

**CAMERON COUNTY
DRAINAGE DISTRICT NO. 3**

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED SEPTEMBER 30, 2023

**CAMERON COUNTY DRAINAGE DISTRICT NO. 3
ANNUAL FINANCIAL REPORT
FOR YEAR ENDED SEPTEMBER 30, 2023**

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CAMERON COUNTY DRAINAGE DISTRICT NO. 3

September 30, 2023

BOARD OF DIRECTORS

Ronaldo Garcia

President

Matthew McCarthy

Director

ATTORNEY

B.R. Dossett



ROBERTO LOPEZ
CERTIFIED PUBLIC ACCOUNTANT, PC

MEMBER OF TEXAS SOCIETY OF
CERTIFIED PUBLIC ACCOUNTANTS

MEMBER OF AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

913 E HARRISON AVE., SUITE 18
HARLINGEN, TX 78550

PHONE: 956-425-9020
FAX: 956-425-9077

EMAIL: roberto.lopez@robertolopezcpa.com

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Cameron County Drainage District No. 3
San Benito, Texas

Opinions

We have audited the accompanying financial statements of the governmental activities, and the major fund of Cameron County Drainage District No. 3, as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, and the major fund of Cameron County Drainage District No. 3, as of September 30, 2023, and the respective changes in financial position and, where applicable, cash flows thereof 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. 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 Cameron County Drainage District No. 3, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted 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, we:

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information and schedule of pension information 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.

Roberto Lopez

Roberto Lopez CPA PC

Harlingen, Texas

September 9, 2024

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MANAGEMENT'S DISCUSSION AND ANALYSIS

**CAMERON COUNTY DRAINAGE DISTRICT NO. 3
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2023**

This discussion and analysis of Cameron County Drainage District No. 3's financial performance provides an overview of the District's financial activities for the fiscal year ended September 30, 2023. The MD&A should be read in conjunction with the accompanying basic financial statements and the accompanying notes to those financial statements.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of a series of financial statements. The government-wide financial statements include the Statement of Net Position and the Statement of Activities. These provide information about the activities of the District as a whole and represent a long-term view of the District's property, obligations, and other financial matters. They reflect the flow of total economic resources in a manner similar to the financial reports of a business enterprise.

The following is an analysis of Cameron County Drainage District No. 3 for the fiscal year ending September 30, 2023. The District held \$8,613,010 in various operating and maintenance checking accounts.

The District's basic financial statements include three components:

- Government-wide financial statements
- Fund financial statements
- Notes to the financial statements

The Government-Wide Financial Statements – *The government-wide financial statements* are designed to provide readers with a broad overview of the District's finances in a manner similar to private sector business. They present the financial picture of the District from an economic resources measurement focus using the accrual basis of accounting. These statements include all assets of the District (including infrastructure) as well as all liabilities (including long-term debt).

The statement of net position includes all the District's assets and liabilities, with the difference between the two reported as total net position:

- Invested in capital assets, net of related debt
- Unrestricted

The statement of net position provides the basis for evaluating the capital structure of the District and assessing its liquidity and financial flexibility.

MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2023

The statement of activities presents information which shows how the District's net position changed during the year. All of the year's income and expenses are recorded when the underlying transaction occurs, regardless of the timing of the related cash flows. The statement of activities measures the success of the District's operations during the year and determines fund net position whether the District has recovered its costs through other charges.

Fund Financial Statements – A fund is a group of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Cameron County Drainage District No. 3, like other state and local governments, used fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The District operated solely under a General Fund.

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 evaluating a government's near-term financing requirements.

BASIS OF REPORTING

The government-wide statements are reported using the flow of economic resources measurement focus and the full accrual basis of accounting. The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting.

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

Other Information – The section Required Supplemental Information (RSI) immediately follows the basic financial statements section of this report. The District adopts an annual appropriated budget for the General Fund.

FINANCIAL HIGHLIGHTS

The District's major purchases include equipment, and drainage improvements during the current year. This increase in equipment and trucks allow the District to serve its taxpayers better.

Another highlight of the District during the prior period was the implementation of a development policy which allows the Board to recognize the donation of detention ponds and rights-of-way with the granting of an IRS 8283 Form. Through this program, developers donate assets such as ponds to the District and the District acknowledges the donation by providing an 8283 Form in return. This program allows developers to get a tax break against the profits of their developments.

MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2023

It also has many developers thinking about giving land to the District, which allows the District to serve its taxpayers better through the enlargement of its drainage system.

- The assets and deferred outflows of the District exceeded its liabilities and deferred inflows at the close of the most recent year by \$28,973,328 (net position). Of this amount \$9,471,687 (unrestricted net position) may be used to meet the District's ongoing obligations to citizens and creditors.
- The District's total net position increased by \$2,050,837.
- As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$8,525,296. An increase of \$1,343,764 in comparison with the prior year. \$8,500,941 is available for spending at the District's discretion (unassigned fund balance).

MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2023

The District's net position was \$28,973,328 at September 30, 2023, and are summarized as follows:

Table I		
NET POSITION		
SEPTEMBER 30,		
	2023	2022
Assets:		
Current and other assets	\$ 9,372,988	\$ 8,311,844
Capital assets	19,501,641	18,890,640
Total assets	28,874,629	27,202,486
Deferred outflows of resources:		
Pension deferred outflow	241,068	169,303
Total deferred outflows of resources	241,068	169,303
Liabilities:		
Current liabilities	112,068	140,822
Total liabilities	112,068	140,822
Deferred inflows of resources:		
Pension Deferred Inflow	30,301	308,475
Total deferred inflows of resources	30,301	308,475
Net Position:		
Net invested in Capital Assets,	19,501,641	18,890,640
Unrestricted	9,471,687	8,031,851
Total Net Position	\$ 28,973,328	\$ 26,922,491

The current assets consist primarily of cash on deposit of \$8,613,010.

MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2023

Table II		
CHANGES IN NET POSITION		
SEPTEMBER 30,		
	2023	2022
Revenues:		
Property taxes including penalty & interest	\$ 4,281,147	\$ 3,923,388
Grant revenue	-	1,485,000
Other general income	338,803	325,745
Total Revenues	\$ 4,619,950	\$ 5,734,133
Expenses:		
Service Operations:		
Operating	2,157,254	2,085,298
Depreciation	411,859	385,345
Total Expenses	\$ 2,569,114	\$ 2,470,644
Change in Net Position:	2,050,837	3,263,490
Beginning Net position	26,922,491	23,659,001
Ending Net Position	\$ 28,973,328	\$ 26,922,491

The property tax rate is at \$0.142210 in 2023; the District is in good financial shape. The Board's vision has allowed the District to grow conservatively while providing a large increase in the service to its taxpayers.

GENERAL FUND BUDGETARY HIGHLIGHTS

During the year, revenues had a positive variance of \$43,325, and expenditures were less than budgetary estimates by \$8,459,335, this allowing the District to avoid the need to draw upon the existing fund balance.

ANALYSIS OF CHANGES IN CAPITAL ASSETS AND LONG-TERM DEBT

Assets such as heavy equipment are generally funded through the reserve fund balance. All equipment purchased during the year was funded through operations thus eliminating the need to finance the purchases. As of September 30, 2023 the District has no outstanding debt.

MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2023

CAPITAL ASSETS ASSESSMENT

Capital Assets and Year-End (Net of Depreciation)		
	General Fund	
	2023	2022
Buildings	\$ 99,116	\$ 108,405
Sites & improvements	181,951	194,494
Machinery & equipment	2,232,324	2,019,142
Vehicles	115,987	82,077
Office furniture & equipment	743	1,442
Infrastructure	15,468,580	15,468,580
Right-of-ways easements	692,508	692,508
Construction in progress	710,430	323,993
Total	\$ 19,501,640	\$ 18,890,640
This year's major additions included:		
Equipment	911,041	\$ 552,266
Infrastructure	-	16,510
Trucks	57,041	-
Sites & improvements	-	-
Office furniture & equipment	-	-
Construction in progress	386,438	323,993
Total	\$ 1,354,520	\$ 568,776

THE BUDGET, ECONOMIC ENVIRONMENT AND RATES

The local economy within the District is robust. Commercial and residential building permits remain high, Appraisal values of existing buildings are on the rise as well. All of this activity has led to an increase in overall revenue for the District. This is a trend that is expected to continue in the next several years. As the local community grows, undeveloped permeable farmland is converted to less permeable commercial and residential types of uses. This increase in development leads to a demand for an increase in the services that are provided to the public by the District. Therefore, with each passing year, the amount of District employees and equipment that is needed will continue to rise.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the District Administration Office, at 1301 FM 510, San Benito, Texas 78586-0937.

BASIC FINANCIAL STATEMENTS

CAMERON COUNTY DRAINAGE DISTRICT NO. 3
STATEMENT OF NET POSITION AND GOVERNMENTAL FUNDS BALANCE SHEET
September 30, 2023

ASSETS	General Fund	Adjustments	Statement of Net Position
	Fund	Adjustments	Position
Cash and cash equivalents	\$ 8,613,010	\$ -	\$ 8,613,010
Ad valorem tax receivable	403,412	-	403,412
Allowance for uncollectible ad valorem	(98,402)	-	(98,402)
Prepayments	24,355	-	24,355
Net pension asset	-	430,613	430,613
Capital assets (net of accumulated depreciation)			
Easements & R.O.W.	-	692,508	692,508
Infrastructure assets	-	15,468,580	15,468,580
Equipment	-	2,232,324	2,232,324
Buildings	-	99,116	99,116
Sites & improvements	-	181,951	181,951
Trucks and radios	-	115,987	115,987
Office furniture & equipment	-	743	743
Construction in progress	-	710,430	710,430
Total assets	\$ 8,942,375	\$ 19,932,254	\$ 28,874,629
 DEFERRED OUTFLOWS OF RESOURCES			
Pension Deferred Outflow	\$ -	\$ 241,068	\$ 241,068
Total deferred outflows of resources	-	\$ 241,068	\$ 241,068
 LIABILITIES			
Accounts Payable	\$ 112,068	\$ -	\$ 112,068
Total liabilities	\$ 112,068	-	\$ 112,068
 DEFERRED INFLOWS OF RESOURCES			
Unavailable ad valorem	\$ 305,010	\$ (305,010)	\$ -
Pension Deferred Inflow		30,301	30,301
Total deferred inflows of resources	\$ 305,010	\$ (274,709)	\$ 30,301
 FUND BALANCE/NET POSITION			
Fund balances:			
Nonspendable			
Prepayments	\$ 24,355	\$ (24,355)	
Unassigned	8,500,941	(8,500,941)	
Total fund balances	\$ 8,525,296	\$ (8,525,296)	
Total liabilities, deferred inflows of resources & fund balances	\$ 8,942,375		
 Net position:			
Invested in capital assets, net of related debt		\$ 19,501,641	\$ 19,501,641
Unrestricted		9,471,687	9,471,687
Total net position		\$ 28,973,328	\$ 28,973,328

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

CAMERON COUNTY DRAINAGE DISTRICT NO. 3
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET POSITION
September 30, 2023

Total Fund Balances - Governmental Funds	\$ 8,525,296
Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. At the beginning of the year, the cost of these assets was \$18,890,640. The net effect of including the beginning balances for capital assets and other capital asset adjustments is to increase net position.	18,890,640
Pension plan asset and deferred outflows and inflows are not financial resources and therefore are not reported in the funds. The net effect of including the pension plan asset and deferred outflows and inflows is to increase net position.	641,380
Current year capital outlays, are expenditures in the fund financial statements, but they should be shown as increase in capital assets in the statement of net position. The net effect of including the 2023 capital outlays is to increase net position.	1,354,520
The 2023 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position.	(411,859)
Recognition of the basis of assets sold decrease net position.	(331,661)
Other reclassifications are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include reclassifying deferred inflows in the amount of \$305,010 reclassification is to increase net position.	<u>305,010</u>
Net Position of Governmental Activities	<u><u>\$ 28,973,328</u></u>

The accompanying notes are an integral part of these financial statements

CAMERON COUNTY DRAINAGE DISTRICT NO. 3
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS, REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
For the year ended September 30, 2023

	General Fund	Adjustments	Statement of Net Position
REVENUES/INCOME			
Taxes	\$ 3,975,803	\$ 20,300	\$ 3,996,103
Penalties & interest	285,044	-	285,044
Interest	63,652	-	63,652
Pension Income	-	65,636	65,636
Miscellaneous	361,176		361,176
Sale of assets	180,000	(331,661)	(151,661)
Total revenues/income	\$ 4,865,675	\$ (245,725)	\$ 4,619,950
EXPENDITURES/EXPENSES			
Service Operations:			
Operating	\$ 2,150,794	\$ 6,460	\$ 2,157,254
Capital outlays	1,354,520	(1,354,520)	-
Depreciation	-	411,859	411,859
Total expenditures/expenses	\$ 3,505,314	\$ (936,201)	\$ 2,569,113
Excess (deficiency) of revenues over expenditures	\$ 1,360,361	\$ 690,476	
Other financing sources			
Excess (deficiency) of revenues and other sources over expenditures	\$ 1,360,361	\$ (1,360,361)	
Change in net position		2,050,837	\$ 2,050,837
Fund balances/net position:			
Beginning of the year	7,164,935	19,757,556	26,922,491
End of the year	\$ 8,525,296	\$ 21,808,393	\$ 28,973,328

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

CAMERON COUNTY DRAINAGE DISTRICT NO. 3
 RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES;
 EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
 For the year ended September 30, 2023

Total Net Change in Fund Balance - Governmental Funds	\$ 1,360,361
Current year capital outlays are expenditures in the fund financial statements, but they should be shown as increases in capital assets. The net effect of removing the 2023 capital outlays is to increase net position.	1,354,520
Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease net position.	(411,859)
Other reclassifications are necessary to convert from the modified accrual basis of accounting to the accrual basis of accounting. These include recognizing unearned revenue as income, adjusting current year revenue to show the income earned from the current year's tax levy, recognizing the liabilities associated with accrued payroll, and removing pension contributions. The net effect of these reclassifications and recognitions is to increase net position.	<u>(252,185)</u>
Change in Net Position of Governmental Activities	<u><u>\$ 2,050,837</u></u>

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

**CAMERON COUNTY DRAINAGE DISTRICT NO. 3
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2023**

NOTE A – CREATION OF THE DISTRICT

On February 12, 1912, a petition was filed pursuant to Article 3, Section 52 of the Texas Constitution and Texas Rev. Civ. Stat. 1911, Art. 2567 with the Commissioners Court of Cameron County by residents of the San Benito, Texas, area calling for the creation of a drainage district to be known as San Benito Cameron County Drainage District No. 3. The Commissioners Court ordered that the election be held May 9, 1912. The election results were canvassed on May 13, 1912, and the District declared created on that date. The District provides essentially one governmental function: Storm water drainage. It does not provide retail water or sewer services and has no legal authority to do so. The District is governed by Chapter 56 and 49 of the Texas Water Code.

Originally created pursuant to Article 3, Section 52 of the Texas Constitution, effective February 19, 1929, the Texas Legislature converted the District to one operating under Article 16, Section 59 of the Texas Constitution, Acts 1929, 41st Leg., Reg. Sess., Ch. 45 (signed by the Governor on February 19, 1929).

Effective May 29, 1998, the name of the District was changed to Cameron County Drainage District No. 3 by order issued by the Texas Natural Resources Conservation Commission pursuant to Texas Water Code 49.071.

NOTE B – NATURE OF OPERATIONS

Cameron County Drainage District No. 3 is located in the north central part of Cameron County and encompasses the City of San Benito, Texas. The District operates as a drainage district whose principal purpose is maintaining drainage ditches and improving drainage in the district. The District provides essentially one governmental function: Storm water drainage.

NOTE C – REPORTING ENTITY

The Board of the drainage district (Board), a three-member group constituting an on-going entity, is the level of government which has governance responsibilities over all activities related to maintaining drainage canals within the jurisdiction of the Cameron County Drainage District No. 3. The Board receives primarily local funding (except for emergency disaster assistance) and the local funding is derived primarily from property taxes. The Board is not included in any other governmental “reporting entity” as defined in Section 2100, Codification of Governmental Accounting and Financial Reporting Standards. Board members have previously been appointed by the Commissioner’s Court, however, under Chapters 49 and 56 of the Texas Water Code and provisions of Chapter 56 which were repealed effective September 1, 1995, the office is now elective. The Board members have decision making authority, the power to designate management, the responsibility to significantly influence operations, and primary accountability for fiscal matters.

**CAMERON COUNTY DRAINAGE DISTRICT NO. 3
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2023**

NOTE D – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Fund Accounting – The accounts of the District are organized on the basis of governmental funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts which comprises its assets, liabilities, fund equity, revenues and expenditures.

General Fund – Accounts for financial resources in use for general types of operations. This is a budgeted fund, and any fund balances are considered as resources available for use. At present, this is the only fund in use by the District.

B. General Fixed Assets and General Long-Term Debt – Fixed assets and general long-term liabilities are reported in the Statement of Net Position. Fixed assets are reported at historical cost less accumulated depreciation. Both fixed assets and long-term liabilities are concerned only with financial position and are not involved with measurement of the results of operations. At present, the District has no long-term liabilities.

C. Capitalization Policy – The District has adopted a policy in which any capital asset purchased for an amount over \$5,000 will be capitalized.

D. Basis of Accounting – The modified accrual basis of accounting is used for the governmental fund types. This basis of accounting recognizes revenues in the accounting period in which they become available and measurable, and expenditures in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest on general long-term debt, which is recognized when due.

E. Budget – The District follows these procedures in establishing the budgetary data reflected in the Financial Statements:

1. Prior to September 1, the District’s General Manager submits to the Board of Directors a proposed operating budget for the fiscal year commencing the following October 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to October 1, the budget is legally adopted by the Board of Directors.
4. The General Manager is authorized to change spending of budgeted amounts between expenditure categories within the General Fund, however, any revisions that alter the total expenditures of the General Fund must be approved by the Board of Directors.
5. Formal budgetary integration is employed as a management control device during the year for the General Fund.

**CAMERON COUNTY DRAINAGE DISTRICT NO. 3
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2023**

NOTE D – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

6. The official Non-Appropriated Budget for the General Fund is adopted on a basis consistent with generally accepted accounting principles (GAAP). The budget for the General Fund was not amended during the year.
- F. Encumbrances – The encumbrance system of accounting was not used during the fiscal year.
- G. Reporting of Infrastructure Assets – The infrastructure assets of the District are recorded at cost in the amount of \$16,161,088 and are recorded in the Statement of Net Position. Infrastructure assets consist of drainage ditches, rights-of-way, easements and associated assets.
- H. Capitalization of Interest Costs – Interest is capitalized for the construction of improvements only during the construction period. Interest on other assets is considered an expenditure of the District.
- I. Depreciation of Capital Assets – Depreciation expense is recognized for capital assets, other than infrastructure type assets. The straight-line method of depreciation is used. The capital assets and estimated useful lives are listed below:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings	30 years
Sidewalks & concrete pads	40 years
Meters, signs, & flagpole	20 years
Paving	15 years
Machinery & equipment	7-10 years
Automobiles & radios	5-7 years
Computers	7 years
Office equipment	7 years
Air conditioning units	5 years
Office Furniture	10 years

- J. Fund Balance Policies – The District has classified its fund balances in the following classifications:

Nonspendable	24,355
Restricted	-
Committed	-
Assigned	-
Unassigned	8,500,941

**CAMERON COUNTY DRAINAGE DISTRICT NO. 3
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2023**

NOTE D – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

The Board of Directors is the District's decision making authority for both committing and restricting fund balances.

The Board of Directors must by formal board action establish, modify, or rescind a fund balance commitment.

When the District incurs an expenditure for which it may use either restricted or unassigned assets, it uses the restricted assets first unless unassigned assets will have to be returned because they were not used.

- K. Pension Benefit Plan** – Pensions. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pension, and pension expense, information about the Fiduciary Net Position of the Texas County and District Retirement System (TCDRS) and additions to deductions from TCERS's Fiduciary Net Position have been determined on the same basis as they are reported by TCERS. 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.
- L. Use of Estimates** – The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenditures during the reporting period. Accordingly, actual results could differ from these estimates.
- M. Leases** – The District has adopted FASB ASC 842, Leases, with a date of initial application of January 1, 2022. For leases with a lease term greater than one year, the District recognizes a lease asset for its right to use the underlying leased asset and a lease liability for the corresponding lease obligation. The District determines whether an arrangement is or contains a lease at contract inception. Operating leases with a duration greater than one year are included in operating lease right-of-use assets, current portion operating lease liabilities, and operating lease liabilities, net of current portion, in the District's Statement of Net Position at September 30, 2023. Operating lease right-of-use assets and operating lease liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. In determining the present value of lease payments, the District uses a risk free rate of a period comparable with that of the lease term. The District considers the lease term to be noncancelable period that it has the right to use the underlying asset, including all periods covered by an option to (1) extend the lease if the District is reasonably certain not to exercise the option, and (3) extend, or not to terminate, the lease in which exercise of the option is controlled by the lessor.

**CAMERON COUNTY DRAINAGE DISTRICT NO. 3
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2023**

NOTE D – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

The operating lease right-of-use assets also include any lease payments and exclude lease incentives received or receivable. Lease expense is recognized on a straight-line basis over the expected lease term. Variable lease expenses are recorded when incurred.

- N. Prepaid Assets - Prepaid assets are assets that arises on a balance sheet as a result of the District making payments for goods and services to be received in the near future. While prepaid expenses are initially recorded as assets, their value is expensed over time as the benefit is received into the income statement, because unlike conventional expenses, the District will receive something of value in the near future.
- O. Cash and Cash Equivalents – The District’s cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.
- P. Deferred Outflows/Inflows of Resources – Unavailable ad valorem tax assessment revenues are classified as deferred inflows and are defined as an acquisition of net assets by the District that is applicable to a future reporting period.

NOTE E – FASB ASC 606 NEW ACCOUNTING GUIDANCE

The Financial Accounting Standards Board (FASB) issued new guidance that created Topic 606, *Revenue from Contracts with Customers*, in the Accounting Standards Codification (ASC). Topic 606 supersedes the revenue recognition requirements in FASB ASC 605, *Revenue Recognition*, and required the recognition of revenue when promised goods or services are transferred to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for good or services. The new guidance also added Subtopic 340-40, *Other Assets and Deferred Costs – Contracts with Customers*, to the ASC to require the deferral of incremental costs of obtaining a contract with a customer. Collectively, we refer to the new Topic 606 and Subtopic 640-40 as the “new guidance.” No retrospective transition was necessary from the adoption of the new guidance.

NOTE F – MEASUREMENT FOCUS

The objective of a measurement focus is expressed in reporting an entity’s financial performance and position. A particular measurement focus is accomplished by considering not only which resources are measured (for example, financial or economic resources), but also when the effects of transactions or events involving those resources are recognized. The measurement focus of government-wide financial statements is economic resources. The measurement focus of governmental fund financial statements is current financial resources.

**CAMERON COUNTY DRAINAGE DISTRICT NO. 3
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2023**

NOTE G – PROPERTY TAX ASSESSMENTS

During the year ended September 30, 2023, the District levied an ad valorem maintenance tax at \$0.142210 per \$100 of assessed valuation. The taxes are levied in October and are due by January 31. The taxes become delinquent on February 1. Delinquent taxes are considered fully collectible until deemed insolvent.

The maintenance tax was authorized by the election held on May 9, 1912, respecting the creation of the District and the levy of the tax for operation and maintenance purposes. No act or special law specifies the maximum tax rate the District may levy. Texas Constitution Article 16, Section 59 (under which the District has been operating since 1929) imposes no limitation on the amount of maintenance taxes which may be collected by the District.

NOTE H – CHANGES IN GENERAL FIXED ASSETS

Capital asset activity for the District for the year ended September 30, 2023, was as follows:

	Beginning Balance 9-30-22	Additions	Deletions	Ending Balance 9-30-23
Buildings	\$ 278,674	\$ -	\$ -	\$ 278,674
Site & improvements	312,843	-	-	312,843
Machinery & equipment	4,385,119	911,041	568,727	4,727,433
Trucks & radios	232,440	57,041	-	289,481
Office furniture & fixtures	41,393	-	-	41,393
Infrastructure - ditches	15,468,580	-	-	15,468,580
Right-of-ways & easements	692,508	-	-	692,508
Construction in progress	323,993	386,438	-	710,431
Total at historical cost	<u>\$ 21,735,550</u>	<u>\$ 1,354,520</u>	<u>\$ 568,727</u>	<u>\$ 22,521,343</u>
Less accumulated depreciation for:				
Buildings	\$ (170,268)	\$ (9,289)	\$ -	\$ (179,557)
Site & improvements	(118,350)	(12,543)	-	(130,893)
Machinery & equipment	(2,365,977)	(366,198)	(237,066)	(2,495,108)
Trucks & radios	(150,363)	(23,130)	-	(173,493)
Office furniture & fixtures	(39,951)	(699)	-	(40,650)
Infrastructure - ditches	-	-	-	-
Right-of-ways & easements	-	-	-	-
Total accumulated depreciation	<u>(2,844,909)</u>	<u>(411,859)</u>	<u>(237,066)</u>	<u>(3,019,702)</u>
Governmental activities capital assets, net	<u>\$ 18,890,641</u>	<u>\$ 942,661</u>	<u>\$ 331,661</u>	<u>\$ 19,501,640</u>

Maintenance of the infrastructure is predetermined by the Board of Directors and the system is evaluated annually to determine if the ditches are maintained at goal levels and maintained within adopted budgets.

**CAMERON COUNTY DRAINAGE DISTRICT NO. 3
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2023**

NOTE I – SHARED FACILITIES

The operation of the District is managed by a manager who is employed by Cameron County Irrigation District Number 2. The manager for C.C.I.D. #2 submits a monthly report to the District's directors and the manager and the directors discuss drainage projects and equipment needs of the District. The District hires its own employees and an agreement has been reached with Cameron County Irrigation District No. 2 in which hourly rates are charged for the use of the equipment of each District. The District reimburses a portion of the salary of the manager of Cameron County Irrigation District No. 2. The two districts jointly constructed a building and warehouse during a prior period.

NOTE J – DEPOSITS AND INVESTMENTS

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

Statutes authorize the entity to invest in (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas; (2) certificates of deposit; (3) certain municipal securities; (4) money market savings accounts, (5) repurchase agreements, (6) bankers' acceptances, (7) mutual funds, (8) investment pools, (9) guaranteed investment contracts, (10) and common trust funds. The Act also requires the entity to have independent auditors perform test procedures related to investment practices as provided by the Act. The District is in substantial compliance with the requirements of the Act and with local policies.

In compliance with the Public Funds Investment Acts, the District has adopted a deposit and investment policy. That policy does address the following risks:

Custodial Credit Risk for 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. Deposits were with the contracted depository bank in interest bearing accounts. Deposits consisted of cash in the general fund operating account of \$609,528, cash in the grant account of \$781,744, and cash in the payroll account of \$30,852 were secured by \$250,000 in FDIC coverage on the demand accounts, and \$7,830,762 in securities held by the First Community Bank, the market value of these securities was \$8,167,217. The District is not exposed to Custodial Credit Risk for its deposits as all were either insured or collateralized with securities held by the District's agent in the District's name at September 30, 2023. Cash and cash equivalent include cash on hand, in the bank checking, and savings accounts.

**CAMERON COUNTY DRAINAGE DISTRICT NO. 3
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2023**

NOTE J – DEPOSITS AND INVESTMENTS – (Continued)

Cash and cash equivalents	
Cash in bank accounts	\$ 8,612,510
Cash in hand	500
Total cash and cash equivalents	\$ 8,613,010

Custodial Credit Risk - Investments: For an investment, this is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District limits investments or collateral securities that are in the possession of an outside party. The District had no investments at September 30, 2023, exposed to Custodial Credit Risk.

Interest Rate Risk: Investments strategies have as a primary objective of investment liquidity. As a means of minimizing risk of loss due to interest rate fluctuations, certificates of deposit cannot have a stated final maturity date which exceed 365 days.

NOTE K – RECEIVABLES

Receivables as of year-end for the general fund, including the applicable allowances for uncollectible accounts, are as follows:

	General Fund
Receivables:	
Ad valorem tax receivable	\$ 703,412
Less: allowance for uncollectibles	(98,402)
Net Total Receivables	\$ 605,010

NOTE L – DEFERRED INFLOWS OF RESOURCES

Deferred inflows of resources at September 30, 2023, consisted of the following:

	General Fund
Ad valorem tax	\$ 305,010
Total	\$ 305,010

**CAMERON COUNTY DRAINAGE DISTRICT NO. 3
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2023**

NOTE M – PLEDGE OF REVENUES, COMPLIANCE WITH DEBT SERVICE REQUIREMENTS AND REDEMPTION OF BONDS

The District had no pledge revenues during the fiscal period and was not required to comply with debt service requirements or redemption of bonds.

NOTE N – CAPITAL LEASES AND NON-CAPITALIZED LEASE COMMITMENTS

The District had no capital leases or non-capitalized lease commitments during the fiscal period.

NOTE O – CHANGES IN GENERAL LONG-TERM DEBT

The District has no general long-term debt during the fiscal period.

NOTE P – POST EMPLOYMENT BENEFITS

The District provides no post-employment benefits for the employees. Once any employee has separated from the employment of the District, the District has no contractual obligation to provide any post-employment benefits.

NOTE Q – COMPENSATED ABSENCES

The District employees are each entitled to ten days vacation time after the first year of full-time employment. After ten years of employment, the employee is entitled to an additional day for each year over the ten-year minimum up to a maximum of twenty days.

The District employees are each entitled to five days sick time per year. Sick time carries over from year to year. In certain circumstances, the employee is entitled to twenty days; however, it must be for major surgery or a life-threatening disease or accident.

NOTE R – LITIGATION, COMMITMENTS, CONTINGENT LIABILITIES AND EFFECTS OF SUBSEQUENT EVENTS

The District is not currently involved in litigation or aware of any pending litigation. The District has made no commitments under lease agreements or otherwise. There are no contingent liabilities and no events have occurred subsequent to the year ended September 30, 2023 which would have a material effect on the financial statements.

**CAMERON COUNTY DRAINAGE DISTRICT NO. 3
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2023**

NOTE S – PENSION COVERAGE FOR DISTRICT EMPLOYEES

1. Plan Description

Cameron County Drainage District No. 3 provides retirement, disability, and death benefits for all of its full-time employees through a nontraditional defined pension plan in the statewide Texas County and District Retirement System (TCDRS). The Board of Trustees of TCDRS is responsible for the administration of statewide agent multiple-employer public employee retirement system consisting of 656 nontraditional defined benefit pension plans. TCDRS in the aggregate issues a comprehensive annual financial report (CAFR) on a calendar year basis. The CAFR is available at www.tcdrs.com.

2. Benefits Provided

The plan provisions are adopted by the governing body of the employer, within the options available in the Texas State statutes governing TCDRS (TCDRS Act). Members can retire at ages 60 and above with 10 or more years of service, with 30 years of service regardless of age, or when the sum of their age and years of service equals 75 or more. Members are vested after 10 years of service but must leave their accumulated contributions in the plan to receive any employer-financed benefit. Members who withdraw their personal contributions in a lump sum before they are eligible to retire are not entitled to any amounts contributed by their employer.

Benefit amounts are determined by the sum of the employee's contributions to the plan, with interest, and employer-financed monetary credits. The level of these monetary credits is adopted by the governing body of the employer within the actuarial constraints imposed by the TCDRS Act so that the resulting benefits can be expected to be adequately financed by the employer's commitment to contribute. At retirement, death, or disability, the benefit is calculated by converting the sum of the employee's accumulated deposits and the employer-financed monetary credits to a monthly annuity using annuity purchase rates prescribed by the TCDRS Act.

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	9
Inactive employees entitled to but not yet receiving benefits	11
Active employees	26

3. Contributions

The contribution rates for employees in TCDRS are either 4%, 5%, 6%, or 7% of employee gross earnings, and the District is required to contribute at actuarially determined rates as adopted by the governing body of the District. Under the state law governing TCDRS, the contribution rate for each District is determined annually by the actuary, using the Entry Age Normal (EAN) actuarial

**CAMERON COUNTY DRAINAGE DISTRICT NO. 3
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2023**

NOTE S – PENSION COVERAGE FOR DISTRICT EMPLOYEES – (Continued)

cost method. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with the additional amount to finance any unfunded accrued liability.

Employees for the District were required to contribute 7.00% of their annual gross earnings during the fiscal year. The contribution rates for the District was 7.00% in calendar year 2020, 2021, and 2022. The District's contributions to TCDRS for the year ended September 30, 2023, were \$68,742 and were equal to the required contributions.

4. 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 Net Pension Liability was determined by an actuarial valuation as of that date.

Actuarial assumptions:

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

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

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based (110%) of Ultimate Scale for 2014 and later. Previously Scale AA has been used. The Base Table is RP-200 Table projected with Scale AA to 2014.

Actuarial assumptions used in the December 31, 2022, valuation were based on the results of actuarial experience studies. Healthy post-retirement mortality rates and annuity purchase rates were updated based on a Mortality experience Investigation Study. These assumptions were first used in the December 31, 2013 valuation, along with a change to the Entry Age Normal (EAN) actuarial cost method. Assumptions are reviewed annually. No additional changes were made for the 2022 valuation.

The long-term expected rate of return on pension plan investments is 7.50%. The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the TCDRS Board of Trustees. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term funding needs of TCDRS.

**CAMERON COUNTY DRAINAGE DISTRICT NO. 3
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2023**

NOTE 5 – PENSION COVERAGE FOR DISTRICT EMPLOYEES – (Continued)

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

Asset Class	Benchmark	Target Allocation ⁽¹⁾	Geometric Real Rate of Return ⁽²⁾
U.S. Equities	Dow Jones U.S. Total Stock Market Index	11.50%	4.95%
Global Equities	MSCI World (net) Index	2.50%	4.95%
Int'l Equities - Developed Markets	MSCI World Ex USA (net) Index	5.00%	4.95%
Int'l Equities - Emerging Markets	MSCI Emerging Markets (net) Index	6.00%	4.95%
Investment-Grade Bonds	Bloomberg U.S. Aggregate Bond Index	3.00%	2.40%
Strategic Credit	FTSE High-Yield Cash-Pay Index	9.00%	3.39%
Direct Lending	Morningstar LSTA US Leveraged Loan TR USD Index	16.00%	6.95%
Distressed Debt	Cambridge Associates Distressed Securities Index ⁽³⁾	4.00%	7.60%
REIT Equities	67% FTSE NAREIT All Equity REITs Index + 33% S&P Global REIT (net) Index	2.00%	4.15%
Master Limited Partnerships	Alerian MLP Index	2.00%	5.30%
Private Real Estate Partnerships	Cambridge Associates Real Estate Index ⁽⁴⁾	6.00%	5.70%
Private Equity	Cambridge Associates Global Private Equity & Venture Capital Index ⁽⁵⁾	25.00%	7.95%
Hedge Funds	Hedge Fund Research, Inc. (HFRI) Fund of Funds Composite Index	6.00%	2.90%
Cash Equivalents	90-Day U. S. Treasury	2.00%	0.20%

⁽¹⁾ Target asset allocation adopted at the March 2023 TCDRS Board meeting.

⁽²⁾ Geometric real rates of return equal the expected return for the asset class minus the assumed inflation rate of 2.3%, per Cliffwater's 2023 capital market assumptions.

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

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

⁽⁵⁾ Includes vintage years 2006-present of Quarter Pooled Horizon IRRs.

The discount rate used to measure the Pension Liability was 7.60%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

**CAMERON COUNTY DRAINAGE DISTRICT NO. 3
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2023**

NOTE S – PENSION COVERAGE FOR DISTRICT EMPLOYEES – (Continued)

Changes in Net Pension Liability / (Asset)

Changes in Net Pension Liability / (Asset)	Total Pension Liability (a)	Fiduciary Net Position (b)	Net Pension Liability / (Asset) (a) – (b)
Balances as of December 31, 2021	\$2,113,360	\$2,834,736	\$(721,376)
Changes for the year:			
Service cost	111,529		111,529
Interest on total pension liability ⁽¹⁾	166,221		166,221
Effect of plan changes ⁽²⁾	0		0
Effect of economic/demographic gains or losses	(16,423)		(16,423)
Effect of assumptions changes or inputs	0		0
Refund of contributions	(21,533)	(21,533)	0
Benefit payments	(55,418)	(55,418)	0
Administrative expenses		(1,599)	1,599
Member contributions		66,433	(66,433)
Net investment income		(170,945)	170,945
Employer contributions		66,433	(66,433)
Other ⁽³⁾	0	10,241	(10,241)
Balances as of December 31, 2022	<u>\$2,297,737</u>	<u>\$2,728,350</u>	<u>\$(430,613)</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 Analysis

The following presents the net pension liability of the employer, calculated using the discount rate of 7.60%, as well as what the Cameron County Drainage District #3 net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.60%) or 1 percentage point higher (8.60%) than the current rate.

	1% Decrease 6.60%	Current Discount Rate 7.60%	1% Increase 8.60%
Total pension liability	\$2,601,677	\$2,297,737	\$2,037,321
Fiduciary net position	2,728,350	2,728,350	2,728,350
Net pension liability / (asset)	<u>(\$126,673)</u>	<u>(\$430,613)</u>	<u>(\$691,029)</u>

**CAMERON COUNTY DRAINAGE DISTRICT NO. 3
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2023**

NOTE S – PENSION COVERAGE FOR DISTRICT EMPLOYEES – (Continued)

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.com.

5. Pension Expense and Deferred Inflows of Resources and Deferred Outflows of Resources Related to Pension

For the year ended September 30, 2023, the District recognized pension expense of \$3,106.

At September 30, 2023, the deferred inflows and outflows of resources related to pension are as follows:

	Deferred Inflows of Resources		Deferred Outflows of Resources
Differences between expected and actual economic experience	\$ 30,301		\$ 33,036
Changes of assumptions	-		68,201
Net difference between projected and actual earnings	-		71,089
Contributions subsequent to the Measurement date	N/A		68,742

\$68,742 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2024. Other amounts reported as deferred outflows and inflows of resources related to pension will be recognized in pension expense as follows:

Year ended December 31:	
2023	\$(13,956)
2024	27,724
2025	33,687
2026	97,308
2027	(2,738)
Thereafter ⁽⁴⁾	0

**CAMERON COUNTY DRAINAGE DISTRICT NO. 3
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2023**

NOTE T – RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, theft of, damage of, and destruction of assets, errors and omissions; injuries to contractors; and natural disasters. The District purchases commercial insurance to cover these risks of loss. There were no significant reductions in insurance coverage in the prior year by major categories of risk.

NOTE U – SUBSEQUENT EVENTS

Subsequent events have been evaluated through September 9, 2024, which is the date the financial statements were available to be issued. Events occurring after that date have not been evaluated to determine whether a change in the financial statements would be required.

REQUIRED SUPPLEMENTARY INFORMATION

CAMERON COUNTY DRAINAGE DISTRICT NO. 3
 BUDGETARY COMPARISON SCHEDULE
 GENERAL FUND
 For the year ended September 30, 2023

REVENUES/INCOME	Original & Final Budget	Actual Amounts	Variance with Budget
Taxes	\$ 4,376,850	\$ 3,975,803	\$ (401,047)
Penalties & interest	100,000	285,044	185,044
Interest	145,500	63,652	(81,848)
Miscellaneous	195,000	361,176	166,176
Sale of assets	5,000	180,000	175,000
Total revenues/income	<u>\$ 4,822,350</u>	<u>\$ 4,865,675</u>	<u>\$ 43,325</u>
EXPENDITURES/EXPENSES			
Appraisal district fees	\$ 54,060	\$ 54,059	\$ 1
Audit fees	12,000	-	12,000
Directors' fees	21,600	14,400	7,200
Engineering fees	7,000	6,305	695
General manager services	150,000	81,488	68,512
Insurance & bonds	21,000	29,027	(8,027)
Legal fees	28,000	33,068	(5,068)
Miscellaneous	30,500	29,118	1,382
Office expense	14,500	20,426	(5,926)
Tools & safety supplies	5,500	5,225	275
Utilities	17,500	18,022	(522)
Salaries & wages	998,325	933,002	65,323
Employee benefits	310,000	269,806	40,194
Payroll taxes	73,550	79,177	(5,627)
Uniforms & physicals	7,500	6,517	983
Seminars & training	6,100	5,946	154
Gas & oil - trucks	56,000	67,850	(11,850)
Gas & oil - equipment	240,000	219,516	20,484
Tax collection expense		41,206	(41,206)
Expenditures for maintenance:			
Repairs to trucks	15,000	15,402	(402)
Repairs to equipment	220,000	196,071	23,929
Repairs to pipeline & structures	40,000	15,613	24,387
Other repairs	5,200	5,441	(241)
Machine moves	40,000	3,600	36,400
Tire collection/disposal	50,000	513	49,487
Capital outlays:			
Office equipment	6,000	-	6,000
Auto & trucks	50,000	57,041	(7,041)
Infrastructure	8,485,315	-	8,485,315
Machinery & equipment	1,000,000	911,041	88,959
Construction in progress	-	386,438	(386,438)
Total expenditures	<u>\$ 11,964,650</u>	<u>\$ 3,505,314</u>	<u>\$ 8,459,335</u>
Excess (deficiency) of revenues over expenditures	\$ (7,142,300)	\$ 1,360,361	\$ 8,502,660
Fund balances/net position:			
Beginning of the year	7,164,935	7,164,935	-
End of the year	<u>\$ 22,635</u>	<u>\$ 8,525,296</u>	<u>\$ 8,502,661</u>

CAMERON COUNTY DRAINAGE DISTRICT NO. 3
 TEXAS COUNTY & DISTRICT RETIREMENT SYSTEM
 PENSION INFORMATION

SCHEDULE OF PENSION EXPENSE/(INCOME)

		January 1, 2022 to December 31, 2022
1. Total Service cost	\$	111,529
2. Interest on total pension liability		166,221
3. Effect of plan changes		-
4. Administrative expenses		1,599
5. Member contributions		(66,433)
6. Expected investment return net of investment expenses		(217,848)
7. Recognition of deferred inflows/outflows of resources		
Recognition of economic/demographic gains or losses		(9,119)
Recognition of assumption changes or inputs		18,170
Recognition of investment gains or losses		9,229
8. Other		(10,241)
Pension expense/(Income)	\$	3,106

CAMBRON COUNTY DRAINAGE DISTRICT NO. 3
TEXAS COUNTY & DISTRICT RETIREMENT SYSTEM
PENSION INFORMATION

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS

	2022	2021	2020	2019	2018	2017	2016
Total pension liability							
Service cost	\$ 111,529	\$ 110,890	\$ 88,875	\$ 86,158	\$ 79,613	\$ 77,339	\$ 88,405
Interest (on the Total Pension Liability)	166,221	149,567	133,514	120,214	107,605	106,445	93,519
Effect of plan changes	-	-	-	-	-	-	-
Effect of economic/demographic gains or losses	(16,423)	16,129	20,427	14,765	14,986	(116,300)	2,621
Effect of assumptions, changes or inputs	-	6,794	108,810	-	-	10,457	-
Benefit payments, including refunds of employee contributions	(76,950)	(53,246)	(54,637)	(64,468)	(42,147)	(88,720)	(30,355)
Net Change in Total Pension Liability	\$ 184,377	\$ 230,134	\$ 296,989	\$ 156,669	\$ 160,057	\$ (10,779)	\$ 154,190
Total Pension Liability - Beginning	2,113,360	1,883,226	1,586,237	1,429,569	1,269,512	1,280,291	1,126,101
Total Pension Liability - Ending (a)	\$ 2,297,737	\$ 2,113,360	\$ 1,883,226	\$ 1,586,237	\$ 1,429,569	\$ 1,269,512	\$ 1,280,291
Plan Fiduciary Net Position							
Contributions - Employer	\$ 66,433	\$ 72,893	\$ 67,810	\$ 62,546	\$ 59,403	\$ 55,774	\$ 34,943
Contributions - Employee	66,433	72,893	67,810	62,546	59,403	55,774	56,884
Investment Income Net of Investment Expense	(170,945)	502,265	202,052	266,932	(28,515)	198,318	88,705
Benefit payments/refunds of contributions	(76,950)	(53,246)	(54,637)	(64,468)	(42,147)	(88,720)	(30,355)
Administrative expenses	(1,599)	(1,534)	(1,638)	(1,489)	(1,306)	(1,048)	(964)
Other	10,241	3,238	2,590	2,348	2,442	296	14,217
Net change in Plan Fiduciary - Net Position	\$ (106,386)	\$ 596,509	\$ 283,987	\$ 328,415	\$ 49,281	\$ 220,394	\$ 163,430
Plan Fiduciary Net Position - Beginning	2,834,736	2,238,227	1,954,240	1,625,826	1,576,545	1,356,152	1,192,723
Plan Fiduciary Net Position - Ending (b)	\$ 2,728,350	\$ 2,834,736	\$ 2,238,227	\$ 1,954,240	\$ 1,625,826	\$ 1,576,545	\$ 1,356,152
Net Pension Liability/(asset) - Ending = (a) - (b)	\$ (430,613)	\$ (721,376)	\$ (355,000)	\$ (368,003)	\$ (196,258)	\$ (307,033)	\$ (75,861)
Plan Fiduciary Net Positions as a Percentage of Total Pension Liability							
Pensionable covered Payroll	\$ 118,749	134,13%	118,85%	123,20%	113,73%	124,19%	105,93%
Net Pension Liability (asset) as a Percentage of Covered Employee Payroll	\$ 949,045	\$ 1,041,327	\$ 968,709	\$ 893,515	\$ 848,621	\$ 796,765	\$ 812,626
	(45.37%)	(69.27%)	(36.65%)	(41.19%)	(23.13%)	(38.53%)	(9.34%)

CAMERON COUNTY DRAINAGE DISTRICT NO. 3
TEXAS COUNTY & DISTRICT RETIREMENT SYSTEM

SCHEDULE OF CONTRIBUTIONS

	2022	2021	2020	2019	2018	2017	2016
Actuarially determined contribution	\$ 19,361	\$ 4,374	\$ 7,847	\$ 7,237	\$ 22,488	\$ 24,540	\$ 34,943
Actual employer contributions	\$ 66,433	\$ 72,893	\$ 67,810	\$ 62,546	\$ 59,403	\$ 55,774	\$ 34,943
Contribution deficiency (excess)	\$ (47,073)	\$ (68,519)	\$ (59,963)	\$ (55,309)	\$ (36,915)	\$ (31,233)	\$ -
Covered employee payroll	\$ 949,045	\$ 1,041,327	\$ 968,709	\$ 893,515	\$ 848,621	\$ 796,765	\$ 812,626
Contributions as a percentage of covered employee payroll	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%	4.3%

NOTES TO SCHEDULE

Valuation Date: Actuarially determined contribution rates are calculated each December 31, two years prior to the end of the fiscal year in which 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:	0.0 years (based on contribution rate calculated in 12/31/2021 valuation)
Asset Valuation Method:	5-years smoothed market
Inflation:	2.5%
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 the 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.*