessary to place the lease 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 varies from 5 to 6 years.

Compensated Absences

In addition to other benefits provided, the District compensates eligible employees for vacation and earned time. Vacation time is accrued biweekly based upon the term of employment. This vacation time can be carried over to subsequent years with a maximum accrual of 240 hours, except for some employees mentioned specifically in the policy.

In emergency cases, the Chief Appraiser may approve accumulation of more than the maximum allowed hours. Earned time is approved on a case by case basis by the Chief Appraiser.

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.

Lease Liability

Lease liabilities represent the District's obligation to make lease payments arising from the lease. Lease liabilities are recognized at the 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 U.S. Treasury risk-free rate or an implicit interest rate.

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 will report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, 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 then. The District has deferred outflows of resources related to its pension plan.

Deferred Inflows

In addition to liabilities, the statement of net position will report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, 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 deferred inflows of resources related to its pension plan.

Pensions

The fiduciary net position of the District's plan with Texas County & District Retirement System (TCDRS) has been determined using the flow of 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 TCERS'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.

Appraisal Assessments

The District is primarily supported by 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.

Implementation of GASB Statement No. 87

As of January 1, 2022, the District adopted GASB Statement No. 87, *Leases*. The implementation of this standard establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The standard requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. Additional disclosures required by this standard are included in Note 7 and 16.

New Accounting Pronouncements

GASB Statement No. 89: *Accounting for Interest Cost Incurred Before the End of a Construction Period.*

Statement 89 was issued in June 2018. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. This statement becomes effective for the District in fiscal year 2022. The implementation had no significant effect on the District's financial statements.

GASB Statement No. 91: *Conduit Debt Obligations.* Statement 91 was issued in May 2019. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. This standard becomes effective for the District in fiscal year 2023. The District has not yet determined the impact of this statement.

GASB Statement No. 92: *Omnibus 2020.* Statement 92 was issued in January 2020. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. This standard becomes effective for the District in fiscal year 2022. The implementation had no significant effect on the District's financial statements.

GASB Statement No. 93: *Replacement of Interbank Offered Rates.* Statement 93 was issued in March 2020. The objective of this Statement is to address those and other accounting and financial reporting implications that result from the replacement of an IBOR. This standard became effective for the District in fiscal year 2021. The implementation had no significant effect on the District's financial statements.

GASB Statement No. 94: *Public-Private and Public-Public Partnerships and Availability Payment Arrangements.* Statement 94 was issued in March 2020. The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). As used in this Statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. This standard becomes effective for the District in fiscal year 2023. The District has not yet determined the impact of this statement.

GASB Statement No. 95: *Postponement of Effective Dates of Certain Authoritative Guidance.* Statement 95 was issued in May 2020. The primary objective of this Statement is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. That objective is accomplished by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later. This standard became effective for the District in fiscal year 2020. The implementation had no significant effect on the District's financial statements.

GASB Statement No. 96: Subscription-Based Information Technology Arrangements. Statement 96 was issued in May 2020. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset— an intangible asset— and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, Leases, as amended. This standard becomes effective for the District in fiscal year 2023. The District has not yet determined the impact of this statement.

GASB Statement No. 97: Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans. Statement 97 was issued in June 2020. The primary objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. This standard becomes effective for the District in fiscal year 2022. The implementation had no significant effect on the District's financial statements.

GASB Statement No. 98: The Annual Comprehensive Financial Report. Statement 98 was issued in October 2021. This Statement establishes the term “annual comprehensive financial report” and its acronym “ACFR”. That new term and acronym replace instances of “comprehensive annual financial report” and its acronym in generally accepted accounting principles for state and local governments. This Statement was developed in response to concerns raised by stakeholders that the common pronunciation of the acronym for “comprehensive annual financial report” sounds like a profoundly objectionable racial slur. This Statement's introduction of the new term is founded on a commitment to promoting inclusiveness. This standard becomes effective for fiscal years ending after December 15, 2021. The implementation had no significant effect on the District's financial statements.

GASB Statement No. 99: Omnibus 2022. Statement 99 was issued in April 2022. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. The practice issues addressed by this Statement include the classification and reporting of derivative instruments within the scope of *Statement No. 53, Accounting and Financial Reporting for Derivative Instruments*, that do not meet the definition of either an investment derivative instrument or a hedging derivative instrument.

Clarification of provisions in *Statement No. 87, Leases*, as amended, related to the determination of the lease term, classification of a lease as a short-term lease, recognition and measurement of a lease liability and a lease asset, and identification of lease incentives. Clarification of provisions in *Statement No. 94, Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, related to (a) the determination of the public-private and public partnership (PPP) term and (b) recognition and measurement of installment payments and the transfer of the underlying PPP asset. Clarification of provisions in *Statement No. 96, Subscription-Based Information Technology Arrangements*, related to the subscription-based information technology arrangement (SBITA) term, classification of a SBITA as a short-term SBITA, and recognition and measurement of a subscription liability.

Extension of the period during which the London Interbank Offered Rate (LIBOR) is considered an appropriate benchmark interest rate for the qualitative evaluation of the effectiveness of an interest rate swap that hedges the interest rate risk of taxable debt. Accounting for the distribution of benefits as part of the Supplemental Nutrition Assistance Program (SNAP). Disclosures related to nonmonetary transactions. Pledges of future revenues when resources are not received by the pledging government. Clarification of provisions in *Statement No. 34, Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments*, as amended, related to the focus of the government-wide financial statements. Terminology updates related to certain provisions of *Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. Terminology used in Statement 53 to refer to resource flows statements.

The requirements of Statement 99 that are related to extension of the use of LIBOR, accounting for SNAP distributions, disclosures of nonmonetary transactions, pledges of future revenues by pledging governments, clarification of certain provisions in Statement 34, as amended, and terminology updates related to Statement 53 and Statement 63 are effective upon issuance. The requirements related to leases, PPPs, and SBITAs are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. The requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement 53 are effective for fiscal years beginning after June 15, 2023, and all reporting periods thereafter. The District has not yet determined the impact of this statement.

GASB issued Statement No. 100, *Accounting Changes and Error Corrections*. Statement 100 was issued in June 2022 and is an amendment of GASB Statement No. 62. The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. The requirements of this Statement are effective for accounting changes and error corrections made in fiscal years beginning after June 15, 2023, and all reporting periods thereafter. Earlier application is encouraged. The effects of this change on the District's financial statements have not yet been determined.

GASB issued Statement No. 101, *Compensated Absences*. Statement 101 was issued in June 2022. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The requirements of this Statement are effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter. Earlier application is encouraged. The effects of this change on the District's financial statements have not yet been determined.

Note 2 - Stewardship, Compliance and Accountability

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. The budget was properly amended during the year.

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.

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.

At December 31, 2022, the District had \$453,033 (bank balances) invested in interest-bearing checking or savings accounts. During the year ended December 31, 2022, the District did not own any types of securities other than those permitted by statute.

Investments

Currently, the District's depository agreement requires it to invest funds in the depository bank.

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 at June 30, 2022, 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. The District's policy does not specifically address credit risk of investments. The District has no such investments at December 31, 2022.

Interest rate risk

The District's policy does not address interest rate risk. At year end the District was not exposed to interest rate risk.

Note 5 - Capital Assets

Capital asset activity for the year ended December 31, 2022 was as follows:

	Balance January 1, 2022	Additions	Retirements	Balance December 31, 2022
Governmental Activities				
Capital assets, not being depreciated				
Land	\$ 5,400	\$ -	\$ -	\$ 5,400
Total capital assets, not being depreciated	5,400	-	-	5,400
Capital assets, being depreciated				
Building and improvements	245,328	-	-	245,328
Furniture and equipment	188,411	-	-	188,411
Total capital assets, being depreciated	433,739	-	-	433,739
Accumulated depreciation				
Building and improvements	(217,629)	(729)	-	(218,358)
Furniture and equipment	(188,411)	-	-	(188,411)
Total accumulated depreciation	(406,040)	(729)	-	(406,769)
Net capital assets	33,099	(729)	-	32,370
Right-of-use leased assets being amortized				
Right-to-use leased equipment	-	44,625	-	44,625
Total right-of-use leased assets being amortized	-	44,625	-	44,625
Less accumulated amortization				
Right-to-use leased equipment	-	(1,923)	-	(1,923)
Total accumulated amortization	-	(1,923)	-	(1,923)
Net right-to-use leased assets	-	42,702	-	42,702
Total capital assets, net	\$ 33,099	\$ 41,973	\$ -	\$ 75,072

The District recognized depreciation and amortization expense of \$2,652 in the statement of activities.

Note 6 - Long-Term Obligations

The changes in long-term obligations for the year ended December 31, 2022, are as follows:

	January 1, 2022	Additions	Retirements	December 31, 2022	Due Within One Year
Leases					
Equipment	\$ -	\$ 44,625	\$ (2,338)	\$ 42,287	\$ 6,805
Accrued personal leave	30,145	4,354	(7,687)	26,812	7,687
Total long-term obligations	<u>\$ 30,145</u>	<u>\$ 48,979</u>	<u>\$ (10,025)</u>	<u>\$ 69,099</u>	<u>\$ 14,492</u>

Payment requirements for the District's leases are as follows:

Year Ending December 31,	Principal	Interest	Requirements
2023	\$ 6,805	\$ 1,588	\$ 8,393
2024	7,070	1,323	8,393
2025	7,356	1,037	8,393
2026	7,148	694	7,842
2027	6,942	506	7,448
Thereafter	6,966	180	7,146
	<u>\$ 42,287</u>	<u>\$ 5,328</u>	<u>\$ 47,615</u>

Note 7 - Leases

The District entered an agreement to lease a mailing machine for District use beginning March 2022. Under the terms of the lease, the District pays a monthly fee of \$150. The lease terminates on February 2, 2027.

The District entered an agreement to lease a copy machine for District use beginning November 2022. Under the terms of the lease, the District pays a monthly fee of \$550. The lease terminates on January 29, 2029.

At December 31, 2022, the District has recognized a right to use asset of \$42,702 and a lease liability of \$42,287 related to these agreements. During the fiscal year, the District recorded \$1,923 in amortization expense and \$282 in interest expense for the right to use the copier and postage meter. The District used a discount rate of 2.24% on the mailing lease and 4.42% for the copy machine lease. 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.

Note 8 - Compensated Absences

Accumulated unpaid annual leave amounts are not accrued in governmental funds using the modified accrual basis of accounting but are reflected in the government-wide financial statements. At December 31, 2022, accrued employee benefits recorded as general long-term debt for compensated absences amounted to \$26,812.

Note 9 - Unearned Revenue

The District assesses appraisal fees for the first quarter of the following year, prior to year-end. At December 31, 2022, the District had recorded unearned revenue of \$225,171.

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 December 31, 2022, the District had no nonspendable fund balances.

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 December 31, 2022, the District had no restricted fund balances.

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 December 31, 2022, the District had \$30,178 committed for the purpose of future contingencies.

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 December 31, 2022, the District had no assigned fund balances.

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 - Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District's risk management program encompasses obtaining workers compensation and property and liability insurance through Texas Municipal league (TML) Intergovernmental Risk Pool, a public entity risk pool for the benefit of governmental units located within the state. TML Intergovernmental Employee Benefits Pool ("Pool") is considered a self-sustaining risk pool that provides coverage for its members. The District's contributions to the Pool are limited to the amount of premiums as calculated at the beginning of each fund year. Premiums reflect the claims experience to date of the District. The Pool's liability is limited to the coverage that the District elects as stated in the Pool's Declarations of Coverage for that fund year. 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.

Note 12 - Pension Plan

The District has three existing retirement plans: 1) a Money Purchase Pension Plan, started in 1981 and frozen to contributions on July 1, 2016, 2) TCDRS, started in 2014 and currently active, and 3) a 457 deferred compensation plan, started on July 1, 2016 and currently active.

The District's employees participated in a Money Purchase Pension Plan and Trust (for Governmental Organizations) administered originally by Security Benefits (effective June 1, 1981) and was transferred to Mass Mutual on June 30, 2015. All District employees were eligible to participate in the plan upon employment. Prior to February 1, 2014, this was the District's sole retirement plan.

As noted above, effective February 1, 2014, the District joined the Texas County and District Retirement System (TCDRS.) Ten employees participate in the plan. The District contributes a required rate each year that will fluctuate annually as per actuarial computations over a 10-year span.

The Money Purchase Pension Plan and Trust was frozen on July 1, 2016 as per advice by legal counsel because Texas state law does not allow a Money Purchase Pension Plan to exist within an organization that is enrolled in TCDRS. At this time, the account is active for earnings and changing of investing options, but no money can be contributed into the plan. After freezing contributions to the Money Purchase Pension Plan and Trust, the District enrolled in a 457 Deferred Compensation Plan which began July 1, 2016. The District contribution is 2.5% of the participant's gross income annually. Annual contributions by employees are 2.5% of gross earnings or any chosen rate that does not exceed the government rule of contributions for 457 plans.

For the deferred compensation plan, total District and employee contributions during the year ended December 31, 2022, amounted to \$30,734. Of the \$30,734, employees contributed \$15,367 and the District contributed \$15,367. The payroll for employees covered by the Plan for the year ended December 31, 2022 was \$614,681.

Texas County and District Retirement System (TCDRS)

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 80 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, 2021 consisted of the following:

Inactive Employees' Accounts	
Receiving benefits	4
Entitled to but not yet receiving benefits	4
	<hr/>
Total	8
Active Employees' Accounts	10

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	2021
Member	7.0%	7.0%
Employer	15.53%	12.92%
Employer Contributions	\$ 94,354	\$ 77,678
Member Contributions	43,027	41,318

Actuarial Assumptions

The total pension liability in the December 31, 2021 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	December 31, 2021
Actuarial Cost Method	Entry age normal
Amortization Method	Level percentage of payroll, closed
Remaining Amortization Period	19.0 years
Asset Valuation Method	5 year smoothed market
Discount Rate	7.50%
Long-term expected Investment Rate of Return*	7.50%
Salary Increases*	4.7%, average
Payroll Growth Rate	0%
*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%	0.000%
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
47	0.001	0.090
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 the PUB-2010 General Employees Amount Weighted Mortality Table for males and 120% of the 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 the PUB-2010 General Employees Amount Weighted Mortality Table for males and 120% of the PUB-2010 General Employees 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 the PUB-2010 General Employees Amount Weighted Mortality Table for males and 125% of the PUB-2010 General Employees 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 Scv				Deferred
	Active Scv<15	15-24	25-29	30+	All Scv
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, 2021 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 information noted on the prior page, 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, we have used a discount rate of 7.60%. This rate reflects the long-term assumed rate of return on assets for funding purposes of 7.5%, 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 2022 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 based on a long term time horizon. The TCDRS Board of Trustees adopted the most current assumptions at their March 2021 meeting. 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 (Expected minus Inflation) ²
US Equities	Dow Jones U.S. Total Stock Market Index	11.50%	3.80%
Global Equities	MSCI World (net) Index	2.50%	4.10%
International Equities - Developed Markets	MSCI World Ex USA (net) Index		
		5.00%	3.80%
International Equities - Emerging Markets	MSCI Emerging Markets (net) Index	6.00%	4.30%
Investment-Grade Bonds	Bloomberg Barclays U.S. Aggregate Bond Index	3.00%	-0.85%
Strategic Credit	FTSE High-Yield Cash-Pay Capped Index	9.00%	1.77%
Direct Lending	S&P/LST A Leveraged Loan Index	16.00%	6.25%
Distressed Debt	Cambridge Associates Distressed Securities Index ³	4.00%	5.70%
REIT Equities	67% FTSE NAREIT Equity REITs Index+ 33% S&P Global REIT (net) Index	2.00%	3.10%
Master Limited Partnerships (MLPs)	Alerian MLP Index	2.00%	3.85%
Private Real Estate Partnerships	Cambridge Associates Real Estate Index ⁴	6.00%	5.10%
Private Equity	Cambridge Associates Global Private Equity & Venture Capital Index ⁵	25.00%	6.80%
Hedge Funds	Hedge Fund Research, Inc. (HFRI) Fund of Funds Composite Index	6.00%	1.55%
Cash Equivalents	90-Day U.S. Treasury	2.00%	-1.05%

¹ Target asset allocation adopted at the March 2022 TCDRS Board meeting.

² Geometric real rates of return equal the expected return minus the assumed inflation of 2.6%, per Cliffwater's 2021 capital market assumptions.

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

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

⁵ Includes vintage years 2006 - present of quarter Pooled Horizons IRRs.

Pension Liability (Asset), Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At December 31, 2022, the District reported a net pension asset of \$62,936 measured at December 31, 2021. For the fiscal year ended December 31, 2022, the District recognized pension expense of \$53,710.

Changes to the real rate of return, inflation, long-term investment return, and the payroll growth assumptions affected measurement of the total pension liability/(asset) during the measurement period.

There were no changes of benefit terms that affected measurement of the total pension liability/(asset) during the measurement period.

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

Changes in Net Pension Liability (Asset)	Increase (Decrease)		Net Pension Liability (Asset) (a) - (b)
	Total Pension Liability (a)	Fiduciary Net Position (b)	
Balances at December 31, 2020	\$ 1,008,726	\$ 934,745	\$ 73,981
Changes for the year			
Service cost	117,070	-	117,070
Interest on total pension liability [1]	84,446	-	84,446
Effect of plan changes [2]	-	-	-
Effect of economic/demographic gains or losses	5,342	-	5,342
Effect of assumptions changes or inputs	(6,034)	-	(6,034)
Refund of contributions	-	-	-
Benefit payments	(29,884)	(29,884)	-
Administrative expenses	-	(671)	671
Member contributions	-	41,645	(41,645)
Net investment income	-	215,667	(215,667)
Employer contributions	-	78,291	(78,291)
Other [3]	-	2,809	(2,809)
Balances as of December 31, 2021	<u>\$ 1,179,666</u>	<u>\$ 1,242,602</u>	<u>\$ (62,936)</u>

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

[2] No plan changes valued.

[3] Relates to allocation of system-wide items.

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 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	\$ 1,332,667	\$ 1,179,666	\$ 1,050,989
Fiduciary net position	<u>1,242,602</u>	<u>1,242,602</u>	<u>1,242,602</u>
Net pension liability (asset)	<u>\$ 90,065</u>	<u>\$ (62,936)</u>	<u>\$ (191,613)</u>

At December 31, 2021, the District's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Inflows of Resources	Deferred Outflows of Resources
Differences between expected and actual economic experience	\$ 18,536	\$ 25,232
Changes in actuarial assumptions	4,827	36,402
Net difference between projected and actual investment earnings	129,005	-
Contributions paid to TCDRS subsequent to the measurement date	<u>-</u>	<u>94,354</u>
Total	<u>\$ 152,368</u>	<u>\$ 155,988</u>

\$94,354 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/(asset) in the District's fiscal year ending December 31, 2023. 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:

<u>Year Ended December 31</u>	<u>Pension Expense</u>
2023	\$ (25,850)
2024	(24,670)
2025	(12,408)
2026	(27,806)
2027	-
Thereafter	<u>-</u>
	<u>\$ (90,734)</u>

Note 13 - Employment Benefits Other Than Pensions

Plan Description: The District participates in a cost-sharing multiple-employer defined-benefit group-term life insurance plan operated by the Texas County & District Retirement System (TCDRS). This plan is referred to as the Group Term Life Fund (GTLF). This optional plan provides group term life insurance coverage to current eligible employees.

The GTLF is a separate trust administered by the TCDRS board of trustees. TCDRS issues a publicly available annual comprehensive financial report (ACFR) that includes financial statements and required supplementary information for the GTLF. This report is available at www.tcdrs.org. TCDRS' ACFR may also be obtained by writing to the Texas County & District Retirement System, P.O. Box 2034, Austin, TX 78768-2034, or by calling 800-823-7782.

Funding Policy: Each participating employer contributes to the GTLF at a contractually required rate. An annual actuarial valuation is performed, and the contractual rate is determined using the unit credit method for providing one-year term life insurance. The District's contributions to the GTLF for the years ended December 31, 2022, 2021 and 2020 were \$1,967, \$1,712 , and \$2,057, respectively, which equaled the contractually required contributions each year.

Note 14 - Health and Life Insurance

During the year ended December 31, 2022, employees of the District were covered by a health insurance plan. The District contributed \$865 per month per employee to the plan for the months of January through December. Employees, at their option, authorized payroll withholdings to pay contributions or premiums for dependents. All premiums were paid to a licensed insurer. The plan was authorized by Article 3.51-2, Texas Insurance Code and was documented by contractual agreement.

The District provides \$30,000 of life insurance coverage for each of their employees.

Note 15 - 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 16 - Commitments

The District has contracted with a company to provide the District with valuations of mineral, utility and industrial properties within the District for \$109,000 for 2023.



Required Supplementary Information
December 31, 2022

Scurry County Appraisal District

Scurry County Appraisal District
Schedule of Changes in Net Pension Liability and Related Ratios – Texas County & District Retirement System
Year Ended December 31, 2022

	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
Total Pension Liability								
Service cost	\$ 209,839	\$ 86,558	\$ 117,376	\$ 112,921	\$ 109,984	\$ 81,443	\$ 96,270	\$ 117,070
Interest on total pension liability	8,333	20,992	23,095	38,883	51,139	59,060	71,346	84,446
Effect of plan changes	-	(7,083)	-	-	-	-	1,656	-
Effect of assumption changes or inputs	-	3,715	-	5,556	-	-	55,775	(6,034)
Effect of economic/demographic (gains) or losses	200	(94,971)	(932)	(501)	(18,928)	24,680	14,361	5,342
Change of assumptions	-	-	-	-	-	-	-	-
Benefit payments/refunds of contributions	-	-	-	-	(5,343)	(26,815)	(29,883)	(29,884)
Net change in total pension liability	218,372	9,211	139,539	156,859	136,852	138,368	209,525	170,940
Total pension liability, beginning	-	218,372	227,583	367,122	523,981	660,833	799,201	1,008,726
Total pension liability, ending (a)	<u>\$ 218,372</u>	<u>\$ 227,583</u>	<u>\$ 367,122</u>	<u>\$ 523,981</u>	<u>\$ 660,833</u>	<u>\$ 799,201</u>	<u>\$ 1,008,726</u>	<u>\$ 1,179,666</u>
Fiduciary Net Position								
Contributions - Employer	\$ 58,537	\$ 68,855	\$ 71,010	\$ 72,156	\$ 71,169	\$ 68,881	\$ 78,113	\$ 78,291
Contributions - Member	32,215	38,500	38,529	38,947	37,233	37,817	39,738	41,645
Net investment income	358	(3,294)	14,918	49,585	(7,965)	96,325	79,263	215,667
Benefit payments/refunds of contributions	-	-	-	-	(5,343)	(26,815)	(29,883)	(29,884)
Administrative expenses	(36)	(107)	(162)	(325)	(472)	(583)	(685)	(671)
Other	(4)	(13)	8,158	1,485	3,119	2,842	2,679	2,809
Net change in fiduciary net position	91,070	103,941	132,453	161,848	97,741	178,467	169,225	307,857
Fiduciary net position, beginning	-	91,070	195,011	327,464	489,312	587,053	765,520	934,745
Fiduciary net position, ending (b)	<u>\$ 91,070</u>	<u>\$ 195,011</u>	<u>\$ 327,464</u>	<u>\$ 489,312</u>	<u>\$ 587,053</u>	<u>\$ 765,520</u>	<u>\$ 934,745</u>	<u>\$ 1,242,602</u>

Scurry County Appraisal District
Schedule of Changes in Net Pension Liability and Related Ratios – Texas County & District Retirement System
Year Ended December 31, 2022

Net pension liability (asset), ending = (a) - (b)	<u>\$ 127,302</u>	<u>\$ 32,572</u>	<u>\$ 39,658</u>	<u>\$ 34,669</u>	<u>\$ 73,780</u>	<u>\$ 33,681</u>	<u>\$ 73,981</u>	<u>\$ (62,936)</u>
Fiduciary net position as a percentage of total pension liability	41.70%	85.69%	89.20%	93.38%	88.84%	95.79%	92.67%	105.34%
Pensionable covered payroll	\$ 502,047	\$ 550,000	\$ 550,420	\$ 556,383	\$ 531,899	\$ 540,241	\$ 567,687	\$ 594,922
Net pension liability as a percentage of covered payroll	25.36%	5.92%	7.21%	6.23%	13.87%	6.23%	13.03%	-10.58%

GASB Statement No. 68 requires ten years of information to be presented in this table. Historical data is presented only for years which GASB 68 has been implemented.

Scurry County Appraisal District
Schedule of Employer Contributions – Texas County & District Retirement System
December 31, 2022

<u>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 Percentage of Covered Payroll</u>
2013	\$ -	\$ -	\$ -	\$ -	-
2014	53,431	58,537	(5,106)	460,210	12.7%
2015	63,855	68,855	(5,000)	550,000	12.5%
2016	63,848	71,010	(7,162)	550,420	12.9%
2017	67,156	72,156	(5,000)	556,383	13.0%
2018	65,689	71,168	(5,479)	531,899	13.4%
2019	68,881	68,881	-	540,241	12.8%
2020	78,113	78,113	-	567,687	13.8%
2021	77,678	77,678	-	601,223	12.9%
2022	94,354	94,354	-	607,560	15.5%

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	19.0 years (based on contribution rate calculated in 12/31/2020 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	7.50%, net of administrative and investment expenses, including inflation
Retirement age	Members who are eligible for service retirement are assumed to commence receiving benefit payments based on age. The average age at service retirement for recent retirees is 61.
Mortality	135% of the Pub-2010 General Retirees Table for males and 120% of the Pub-2010 General Retirees Table for females, both projected with 100% of the MP-2021 Ultimate scale after 2010.

Changes in Assumptions

There were no changes of assumptions that affected measurement of the total pension liability during the measurement period.

Changes of Benefit Terms

There were no changes of benefit terms that affected measurement of the total pension liability during the measurement period.

Changes in the Size or Composition of the Population Covered by the Benefit Terms

There were no changes in the size or composition of the population covered by the benefit terms during the measurement period.