

FREESTONE CENTRAL APPRAISAL DISTRICT
ANNUAL FINANCIAL REPORT
DECEMBER 31, 2023

FREESTONE CENTRAL APPRAISAL DISTRICT

ANNUAL FINANCIAL REPORT

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Freestone Central Appraisal District
Fairfield, Texas

Report on the Audit of the Financial Statements

Opinions

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the general fund of Freestone Central 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Freestone Central Appraisal District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter

As discussed in Note 1.E.8 to the basic financial statements, during the year ended December 31, 2023, the District implemented Governmental Accounting Standards Board (GASB) Statement No. 96, *Subscription-Based Information Technology Arrangements*. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and pension schedules on pages 4-10, 38-39, and 40-41, respectively, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not

express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 1, 2024, on our consideration of the Freestone Central Appraisal District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Freestone Central Appraisal District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Freestone Central Appraisal District's internal control over financial reporting and compliance.

Frank Campos & Associates PLLC

Frank Campos & Associates, PLLC
Palestine, Texas
May 1, 2024

FREESTONE CENTRAL APPRAISAL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS

DECEMBER 31, 2023

Management's discussion and analysis provides a narrative overview of the financial activities and changes in the financial position of the Freestone Central Appraisal District (the District) for the fiscal year ended December 31, 2023. Readers should use the additional required notes included in the basic financial statements of the District along with this information.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the District exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$604,488 (net position). The unrestricted net position, which represents amounts available to meet the District's ongoing obligations to citizens and creditors, was a positive balance of \$477,595.
- The District's total net position increased \$13,531.
- At the close of the current fiscal year, the District's general fund reported fund balance of \$380,692, a decrease of \$43,670 in comparison with the prior year. Of this amount, \$196,161, or 52%, is available for spending at the District's discretion (unassigned fund balance).
- At the end of the current fiscal year, unrestricted fund balance (the total of committed, assigned, and unassigned components of fund balance) for the general fund was \$366,161, or approximately 24% of total general fund expenditures.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis provided here are intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements consist of two components: (1) government-wide financial statements, which include the fund financial statements, and (2) the notes to the financial statements. This report also includes required supplementary information intended to furnish additional detail to support the basic financial statements themselves.

Government-wide Financial Statements. The government-wide financial statements are designed to provide reader 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, liability, and deferred outflows/inflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The *statement of activities* presents information showing how the District's net position changed during the 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 related cash flows*. Thus, revenues and expenses are reported for some items that will only result in cash flows in future periods.

Both of the government-wide financial statements distinguish functions of the District that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the District includes tax appraisal. The District does not have any business-type activities.

FREESTONE CENTRAL APPRAISAL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS

DECEMBER 31, 2023

The government-wide financial statements can be found on pages 11-12 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 only operates one fund – the general fund – which is a governmental fund.

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 *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in assessing a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental 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*.

As previously stated, the District maintains only one fund – the general fund. The District adopts an annual appropriated budget for its general fund. A budgetary comparison schedule, which can be found on page 38 of this report, has been provided for the general fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 11-12 of this report.

Notes to the Financial Statements. The notes provide additional information that is necessary to acquire 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 13-37.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents required supplementary information concerning the District's budget and its progress in funding its obligations to provide pension benefits to its employees. Required supplementary information can be found immediately after the notes to the financial statements on pages 38-41.

GOVERNMENT-WIDE OVERALL FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of the District's financial position. In the case of the District, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$604,488, at the close of the most recent year.

**FREESTONE CENTRAL APPRAISAL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS**

DECEMBER 31, 2023

Net Position

	2023	2022
Assets		
Current and other assets	\$ 644,917	\$ 1,129,827
Capital assets	122,037	73,712
Total assets	766,954	1,203,539
Total deferred outflows of resources	333,175	216,636
Liabilities		
Long-term liabilities outstanding	205,237	31,602
Other liabilities	264,225	351,235
Total liabilities	469,462	382,837
Total deferred inflows of resources	26,179	446,381
Net position		
Net investment in capital assets	126,893	54,230
Unrestricted	477,595	536,727
Total net position	\$ 604,488	\$ 590,957

Current and other assets decreased in governmental activities by \$484,910 (43%) from the prior year partially due to a \$130,706 decrease in cash as a result of operations and partially due to the \$354,230 increase in the net pension liability which was an asset in the prior year. The overall \$466,997 increase in the net pension liability is primarily due to a \$290,679 increase in the total pension liability mostly because of interest and a \$176,318 decrease in the plan fiduciary net position mostly because of a net investment loss of \$216,771.

Capital assets increased in governmental activities by \$48,325 (66%) from the prior year partially due to current year depreciation and amortization of \$61,637 and partially due to the inception of a new lease for phones for \$29,855 and a subscription-based information technology arrangement (SBITA) for appraisal software for \$80,107.

Total deferred outflows of resources increased by \$116,539 due to an \$84,773 increase in the deferred outflows from the net difference between projected and actual earnings on the pension plan, a \$54,539 increase in contributions to the pension subsequent to the measurement date because of an additional \$50,000 contribution made by the District in the current fiscal year, a \$16,942 increase in deferred outflows from the differences between expected and actual experience, and a \$39,715 decrease in the deferred outflows from changes in assumptions.

Long-term liabilities outstanding increased in governmental activities by \$173,635 (549%) from the prior year mostly due to the \$112,767 increase in net pension liability which was an asset in the prior year; the \$41,590 increase in SBITA payable because of the inception of a \$80,107 SBITA contract and principal payments of \$38,517 during the year; and the \$17,252 increase in leases payable because of the inception of a \$29,855 lease agreement and principal payments of \$12,603 during the year.

Other liabilities decreased in governmental activities by \$87,010 (25%) from the prior year due to a significant decrease in deferred revenue because of the timing of participating entity payments to the District.

FREESTONE CENTRAL APPRAISAL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

DECEMBER 31, 2023

Total deferred inflows of resources decreased by \$420,202 primarily due to a \$400,586 decrease in the deferred inflows from the net difference between projected and actual earnings on the pension plan and a \$19,616 decrease in deferred outflows from the differences between expected and actual experience.

A portion of the District's net position, \$126,893, reflects its investment in capital assets (e.g., buildings and improvements; furniture, fixtures, and equipment; right-to-use leased equipment; and SBITA assets), net of accumulated depreciation and amortization and less any related outstanding debt that was used to acquire those assets. The District uses these capital assets to provide tax appraisal services to its district. Accordingly, these assets are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources used to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

As of the end of the current year, the District's unrestricted net position was \$477,595. The District's overall net position increased \$13,531 from the prior fiscal year. The reason for this overall increase is discussed below.

Change in Net Position

	<u>2023</u>	<u>2022</u>
Revenues:		
Program revenues:		
Charges for services	\$ 1,352,521	\$ 1,350,621
General revenues:		
Interest and other	<u>2,748</u>	<u>14,427</u>
Total revenues	1,355,269	1,365,048
Expenses:		
Tax appraisal	1,338,403	1,225,223
Interest on long-term debt	<u>3,335</u>	<u>507</u>
Total expenses	1,341,738	1,225,730
Increase (decrease) in net position	13,531	139,318
Net position - beginning	<u>590,957</u>	<u>451,639</u>
Net position - ending	<u>\$ 604,488</u>	<u>\$ 590,957</u>

Governmental Activities. During the current fiscal year, net position for governmental activities increased \$13,531 from the prior fiscal year for an ending balance of \$604,488. The increase in the overall net position of governmental activities is primarily due to a 9% increase in tax appraisal expenses and a 0.1% increase in charges for tax appraisal services.

Total revenue decreased \$9,779 (1%) from the prior year due a \$1,900 (0.1%) increase in the amount charged to participating entities and an \$11,679 (81%) decrease in other revenue because of an \$11,509 decrease in the surplus distribution from Texas Association of Counties Health and Employee Benefits Pool.

FREESTONE CENTRAL APPRAISAL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

DECEMBER 31, 2023

Expenses increased \$116,008 (9%) from the prior year primarily due to an \$87,995 increase in personnel expenses because of a \$50,711 (319%) increase in retirement expense due to the change in the net pension liability and a \$37,224 (8%) increase in salaries and wages expense due to an average budgeted increase in salaries and wages of 8%.

FINANCIAL ANALYSIS OF GOVERNMENTAL FUNDS

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

Governmental Funds. The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for discretionary use as they represent the portion of fund balance which has not yet been limited to use for a particular purpose by either an external party, the District itself, or a group or individual that has been delegated authority to assign resources for use for particular purposes by the District's Board of Directors.

At December 31, 2023, the District's governmental fund reported fund balance of \$380,692, a decrease of \$43,670 in comparison with the prior year. Of this amount, \$196,161, or 52%, constitutes unassigned fund balance, which is available for spending at the District's discretion. The remainder of the fund balance is either nonspendable, restricted, committed, or assigned to indicate that it is (1) not in spendable form, \$14,531; (2) not spendable because it is legally required to be maintained intact, \$0; (3) restricted for particular purposes, \$0; (4) committed for particular purposes, \$0; or (5) assigned for particular purposes, \$170,000.

Analysis of Individual Funds

The general fund is the chief operating fund of the District. At the end of the current fiscal year, unassigned fund balance of the general fund was \$196,161. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total general fund expenditures. Unassigned fund balance represents 13% of total general fund expenditures, while total fund balance represents 25% of the same amount.

The fund balance of the District's general fund decreased by \$43,670 during the current fiscal year due to a 18% increase in total expenditures and only a 7% increase in total revenue. Total revenue increased by \$100,183 (7%) primarily due to a \$109,962 increase in other financing sources related to a new lease and SBITA in the current year. Total expenditures increased by \$228,497 (18%) primarily due to a \$109,962 increase in capital outlay related to a new lease and SBITA in the current year, a \$74,924 increase in tax appraisal expenditures because of a significant increase in personnel expenditures related to salaries and wages and pension contributions, and a \$40,783 increase in principal expenditures related to the new SBITA.

GENERAL FUND BUDGETARY HIGHLIGHTS

Original budget compared to final budget. During the year, amendments were made to increase total budgeted expenditures from \$1,624,398 to \$1,765,378.

Final budget compared to actual results. Total appropriations of \$1,765,378 exceeded total actual expenditures of \$1,398,939 by \$366,439.

**FREESTONE CENTRAL APPRAISAL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS**

DECEMBER 31, 2023

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital assets. The District's investment in capital assets for its governmental activities as of December 31, 2023, amounts to \$122,037 (net of accumulated depreciation/amortization). This investment in capital assets includes buildings, furniture, fixtures, equipment, right-to-use-leased equipment, and SBITA assets. The total increase in capital assets for the current fiscal year was 66%.

Capital Assets (Net of Depreciation/Amortization)

	2023	2022
Buildings and improvements	\$ 43,582	\$ 50,593
Furniture, fixtures, and equipment	1,921	4,004
Right-to-use leased equipment	36,480	19,115
SBITA assets	40,054	-
Total	\$ 122,037	\$ 73,712

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

Long-term Obligations. At the end of the current fiscal year, the District's long-term obligations were comprised of compensated absences, leases payable, SBITAs payable, and the net pension liability.

Outstanding Obligations

	2023	2022
Compensated absences	\$ 14,146	\$ 12,120
Leases payable	36,734	19,482
SBITAs payable	41,590	-
Net pension liability/(asset)	112,767	(354,230)
Total	\$ 205,237	\$ (322,628)

The District's total long-term obligations decreased by \$527,865 (164%) during the current fiscal year primarily due to an increase in the net pension liability, the inception of a new lease agreement, and the inception of a new subscription-based information technology arrangement.

Additional information on the District's long-term obligations can be found in Note 4.E., Note 4.F., and Note 4.G. of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The following factors were considered in developing the 2024 fiscal year budget which was adopted in June 2023.

- The District anticipates an increase in personnel expenditures of about \$17,000 (2%) in 2024 mostly due to an estimated increase in salaries and wages of about \$41,300 (8%) and related payroll taxes, and estimated increase in employee health insurance of about \$13,400 (8%), and a decrease in retirement of about \$43,700 (\$47%).

**FREESTONE CENTRAL APPRAISAL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS**

DECEMBER 31, 2023

- The District anticipates an increase in contract expenditures of about \$22,000 (7%) in 2024 mostly due to an estimated increase of \$9,600 (22%) in mapping services and \$5,000 (2%) in mineral/utility/industrial appraisal services.
- The District anticipates an increase in contingency expenditures of about \$10,000.
- The District anticipates an increase in litigation expenditures of about \$128,700 (605%).
- Overall, the District anticipates an increase in total expenditures of about \$177,700 (13%) and an increase in total revenue of about \$71,400 (5%) as compared to actual current year expenditures.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the government's finances and to demonstrate the District's accountability for the money it receives from the taxing entities. If you have questions about this report or need additional financial information, please contact the Freestone Central Appraisal District, 218 North Mount, Fairfield, Texas 75840, to the attention of the Administrative Assistant.

FREESTONE CENTRAL APPRAISAL DISTRICT

STATEMENT OF NET POSITION AND GOVERNMENTAL FUND BALANCE SHEET

FOR THE YEAR ENDED DECEMBER 31, 2023

	General Fund	Adjustments	Governmental Activities
ASSETS			
Cash	\$ 630,386	\$ -	\$ 630,386
Prepaid items	14,531	-	14,531
Capital assets, net of accumulated depreciation/amortization	-	122,037	122,037
Total assets	644,917	122,037	766,954
DEFERRED OUTFLOWS OF RESOURCES			
Pension related	-	333,175	333,175
Total deferred outflows of resources	-	333,175	333,175
LIABILITIES			
Accrued payroll payable	14,671	-	14,671
Unearned revenue	249,554	-	249,554
Non-current liabilities:			
Due within one year			
Compensated absences	-	9,387	9,387
Leases payable	-	12,657	12,657
SBITA payable	-	41,590	41,590
Due in more than one year			
Compensated absences	-	4,759	4,759
Leases payable	-	24,077	24,077
Net pension liability	-	112,767	112,767
Total liabilities	264,225	205,237	469,462
DEFERRED INFLOWS OF RESOURCES			
Pension related	-	26,179	26,179
Total deferred inflows of resources	-	26,179	26,179
FUND BALANCE			
Nonspendable - Prepaid items	14,531	(14,531)	-
Assigned for			
Legal	150,000	(150,000)	-
Aerial photography	20,000	(20,000)	-
Unassigned	196,161	(196,161)	-
Total fund balance	380,692	(380,692)	-
Total liabilities and fund balance	\$ 644,917		
NET POSITION			
Net investment in capital assets		126,893	126,893
Unrestricted		477,595	477,595
Total net position		\$ 604,488	\$ 604,488

The accompanying notes are an integral part of these financial statements.

FREESTONE CENTRAL APPRAISAL DISTRICT

**STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUND REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE**

FOR THE YEAR ENDED DECEMBER 31, 2023

	General Fund	Adjustments	Governmental Activities
EXPENDITURES/EXPENSES			
Current:			
Tax appraisal	\$ 1,344,484	\$ (6,081)	\$ 1,338,403
Debt Service:			
Principal	51,120	(51,120)	-
Interest	3,335	-	3,335
Capital outlay	109,962	(109,962)	-
Total expenditures/expenses	1,508,901	(167,163)	1,341,738
 PROGRAM REVENUES			
Charges for services	1,352,521	-	1,352,521
Total program revenues	1,352,521	-	1,352,521
 GENERAL REVENUES			
Interest and other	2,748	-	2,748
Total general revenues	2,748	-	2,748
 OTHER FINANCING SOURCES (USES)			
Inception of leases (as lessee)	29,855	(29,855)	-
Inception of SBITAs	80,107	(80,107)	-
Total other financing sources (uses)	109,962	(109,962)	-
 Change in fund balance/net position	(43,670)	57,201	13,531
 Fund balance/net position - beginning	424,362	166,595	590,957
Fund balance/net position - ending	\$ 380,692	\$ 223,796	\$ 604,488

The accompanying notes are an integral part of these financial statements.

FREESTONE CENTRAL APPRAISAL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2023

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Freestone Central Appraisal District (the District) have been prepared in conformity with accounting principles generally accepted in the United States of America, as applied to government units (hereinafter referred to as generally accepted accounting principles (GAAP)). The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District's significant accounting policies are described below.

A. Reporting Entity

Freestone Central Appraisal District (District) was formed under an act passed by the 66th Legislature of the State of Texas. The District is responsible for appraising property located within Freestone County upon which local government entities levy ad valorem taxes. The Board of Directors (the Board), an eleven-member group constituting an on-going entity, is the level of government which has governance responsibilities over all activities related to the Freestone Central Appraisal District. The Board receives funding from the local taxing entities within Freestone County and must use this revenue to provide the services required of the District. However, the Board is not included in any other governmental "reporting entity" as defined in GASB Codification Section 2100, "Defining the Financial Reporting Entity", since board members are elected by the governing bodies of the local taxing entities within the District and have decision making authority, the power to designate management, the responsibility to significantly influence operations, and primary accountability for fiscal matters.

B. Basis of Presentation – Government-wide 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 nonfiduciary activities of the primary government and its component units. All fiduciary activities are reported only in the fund financial statements. *Governmental activities*, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges to external customers for support. The District's government-wide financial statements only report governmental activities because the District only has one fund, the general fund, which is a governmental fund incorporated in governmental activities.

Government-wide and fund financial statements are interrelated. The governmental activities column incorporates data from governmental funds and internal service funds, when applicable, while business-type activities incorporate data from the enterprise funds, when applicable. Financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements, when applicable. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. The District only operates one fund, so there is not interfund activity to eliminate.

FREESTONE CENTRAL APPRAISAL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2023

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Presentation – Fund Financial Statements

The fund financial statements provide information about the District's funds. When applicable, separate statements for each fund category, governmental, proprietary, and fiduciary – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

The District reports the following major governmental funds:

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

The District does not have any other governmental funds.

The District does not have any proprietary or fiduciary funds.

D. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of recognition in the financial statements of various kinds of transactions or events.

The government-wide, proprietary, and fiduciary fund 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 the timing of the related cash flows. Entity participation charges are recognized as revenues in the year for which they are charged. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized when they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred as under accrual accounting. However, debt service principal and interest expenditures on general long-term debt, including lease liabilities, as well as expenditures related to compensated absences, and claims and judgments and postemployment benefits are recognized later based on specific accounting rules applicable to each, generally when payment is due.

FREESTONE CENTRAL APPRAISAL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2023

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Measurement Focus and Basis of Accounting (Continued)

General capital asset acquisitions, including entering into contracts giving the District the right to use leased assets, are reported as expenditures in governmental funds. Issuance of long-term debt and financing through leases are reported as other financing sources.

Entity participation charges and interest associated with the current fiscal period are considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the District.

E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance

- 1. Cash and Cash Equivalents** – The District’s cash and cash equivalents include cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.
- 2. Prepaid Items** – Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.
- 3. Capital Assets** – Capital assets are tangible and intangible assets, which include buildings and improvements, furniture and equipment, and right-to-use leased equipment, are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the District as assets with an initial cost of \$1,000 or more and an estimated life in excess of three years.

As the District constructs or acquires capital assets each period, they are capitalized and reported at historical cost (except for intangible right-to-use lease assets, the measurement of which is discussed in Note 1.E.7. below). The reported value excludes normal maintenance and repairs, which are amounts spent in relation to capital assets that do not increase the asset’s capacity or efficiency or increase its estimated useful life. Donated capital assets are recorded at acquisition value at the date of donation. Acquisition value is the price that would be paid to acquire an asset with equivalent service potential on the date of the donation. Intangible assets follow the same capitalization policies as tangible capital assets and are reported with tangible assets in the appropriate capital asset class.

FREESTONE CENTRAL APPRAISAL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2023

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (Continued)

Land and construction in progress are not depreciated. The other buildings and improvements, furniture and equipment, and right-to-use leased equipment are depreciated/amortized using the straight-line method over the following estimated useful lives:

Capital Asset Class	Estimated Useful Life (Years)
Buildings and improvements	15-50
Furniture, fixtures, and equipment	5-10

4. **Deferred Outflows/Inflows of Resources** – In addition to assets, the statement of financial position includes a separate section for *deferred outflows of resources*. Deferred outflows of resources represent a consumption of net assets that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The District only has one item that qualifies for reporting in this category. It is the deferred amounts related to pension. The deferred amounts related to pension are due to differences between expected and actual economic experience, changes in actuarial assumptions, net difference between projected and actual investment earnings, and contributions made subsequent to the measurement date.

In addition to liabilities, the statement of financial position includes a separate section for *deferred inflows of resources*. Deferred inflows of resources represent an acquisition of net assets that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The District has only one type of item that qualifies for reporting in this category. The deferred amounts related to pension are due to differences between expected and actual economic experience and the net difference between projected and actual investment earnings.

5. **Net Position** – For government-wide reporting, the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources is called net position. Net position is comprised of three components: net investment in capital assets, restricted, and unrestricted.

- *Net investment in capital assets* consists of capital assets, net of accumulated depreciated/amortization and reduced by outstanding balances of bonds, notes, and other debt that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are included in this component of net position.

FREESTONE CENTRAL APPRAISAL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2023

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (Continued)

- *Restricted* net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Assets are reported as restricted when constraints are placed on asset use either by external parties or by law through constitutional provision or enabling legislation.
- *Unrestricted* net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that does not meet the definition of the two preceding categories.

Sometimes the district will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

6. **Fund Balance** – In governmental fund types, the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources is called “fund balance.” The District's governmental funds report the following categories of fund balance, based on the nature of any limitations requiring the use of resources for specific purposes.

- *Nonspendable* fund balance represents amounts that are either not in a spendable form (e.g., inventory, prepaids, etc.) or are legally or contractually required to remain intact.
- *Restricted* fund balance includes amounts that can be spent only for the specific purposes stipulated by external resource providers such as grantors or enabling federal, state, or local legislation. Restrictions may be changed or lifted only with the consent of the resource providers.
- *Committed* fund balance represents amounts that can be used only for the specific purposes determined by the adoption of an ordinance committing fund balance for a specified purpose by the District's Board of Directors prior to the end of the fiscal year. Once adopted, the limitation imposed by the ordinance remains in place until the resources have been spent for the specified purpose or the Board of Directors adopts another ordinance to remove or revise the limitation.

FREESTONE CENTRAL APPRAISAL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2023

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (Continued)

- *Assigned* fund balance represents amounts that are intended to be used by the District for specific purposes but do not meet the criteria to be classified as committed. The Board of Directors has authorized the Chief Appraiser to assign fund balance. The Board of Directors may also assign fund balance, as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments, generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.
- *Unassigned* fund balance represents the residual amount for the general fund that is not contained in the other classifications. The general fund is the only fund that reports a positive unassigned fund balance. Additionally, any deficit fund balance within the other governmental fund types is reported as unassigned.

Sometimes the District will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

7. **Leases** – A lease is a contract that conveys the control of the right to use another entity's nonfinancial asset as specified in the contract for a period of time in an exchange or exchange-like transaction. The District has established a materiality threshold of \$1,000 for purposes of recording leases as both a lessee and a lessor.

District as Lessee

The District recognizes a lease liability and an intangible right-to-use lease asset at the beginning of a lease. In general, the lease liability and the right-to-use lease assets are measured based on the present value of the expected payments during the term of the lease. Remeasurement of a lease liability and right-to-use lease asset occurs when there is a change in the lease term and/or other changes that are likely to have a significant impact on the lease liability. Lease assets are reported with capital assets and lease liabilities are reported with long-term debt on the statement of net position.

FREESTONE CENTRAL APPRAISAL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2023

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (Continued)

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

- The District uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the District generally uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease. In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options or period after termination options are only included in the lease term if the lease is reasonably certain to be extended.
- Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the District is reasonably certain to exercise. Leases with payments that depend on an index or rate, such as the Consumer Price Index or market rate, are initially measured using the index or rate as of the commencement of the lease term. Leases with periodic percentage rent increase or flat rate increases that are specified in the lease terms are included in the measurement of the lease liability.

The District calculated the amortization of the discount on the lease liability and reports that amount as outflows of resources or interest expense for the period.

The District amortizes the right-to-use lease asset on a straight-line basis over the shorter of the lease term or the useful life of the underlying asset. However, if the lease contains a purchase option that the District has determined is reasonably certain of being exercised, the lease asset is amortized over the useful life of the underlying asset. The District reports the amortization of the lease asset as an outflow of resources, amortization expense, which is combined with depreciation expense related to other capital assets for financial reporting purposes.

The District accounts for the partial or full lease termination by reducing the carrying values of the lease asset and lease liability, and recognizing a gain or loss for the difference. However, if the lease is terminated as a result of the District purchasing an underlying asset from the lessor, the lease asset will be reclassified to the appropriate class of owned asset.

Leases that are considered a short-term lease (12 months or less), transfers ownership of the underlying asset, assets held as investments, or contain variable payments based on future performance of the District or usage of the underlying assets are not included in the measurement of the lease liability. The District recognizes payments for short-term leases and variable payments as outflows of resources or expense in the period in which the District incurs the obligation for those payments.

FREESTONE CENTRAL APPRAISAL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2023

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (Continued)

8. **Subscription-based Information Technology Arrangements (SBITA)** – GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, was implemented as required by GASB during fiscal year ended December 31, 2023. The objective of the Statement is to better meet the information needs of financial statement users by (a) establishing uniform accounting and financial reporting requirements of subscription-based information technology arrangements (SBITAs); (b) improving the comparability of financial statements among governments that have entered into SBITAs; and (c) enhancing the understandability, reliability, relevance, and consistency of information about SBITAs. No restatement of prior year amounts was considered necessary.

A subscription-based information technology arrangement (SBITA) is contract that conveys control of the right to use a vendor's software, alone or in the combination with hardware. The District has established a materiality threshold of \$1,000 for purposes of recording SBITAs. The accounting treatment is very similar for leases (where the District is a lessee) and SBITAs. In each case, the District recognizes both a liability and an intangible right-to-use asset at the commencement of the contract. In general, the SBITA liability and the right-to-use SBITA asset are measured based on the present value of the expected payments during the subscription term. The SBITA asset is adjusted for subscription payments made at or before the subscription commencement date, plus certain initial direct costs. Remeasurement of the SBITA liability and right-to-use SBITA asset occurs when there is a change in the term and/or other changes that are likely to have a significant impact on the SBITA liability. The right-to-use asset of a SBITA is reported with depreciable capital assets and the liabilities for SBITAs are reported with the long-term liabilities when the SBITA contract term is greater than 12 months. In general, SBITAs with a contract term of 12 months or less are recognized as outflows of resources or expense.

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

- The District uses the interest charged by the vendor as the discount rate, when available. If the interest rate charged by the vendor is not available, the District generally uses its estimated incremental borrowing rate.
- The subscription term includes the noncancellable period of the SBITA. In determining the subscription term, management considers all facts and circumstances that create an economic incentive to exercise an extension option or not exercise a termination option. Extension options or periods after termination options are only included in the subscription term if it is reasonably certain that the SBITA will be extended or not terminated.

FREESTONE CENTRAL APPRAISAL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2023

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (Continued)

- Subscription payments included in the measurement of the SBITA liability are composed of: fixed payments; variable payments that depend on an index or a rate (such as the Consumer Price Index or a market interest rate), measured using the index of the rate as of the commencement of the subscription term); variable payments that are fixed in substance; payments for penalties for terminating the SBITA, if the subscription term reflects the government exercising the option to terminate the SBITA or a fiscal funding or cancellation clause; and any other payments to the SBITA vendor associated with the SBITA contract that are reasonably certain of being required based on an assessment of all relevant factors.

The District calculated the amortization of the discount on the SBITA liability and reports that amount as outflows of resources or interest expense for the period.

The District amortizes the right-to-use SBITA asset on a straight-line basis over the shorter of the subscription term or useful life. The District reports the amortization of the SBITA asset as an outflow of resources, amortization expense, which is combined with depreciation expense related to other capital assets for financial reporting purposes.

9. Revenues – Revenues are derived primarily from amounts assessed against each taxing entity in proportion to the amount of property taxes levied within the District by participating entities. Amounts received from these entities for the current year’s assessment are reported as program revenues from taxing entities. Any receipts from the taxing entities, related to their assessments for future years, are reported as unearned revenues.

10. Compensated Absences – It is the District’s policy that all regular full-time employees are entitled to accrue paid vacation leave while in continuous employment of the District. District employees accrue 6.67 hours per calendar month worked. After ten years of continuous employment, vacation is earned at a rate of 10 hours per calendar month worked. Regular part-time employees accrue vacation time at a rate of 4 hours per calendar month worked. Regular full-time employees may accumulate a maximum of 80 hours of vacation time. Regular full time employees who have been with the District for at least 10 years may accumulate a maximum of 120 hours of vacation time. Regular part-time employees may accumulate a maximum of 48 hours of vacation. Regular employees who leave the employment of the District are entitled to receive payment for accrued unused vacation. The liability for accrued unused vacation is reported as incurred in the government-wide financial statements. A liability for those amounts is recorded in the governmental funds only if the liability has matured as a result of employee resignations or retirements. The liability for compensated absences includes salary-related benefits, where applicable.

FREESTONE CENTRAL APPRAISAL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2023

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (Continued)

Regular full-time employees are entitled to accumulated paid sick leave at the rate of 6.67 hours for each calendar month worked. Regular part-time employees accumulate sick leave at the rate of 4 hours for each calendar month worked. Regular full-time employees may accumulate a maximum of 320 hours of sick leave. Regular part-time employees may accumulate a maximum of 192 hours of sick leave. No one will receive compensation for accumulated sick leave upon termination of service from the District. Therefore, no monetary obligation exists.

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

12. Estimates – In preparation of the financial statements in conformity with generally accepted accounting principles, management must make certain estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and revenues and expenses during the reporting period. Actual results could differ from those estimates.

FREESTONE CENTRAL APPRAISAL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2023

NOTE 2: RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. Explanation of Certain Differences Between the Governmental Fund Balance Sheet and the Government-wide Statement of Net Position

The Statement of Net Position and Governmental Fund Balance Sheet includes adjustments between *Fund Balance* and *Net Position*. The reasons for these adjustments follow:

Total fund balance on the Governmental Fund Balance Sheet	\$ 380,692
Capital assets, net of accumulated depreciation, used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds.	
Capital assets	483,751
Accumulated depreciation	(361,714)
Differences between expected and actual experiences, assumption changes and net differences between projected and actual earnings and contributions subsequent to the measurement date for the pension are recognized as deferred outflows of resources and deferred inflows of resources on the government-wide financial statements.	
Deferred outflows of resources - pension related	333,175
Deferred inflows of resources - pension related	(26,179)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds.	
Compensated absences	(14,146)
Leases payable	(36,734)
SBITA payable	(41,590)
Net pension liability	<u>(112,767)</u>
Net position of governmental activities on the Statement of Net Position	<u>\$ 604,488</u>

FREESTONE CENTRAL APPRAISAL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2023

NOTE 2: RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (CONTINUED)

B. Explanation of Certain Differences Between the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances and the Government-wide Statement of Activities

The Statement of Activities and Governmental Fund Revenues, Expenditures, and Changes in Fund Balance includes adjustments between the *Change in Fund Balance* and *Change in Net Position*. The reasons for these adjustments follow:

Change in fund balance on the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balance	\$ (43,670)
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	
Capital outlay	109,962
Depreciation	(61,637)
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported in the governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balance.	
Compensated absences	(2,026)
Net pension liability/asset	(466,997)
Deferred outflows of resources - pension related	116,539
Deferred inflows of resources - pension related	420,202
The issuance of long-term debt (e.g., bonds, notes, leases, etc.) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position.	
Inception of leases (as lessee)	(29,855)
Inception of SBITAs	(80,107)
Principal paid on leases payable	12,603
Principal paid on subscriptions payable	38,517
Change in net position of governmental activities on the Statement of Activities	\$ 13,531

FREESTONE CENTRAL APPRAISAL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2023

NOTE 3: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

An operating budget is adopted each year for the general fund on the modified accrual basis of accounting which is a basis consistent with generally accepted accounting principles (GAAP). The Board of Directors is authorized to transfer budgeted amounts between accounts; however, public hearings must be conducted before any revisions that alter total expenditures are effective. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is total expenditures.

B. Excess of Expenditures Over Appropriations

For the year ended December 31, 2023, the District did not report any category of expenditures in excess of appropriations.

C. Deficit Fund Equity

At December 31, 2023, the District did not report any deficit balances in any category of fund balance or net position.

NOTE 4: DETAILED NOTES ON ALL ACTIVITIES AND FUNDS

A. Cash Deposits with Financial Institutions

Custodial Credit Risk – Deposits. In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District's policy is to follow State statutes which require all deposits in financial institutions be fully collateralized by U.S. Government Obligations or its agencies and instrumentalities or direct obligations of Texas or its agencies that have a fair value of not less than the principal amount of deposits. As of December 31, 2023, the District's bank balance was \$630,261. \$250,000 of the District's deposit balance was insured by the Federal Deposit Insurance Corporation (FDIC), and the remaining balance of \$380,261 was collateralized by securities held by the pledging financial institution. The carrying amount of the deposits as of December 31, 2023 was \$630,386.

Interest Rate Risk. Interest rate risk is the risk that adverse changes in interest rates will result in an adverse effect on the fair value of an investment. It's the District's policy to invest in shorter-term securities to protect market valuation from unanticipated rate movements.

Credit Risk. Credit risk is the risk that an insurer or other counterparty to an investment will not fulfill its obligations. It's the District's policy to identify suitable investment options, preserve principal by investing in options with limited perceived credit risk, and to diversify investment types.

Concentration Credit Risk. The concentration of credit risk is the risk of loss attributed to the magnitude of an entity's investment in a single insurer. It's the District's policy to monitor the value of securities pledged against the District's deposits. As of December 31, 2023, 100% of the District's carrying value of cash was deposited with one depository bank and adequately secured as described above.

FREESTONE CENTRAL APPRAISAL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2023

NOTE 4: DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (CONTINUED)

B. Capital Assets

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

	Beginning Balance	Additions	Deletions	Ending Balance
Capital assets being depreciated				
Buildings and improvements	\$ 242,313	\$ -	\$ -	\$ 242,313
Furniture, fixtures, and equipment	51,950	-	(2,167)	49,783
Right-to-use leased equipment	90,023	29,855	(8,330)	111,548
SBITA assets	-	80,107	-	80,107
Total capital assets not being depreciated	<u>384,286</u>	<u>109,962</u>	<u>(10,497)</u>	<u>483,751</u>
Less accumulated depreciation				
Buildings and improvements	(191,720)	(7,011)	-	(198,731)
Furniture, fixtures, and equipment	(47,946)	(2,083)	2,167	(47,862)
Right-to-use leased equipment	(70,908)	(12,490)	8,330	(75,068)
SBITA assets	-	(40,053)	-	(40,053)
Total accumulated depreciation	<u>(310,574)</u>	<u>(61,637)</u>	<u>10,497</u>	<u>(361,714)</u>
Total capital assets being depreciated, net of accumulated depreciation	<u>\$ 73,712</u>	<u>\$ 48,325</u>	<u>\$ -</u>	<u>\$ 122,037</u>

Depreciation/amortization expense of \$61,637 was entirely charged to the District's only function/program – appraisal services.

C. Pension Plan – Texas County & District Retirement System

Plan Description

The District has a defined benefit pension plan through the Texas County & District Retirement System (TCDRS), which is a statewide, agent multiple-employer, public employee retirement system that serves nearly 850 participating counties and districts throughout Texas. The Board of Trustees of TCDRS is responsible for the administration of the retirement system. Plan provisions are adopted by the District's Board of Directors within the options available in the TCDRS Act. TCDRS issues a publicly available annual comprehensive financial report (ACFR) on a calendar year basis that can be found at www.TCDRS.org.

All full- and part-time non-temporary employees of the District participate in the plan, regardless of the number of hours they work in a year. Employees in a temporary position are not eligible for membership.

FREESTONE CENTRAL APPRAISAL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2023

NOTE 4: DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (CONTINUED)

C. Pension Plan – Texas County & District Retirement System (Continued)

Benefits Provided

The plan provides retirement, disability, and survivor benefits. TCDRS is a savings-based plan. A percentage of each employee's paycheck is deposited into their TCDRS account. That percentage (from 4% to 7%) is set by the employer. The employee's savings grow, by law, at a rate of 7%, compounded annually. The employer selects a matching rate – at least "dollar for dollar," up to \$2.50 per \$1.00 in the employee's account. At retirement, the employee's account balance is combined with employer matching and converted into a lifetime monthly benefit (annuity).

Employees receive a month of service time for each month that they make a deposit into their account. The amount of service an employee needs to earn a future benefit is called the vesting requirement. When an employee is vested, they have the right to a monthly benefit, which includes employer matching, at age 60 or older. Employers may choose 5-, 8- or 10-year vesting. In addition, employees may retire before age 60 if they meet one of the following requirements, set by the employer:

- "Rule of" eligibility: Under these rules, a vested employee can retire if their age plus years of service time add up to at least 75 or 80.
- 20-year or 30-year retirement at any age: This lets employees retire when they have at least 20 or 30 years of service time

Retirees elect to receive their lifetime benefit by choosing one of seven actuarially equivalent payment options.

Employers may elect to provide other optional benefits. Prior service gives employees monetary credit for time worked for an organization before it joined the system. Buybacks allow current employees to re-establish a closed TCDRS account from previous service with an employer. Partial lump-sum payments at retirement allow employees to withdraw part or all of their TCDRS account balance as a lump sum at retirement with a reduced monthly benefit.

In addition, an employer may choose to adopt a cost-of-living adjustment (COLA) for its retirees. This adjusts retiree benefits to restore purchasing power lost due to the effects of inflation.

FREESTONE CENTRAL APPRAISAL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2023

NOTE 4: DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (CONTINUED)

C. Pension Plan – Texas County & District Retirement System (Continued)

Benefits Provided (Continued)

Benefit terms are established under the TCDRS Act. They may be amended as of January 1 each year, but must remain in conformity with the Act. A summary of the plan provisions for the District are as follows:

	2023	2022
Employee deposit rate	7%	7%
Employer matching	250%	250%
Prior service credit	10%	10%
Retirement eligibility at age 60	10 years of service	10 years of service
Retirement eligibility rule of	75 years total age + service	75 years total age + service
Retirement eligibility at any age	20 years of service	20 years of service
Partial lump-sum payment at retirement	No	No
Group term life	None	None

Employees Covered by Benefit Terms

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

Inactive employees or beneficiaries currently receiving benefits	5
Inactive employees entitled to but not yet receiving benefits	13
Active employees	13
Total	31

Contributions

The deposit rate for employees is 4%, 5%, 6%, or 7% of compensation, as adopted by the employer’s governing body. The District’s contribution rate is calculated annually on an actuarial basis, although the employer may elect to contribute at a higher rate. The actuarially determined contribution rate is based on the TCDRS funding policy adopted by the TCDRS Board of Trustees and must conform with the TCDRS Act.

Employees of the Freestone Central Appraisal District were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rate for the District was 15% both calendar years 2023 and 2022. The District’s contributions to TCDRS for the fiscal year ended December 31, 2023 were \$136,147 and was more than the required contributions.

Net Pension Liability

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

FREESTONE CENTRAL APPRAISAL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2023

NOTE 4: DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (CONTINUED)

C. Pension Plan – Texas County & District Retirement System (Continued)

Actuarial Assumptions

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

Real rate of return	5.00%
Inflation	2.50%
Long-term investment return	7.50%
Growth in membership	0.00%
Payroll growth for funding calculations	0.00%

The assumed long-term investment return of 7.5% is net after investment and administrative expenses. It is assumed returns will equal the nominal annual rate of 7.5% for calculating the actuarial accrued liability and the normal cost contribution rate for the retirement plan of each participating employer.

The annual salary increase rates assumed for individual members vary by length of service and by entry-age group. The annual rates consist of a general wage inflation component of 3% (made up of 2.5% inflation and 0.5% productivity increase assumptions) and a merit, promotion, and longevity component that on average approximates 1.7% per year for a career employee.

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

Cost-of-living adjustments for the District are not considered to be substantively automatic under GASBS 68. Therefore, no assumption for future cost-of-living adjustments is included in the GASB calculation or the funding valuation.

The rate of assumed future termination from active participation in the plan for reasons other than death, disability, or retirement vary by length of service, entry-age group (age at hire) and gender. No termination after eligibility for retirement is assumed. Members who terminate may either elect to leave their account with TCDRS or withdraw their funds. The probability that a member elects a withdrawal varies by length of service and vesting schedule. For non-depositing members who are not vested, 100% are assumed to elect a withdrawal.

The rates of disability used in this valuation are based on TCDRS experience. Members who become disabled are eligible to commence benefit payments regardless of age.

Retirement rates predict when active retirement eligible members will commence receiving benefit payments and are based on a member's age and length of service. Retirement eligible members age 75 or older are assumed to commence receiving benefit immediately. Non-depositing members are assumed to retire at the later of first retirement eligibility or age 60.

FREESTONE CENTRAL APPRAISAL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2023

NOTE 4: DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (CONTINUED)

C. Pension Plan – Texas County & District Retirement System (Continued)

Actuarial Assumptions (Continued)

Mortality rates for active members, retirees, and beneficiaries were based on the following tables and adjustments:

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

The 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 of 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. The assumptions are reviewed annually for continued compliance with the relevant actuarial standards of practice.

The long-term expected rate of return on TCDRS assets is determined by adding expected inflation to expected long-term returns, and reflecting expected volatility and correlation. The capital market assumptions are provided by TCDRS' investment consultant, Cliffwater LLC. The amounts are based on January 2023 information for a 10-year time horizon. The valuation assumption for long-term expected return is reassessed in detail at a minimum of every four years, and is set based on a long-term time horizon. The TCDRS Board of Trustees adopted the current assumption at their March 2021 meeting. The assumption for the long-term expected return is reviewed annually for continued compliance with the relevant actuarial standards of practice.

FREESTONE CENTRAL APPRAISAL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2023

NOTE 4: DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (CONTINUED)

C. Pension Plan – Texas County & District Retirement System (Continued)

Actuarial Assumptions (Continued)

The target allocation and best estimates of real rates of return for each major asset class in 2022 are summarized in the following table:

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

Discount Rate

The discount rate used to measure the Total Pension Liability was 7.6%. This rate reflects the long-term rate of return on assets for funding purposes of 7.5%, net of all expenses, increased by 0.1% to be gross of administrative expenses. The plan's fiduciary net position is projected to be sufficient to make all projected future benefit payments of current active, inactive, and retired members. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return, and the municipal bond rate does not apply.

FREESTONE CENTRAL APPRAISAL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2023

NOTE 4: DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (CONTINUED)

C. Pension Plan – Texas County & District Retirement System (Continued)

Changes in Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability	Fiduciary Net Position	Net Pension Liability/(Asset)
	(a)	(b)	(a) - (b)
Balance at December 31, 2021	\$ 3,293,281	\$ 3,647,511	\$ (354,230)
Changes for the year:			
Service cost	90,094	-	90,094
Interest on total pension liability ⁽¹⁾	253,961	-	253,961
Effect of plan changes ⁽²⁾	-	-	-
Effect of economic/demographic gains or losses	31,744	-	31,744
Effect of assumptions changes or inputs	-	-	-
Refund of contributions	(2,149)	(2,149)	-
Benefit payments	(82,971)	(82,971)	-
Administrative expenses	-	(2,034)	2,034
Member contributions	-	38,084	(38,084)
Net investment income	-	(216,771)	216,771
Employer contributions	-	81,608	(81,608)
Other ⁽³⁾	-	7,915	(7,915)
Balance at December 31, 2022	<u>\$ 3,583,960</u>	<u>\$ 3,471,193</u>	<u>\$ 112,767</u>

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

⁽²⁾ No plan changes valued.

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

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following represents the Net Pension Liability of the District, calculated using the discount rate of 7.6%, 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 (6.6%) or 1-percentage-point higher (8.6%) than the current rate:

	1% Decrease in Discount Rate 6.60%	Discount Rate 7.60%	1% Increase in Discount Rate 8.60%
Total pension liability	\$ 4,042,855	\$ 3,583,960	\$ 3,194,768
Fiduciary net position	3,471,193	3,471,193	3,471,193
Net pension liability/(asset)	<u>\$ 571,662</u>	<u>\$ 112,767</u>	<u>\$ (276,425)</u>

FREESTONE CENTRAL APPRAISAL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2023

NOTE 4: DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (CONTINUED)

C. Pension Plan – Texas County & District Retirement System (Continued)

Pension Plan Fiduciary Net Position

Detailed information about the pension plan’s Fiduciary Net Position is available in a separately-issued TCDRS financial report. That report may be obtained on the Internet at www.tcdrs.org.

Pension Expense, Deferred Outflows/Inflows of Resources Related to Pensions

For the year ended December 31, 2023, the District recognized pension expense of \$66,596.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 35,596	\$ 26,179
Changes of assumptions	76,659	-
Net difference between projected and actual earnings	84,773	-
Contributions made subsequent to measurement date	136,147	-
Total	\$ 333,175	\$ 26,179

\$136,147 is reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date. This amount will be recognized as a reduction of the net pension liability for the year ending December 31, 2023.

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

Year Ending December 31,	Net Deferred Outflows/Inflows of Resources Recognized
2024	\$ 5,987
2025	44,001
2026	21,762
2027	99,099
Total	\$ 170,849

D. Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District continues to carry commercial insurance for all of those types of loss, including commercial building and property, vehicle collision, liability, and comprehensive, public official’s liability. Settled claims resulting from these risks have not exceeded commercial coverage in any of the past three fiscal years.

FREESTONE CENTRAL APPRAISAL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2023

NOTE 4: DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (CONTINUED)

D. Risk Management (Continued)

The District joined together with other governments to form a worker's compensation risk pool, a public entity risk pool currently operating as a common risk management and insurance program for workers' compensation. The District pays an annual premium to the pool for its workers' compensation insurance coverage. The agreement for formation of the Texas Municipal League Intergovernmental Risk Pool provides that the pool will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of \$1,000,000 for each insured event. The District's liability is limited to the contractual premiums required to be paid each year. Those premiums can be changed only on the renewal date of the contractual agreement. Because of the structure of this insurance policy, there is no need for a designation of fund balance to allow for contingent liabilities related to this insurance. The Texas Municipal League Intergovernmental Risk Pool has published its own financial report for the year ended August 31, 2022, which can be obtained from the Texas Municipal League, Austin, Texas.

E. Leases

In February 2014, the District entered into a five-year lease agreement as a lessee for the use of a server. The original lease term ended in February 2019, and the District continues to lease the server on a month-to-month basis. An initial lease liability was recorded in the amount of \$30,360. The lease has an interest rate of 3.23%. As of December 31, 2023, the value of the lease liability was \$0. The District is required to make quarterly payments of \$1,650. Since the agreement is no longer cancellable, total payments of \$6,600 were expensed in the current fiscal year. The equipment has a five-year estimate useful life. The value of the right-to-use asset as of the end of the current fiscal year was \$30,360 and had accumulated amortization of \$30,360.

In June 2017, the District entered into a four-year lease agreement as a lessee for the use of a copier. The original lease term ended in June 2021, and the District continues to lease the server on a month-to-month basis. An initial lease liability was recorded in the amount of \$8,330. The lease had an interest rate of 2.69%. The District was required to make monthly payments of \$183.24. The equipment had a four-year estimated useful life. The lease ended and the copier was returned to the lessor in February 2023.

In February 2019, the District entered into a five-year lease agreement as a lessee for the use of a copier. An initial lease liability was recorded in the amount of \$8,540. The lease has an interest rate of 3.02%. As of December 31, 2023, the value of the lease liability was \$306. The District is required to make monthly principal and interest payments \$153.51. The equipment has a five-year estimated useful life. The value of the right-to-use asset as of the end of the current fiscal year was \$8,840 and had accumulated amortization of \$8,255.

In July 2019, the District entered into a five-year lease agreement as a lessee for the use of a copier. An initial lease liability was recorded in the amount of \$23,311. The lease has an interest rate of 2.43%. As of December 31, 2023, the value of the lease liability was \$2,460. The District is required to make monthly principal and interest payments \$412.99. The equipment has a five-year estimated useful life. The value of the right-to-use asset as of the end of the current fiscal year was \$23,311 and had accumulated amortization of \$20,980.

FREESTONE CENTRAL APPRAISAL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2023

NOTE 4: DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (CONTINUED)

E. Leases (Continued)

In January 2020, the District entered into a five-year lease agreement as a lessee for the use of a copier. An initial lease liability was recorded in the amount of \$6,069. The lease has an interest rate of 2.18%. As of December 31, 2023, the value of the lease liability was \$1,372. The District is required to make monthly principal and interest payments \$106.86. The equipment has a five-year estimated useful life. The value of the right-to-use asset as of the end of the current fiscal year was \$6,069 and had accumulated amortization of \$4,754.

In September 2020, the District entered into a five-year lease agreement as a lessee for the use of a postage machine. An initial lease liability was recorded in the amount of \$13,413. The lease has an interest rate of 1.13%. As of December 31, 2023, the value of the lease liability was \$4,781. The District is required to make quarterly principal and interest payments of \$690.81. The equipment has a five-year estimated useful life. The value of the right-to-use asset as of the end of the current fiscal year was \$13,413 and had accumulated amortization of \$8,495.

In February 2023, the District entered into a four-year lease agreement as a lessee for the use of a copier. An initial lease liability will be recorded in the amount of \$7,967. The lease has an interest rate of 4.08%. As of December 31, 2023, the value of the lease liability was \$6,570. The District is required to make monthly principal and interest payments of \$180.16. The equipment has a four-year estimated useful life. The value of the right-to-use asset is as of the end of the current fiscal year was \$7,967 and had accumulated amortization of \$1,494.

In October 2023, the District entered into a five-year lease agreement as a lessee for the use of phones. An initial lease liability will be recorded in the amount of \$21,888. The lease has an interest rate of 5.12%. As of December 31, 2023, the value of the lease liability was \$21,245. The District is required to make monthly principal and interest payments of \$414.25. The equipment has a five-year estimated useful life. The value of the right-to-use asset is as of the end of the current fiscal year was \$21,158 and had accumulated amortization of \$87.

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

Year Ending December 31,	Principal	Interest	Total
2024	\$ 12,657	\$ 1,306	\$ 13,963
2025	8,361	951	9,312
2026	6,497	636	7,133
2027	5,171	874	6,045
2028	4,048	95	4,143
Total	<u>\$ 36,734</u>	<u>\$ 3,862</u>	<u>\$ 40,596</u>

FREESTONE CENTRAL APPRAISAL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2023

NOTE 4: DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (CONTINUED)

F. Subscription-Based Information Technology Arrangements

In January 2023, the District entered into a two-year subscription-based information technology arrangement (SBITA) for the use of appraisal software. An initial SBITA liability was recorded in the amount of \$80,107. The SBITA has an interest rate of 4.02%. As of December 31, 2023, the value of the SBITA liability was \$41,590. The District is required to make quarterly principal and interest payments of \$10,290.50. The SBITA has a two-year estimated useful life. The value of the SBITA asset as of the end of the current fiscal year was \$80,107 and had accumulated amortization of \$40,053.

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

Year Ending December 31,	Principal	Interest	Total
2024	\$ 41,590	\$ 1,050	\$ 42,640
Total	\$ 41,590	\$ 1,050	\$ 42,640

G. Long-term Liabilities

Long-term liabilities activity for the year ended December 31, 2023, was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
Compensated absences	\$ 12,120	\$ 29,933	\$ (27,907)	\$ 14,146	\$ 9,387
Leases payable	19,482	29,855	(12,603)	36,734	12,657
SBITA payable	-	80,107	(38,517)	41,590	41,590
Net pension liability/(asset)	(354,230)	594,604	(127,607)	112,767	-
Total long-term liabilities	\$ (322,628)	\$ 734,499	\$ (206,634)	\$ 205,237	\$ 63,634

H. Contingencies

The District is a defendant in multiple litigation cases which involve disputes with property owners over the taxable value of their property. Although the outcome of these lawsuits is not presently determinable, the resolution of these matters will likely not have a material adverse effect on the financial condition of the District because these cases seldom involve claims of direct liability against the appraisal district, and while property owners can be awarded attorney fees should they prevail, the most likely negative result is a diminution of the taxable value of the property in issue.

I. Subsequent Events

In February 2024, the District entered into a five-year lease agreement as a lessee for the use of a copier to replace an expired copier lease. An initial lease liability will be recorded in the amount of \$15,951. The lease has an interest rate of 4.31%. The District will be required to make monthly principal and interest payments of \$296.

FREESTONE CENTRAL APPRAISAL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2023

NOTE 4: DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (CONTINUED)

I. Subsequent Events (Continued)

Subsequent events have been evaluated through May 1, 2024, the date the financial statements were available to be issued.

FREESTONE CENTRAL APPRAISAL DISTRICT

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND**

FOR THE YEAR ENDED DECEMBER 31, 2023

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Charges for services	\$ 1,352,521	\$ 1,352,521	\$ 1,352,521	\$ -
Interest and other income	3,000	3,000	2,748	(252)
Total revenues	1,355,521	1,355,521	1,355,269	(252)
EXPENDITURES				
Personnel services	859,339	904,859	890,329	14,530
Supplies	75,425	86,525	79,630	6,895
Contracts	336,222	335,222	333,128	2,094
General services	59,030	59,410	57,867	1,543
Equipment purchases	1,500	1,500	-	1,500
Contingency	128,877	209,857	-	209,857
Litigation	150,000	150,000	21,266	128,734
Appraisal Review Board	14,005	18,005	16,719	1,286
Total expenditures	1,624,398	1,765,378	1,398,939	366,439
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	\$ (268,877)	\$ (409,857)	\$ (43,670)	\$ 366,187
FUND BALANCE - BEGINNING			424,362	
FUND BALANCE - ENDING			\$ 380,692	

FREESTONE CENTRAL APPRAISAL DISTRICT
NOTES TO THE BUDGETARY COMPARISON SCHEDULE

DECEMBER 31, 2023

NOTE 1: BUDGETARY PROCESS

The District's procedures in establishing the budgetary data reflected in the required supplementary information are as follows:

1. Prior to June 15, the chief appraiser submits to each taxing entity represented on the District's Board a copy of the proposed budget for the operations of the District for the subsequent calendar year.
2. The Board of Directors holds a public hearing to consider the budget and make necessary adjustments. A notice of this public hearing must be given at least 10 days before the date of the hearing.
3. Prior to September 15, the Board must approve the budget. Once approved by the Board, the budget must be approved by the governing bodies of the local taxing entities. If a majority of the governing bodies adopt resolutions disapproving the budget and file them with the secretary of the Board within thirty days after its adoption, the budget does not take effect. The Board must then adopt a new budget within thirty days of such disapproval.
4. The Board of Directors is authorized to transfer budgeted amounts between accounts; however, public hearings must be conducted before any revisions that alter total expenditures are effective. A written copy of the proposed amendment must be delivered to each taxing entity thirty days before its adoption. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is total expenditures.

NOTE 2: BUDGETARY BASIS OF ACCOUNTING

The District's budget is prepared on the modified accrual basis of accounting which is consistent with generally accepted accounting principles.

FREESTONE CENTRAL APPRAISAL DISTRICT

SCHEDULE OF EMPLOYER CONTRIBUTIONS

LAST TEN YEARS

Year Ending	Actuarially Determined Contribution (a)	Actual Employer Contribution (b)	Contribution Deficiency (Excess) (a-b)	Pensionable Covered Payroll (c)	Actual Contribution as a % of Covered Payroll (b)/(c)
2013	78,197	81,017	(2,820)	600,127	13.5%
2014	71,893	78,524	(6,631)	581,658	13.5%
2015	72,514	81,578	(9,064)	604,285	13.5%
2016	69,431	82,293	(12,862)	609,579	13.5%
2017	77,395	103,454	(26,059)	618,174	16.7%
2018	77,029	94,066	(17,037)	622,708	15.1%
2019	71,078	95,751	(24,673)	635,194	15.1%
2020	80,043	92,121	(12,078)	682,377	13.5%
2021	66,943	81,344	(14,401)	602,550	13.5%
2022	79,214	81,608	(2,394)	544,052	15.0%

NOTES TO THE SCHEDULE OF EMPLOYER CONTRIBUTIONS

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

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age (level percentage of pay)
Amortization Method	Level percentage of payroll, closed
Remaining Amortization Period	18.3 years (based on contribution rate calculated in 12/31/2022 valuation)
Asset Valuation Method	5-year smoothed market
Inflation	2.50%
Salary Increases	Varies by age and service, 4.7% average over career including inflation.
Investment Rate of Return	7.50%, net of administrative and investment expenses, including inflation
Retirement Age	Members who are eligible for service retirement are assumed to commence receiving benefit payments based on age. The average age at service retirement for recent retirees is 61.
Mortality	135% of the Pub-2010 General Retirees Table for males and 120% of Pub-2010 General Retirees table for females, both projected with 100% of the MP-2021 Ultimate scale after 2010.
Changes in Assumptions and Methods Reflected in the Schedule of Employer Contributions*	2015: New inflation, mortality and other assumptions were reflected. 2017: New mortality assumptions were reflected. 2019: New inflation, mortality and other assumptions were reflected. 2022: New investment return and inflation assumptions were reflected.
Changes in Plan Provisions Reflected in the Schedule of Employer Contributions*	2015: No changes in plan provisions were reflected in the Schedule. 2016: No changes in plan provisions were reflected in the Schedule. 2017: New Annuity Purchase Rates were reflected for benefits earned after 2017. 2018: No changes in plan provisions were reflected in the Schedule. 2019: No changes in plan provisions were reflected in the Schedule. 2020: No changes in plan provisions were reflected in the Schedule. 2021: No changes in plan provisions were reflected in the Schedule. 2022: No changes in plan provisions were reflected in the Schedule.

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

FREESTONE CENTRAL APPRAISAL DISTRICT

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS

	LAST TEN YEARS*								
	2022	2021	2020	2019	2018	2017	2016	2015	2014
Total Pension Liability									
Service cost	\$ 90,094	\$ 125,622	\$ 103,385	\$ 105,194	\$ 105,678	\$ 108,715	\$ 110,268	\$ 97,452	\$ 102,684
Interest on total pension liability	253,961	236,974	212,782	193,326	173,076	155,336	132,283	120,236	105,894
Effect of plan changes	-	3,897	-	-	-	-	-	(19,111)	-
Effect of assumption changes or inputs	-	12,244	176,344	-	-	8,300	-	16,810	-
Effect of economic/demographic (gains) or losses	31,744	(45,025)	29,470	(18,322)	4,868	(28,166)	(3,070)	(66,927)	(18,294)
Benefit payments/refunds of contributions	(85,120)	(64,605)	(41,882)	(34,636)	(31,738)	(12,899)	(6,276)	(7,982)	(11,022)
Net change in Total Pension Liability	290,679	269,107	480,099	245,562	251,884	231,286	233,205	140,478	179,262
Total Pension Liability - Beginning	3,293,281	3,024,174	2,544,075	2,298,513	2,046,629	1,815,343	1,582,138	1,441,660	1,262,398
Total Pension Liability - Ending (a)	\$3,583,960	\$3,293,281	\$3,024,174	\$2,544,075	\$2,298,513	\$2,046,629	\$1,815,343	\$1,582,138	\$1,441,660
Plan Fiduciary Net Position									
Contributions - employer	\$ 81,608	\$ 81,344	\$ 92,121	\$ 95,751	\$ 94,066	\$ 103,454	\$ 82,293	\$ 81,578	\$ 78,524
Contributions - employee	38,084	42,179	47,766	44,464	43,590	43,272	42,671	42,300	40,716
Net investment income	(216,771)	651,743	265,852	347,454	(36,930)	245,357	106,108	(37,872)	77,361
Benefit payments, including refunds of employee contributions	(85,120)	(64,605)	(41,882)	(34,636)	(31,738)	(12,899)	(6,276)	(7,982)	(11,022)
Administrative expense	(2,034)	(1,973)	(2,149)	(1,960)	(1,700)	(1,361)	(1,154)	(1,004)	(971)
Other	7,915	2,477	3,156	3,973	3,360	1,782	17,570	155	120
Net Change in Plan Fiduciary Net Position	(176,318)	711,165	364,864	455,046	70,648	379,605	241,212	77,175	184,728
Plan Fiduciary Net Position - Beginning	3,647,511	2,936,346	2,571,482	2,116,436	2,045,788	1,666,183	1,424,971	1,347,796	1,163,068
Plan Fiduciary Net Position - Ending (b)	\$3,471,193	\$3,647,511	\$2,936,346	\$2,571,482	\$2,116,436	\$2,045,788	\$1,666,183	\$1,424,971	\$1,347,796
Net Pension Liability/(Asset) - Ending (a) - (b)	\$ 112,767	\$ (354,230)	\$ 87,828	\$ (27,407)	\$ 182,077	\$ 841	\$ 149,160	\$ 157,167	\$ 93,864
Plan Fiduciary Net Position as a percentage of Total Pension Liability	96.85%	110.76%	97.10%	101.08%	92.08%	99.96%	91.78%	90.07%	93.49%
Covered Employee Payroll	\$ 544,052	\$ 602,550	\$ 682,377	\$ 635,194	\$ 622,708	\$ 618,174	\$ 609,579	\$ 604,285	\$ 581,658
Net Pension Liability/(Asset) as a Percentage of Covered Payroll	20.73%	(58.79%)	12.87%	(4.31%)	29.24%	0.14%	24.47%	26.01%	16.14%

* Effective January 1, 2015, the District adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 68. Information for years prior to 2014 is not available.



FRANK CAMPOS & ASSOCIATES, PLLC

Certified Public Accountants

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

To the Board of Directors
Freestone Central Appraisal District
Fairfield, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and the general fund of Freestone Central Appraisal District (the District) as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated May 1, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) 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.

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

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Frank Campos & Associates PLLC

Frank Campos & Associates, PLLC

Palestine, Texas

May 1, 2024