

**COTTLE COUNTY APPRAISAL DISTRICT
PADUCAH, TEXAS**

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED DECEMBER 31, 2023

AND

REPORT OF CERTIFIED PUBLIC ACCOUNTANTS

BOLINGER, SEGARS, GILBERT & MOSS, L.L.P.
CERTIFIED PUBLIC ACCOUNTANTS
LUBBOCK, TEXAS

**COTTLE COUNTY APPRAISAL DISTRICT
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TABLE OF CONTENTS

	<u>Statement Identification</u>	<u>Page Number</u>
FINANCIAL SECTION		
Independent Auditor's Report		1
Management's Discussion and Analysis (Required Supplementary Information)		4
<u>Financial Statements</u>		
Government Wide Financial Statements		
Statement of Net Position	Exhibit A	8
Statement of Activities	Exhibit B	9
Governmental Fund Financial Statements		
Balance Sheet	Exhibit C	10
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	Exhibit C-1	11
Statement of Revenues, Expenditures, and Changes in Fund Balances	Exhibit D	12
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	Exhibit D-1	13
Fiduciary Fund Financial Statements		
Statement of Fiduciary Net Position	Exhibit E	14
Statement of Changes in Fiduciary Net Position	Exhibit F	15
Notes to Financial Statements		16
<u>Required Supplementary Information</u>		
Budgetary Comparison Schedule – Operating Fund	Schedule 1	26
Schedule of Changes in Net Pension Liability (Asset) and Related Ratios	Schedule 2	27
Schedule of Employer Contributions	Schedule 3	28
Notes to Required Supplementary Information		29

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CERTIFIED PUBLIC ACCOUNTANTS

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Independent Auditor's Report

Board of Directors
Cottle County Appraisal District
Paducah, Texas

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities and the major fund of Cottle County Appraisal District as of and for the year ended December 31, 2023, and related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Cottle County Appraisal District, as of December 31, 2023, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (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 Cottle County Appraisal District (the District), and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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 District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4-7, and budgetary comparison information on page 26, and pension information on pages 27-29 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.

Bolinger, Segars, Gilbert & Moss LLP

Certified Public Accountants

Lubbock, Texas

April 24, 2024

COTTLE COUNTY APPRAISAL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

This discussion and analysis of the Cottle County Appraisal District's (the District) financial performance provides an overview of the District's financial activities for the fiscal year ended December 31, 2023. This section is required by the Governmental Accounting Standards Board (GASB) Statement No. 34 entitled "Basic Financial Statements – Management's Discussion and Analysis – for State and Local Governments." It should be read in conjunction with the accompanying independent auditors' report, the basic financial statements, notes to those financial statements, and required supplementary information.

FINANCIAL HIGHLIGHTS

- The District under spent its adopted fiscal year 2023 budget by \$505.
- A total of \$168,711 (100.29% of the adopted budget) in revenues were realized.
- The assets of the district exceeded its liabilities at the close of the fiscal year by \$15,587 (Total Fund Balance). At December 31, 2023, all of this fund balance is committed.
- The District's government-wide net position increased by \$2,293, from \$40,616 in the prior fiscal year to \$42,909 as of December 31, 2023.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the district's basic financial statements. The financial statements are comprised of four components: 1) government-wide financial statements, 2) governmental fund financial statements, 3) notes to the financial statements, and 4) required supplementary and other information.

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 liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of the District's financial position.

The Statement of Activities presents information showing how the District's net position changed during the fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows.

With many other governmental entities, the aforementioned government-wide financial statements normally identify and distinguish between either governmental activities supported by general revenues or business-type activities which are typically self-supported by use fees and charges. The District has no business-type activities. Pursuant to the Texas Property Tax Code, the District's purpose is to appraise property in the District for ad valorem tax purposes for each taxing unit that imposes ad valorem taxes on property in Cottle County, Texas. The District also has agreements with four of the six taxing entities in Cottle County for assessment and collection services.

The government-wide financial statements can be found on pages 8 and 9 of this report.

Governmental Fund Financial Statements: A fund is a grouping of related accounts used to maintain control over resources that have been segregated for specific activities or objectives. Depending upon their reporting needs and requirements, governmental entities utilize three types of funds including governmental funds, proprietary funds, and fiduciary funds. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Since the District has no legitimate need or requirement to have proprietary funds, all of its funds are maintained and reported as governmental funds and fiduciary funds.

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of available resources, as well as on balances of resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, the reader may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The District maintains an Operating Fund and a Fiduciary Fund. The Operating Fund is a governmental fund and is used to account for the acquisition and use of the District's available financial resources and the related liabilities. The Fiduciary Fund is used to account for assets held by the District in a trustee capacity. Fiduciary Funds are custodial (assets equal liabilities) in nature and do not involve measurement of results of operations.

The basic governmental fund financial statements can be found on pages 10-13 of this report.

The District adopts an annual appropriated budget for its Operating Fund. A budgetary comparison statement has been provided for the Operating Fund to demonstrate compliance with this budget. It can be found under the "Required Supplementary Information" section of this report. The Fiduciary Fund is not budgeted.

Notes to the Basic Financial Statements: The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes are a summary of the District's organization, accounting policies, cash and investments, capital assets, pension plan, fund balances, and litigation. The notes to the financial statements can be found on pages 16-25 of this report.

Other Information: In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information entailing the District's progress in funding employee pension obligations under the Texas County and District Retirement System and budget versus actual revenue and expenditure comparisons for the fiscal year ended December 31, 2023. Required supplementary information can be found on pages 26-28 of this report.

GOVERNMENT WIDE FINANCIAL ANALYSIS

Our analysis focuses on the net position and changes in net position of the District's governmental activities.

Statement of Net Position: As noted earlier, net position may serve over time as a useful indicator of a government's financial position. At December 31, 2023 and 2022, the District had unrestricted net position of \$42,909 and \$40,616, respectively. This may be used to meet the District's ongoing obligations and responsibilities.

Statement of Net Position:

	Governmental Activities	
	2023	2022
Assets:		
Cash and Cash Equivalents	\$ 65,397	\$ 17,542
Prepaid Expenses		550
Net Pension Asset	596	44,018
Total Assets	<u>\$ 65,993</u>	<u>\$ 62,110</u>
Deferred Resources Outflows:		
Deferred Outflows Related to Pension Asset	<u>\$ 29,689</u>	<u>\$ 21,436</u>
Liabilities:		
Unearned Revenue	\$ 49,810	\$
Accounts Payable		3,500
Total Liabilities	<u>\$ 49,810</u>	<u>\$ 3,500</u>
Deferred Resources Inflows:		
Deferred Inflows Related to Pension Asset	<u>\$ 2,963</u>	<u>\$ 39,430</u>
Net Position by Category:		
Unrestricted Net Position	<u>\$ 42,909</u>	<u>\$ 40,616</u>
Total Net Position	<u><u>\$ 42,909</u></u>	<u><u>\$ 40,616</u></u>

Statement of Activities: The following table provides a summary of the District's operations for the fiscal years ended December 31, 2023 and 2022.

Changes in Net Position:

	Governmental Activities	
	2023	2022
Operating Revenues:		
Charges for Services	\$ 167,771	\$ 157,381
Investment Earnings	280	47
Other Revenue	660	1,082
Total Revenues	<u>\$ 168,711</u>	<u>\$ 158,510</u>
Expenses by Governmental Activity:		
Payroll and Payroll Related Expenses	\$ 78,729	\$ 60,402
Appraisal Services	60,610	59,951
Other Professional Services	12,104	11,010
Education and Travel	3,418	2,368
Supplies and Equipment	3,985	4,065
Administrative and General	7,572	5,632
Total Expenses	<u>\$ 166,418</u>	<u>\$ 143,428</u>
Change in Net Position	<u><u>\$ 2,293</u></u>	<u><u>\$ 15,082</u></u>

The District experienced a \$2,293 positive change in net position. When added to the beginning balance of net position at January 1, 2023, the District ended the 2023 fiscal year with a \$42,909 unrestricted net position.

FINANCIAL ANALYSIS OF GOVERNMENTAL FUNDS

Governmental Funds: The focus of the District's governmental fund is to provide information on near-term inflows, outflows, and balances of available resources. Such information is useful in assessing the District's financial and budget requirements. In particular, the unassigned fund balance may serve as a useful measure of the District's net resources available for spending at the end of the fiscal year. Per the District's policy, all of the unassigned fund balance is refundable to the taxing entities.

Operating Fund Budgetary Highlights: There were amendments to the originally adopted fiscal year 2023 budget. Actual expenditures on a budgetary basis for the fiscal year ended December 31, 2023 were \$167,716 that being \$505 or about .3% less than the \$168,221 budgeted for the year. Salaries, wages, and related benefits were 47.72% of total expenditures. For 2022, actual expenditures were \$153,331, that being \$4,500 or about 3% less than the \$157,831 budgeted.

Actual revenues on a budgetary basis for fiscal year 2023 were \$168,711 or 100.29% of the budgeted revenues for the year. For 2022, actual revenues were \$158,510 or 100.4% of budgeted revenues. There were no refunds to taxing entities in 2023 or 2022. In accordance with the provisions of the Texas Property Tax Code applicable to appraisal district budgets, assessment payments from taxing entities account for the bulk of the District's revenues. For fiscal year 2023 and 2022, 99.44% and 99.3%, respectively, came from district assessments and 0.56% and 0.7%, respectively, from miscellaneous and interest income.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND ASSESSMENTS

Budgeted disbursements are expected to increase 12.37% to \$189,028. The District has added no major programs or initiatives to the 2024 budget. Receipts are budgeted to equal disbursements, with the jurisdictions served by the District billed their proportionate share of the disbursement budget. If these estimates are realized, the District's budgetary fund balance is not expected to increase significantly.

REQUEST FOR INFORMATION

This financial report is designed to provide property owners, other citizens, customers, supporting taxing entities, creditors, and the Cottle County Appraisal District Board of Directors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, please contact the Chief Appraiser of the Cottle County Appraisal District, P.O. Box 459, Paducah, Texas 79248.

FINANCIAL STATEMENTS

-8-
COTTLE COUNTY APPRAISAL DISTRICT

Exhibit A

STATEMENT OF NET POSITION
DECEMBER 31, 2023

	Primary Government Governmental Activities
ASSETS	
Cash and Cash Equivalents	\$ 65,397
Net Pension Asset	596
Total Assets	<u>\$ 65,993</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred Outflows Related to Pension Asset	<u>\$ 29,689</u>
LIABILITIES	
Unearned Revenue	<u>\$ 49,810</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred Inflows Related to Pension Asset	<u>\$ 2,963</u>
NET POSITION	
Unrestricted	\$ 42,909
Total Net Position	<u><u>\$ 42,909</u></u>

The accompanying notes are an integral part of this statement.

COTTLE COUNTY APPRAISAL DISTRICT

Exhibit B

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2023

	Expenses	Charges for Services	Total Governmental Services
<u>Program Activities:</u>			
Governmental Activity			
Appraisal Services	\$ 166,418	\$ 167,771	\$ 1,353
Total Governmental Activity	\$ 166,418	\$ 167,771	\$ 1,353
Total Primary Government	\$ 166,418	\$ 167,771	\$ 1,353
<u>General Revenues:</u>			
Investment Earnings			\$ 280
Miscellaneous Revenue			660
Total General Revenues			\$ 940
Change in Net Position			\$ 2,293
Net Position - Beginning			40,616
Net Position - Ending			\$ 42,909

The accompanying notes are an integral part of this statement.

COTTLE COUNTY APPRAISAL DISTRICT

Exhibit C

**BALANCE SHEET
GOVERNMENTAL FUND
DECEMBER 31, 2023**

	Major Fund General Fund	Total Governmental Funds
ASSETS AND OTHER DEBITS		
Cash and Cash Equivalent	\$ 65,397	\$ 65,397
Total Assets	\$ 65,397	\$ 65,397
LIABILITIES		
Unearned Revenue	\$ 49,810	\$ 49,810
Total Liabilities	\$ 49,810	\$ 49,810
FUND BALANCES		
Committed Fund Balance	\$ 15,587	\$ 15,587
Total Fund Balance	\$ 15,587	\$ 15,587
Total Liabilities and Fund Balance	\$ 65,397	\$ 65,397

The accompanying notes are an integral part of this statement.

COTTLE COUNTY APPRAISAL DISTRICT

Exhibit C-1

**RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT
OF NET POSITION
DECEMBER 31, 2023**

Total Fund Balances - Governmental Funds (Exhibit C)	\$	15,587
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Included in the items related to noncurrent assets is the recognition of the District's proportionate share of the net pension asset of \$596, related deferred resource outflows of \$29,689 and related deferred resource inflows of (\$2,963). This amounted to an increase in net position.

<u>27,322</u>

Total Net Position of Governmental Activities (Exhibit A)	\$	<u><u>42,909</u></u>
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The accompanying notes are an integral part of this statement.

COTTLE COUNTY APPRAISAL DISTRICT

Exhibit D

STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2023

	Major Fund General Fund	Total Governmental Funds
REVENUES		
Charges for Services	\$ 167,771	\$ 167,771
Investment Earnings	280	280
Other Revenue	660	660
Total Revenues	\$ 168,711	\$ 168,711
EXPENDITURES		
Payroll and Payroll Related Expenditures	\$ 80,027	\$ 80,027
Appraisal Services	60,610	60,610
Other Professional Services	12,104	12,104
Education and Travel	3,418	3,418
Supplies and Equipment	3,985	3,985
Administrative and General	7,572	7,572
Total Expenditures	\$ 167,716	\$ 167,716
REVENUES OVER EXPENDITURES	\$ 995	\$ 995
FUND BALANCE - BEGINNING OF YEAR	14,592	14,592
FUND BALANCE - END OF YEAR	\$ 15,587	\$ 15,587

The accompanying notes are an integral part of this statement.

COTTLE COUNTY APPRAISAL DISTRICT

Exhibit D-1

**RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES
OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
DECEMBER 31, 2023**

Net Change in Fund Balances - Total Governmental Funds (Exhibit D)	\$	995
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The implementation of GASB 68 required that certain expenditures be de-expended and recorded as deferred resource outflows as well as recognition of additional pension/amortization expense. These contributions made after the measurement date of December 31, 2022 are recognized as deferred outflows. The District's share of the unrecognized deferred outflows as of the measurement date had to be amortized. The impact of these transactions is to increase the change in net position.

1,298

Change in Net Position of Governmental Activities (Exhibit B)	\$	<u><u>2,293</u></u>
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The accompanying notes are an integral part of this statement.

COTTLE COUNTY APPRAISAL DISTRICT

Exhibit E

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUND
DECEMBER 31, 2023

ASSETS

Cash in Bank	\$ 2,685
Taxes Receivable	<u>2,698,593</u>
Total Assets	\$ <u>2,701,278</u>

LIABILITIES

Due to Others	\$ <u>16,602</u>
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NET POSITION

Unrestricted Net Position	\$ <u><u>2,684,676</u></u>
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The accompanying notes are an integral part of this statement.

COTTLE COUNTY APPRAISAL DISTRICT

Exhibit F

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2023

ADDITIONS

Tax Levy and Adjustments	\$ <u>3,154,542</u>
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DEDUCTIONS

Distributions to Taxing Entities	\$ <u>2,709,324</u>
	\$ <u>2,709,324</u>

Change in Net Position	\$ 445,218
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Net Position - January 1 (Beginning)	<u>2,239,458</u>
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Net Position - December 31 (Ending)	\$ <u><u>2,684,676</u></u>
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The accompanying notes are an integral part of this statement.

COTTLE COUNTY APPRAISAL DISTRICT

NOTES TO FINANCIAL STATEMENTS

1. ORGANIZATION

The Cottle County Appraisal District (the District) was created by the Texas Legislature. The District appraises property, prepares assessment of real and personal property taxes for the six taxing districts in Cottle County (the County), and serves as a collection agent for four of those taxing districts. The District is a political subdivision of the State.

The District is governed by a five member Board of Directors appointed by three of the six taxing districts within the County. The Board appoints a chief appraiser who serves at the pleasure of the Board. The chief appraiser is the chief administrator of the District. The chief appraiser may employ and compensate professional, clerical, and other personnel as provided by the budget. The chief appraiser may delegate authority to the employees.

The District receives funds for operation of the appraisal division and collections division by submitting a budget to the Board for approval. The funds required are allocated based upon each entity's percentage of tax levy to the total tax levy.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the District conform to accounting principles generally accepted in the United States of America as applicable to governments. The following is a summary of the more significant policies.

Basis of Accounting and Presentation

Government-Wide Financial Statements

The Statement of Net Position and the Statement of Activities display information about the government-wide entity as a whole. These statements report information on all of the non-fiduciary activities of the District. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. The District charges taxing districts within the County for Appraisal and Collection services. The District currently does not have business-type activities.

These government-wide financial statements were prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Payments from taxing entities within the County are recognized in the year that services are provided.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include charges to customers who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment.

-17-
COTTLE COUNTY APPRAISAL DISTRICT
NOTES TO FINANCIAL STATEMENTS

The District reports all direct expenses in the Statement of Activities. Direct expenses are those that are clearly identifiable with the function of appraisal and collection. Indirect expenses of other functions are not allocated to those functions but are reported separately in the Statement of Activities.

Fund Accounting

Separate financial statements are provided for governmental funds and fiduciary funds. Major governmental funds are reported as separate columns in the fund financial statements.

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 government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Revenues from local sources consist primarily of fees paid by taxing entities in the County. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. The District has no fixed assets, debt, or other items required to be presented on the government-wide financial statements and not on the fund financial statements. Therefore, there is no reconciliation between these two presentations.

The fiduciary fund financial statement is reported using the economic resources measurement focus and the accrual basis of accounting.

The District reports the following governmental funds:

General Fund – This fund accounts for financial resources in use for general types of operations. This is a budgeted fund and fund balances are considered as resources available for use.

Fiduciary Fund – This fund accounts for assets held by the District in a trustee capacity or as an agent for the taxing districts. Assets include delinquent taxes receivable of taxing districts in Cottle County for which the District is contracted to collect.

-18-
COTTLE COUNTY APPRAISAL DISTRICT
NOTES TO FINANCIAL STATEMENTS

Under GASB Statement 54, fund balances are classified as follows:

Non-Spendable Fund Balance – Amounts that are legally or contractually required to be maintained in tact (and is generally not expected to be converted to cash).

Restricted – Amounts that can be spent only for specific purposes because of restrictions by external sources (creditors, laws of other governments, etc.) or by constitutional provision or enabling legislation.

Committed – Amounts that can be used only for specific purposes determined by formal action by the Board of Directors, the highest level of decision making authority.

Assigned – Amounts that can be used for a specific purpose as expressed by the authorized administrator.

Unassigned – Amounts not included in other spendable classifications.

The District's policy states that expenditures will reduce committed amounts first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes for with amounts in any of those unassigned fund balance classifications could be used.

This policy also states that the District must maintain a minimum of \$3,000 in fund balance. As of December 31, 2023, the District has \$15,587 in fund balance. All of this fund balance has been committed by board action. If any unassigned fund balance remained, it would be subject to being refunded to taxing entities.

Management's Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities 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.

Pensions

The fiduciary net position of the Texas County and 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 TCDRS's fiduciary net position. Benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

-19-
COTTLE COUNTY APPRAISAL DISTRICT
NOTES TO FINANCIAL STATEMENTS

3. Deposits and Investments

Legal and Contractual Provisions Governing Deposits and Investments

The **Public Funds Investment Act** (Government Code Chapter 2256) (the Act) 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, and (9) bid solicitation preferences for certificates of deposit.

Statutes authorize the District to invest in (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas; (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers acceptances, (7) mutual funds, (8) investment pools, (9) guaranteed investment contracts, and (10) common trust funds. The Act also requires the District to have independent auditors perform test procedures related to investment practices as provided by the Act. The District is in substantial compliance with the requirements of the Act and with local policies, except for not adopting an investment policy.

Policies Governing Deposits and Investments

The District has not adopted a deposit and investment policy, in compliance with the **Public Funds Investment Act**. When adopted, this policy should address the following risks:

- a. Custodial Credit Risk – Deposits and Investments: In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits and investments in certificates of deposits may not be returned to it. The District's policy does not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits and investments, other than the following: The State of Texas requires that a financial institution secure deposits and investments made by state or local governments by pledging securities in excess of the highest cash balance of the government. The District is not exposed to custodial credit risk for its deposits are all covered by the Federal Deposit Insurance Corporation.
- b. Credit Risk – The risk that an issuer or other counterparty to an investment will not fulfill its obligations. The ratings of securities by nationally recognized rating agencies are designed to give an indication of credit risk. At December 31, 2023, the District was not significantly exposed to credit risk.
- c. Interest Rate Risk – Not applicable.
- d. Foreign Currency Risk – Not applicable.

-20-
COTTLE COUNTY APPRAISAL DISTRICT
NOTES TO FINANCIAL STATEMENTS

The carrying amount of the District's cash and temporary investments at December 31, 2023, approximates fair value and consisted of the following shown below:

<u>Governmental Funds</u>	
Cash in Bank	\$ <u>65,397</u>
<u>Fiduciary Funds</u>	
Cash in Bank	\$ <u>2,685</u>

4. Pension Plan

Plan Description

The District provides retirement, disability and death benefits for all of its full time employees through a non-traditional defined benefit pension plan in the TCDRS. The Board of Trustees of TCDRS is responsible for the administration of the statewide agent multiple-employer public employee retirement system consisting of 848 non-traditional defined benefit pension plans. TCDRS in the aggregate issues an Annual Comprehensive Financial Report (ACFR) on a calendar basis. The ACFR is available upon written request from the Board of Trustees at P.O. Box 2034, Austin, Texas 78768-2034.

The plan provisions are adopted by the governing body of the employer, within the options available in the Texas state statutes governing TCDRS. Members can retire at ages 60 and above with 10 or more years of service, with 30 years of service regardless of age, or when the sum of their age and years of service equals 80 or more.

Members are vested after 10 years of service, but must leave their accumulated contributions in the plan to receive any employer-financed benefit. Members who withdraw their personal contributions in a lump sum are not entitled to any amounts contributed by their employer.

Benefit amounts are determined by the sum of the employee's contributions 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 contributions and the employer-financed monetary credits to a monthly annuity using annuity purchase rates prescribed by the TCDRS Act.

Pension Plan Fiduciary Net Position

Detailed information about the TCDRS fiduciary net position is available in a separately-issued ACFR that includes financial statements and required supplementary information mentioned the above section.

-21-
COTTLE COUNTY APPRAISAL DISTRICT
NOTES TO FINANCIAL STATEMENTS

The information provided by TCDRS shows the following information regarding the Pension Plan fiduciary net position for the District as of December 31, 2022.

Net Pension Liability	Total
Total Pension Liability	\$ 312,684
Less: Plan Fiduciary Net Position	(313,280)
Net Pension Liability (Asset)	\$ (596)
Net Position as Percentage of Total Pension Liability	100.19%

Benefits Provided

TCDRS provides service and disability retirement, as well as death and survivor benefits, to eligible employees (and their beneficiaries). The normal service retirement is at age 60 with ten years of credited service, when the sum of the member's age and years of credited service equals 80 or more years, or after 30 years of service regardless of age. 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 Texas Legislature as noted in the Plan description above.

Contributions

The Plan is funded by monthly contributions from employee deposits and from employer contributions based on the covered payroll of employee members. Under the variable rate plan provisions, the contribution rate of the employer is actuarially determined annually. The required contribution was determined as part of the December 31, 2022 actuarial valuation using the entry age actuarial cost method.

The actuarial assumptions at December 31, 2022 included (a) an 7.50% investment rate of return (net of administrative expenses), and (b) a projected salary increase of 4.70%. Both (a) and (b) included an inflation component of 2.50%. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five year period. The employer contribution rate was 7.04% and 7.90% for 2023 and 2022. The deposit rate payable by employee members is the rate of 7.00% as adopted by the governing body of the employer. The employee deposit rate and the employer contribution rate may be changed by the governing body of the employer within the options available in the Texas state statutes governing TCDRS.

	Contribution Rates	
	2023	2022
Member	7.00%	7.00%
Employer	7.04%	7.90%
2023 Employer Contributions	\$	3,829
2023 Member Contributions		3,393

COTTLE COUNTY APPRAISAL DISTRICT

NOTES TO FINANCIAL STATEMENTS

Actuarial Assumptions

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

Valuation Date	December 31, 2022
Actuarial Cost Method	Entry Age (level of percentage of pay)
Amortization Method	
Smoothing Period	5 years
Recognition Method	Smoothed Market
Corridor	None
Remaining Amortization Period	18.3 years
Discount Rate	7.60%
Long-Term Expected Investment	
Rate of Return*	7.50%
Salary Increases*	4.70%
Payroll Growth Rate	0.00%

**Includes Inflation of 2.50%*

The actuarial methods and assumptions are primarily based on a study of the District's workforce and estimate of benefits it will pay its employees. The economic and demographic assumptions were developed from an actuarial experience investigation of TCDRS over the years 2017-2020. They were recommended by Milliman and adopted by the TCDRS Board of Trustees in December 2021. All economic assumptions were recommended by Milliman and adopted by the TCDRS Board of Trustees in March 2021. These assumptions, except where required to be different by GASB 68, are used to determine the total pension liability as of December 31, 2022.

Discount Rate

The discount rate used to measure the total pension liability was 7.60%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The long-term rate of return on pension plan investments is 7.50%.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

-23-
COTTLE COUNTY APPRAISAL DISTRICT
NOTES TO FINANCIAL STATEMENTS

Best estimates of geometric real rates of return for each major asset class included in the Texas County and District Retirement System's target asset allocation as of December 31, 2022 are summarized below:

Asset Class	Target Allocation	Geometric Real Rate of Return*
US Equities	11.50%	4.95%
Private Equity	25.00%	7.95%
Global Equities	2.50%	4.95%
International Equities - Developed	5.00%	4.95%
International Equities - Emerging	6.00%	4.95%
Investment-Grade Bonds	3.00%	2.40%
Strategic Credit	9.00%	3.39%
Direct Lending	16.00%	6.95%
Distressed Debt	4.00%	7.60%
REIT Equities	2.00%	4.15%
Master Limited Partnerships	2.00%	5.30%
Private Real Estate Partnerships	6.00%	5.70%
Hedge Funds	6.00%	2.90%
Cash Equivalents	2.00%	0.20%
Total	100.00%	

* - Geometric real rates of return in addition to assumed inflation of 2.30%,
per Cliffwater's 2023 capital market assumptions.

Discount Rate Sensitivity Analysis

The following schedule shows the impact of the Net Pension Liability if the discount rate used was one percent less than and one percent greater than the discount rate that was used (7.6%) in measuring the Net Pension Liability (Asset).

	1% Decrease in Discount Rate (6.6%)	Discount Rate (7.6%)	1% Increase in Discount Rate (8.6%)
Total Pension Liability	\$ 340,034	\$ 312,684	\$ 288,434
Fiduciary Net Position	(313,280)	(313,280)	(313,280)
Net Pension Liability (Asset)	\$ 26,754	\$ (596)	\$ (24,846)

-24-
COTTLE COUNTY APPRAISAL DISTRICT
NOTES TO FINANCIAL STATEMENTS

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

At December 31, 2023, the District reported an asset of \$596 for its proportionate share of the TCDRS net pension asset.

The net pension asset was measured as of December 31, 2022, and the total pension asset used to calculate the net pension asset was determined by an actuarial valuation as of that date. The employer's proportion of the net pension asset was based on the employer's contributions to the pension plan relative to the contributions of all employers to the plan for the period January 1, 2022 through December 31, 2022.

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

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

At December 31, 2023, the District reported its proportionate share of the TCDRS deferred outflows and inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Economic Experience	\$ 10,112	\$
Changes in Actuarial Assumptions	10,427	2,963
Net Difference Between Projected and Actual Earnings	4,993	
Contributions Paid to TCDRS Subsequent to the Measurement Date	4,157	
Total	<u>\$ 29,689</u>	<u>\$ 2,963</u>

The net amounts of the employer's balances of deferred outflows and inflows related to pensions (not including the deferred contribution paid subsequent to the measurement date) will be recognized in pension expense as follows:

	Pension Expense Amount
2024	\$ (2,097)
2025	1,950
2026	3,217
2027	11,347
2028	2,356
Thereafter	5,796

-25-
COTTLE COUNTY APPRAISAL DISTRICT
NOTES TO FINANCIAL STATEMENTS

Pension expense for the plan for the year ended December 31, 2022 was \$2,858 and was calculated as follows:

	<u>Pension Expense</u>
Service Cost	\$ 5,558
Interest on Total Pension Liability	22,451
Administrative Expenses	184
Member Contributions	(3,393)
Expected Investment Return Net of Investment Expenses	(25,607)
Amortization of Deferred Inflows and Outflows of Resources	2,895
Other	<u>770</u>
Total Pension Expense for the period ending December 31, 2022	<u><u>\$ 2,858</u></u>

Employees Covered by Benefit Terms

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

Inactive Employees or Beneficiaries Currently Receiving Benefits	1
Inactive Employees Entitled to but Not Yet Receiving Benefits	0
Active Employees	<u>2</u>
Total Plan Participants	<u><u>3</u></u>

5. Litigation and Commitments

The State Property Tax Code provides that the District is charged with the duty of defending lawsuits pursuant to Chapters 41 and 42 of the State Property Tax Code. In the event a taxpayer prevails in such lawsuit, Section 42.29 provides that the Court may award to the Plaintiff reasonable attorney's fees not to exceed the greater of \$15,000 or 20% of the total amount of taxes in dispute. The District does not accrue a liability for this contingency since the cost, if any, cannot be reasonably estimated.

Additionally, the affected taxing units of the District are contingently exposed to a reduced certified tax levy dependent upon the outcome of these lawsuits.

REQUIRED SUPPLEMENTARY INFORMATION

COTTLE COUNTY APPRAISAL DISTRICT

Schedule 1

BUDGETARY COMPARISON SCHEDULE
OPERATING FUND
FOR THE YEAR ENDED DECEMBER 31, 2023

	Adopted Budget	Amended Budget	Actual (Budgetary Basis)	Variance Favorable (Unfavorable)
REVENUES				
Charges for Services	\$ 166,739	\$ 167,771	\$ 167,771	\$ 0
Interest Income			280	280
Other Revenue	450	450	660	210
	<u>\$ 167,189</u>	<u>\$ 168,221</u>	<u>\$ 168,711</u>	<u>\$ 490</u>
EXPENDITURES				
Payroll and Payroll Related Expenditures	\$ 80,449	\$ 81,481	\$ 80,027	\$ 1,454
Appraisal Services	60,250	60,250	60,610	(360)
Other Professional Services	11,450	11,450	12,104	(654)
Education and Travel	2,000	2,000	3,418	(1,418)
Supplies and Equipment	4,475	4,475	3,985	490
Administrative and General	8,565	8,565	7,572	993
	<u>\$ 167,189</u>	<u>\$ 168,221</u>	<u>\$ 167,716</u>	<u>\$ 505</u>
REVENUES UNDER EXPENDITURES	<u>\$ 0</u>	<u>\$ 0</u>	\$ 995	<u>\$ 995</u>
FUND BALANCE - BEGINNING OF YEAR			<u>14,592</u>	
FUND BALANCE - END OF YEAR			<u>\$ 15,587</u>	

COTTLE COUNTY APPRAISAL DISTRICT

Schedule 2

SCHEDULE OF CHANGES IN NET PENSION LIABILITY
(ASSET) AND RELATED RATIOS
FOR THE YEARS ENDED DECEMBER 31

	2023	2022	2021	2020	2019	2018	2017	2016	2015
	Plan Yr 2022	Plan Yr 2021	Plan Yr 2020	Plan Yr 2019	Plan Yr 2018	Plan Yr 2017	Plan Yr 2016	Plan Yr 2015	Plan Yr 2014
TOTAL PENSION LIABILITY									
Service Cost	\$ 5,558	\$ 5,298	\$ 4,578	\$ 4,044	\$ 3,829	\$ 2,316	\$ 4,174	\$ 4,465	\$ 4,335
Interest Cost	22,451	21,568	20,922	19,926	19,102	17,987	17,458	16,578	15,404
Effect of Economic/Demographic Losses	(12,392)	(15,519)	(713)	(12,209)	(12,968)	(8,052)	(16,125)	(6,872)	(506)
Net Change in Total Pension Liability	\$ 15,617	\$ 11,347	\$ 24,787	\$ 11,761	\$ 9,963	\$ 12,251	\$ 5,507	\$ 14,171	\$ 19,233
Total Pension Liability, Beginning	297,067	285,720	260,933	249,172	239,209	226,958	221,451	207,280	188,047
Total Pension Liability, Ending	\$ 312,684	\$ 297,067	\$ 285,720	\$ 260,933	\$ 249,172	\$ 239,209	\$ 226,958	\$ 221,451	\$ 207,280
FIDUCIARY NET POSITION									
Employer Contributions	\$ 3,829	\$ 3,275	\$ 3,099	\$ 3,017	\$ 2,591	\$ 2,537	\$ 2,425	\$ 1,932	\$ 2,709
Member Contributions	3,393	3,275	3,099	3,017	2,591	2,537	2,425	1,932	2,709
Investment Income, Net of Expenses	(19,356)	62,189	27,733	39,188	(4,827)	33,406	16,528	(2,562)	13,649
Administrative Expenses	(184)	(185)	(210)	(205)	(192)	(169)	(179)	(159)	(161)
Benefit Payments/Refunds of Contributions	(14,717)	(14,716)	(14,716)	(14,716)	(14,716)	(14,716)	(16,240)	(13,490)	
Other	(770)	(152)	(225)	(260)	(258)	(130)	2,552	16,093	(12)
Net Change in Fiduciary Net Position	\$ (27,805)	\$ 53,686	\$ 18,780	\$ 30,041	\$ (14,811)	\$ 23,465	\$ 7,511	\$ 3,746	\$ 18,894
Fiduciary Net Position, Beginning	341,085	287,399	268,619	238,578	253,389	229,924	222,413	218,667	199,773
Fiduciary Net Position, Ending	\$ 313,280	\$ 341,085	\$ 287,399	\$ 268,619	\$ 238,578	\$ 253,389	\$ 229,924	\$ 222,413	\$ 218,667
NET PENSION LIABILITY (ASSET)	\$ (596)	\$ (44,018)	\$ (1,679)	\$ (7,686)	\$ 10,594	\$ (14,180)	\$ (2,966)	\$ (962)	\$ (11,387)
Fiduciary Net Position as a % of Total Pension Liability	100.19%	114.82%	100.59%	102.95%	95.75%	105.93%	101.31%	100.43%	105.49%
District's Covered Payroll	\$ 48,466	\$ 46,789	\$ 44,272	\$ 43,102	\$ 37,017	\$ 36,249	\$ 34,643	\$ 27,598	\$ 38,700
Net Pension Liability as a % of Covered Payroll	-1.23%	-94.08%	-3.79%	-17.83%	28.62%	-39.12%	-8.56%	-3.49%	-29.42%

Note: Only nine years of data is presented in accordance with GASBS #68, paragraph 138. "The information for all periods for the 10-year schedules that are required to be presented as required supplementary information may not be available initially. In these cases, during the transition period, that information should be presented for as many years as are available. The schedules should not include information that is not measured in accordance with the requirements of this Statement."

COTTLE COUNTY APPRAISAL DISTRICT

Schedule 3

**SCHEDULE OF EMPLOYER CONTRIBUTIONS
FOR THE YEARS ENDED DECEMBER 31**

Year Ending December 31,	Actuarially Determined Contribution	Actual Employer Contribution	Contribution Deficiency (Excess)	Pensionable Covered Payroll	Actual Contribution as % of Covered Payroll
2015	\$ 1,584	\$ 1,932	\$ (348)	\$ 27,598	7.00%
2016	1,652	2,425	(773)	34,644	7.00%
2017	2,537	2,537	0	36,249	7.00%
2018	2,591	2,591	0	37,017	7.00%
2019	3,017	3,017	0	43,100	7.00%
2020	3,099	3,099	0	44,272	7.00%
2021	3,275	3,275	0	46,789	7.00%
2022	3,829	3,829	0	48,466	7.90%
2023	4,157	4,157	0	59,049	7.04%

Note: Only nine years of data are presented in accordance with GASBS #68, paragraph 138. "The information for all periods for the ten year schedules that are required to be presented as required supplementary information may not be available initially. In these cases, during the transition period, that information should be presented for as many years as are available. The schedules should not include information that is not measured in accordance with the requirements of this Statement."

COTTLE COUNTY APPRAISAL DISTRICT

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2023**

CHANGES OF BENEFIT TERMS

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

CHANGES OF ASSUMPTIONS

There were new inflation, mortality, and other assumptions that affected the measurement of the total pension liability during the measurement period.