

# **Hood Central Appraisal District**

**Annual Audit Report  
For the Year Ended  
December 31, 2022**

**Hood Central Appraisal District**  
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**December 31, 2022**

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## **Hood Central Appraisal District**

### **Principal Officials**

#### **Board of Directors**

Eddie Rodriquez, Chairperson  
Monty Lewis, Vice Chairperson  
Ron Sutton, Secretary  
Rick Frye  
Mark Jackson

#### **Administrative**

Richard Petree, Interim Chief Appraiser  
Meg Boomer, Office Administrator

**FINANCIAL SECTION**



## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Hood Central Appraisal District  
Granbury, Texas

### **Report on the Audit of the Financial Statements**

#### ***Opinions***

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of Hood Central Appraisal District as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the aggregate remaining fund information of Hood Central Appraisal District as of December 31, 2022, 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 the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of these 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 and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

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

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

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, the schedule of changes in the net pension liability (asset) and related ratios, and the schedule of employer pension contributions and related ratios on pages 6-10 and 35-38 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 June 1, 2023, on our consideration of Hood 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 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 Hood Central Appraisal District's internal control over financial reporting and compliance.

*Snow Garrett Williams*

Snow Garrett Williams  
June 1, 2023

## Hood Central Appraisal District Management's Discussion and Analysis

Hood Central Appraisal District's management's discussion and analysis (MD&A) provides an overview of the District's financial activities for the fiscal year ended December 31, 2022. The MD&A should be read in conjunction with the accompanying financial statements and the notes to those financial statements.

### **FINANCIAL HIGHLIGHTS**

- The assets of the District exceeded the liabilities and deferred inflows of resources at the close of 2022 by \$2,566,945 (*net position*). Of this amount, \$2,312,690 represents unrestricted net position that may be used to meet the District's ongoing obligations to contracting entities and citizens. As required by GASB Statement No. 34, net position also reflects \$254,255 that is the net investment in capital assets.
- In contrast to the government-wide statements, the governmental fund statements report a fund balance at year-end of \$2,040,356; of which \$5,316, represents non-spendable funds for prepaid expenditures, \$554,667 represents fund balance committed for contingencies and emergencies, and \$1,480,373 represents unassigned fund balance.
- The general unassigned fund balance of \$1,480,373 equals 63% of total general fund expenditures.

### **OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as an introduction to the District's financial statements. The District's financial statements comprise four components: 1) government-wide financial statements, 2) fund financial statements, 3) notes to the financial statements, and 4) required supplementary information.

**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 resource measurement focus using the accrual basis of accounting. These statements include all assets and deferred outflows of resources of the District as well as all liabilities and deferred inflows of resources (including long-term debt). Additionally, certain eliminations have occurred as prescribed by GASB Statement No. 34 in regards to interfund activity, payables, and receivables.

The statement of net position presents information on all of the District's assets, liabilities, and deferred inflows of resources with the difference between them 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 net position changed during the most recent fiscal year using the full accrual basis of accounting. All changes in net position are reported as soon as the underlying event giving rise to the change occurs. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods (e.g., earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the District that are principally supported by intergovernmental revenues (governmental activities) from other business functions that are intended to recover all or a significant portion of their costs through user fees and charges. The governmental activities of the District include appraisal and collection services. All governmental activities included in the government-wide financial statement are functions of the District (known as the primary government).

The government-wide financial statements can be found on pages 12 and 13 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 General Fund of the District is considered 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. Unlike the government-wide financial statements, however, 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 the District's near-term financing requirements.

**Hood Central Appraisal District  
Management's Discussion and Analysis (Continued)**

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 balance provide a reconciliation to facilitate the comparison between governmental funds and governmental activities.

The District adopts an annual appropriated budget for its governmental fund. A budgetary comparison statement (original versus final) has been provided as required supplementary information to demonstrate compliance with this budget.

The governmental fund financial statements can be found on pages 14 through 17 of this report.

**Fiduciary funds.** Fiduciary Funds are used to account for resources held for the benefit of parties outside the government. The District's Fiduciary Fund is used to account for the taxes it collects on behalf of the entities that it serves. Fiduciary Funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the District's own programs. The fiduciary fund uses the accrual basis of accounting.

The fiduciary fund financial statements can be found on pages 18 and 19 of this report.

**Notes to the basic financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 20 through 33 of this report.

**Other Information.** In addition to the basic financial statements and accompanying notes, this report also presents as required supplementary information a budgetary comparison statement for the General Fund, a schedule of changes in the net pension liability (asset) and related ratios, and a schedule of employer pension contributions and related ratios. The required supplementary information can be found on pages 35 through 38 of this report.

#### **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities and deferred inflows by \$2,566,945 as of December 31, 2022.

**Hood Central Appraisal District  
Management's Discussion and Analysis (Continued)**

**Hood Central Appraisal District's Net Position**

	Governmental Activities	
	2022	2021
Current and other assets	\$ 3,219,290	\$ 2,217,043
Capital assets, net of depreciation	276,789	158,772
Total assets	<u>3,496,079</u>	<u>2,375,815</u>
Deferred outflows of resources - pension	-	183,923
Long-term liabilities	28,545	46,104
Other liabilities	<u>756,372</u>	<u>724,615</u>
Total liabilities	<u>784,917</u>	<u>770,719</u>
Deferred inflows of resources - pension	144,217	-
Net position:		
Net investment in capital assets	254,255	158,772
Unrestricted	<u>2,312,690</u>	<u>1,630,247</u>
Total net position	<u><u>\$ 2,566,945</u></u>	<u><u>\$ 1,789,019</u></u>

The largest portion of the District's net position (90%) is unrestricted and may be used to meet the District's ongoing obligations to the citizens and contracting entities. The remaining portion of the District's net position (10%) reflects its net investment in capital assets (land, construction in progress, buildings and improvements, furniture and fixtures, improvements other than buildings, and office equipment). The District uses those assets to provide services to the contracting entities and citizens; consequently, these assets are not available for future spending.

The District's total net position increased by 43% during the current fiscal year primarily due to an increase in charges for services that outpaced the increase in appraisal and collection services expenses. The total cost of all governmental activities this year was \$2,118,794.

**Hood Central Appraisal District's Changes in Net Position**

	Governmental Activities	
	2022	2021
Revenues:		
Program revenues:		
Charges for services	\$ 2,867,829	\$ 2,365,886
General revenues:		
Interest income	26,011	29,858
Other income	<u>2,880</u>	<u>2,138</u>
Total revenues	<u>2,896,720</u>	<u>2,397,882</u>
Expenses:		
Appraisal and collection services	2,118,794	2,023,641
Total expenses	<u>2,118,794</u>	<u>2,023,641</u>
Change in net position	777,926	374,241
Net position, beginning of year	<u>1,789,019</u>	<u>1,414,778</u>
Net position, end of year	<u><u>\$ 2,566,945</u></u>	<u><u>\$ 1,789,019</u></u>

**Hood Central Appraisal District  
Management's Discussion and Analysis (Continued)**

### **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 general government functions are reported in the General Fund. The focus of the District's governmental fund is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's annual financing and budgeting requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

The General Fund is the chief operating fund of the District. At the end of the current fiscal year, the District's General Fund reported an ending fund balance of \$2,040,356, of which \$5,316 was non-spendable for prepaid expenditures, \$554,667 was committed for contingencies and emergencies, and \$1,480,373 was unassigned fund balance. As a measure of the General Fund's liquidity, we compare unassigned fund balance to total fund expenditures. Unassigned fund balance represents 63%, or approximately 230 days, of total fund expenditures.

The fund balance of the District's General Fund increased by \$547,928 during the current fiscal year primarily due to an increase in the services revenues.

### **GENERAL FUND BUDGETARY HIGHLIGHTS**

Amendments to the original 2022 General Fund annual budget were primarily related to increased building maintenance and additions to capital outlay for the new building.

Comparing budget to actual amounts, the District's actual revenues were greater than the final budgeted revenues by \$13,672 due to actual interest revenue exceeding budgeted interest revenues. Actual expenditures were less than final budgeted amounts by \$1,472,016 due to budgeted expenditures for capital outlay not occurring. The District was under budget in all expenditure areas except other expenditures which was related to miscellaneous supplies.

### **CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital assets.** The District's investment in total capital assets for its governmental activities as of December 31, 2022, amounts to \$276,789 (net of accumulated depreciation), and includes land, construction in progress, buildings and improvements, furniture and fixtures, improvements other than buildings, and office equipment. Major capital asset events during the current year included capitalizing engineering costs related to the construction of a new building.

**Hood Central Appraisal District's Capital Assets  
(net of depreciation)**

	Governmental Activities	
	2022	2021
Land	\$ 7,010	\$ 7,010
Construction in progress	193,068	75,292
Buildings and improvements	55,621	54,184
Office equipment	<u>21,090</u>	<u>22,286</u>
 Total	 <u>\$ 276,789</u>	 <u>\$ 158,772</u>

Additional information on the District's capital assets can be found in Note 5 on page 25 of this report.

**Hood Central Appraisal District  
Management's Discussion and Analysis (Continued)**

**Long-term liabilities.** At the end of the current year, the District had a liability of \$28,545 for compensated absences, which was all considered to be current. This is an increase of \$5,194 from the prior year.

Additional information on the District's liabilities can be found in Note 7 on page 26 and in Note 8 on pages 27 through 32 of this report.

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGET**

The annual budget is developed to provide efficient, effective, and economic uses of the District's resources, as well as a means to accomplish the highest priority objectives. Through the budget, the Board of Directors sets the direction of the District, allocates its resources, and establishes its priorities.

In considering the District's budget for 2023, the Board and management considered the following factors:

- Increase in capital outlay for land and building;
- Increase in salaries for expected new hires; and
- Decrease in postage.

**REQUEST FOR INFORMATION**

This financial report is designed to provide our contracting entities and citizens with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report, or need any additional financial information, contact the Hood Central Appraisal District at 1902 W. Pearl Street, Granbury, Texas 76048.

**BASIC FINANCIAL STATEMENTS**

**Hood Central Appraisal District**  
**Statement of Net Position**  
**December 31, 2022**

	<b>Governmental Activities</b>
<b>Assets</b>	
Cash	\$ 2,789,554
Due from fiduciary fund	1,783
Prepaid expense	5,316
Utility deposits	75
Net pension asset	422,562
Capital assets	
Land and construction in progress	200,078
Other capital assets, net of depreciation	<u>76,711</u>
Total assets	<u>3,496,079</u>
<b>Liabilities</b>	
Accounts payable and accrued expenses	25,481
Unearned revenues	730,891
Long-term liabilities	
Due within one year	<u>28,545</u>
Total liabilities	<u>784,917</u>
<b>Deferred Inflows of Resources</b>	
Deferred inflows of resources - pension	<u>144,217</u>
<b>Net Position</b>	
Net investment in capital assets	254,255
Unrestricted	<u>2,312,690</u>
Total net position	<u>\$ 2,566,945</u>

**Hood Central Appraisal District**  
**Statement of Activities**  
**For the Year Ended December 31, 2022**

<b>Functions/Programs</b>			<b>Net (Expenses) Revenues and Changes in Net Position</b>
	<b>Program Revenues</b>	<b>Charges for Services</b>	
	<b>Expenses</b>		<b>Governmental Activities</b>
Governmental activities			
Appraisal and collection	\$ 2,118,794	\$ 2,867,829	\$ 749,035
Total governmental activities	<u>\$ 2,118,794</u>	<u>\$ 2,867,829</u>	
General revenues:			
Interest income			26,011
Other income			<u>2,880</u>
Total general revenues			<u>28,891</u>
Change in net position			777,926
Net position, beginning of year			<u>1,789,019</u>
Net position, end of year			<u>\$ 2,566,945</u>

**Hood Central Appraisal District  
Balance Sheet  
Governmental Fund  
December 31, 2022**

	General Fund	Total Governmental Fund
<b><u>Assets</u></b>		
Cash	\$ 2,789,554	\$ 2,789,554
Due from fiduciary fund	1,783	1,783
Prepaid expenditures	5,316	5,316
Utility deposits	75	75
<b>Total Assets</b>	<b><u>\$ 2,796,728</u></b>	<b><u>\$ 2,796,728</u></b>
<b><u>Liabilities and Fund Balance</u></b>		
Liabilities:		
Accounts payable and accrued expenditures	\$ 25,481	\$ 25,481
Unearned revenue	730,891	730,891
<b>Total Liabilities</b>	<b><u>756,372</u></b>	<b><u>756,372</u></b>
Fund balance:		
Non-spendable for prepaid expenditures	5,316	5,316
Committed for contingencies and emergencies	554,667	554,667
Unassigned	1,480,373	1,480,373
<b>Total Fund Balance</b>	<b><u>2,040,356</u></b>	<b><u>2,040,356</u></b>
<b>Total Liabilities and Fund Balance</b>	<b><u>\$ 2,796,728</u></b>	
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the fund.		276,789
Deferred inflows of resources for pension are not financial resources and, therefore, are not reported in the fund.		(144,217)
Assets and Liabilities for compensated absences and net pension asset are not payable in the current period and, therefore, are not reported in the fund.		394,017
Net position of governmental activities - statement of net position	<b><u>\$ 2,566,945</u></b>	

**Hood Central Appraisal District**  
**Statement of Revenues, Expenditures and**  
**Changes in Fund Balance - Governmental Fund**  
**For the Year Ended December 31, 2022**

	<u>General Fund</u>
<b><u>Revenues</u></b>	
Appraisal and collection services	\$ 2,862,927
Other services	4,902
Interest income	26,011
Miscellaneous	<u>2,880</u>
<b>Total Revenues</b>	<b><u>2,896,720</u></b>
<b><u>Expenditures</u></b>	
Services	
Appraisal fees	88,547
Legal fees	68,877
Audit services	40,300
Payroll services	2,955
Janitorial services	12,853
Aerial photography	<u>55,910</u>
Total Services	<u>269,442</u>
Maintenance	
Building maintenance	7,985
Insurance building/contents	2,571
Equipment repair/maintenance	193
Equipment rental	<u>9,463</u>
Total Maintenance	<u>20,212</u>
Data Processing	
Software maintenance mapping	5,900
Software maintenance financial	1,765
Computer hardware maintenance	<u>67,292</u>
Total Data Processing	<u>74,957</u>
Travel/Education/Bonds	
Travel/training/tuition	19,272
Public and legal notice	5,020
Appraisal review board	29,785
Auto allowance	89,555
Honesty bond/notary	1,368
Directors liability	<u>2,504</u>
Total Travel/Education/Bonds	<u>\$ 147,504</u>

**Hood Central Appraisal District**  
**Statement of Revenues, Expenditures and**  
**Changes in Fund Balance - Governmental Fund**  
**For the Year Ended December 31, 2022**

	<u>General Fund</u>
<b><u>Expenditures - Continued</u></b>	
Salaries	
Salaries	\$ 1,067,040
Workers' compensation	4,868
Group health insurance	224,492
Payroll taxes	92,067
Retirement	<u>112,757</u>
Total Salaries	<u>1,501,224</u>
Utilities	
Electricity	8,119
Water	571
Sewer	623
Telephone	<u>16,259</u>
Total Utilities	<u>25,572</u>
Other	
Office supplies	47,073
Postage	91,688
Miscellaneous supplies	14,244
Memberships/subscriptions	13,722
Information technology	4,169
Arbitration	2,800
Capital outlay	<u>136,185</u>
Total Other	<u>309,881</u>
<b>Total Expenditures</b>	<u>2,348,792</u>
<b>Net Change in Fund Balance</b>	<b>547,928</b>
Fund balance - beginning	<u>1,492,428</u>
Fund balance - ending	<u>\$ 2,040,356</u>

**Hood Central Appraisal District**  
**Reconciliation of the Statement of Revenues, Expenditures and**  
**Changes in Fund Balances of the Governmental Fund to the**  
**Statement of Activities**  
**For the Year Ended December 31, 2022**

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balance - total governmental fund \$ 547,928

Governmental funds report all capital outlays as expenditures. However, in the statement of activities the cost of capital assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeds depreciation expense in the current year.

Capital outlay expense	136,185	
Depreciation expense	<u>(18,168)</u>	
		118,017

Pension expense in the funds is recorded as contributions when made to the TCDRS plan. Pension expense in governmental activities is recorded as the retirement plan's pension expense for the measurement period. This is the difference between how pension expense is recorded in the two statements.

117,175

Current year changes in compensated absences payable reported in the statement of activities does not require the use of current financial resources and, therefore, is not reported as an expenditure in the funds.

(5,194)

Change in net position of governmental activities - statement of activities

\$ 777,926

**Hood Central Appraisal District**  
**Statement of Fiduciary Net Position**  
**Fiduciary Funds**  
**December 31, 2022**

	Custodial Fund
<b>Assets</b>	
Cash	\$ 8,032,168
Taxes receivable	87,180,209
<b>Total Assets</b>	<b>\$ 95,212,377</b>
<b>Liabilities</b>	
Accounts payable to taxing authorities	\$ 8,030,385
Due to taxing authorities - taxes receivable	87,180,209
Due to general fund	1,783
<b>Total Liabilities</b>	<b>\$ 95,212,377</b>
<b>Net Position</b>	
Net Position - Other Purposes	-
<b>Total Net Position</b>	<b>\$ -</b>

**Hood Central Appraisal District**  
**Statement of Changes of Fiduciary Net Position**  
**Fiduciary Funds**  
**December 31, 2022**

	Custodial Fund
<b><u>Additions</u></b>	
Property taxes collected for taxing authorities (other governments)	\$ 51,613,876
<b>Total Additions</b>	<b>\$ 51,613,876</b>
<b><u>Deductions</u></b>	
Property taxes distributed to taxing authorities (other governments)	\$ 51,613,876
<b>Total Deductions</b>	<b>\$ 51,613,876</b>
<b><u>Change in Net Position</u></b>	<b>-</b>
Net Position - Beginning of the Year	-
Net Position - End of the Year	\$ -

**Hood Central Appraisal District  
Notes to the Financial Statements  
December 31, 2022**

**Note 1. Summary of Significant Accounting Policies**

The financial statements of Hood Central Appraisal District conform to accounting principles generally accepted in the United States of America as applicable to governments. The District applies all relevant Governmental Accounting Standards Board (GASB) pronouncements. The following are the most significant policies.

**The Financial Reporting Entity**

The Hood Central Appraisal District (the District) was established under provisions of the Property Tax Code of the State of Texas (specific provision of Code Section 6.01) to appraise taxable property in Hood County, Texas beginning in the tax year 1980. The Code established a central district in each county to appraise all taxable property and to provide values to each taxing entity in the district. The Code also provides for a single board of equalization called an appraisal review board and for centralization of the filing of exemption applications and property renditions. Appraisal districts may, in addition to providing these services, contract with taxing entities to assess and collect taxes.

The District has contracted with various taxing entities in the county to assess and collect taxes on their behalf. The taxing entities are charged for these services based upon actual cost distributed among the entities as is mutually agreed.

The taxing jurisdictions served by the District are:

Granbury Independent School District  
Lipan Independent School District  
Tolar Independent School District  
Bluff Dale Independent School District  
Godley Independent School District  
Glen Rose Independent School District  
City of Granbury  
City of Lipan  
City of Tolar  
Hood County  
Acton Municipal Utility District – Defined Area

The District, through its duly appointed Chief Appraiser and Appraisal Review Board, acts as the Tax Assessor, Tax Collector and Appraisal Review Board for the above-named school districts, cities, county, and utility district. The District's operations are directed by a Board of Directors duly elected by the taxing entities that it serves.

**Government-wide and Fund Financial Statements**

The government-wide financial statements include the statement of net position and the statement of activities. Government-wide statements report information on all of the activities of the District except fiduciary activities of the District. Governmental activities are supported mainly by charges for appraisal and collection services.

**Hood Central Appraisal District**  
**Notes to the Financial Statements**  
**December 31, 2022**

**Note 1. Summary of Significant Accounting Policies (Continued)**

The statement of activities reflects the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function. Interest income and other items not properly included in program revenues are reported as general revenues.

Separate financial statements are provided for the governmental fund. The General Fund, which is the major fund, is reported as a separate column in the fund financial statements.

**Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Measurable and available revenues include revenues expected to be received within 60 days after the fiscal year ends. Expenditures generally are recorded when a fund liability is incurred; however, expenditures related to compensated absences and claims and judgments are recorded only when the liability has matured and payment is due.

The Appraisal District reports the following major governmental fund:

The General Fund is the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund.

The Appraisal District reports the following Fiduciary Fund:

The Custodial Fund is used to account for the taxes the District collects on behalf of the entities that it serves. The Fiduciary Fund uses the economic resources measurement focus and the accrual basis of accounting.

**Budgets and Budgetary Accounting**

The District maintains control over expenditures in the General Fund by the establishment of an annual budget. The annual budget is adopted on a basis consistent with accounting principles generally accepted in the United States of America. The budget, as formally adopted by the Board of Directors prior to the beginning of the year, establishes the maximum authorization of operating funds to be expended by any fund. Any subsequent amendment thereto must be approved by the Board. Unused appropriations for all of the budgeted funds lapse at the end of the year. The budget amounts shown in the financial statements are the final authorized amounts as revised during the year.

**Cash**

Cash consists of interest-bearing checking accounts.

**Hood Central Appraisal District**  
**Notes to the Financial Statements**  
**December 31, 2022**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**Capital Assets**

Capital assets are reported at historical cost in the applicable governmental activities column in the government-wide financial statements. Capitalized assets consist of items that have an original cost of \$2,000 or more (and other significant equipment purchases such as computers) with a useful life of more than one year. Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Buildings and Improvements	15-30 years
Furniture and Fixtures	3-15 years
Improvements other than Buildings	20 years
Office Equipment	5-10 years

**Deferred Outflows / Inflows of Resources**

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense) until then. The District does not have any deferred outflows of resources.

In addition to liabilities, the statement of net position will sometimes include a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. The District currently has deferred inflows of resources related to the pension plan. See additional information in Note 8.

**Fund Balance**

As prescribed by GASB Statement No. 54, governmental funds report fund balance in classifications based primarily on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in the funds can be spent. Fund balance for governmental funds can consist of the following:

*Nonspendable Fund Balance* includes amounts that are not in spendable form or are legally or contractually required to be maintained intact.

*Restricted Fund Balance* includes amounts that are restricted for specific purposes stipulated by law or external resource providers. Restrictions may effectively be changed or lifted only with the consent of resource providers.

*Committed Fund Balance* includes amounts that can only be used for the specific purposes pursuant to constraints imposed by the Board of Directors through a resolution, which is the District's highest level of decision-making authority, and, conjunctively, require the same formal action to remove or revise the enacted constraint limitations.

*Assigned Fund Balance* includes amounts intended to be used for specific purposes that are neither restricted nor committed. Assignments are made by the Chief Appraiser.

*Unassigned Fund Balance* represents the residual classification of all spendable amounts not contained within the other classifications and is used for all negative fund balances.

When multiple categories of fund balance are available for expenditure, the District will first spend the most restricted funds before moving down to the next most restrictive category with available funds.

**Hood Central Appraisal District  
Notes to the Financial Statements  
December 31, 2022**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**Net Position**

In the government-wide financial statements, net position is classified in the following categories:

*Net investment in capital assets* consists of all capital assets net of accumulated depreciation and reduced by outstanding balances of debt and other liabilities that are attributable to the acquisition, construction or improvement of these assets.

*Restricted net position* consists of external restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments, enabling legislation, and constitutional provisions.

*Unrestricted net position* represents net position not restricted for any project or other purpose.

When multiple categories of net position are available for expenses, the District will first spend the most restricted funds before moving down to the next most restrictive category with available funds.

**Pensions**

For purposes of measuring the net pension liability (asset), deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the Fiduciary Net Position of the Texas County 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.

**Use of Estimates**

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

**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. These risks are covered by the District's participation in the Texas Municipal League Intergovernmental Risk Pool (TMLIRP) for liability, property, and workers' compensation insurance. These are self-sustaining risk pools operated on a statewide basis for the benefit of several hundred Texas cities and other public entities. The District pays annual premiums to the TMLIRP, which retains risk of loss up to \$1,000,000 for property and liability insurance and up to \$1,500,000 for workers' compensation and obtains independent coverage for losses in excess of these amounts. The District retains no risk except for deductible amounts. There have been no significant reductions in coverage in the past fiscal year and there have been no settlements exceeding insurance coverage in the current year or the past three fiscal years.

**Hood Central Appraisal District  
Notes to the Financial Statements  
December 31, 2022**

**Note 2. Deposits, Securities and Investments**

Chapter 2256 of the Texas Government Code (the Public Funds Investment Act) authorizes the District to invest its funds under a written investment policy (the “Investment Policy”) that primarily emphasizes safety of principal and adequate liquidity; addresses investment diversification, rate of return and maturity; and addresses the quality and capability of the investment officer. The Investment Policy defines what constitutes the legal list of investments allowed under the policy, which excluded certain investment instruments allowed under Chapter 2256 of the Texas Government Code. The District’s deposits and investments are invested pursuant to the Investment Policy, which is approved annually by the Board of Directors. The Investment Policy includes a list of authorized investments and a maximum allowable maturity of any individual investment.

The District is authorized to invest in the following investment instruments provided that they meet the guidelines of the Investment Policy:

1. Bank Investments including fully collateralized Time Deposits, Certificates of Deposit, Money Market Accounts, and Interest-Bearing Checking Accounts.
2. Direct Investments including United States Treasury Securities.

Interest Rate Risk – Investments are exposed to interest rate risk if changes in market interest rates will adversely affect the fair value of an investment. As of December 31, 2022, the District’s cash was held in interest-bearing checking accounts and therefore was not exposed to interest rate risk.

Credit Risk – Investments are exposed to credit risk if the security or a portfolio will lose some or all of its value due to a real or perceived change in the ability of the issuer to repay its debt. As of December 31, 2022, the District’s cash was held interest-bearing checking accounts and therefore was not exposed to credit risk.

Concentration of Credit Risk - The District does not place a limit on the amount that may be invested. As of December 31, 2022, 100% of the District’s cash was in interest-bearing checking accounts.

Custodial Credit Risk – Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution’s trust department or agent but not in the District’s name. At year end, the District’s cash was not exposed to custodial credit risk.

**Note 3. Taxes Receivable/Payable of the Fiduciary Fund**

The assets of the Fiduciary Fund reflect the taxes collected but not yet disbursed and the taxes receivable for all taxing jurisdictions and the liability of the Fiduciary Fund reflects the amount of taxes payable to the taxing jurisdictions. The receivable, as reflected in the District’s Fiduciary Fund, does not include any accrued penalty or interest charges. Also, the District does not make any provision for uncollectible taxes. This is left to the financial reporting of each taxing jurisdiction.

**Hood Central Appraisal District**  
**Notes to the Financial Statements**  
**December 31, 2022**

**Note 4. Interfund Balances**

During the course of the fiscal year, interfund payables and receivables arise between funds. The following were outstanding at December 31, 2022:

Fund	Receivable (Payable)
General Fund	\$ 1,783
Fiduciary Fund	<u>(1,783)</u>
Total	<u>\$ -</u>

Interfund balances result primarily from interest income earned in the fiduciary fund account.

**Note 5. Capital Assets**

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

	Balance 1/1/2022	Additions	Deletions	Balance 12/31/2022
<b>Governmental activities</b>				
Capital assets not being depreciated				
Land	\$ 7,010	\$ -	\$ -	\$ 7,010
Construction in progress	<u>75,292</u>	<u>117,776</u>	<u>-</u>	<u>193,068</u>
Total capital assets not being depreciated	<u>82,302</u>	<u>117,776</u>	<u>-</u>	<u>200,078</u>
Other capital assets				
Buildings and improvements	333,981	11,116	16,896	328,201
Furniture and fixtures	16,512	-	-	16,512
Improvements other than buildings	15,447	-	-	15,447
Office equipment	<u>211,183</u>	<u>7,293</u>	<u>1,406</u>	<u>217,070</u>
Total other capital assets	<u>577,123</u>	<u>18,409</u>	<u>18,302</u>	<u>577,230</u>
Less accumulated depreciation				
Buildings and improvements	279,797	9,679	16,896	272,580
Furniture and fixtures	16,512	-	-	16,512
Improvements other than buildings	15,447	-	-	15,447
Office equipment	<u>188,897</u>	<u>8,489</u>	<u>1,406</u>	<u>195,980</u>
Total accumulated depreciation	<u>500,653</u>	<u>18,168</u>	<u>18,302</u>	<u>500,519</u>
Other capital assets, net	<u>76,470</u>	<u>241</u>	<u>-</u>	<u>76,711</u>
Governmental activities capital assets, net	<u>\$ 158,772</u>	<u>\$ 118,017</u>	<u>\$ -</u>	<u>\$ 276,789</u>

Depreciation expense charged to appraisal and collection services for the year ended December 31, 2022 was \$18,168.

**Hood Central Appraisal District  
Notes to the Financial Statements  
December 31, 2022**

**Note 6. Unearned Revenues**

The taxing authorities served by the District provide the money needed for its operating budget. The separate entities review the District's proposed operating budget in advance of the budget period. Each entity's proportionate share of the budget is then payable in quarterly installments throughout the year. At December 31, 2022, several entities had prepaid the first quarter payments of the 2023 budget year due in January 2023.

In order to reflect this revenue in the proper period, the following amounts have been recorded as unearned revenues at December 31, 2022:

A.M.U.D. - Defined Area	\$ 272
Granbury ISD	478,833
Glen Rose ISD	3,779
Lipan ISD	10,737
Tolar ISD	26,786
City of Granbury	48,537
City of Lipan	563
City of Tolar	1,437
Hood County	<u>159,947</u>
 Total Unearned Revenues	 <u>\$ 730,891</u>

**Note 7. Governmental Activities Long-Term Liabilities**

The following is a summary of changes by type in long-term liabilities for the year ended December 31, 2022:

	Balance 1/1/2022	Additions	Reductions	Balance 12/31/2022	Due Within One Year
Net Pension Liability (Asset)	\$ 22,753	\$ -	\$ 445,315	\$ (422,562)	\$ -
Compensated Absences	23,351	73,651	68,457	28,545	28,545
	<u>\$ 46,104</u>	<u>\$ 73,651</u>	<u>\$ 513,772</u>	<u>\$ (394,017)</u>	<u>\$ 28,545</u>

**Compensated Absences Payable**

It is the District's policy to allow employees to accumulate a limited amount of earned vacation which, if not used, will be paid to the employees upon separation from the District's service. The compensated absences balance of \$28,545 at December 31, 2022, is considered to be current and payable within the next year. Full-time employees also earn 10 days of annual sick leave. The District "buys back" any unused sick leave from employees at year end and, therefore, it is not accrued. Any unused sick leave is not paid upon termination.

**Hood Central Appraisal District  
Notes to the Financial Statements  
December 31, 2022**

**Note 8. Defined Benefit Pension Plan**

**Plan Description**

The Authority participates in the nontraditional defined benefit pension plan administered by the Texas County and District Retirement System (TCDRS). TCDRS was created by the Texas Legislature and is overseen by an independent Board of Trustees, which is responsible for the administration of the System. TCDRS is a statewide, agent multiple-employer, public employee retirement system for county and district employees in the State of Texas. The TCDRS Act places the general administration and management of the System with a nine-member Board of Trustees.

TCDRS in the aggregate issues an annual comprehensive financial report on a calendar year basis. In addition, detailed information about the pension plan's fiduciary net position is available in a separately issued TCDRS financial report. Both reports are available at [www.tcdrs.org](http://www.tcdrs.org).

**Benefits Provided**

All full and part-time non-temporary employees 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.

The plan provides retirement, disability, and survivor benefits. TCDRS is a savings-based plan. For the District's plan, 7% of each employee's pay is deposited into his or her TCDRS account. By law, employee accounts earn 7% interest on beginning of year balances annually. At retirement, the account is matched at an employer set percentage (current match is 150%) and is then converted to an annuity. There are no automatic Cost of Living Adjustments (COLAs). Each year the District may elect an ad hoc COLA for its retirees. There are two COLA types, each limited by actual inflation. Benefit provisions are established under the TCDRS Act. They may be amended as of January 1 each year by the Board of Directors but must remain in conformity with the Act. Plan provisions for the District are as follows:

Employee deposit rate	7.0%
Employer matching (future deposits)	150.0%
Prior service credit	90.0%
Years required for vesting	10
Service retirement eligibility (expressed as age/years of service)	60/10, 0/30, 80 total age plus service

Members may choose to receive their retirement benefit in one of seven actuarially equivalent payment options. The District has also opted to provide prior service which gives employees monetary credit for the time worked for an organization before it joined the TCDRS.

**Hood Central Appraisal District**  
**Notes to the Financial Statements**  
**December 31, 2022**

**Note 8. Defined Benefit Pension Plan (Continued)**

**Employees covered by benefit terms**

At the December 31, 2021 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	3
Active employees	<u>18</u>
Total	<u><u>26</u></u>

**Contributions**

The deposit rates for employees in TCDRS are 4% to 7% of employee compensation, as adopted by the employer's governing body. Participating employers are required, by law, to contribute at actuarially determined rates. Employer contribution rates are determined annually and must be approved by the TCDRS Board of Trustees. Pursuant to state law, employers participating in the system must pay 100% of their actuarially determined required contributions on an annual basis. Employers have the opportunity to make additional contributions in excess of its annual required contribution rate either by adopting an elected rate that is higher than the required rate or by making additional contributions on an ad hoc basis. Employers may make additional contributions to pay down their liabilities faster, pre-fund benefit enhancements an/or buffer against future adverse experience.

Employees for the District were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rate for the District was 9.75% in calendar year 2022. The District's contributions to TCDRS for the year ended December 31, 2022 were \$112,768 and equal to the required contributions.

**Net Pension Liability (Asset)**

The District's Net Pension Liability (Asset) (NPL/NPA) was measured as of December 31, 2021, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability (Asset) was determined by an actuarial valuation as of that date.

**Actuarial Methods and Assumptions:**

For funding calculations, TCDRS uses an entry-age normal actuarial cost method assuming the current plan provisions had always been in place. The goal of this cost method is to fund benefits in an orderly manner for each participant over his or her career so that sufficient funds are accumulated by the time benefit payments begin. Under this approach, benefits are funded in advance as a level percentage of pay. This portion of the contribution rate is called the normal cost rate and generally remains stable from year to year.

The total pension liability in the December 31, 2021, actuarial valuation was determined using the following TCDRS system-wide and employer specific assumptions:

Real rate of return	5.00% per year
Inflation	2.50% per year
Long-term rate of return	7.50%, net of administrative expenses

The assumed long-term investment return of 7.50% is net after investment and administrative expenses. It is assumed returns will equal the nominal annual rate of 7.50% for calculating the actuarial accrued liability and the normal cost contribution rate for the retirement plan of each participating employer.

**Hood Central Appraisal District  
Notes to the Financial Statements  
December 31, 2022**

**Note 8. Defined Benefit Pension Plan (Continued)**

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 3.00% (made up of 2.50% inflation and 0.50% productivity increase assumptions) and a merit, promotion, and longevity component that on average approximates 1.70% per year for a career employee.

Mortality rates for depositing members were based on the Pub-2010 General Employees Amount-Weighted Mortality Table for males and females as appropriate, with adjustments, projected with 100% of the MP-2021 Ultimate scale after 2010. Service retirees, beneficiaries, and non-depositing members were based on the Pub-2010 General Retirees Amount-Weighted Mortality Table for males and females as appropriate, projected with 100% of the MP-2021 Ultimate scale after 2010. Disabled retirees were based on the Pub-2010 General Disabled Retirees Amount-Weighted Mortality Table for males and females as appropriate, with adjustments, 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 of 2021. These assumptions, except where required to be different by GASB 68, are used to determine the total pension liability as of December 31, 2021. The assumptions are reviewed annually for continued compliance with the relevant actuarial standards of practice.

**Discount Rate**

In order to determine the discount rate to be used by each employer, TCDRS has used an alternative method to determine the sufficiency of the fiduciary net position in all future years. The alternative method reflects the funding requirements under the employer's funding policy and the legal requirements under the TCDRS Act:

- 1) TCDRS has a funding policy where the Unfunded Actuarial Accrued Liability (UAAL) shall be amortized as a level percent of pay over 20-year closed layered periods.
- 2) Under the TCDRS Act, the employer is legally required to make contributions specified in the funding policy.
- 3) The District's assets are projected to exceed its accrued liabilities in 20 years or less. When this point is reached, the employer is still required to contribute at least the normal cost.
- 4) Any increased cost due to the adoption of a COLA is required to be funded over a period of 15 years, if applicable.

Since the projected fiduciary net position was projected to be sufficient to pay projected benefit payments in all future years, the discount rate for purposes of calculating the total pension liability and net pension liability (asset) of the employer is equal to the long-term assumed rate of return on investments.

The discount rate used to measure the total pension liability is 7.60%. This rate reflects the long-term assumed rate of return on assets for funding purposes of 7.50%, net of all expenses, increased by 0.10% to be gross of administrative expenses.

The rate is determined by adding expected inflation to expected long-term real returns and reflecting expected volatility and correlation. The capital market assumptions and information shown below are provided by TCDRS' investment consultant. The numbers shown are based on January 2022 information for a 10-year time horizon. The valuation assumption for long-term expected return is re-assessed at a minimum of every four years and is set based on a long-term time horizon. The TCDRS Board of Trustees adopted the current assumption at their March 2022 meeting.

**Hood Central Appraisal District**  
**Notes to the Financial Statements**  
**December 31, 2022**

**Note 8. Defined Benefit Pension Plan (Continued)**

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

Asset Class	Target Allocation <sup>(1)</sup>	Geometric Real Rate of Return <sup>(2)</sup>
US Equities	11.50%	3.80%
Global Equities	2.50%	4.10%
International Equities - Developed Markets	5.00%	3.80%
International Equities - Emerging Markets	6.00%	4.30%
Investment-Grade Bonds	3.00%	-0.85%
Strategic Credit	9.00%	1.77%
Direct Lending	16.00%	6.25%
Distressed Debt	4.00%	4.50%
REIT Equities	2.00%	3.10%
Master Limited Partnerships	2.00%	3.85%
Private Real Estate Partnerships	6.00%	5.10%
Private Equity	25.00%	6.80%
Hedge Funds	6.00%	1.55%
Cash Equivalents	2.00%	-1.05%
 Total	 <u>100.00%</u>	

<sup>(1)</sup> Target asset allocation adopted at the March 2022 TCDRS Board meeting.

<sup>(2)</sup> Geometric real rates of return equal the expected return for the asset class minus the assumed inflation rate of 2.6%, per Cliffwater's 2022 capital market assumptions.

**Sensitivity Analysis**

The following presents the net pension liability (asset) of the District, calculated using the discount rate of 7.60%, as well as what the District's net pension liability (asset) 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 in Discount Rate (6.60%)	Current Discount Rate (7.60%)	1% Increase in Discount Rate (8.60%)
Net pension liability (asset)	\$ 12,666	\$ (422,562)	\$ (789,904)

**Hood Central Appraisal District**  
**Notes to the Financial Statements**  
**December 31, 2022**

**Note 8. Defined Benefit Pension Plan (Continued)**

**Changes in Net Pension Liability (Asset)**

Changes in the NPL (NPA)	Increase (Decrease)			Net Pension Liability (Asset) (a) - (b)
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)		
Balance at 12/31/2020	\$ 3,201,635	\$ 3,178,882		\$ 22,753
Changes for the year:				
Service cost	137,810		-	137,810
Interest on total pension liability (asset)	247,246		-	247,246
Effect of plan changes	-		-	-
Effect of economic / demographic gains or losses	33,849		-	33,849
Effect of assumptions changes or inputs	(15,681)		-	(15,681)
Refund of contributions	-		-	-
Benefit payments, including refunds of employee contributions	(175,641)	(175,641)		-
Administrative expenses	-	(2,084)		2,084
Member contributions	-	72,890		(72,890)
Net investment income	-	695,817		(695,817)
Employer contributions	-	81,637		(81,637)
Other	-	279		(279)
Balance at 12/31/2021	<u>\$ 3,429,218</u>	<u>\$ 3,851,780</u>		<u>\$ (422,562)</u>

**Hood Central Appraisal District  
Notes to the Financial Statements  
December 31, 2022**

**Note 8. Defined Benefit Pension Plan (Continued)**

**Pension Expense and Deferred Inflows/Outflows of Resources Related to Pensions**

For the year ended December 31, 2022, the District recognized pension expense of \$3,842.

As of December 31, 2022, 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	\$ 76,929	\$ 52,443
Changes of assumptions	136,544	13,721
Net difference between projected and actual earnings	-	404,294
Contributions made subsequent to measurement date	112,768	-
 Total	 <u>\$ 326,241</u>	 <u>\$ 470,458</u>

Contributions made subsequent to the measurement date of \$112,768 are reported as deferred outflows of resources related to pensions and will be recognized as a reduction of the net pension liability (asset) for the fiscal year ending December 31, 2023. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ended December 31:</u>	
2022	\$ (73,651)
2023	(93,319)
2024	(73,992)
2025	(66,912)
2026	24,064
Thereafter	<u>26,825</u>
 Total	 <u>\$(256,985)</u>

**Note 9. Litigation**

The District is a defendant in several suits related to the valuation of property for the purpose of ad valorem taxation. The Plaintiffs are not seeking monetary damages against the District and legal counsel believes the likelihood of unfavorable outcomes is unlikely.

**Hood Central Appraisal District  
Notes to the Financial Statements  
December 31, 2022**

**Note 10. Other Commitments and Contingencies**

The District obtains computer program software licenses through Southwest Data Solutions, LLC. Expense related to these licenses was \$67,292 for 2022. The District's balance on the contract as of December 31, 2022, of \$68,345 is payable through December 2023.

The District contracts for professional services related to mineral property appraisal with Pritchard & Abbott, Inc. Expenses related to these services were \$88,547 for 2022. The District's balance on the contract as of December 31, 2022, of \$88,500 is payable in quarterly installments through November 2023.

The District also contracts with Pictometry International Corporation for the license to use Pictometry's aerial imagery software and the Pictometry Image Library. Expenses related to this license were \$55,910 for 2022.

**Note 11. Subsequent Events**

The District has evaluated subsequent events through June 1, 2023, the date the financial statements were available to be issued, and nothing significant requiring disclosure was noted.

**REQUIRED SUPPLEMENTARY INFORMATION**

**Hood Central Appraisal District**  
**Statement of Revenues, Expenditures and Changes**  
**in Fund Balance - Budget and Actual - General Fund**  
**For the Year Ended December 31, 2022**  
**With Comparative Amounts for the Year Ended December 31, 2021**

	Budgeted Amounts		2022 Actual	Variance Favorable (Unfavorable)	2021 Actual
	Original	Final			
<b>Revenues</b>					
Appraisal and collection services	\$ 2,862,928	\$ 2,862,928	\$ 2,862,927	\$ (1)	\$ 2,361,032
Other services	3,120	3,120	4,902	1,782	4,854
Interest income	12,000	12,000	26,011	14,011	29,858
Miscellaneous	5,000	5,000	2,880	(2,120)	2,138
<b>Total Revenues</b>	<b>2,883,048</b>	<b>2,883,048</b>	<b>2,896,720</b>	<b>13,672</b>	<b>2,397,882</b>
<b>Expenditures</b>					
Services					
Appraisal fees	88,500	95,002	88,547	6,455	85,900
Legal services	200,000	175,807	68,877	106,930	102,080
Audit services	43,000	43,000	40,300	2,700	40,750
Payroll services	3,500	3,500	2,955	545	2,819
Deed record services	500	500	-	500	73
Janitorial services	11,000	12,853	12,853	-	10,870
Aerial photography	65,000	65,000	55,910	9,090	55,910
Total Services	411,500	395,662	269,442	126,220	298,402
Maintenance					
Building maintenance	8,000	108,000	7,985	100,015	15,120
Insurance building/contents	3,500	3,500	2,571	929	2,464
Equipment repair/maintenance	6,000	6,000	193	5,807	128
Equipment rental	15,000	15,000	9,463	5,537	8,706
Total Maintenance	32,500	132,500	20,212	112,288	26,418
Data Processing					
Software maintenance mapping	6,500	6,500	5,900	600	5,944
Software maintenance financial	5,000	5,000	1,765	3,235	1,680
Computer hardware maintenance	76,900	79,062	67,292	11,770	64,561
Total Data Processing	88,400	90,562	74,957	15,605	72,185
Travel/Education/Bonds					
Travel/training/tuition	30,000	30,000	19,272	10,728	15,577
Public and legal notices	5,500	5,500	5,020	480	3,254
Appraisal review board	30,000	30,000	29,785	215	22,506
Auto allowance	110,600	110,600	89,555	21,045	82,540
Honesty bond/notary	1,100	1,368	1,368	-	350
Public employees crime	650	650	-	650	-
Directors liability	2,500	2,504	2,504	-	2,160
Total Travel/Education/Bonds	180,350	180,622	147,504	33,118	126,387
Salaries					
Salaries	1,172,098	1,172,098	1,067,040	105,058	958,931
Workers' compensation	6,500	6,500	4,868	1,632	5,388
Group health insurance	240,000	240,000	224,492	15,508	198,839
Payroll taxes	109,200	109,200	92,067	17,133	83,916
Retirement	210,000	210,000	112,757	97,243	81,622
Total Salaries	\$ 1,737,798	\$ 1,737,798	\$ 1,501,224	\$ 236,574	\$ 1,328,696

**Hood Central Appraisal District**  
**Statement of Revenues, Expenditures and Changes**  
**in Fund Balance - Budget and Actual - General Fund**  
**For the Year Ended December 31, 2022**  
**With Comparative Amounts for the Year Ended December 31, 2021**

	Budgeted Amounts		2022 Actual	Variance Favorable (Unfavorable)	2021 Actual
	Original	Final			
<b>Expenditures (continued)</b>					
Utilities					
Electricity	\$ 12,500	\$ 12,500	\$ 8,119	\$ 4,381	\$ 7,046
Water	1,500	1,500	571	929	527
Sewer	1,500	1,500	623	877	600
Telephone	26,000	26,000	16,259	9,741	16,430
Total Utilities	41,500	41,500	25,572	15,928	24,603
Other					
Office supplies	38,000	47,073	47,073	-	41,406
Postage	100,000	100,000	91,688	8,312	57,318
Miscellaneous supplies	8,000	9,608	14,244	(4,636)	4,561
Memberships/subscriptions	11,000	13,722	13,722	-	6,746
Information technology	10,000	42,761	4,169	38,592	-
Contingency fund	6,500	6,500	-	6,500	1,480
Arbitration	7,500	7,500	2,800	4,700	2,250
Capital outlay	210,000	1,015,000	136,185	878,815	75,292
Total Other	391,000	1,242,164	309,881	932,283	189,053
<b>Total Expenditures</b>	<b>2,883,048</b>	<b>3,820,808</b>	<b>2,348,792</b>	<b>1,472,016</b>	<b>2,065,744</b>
Revenues over expenditures	-	(937,760)	547,928	1,485,688	332,138
Use of prior year fund balance	-	937,760	-	937,760	-
<b>Net Change in Fund Balance</b>	<b>\$ -</b>	<b>\$ -</b>	<b>547,928</b>	<b>\$ 2,423,448</b>	<b>332,138</b>
Fund Balance - Beginning			1,492,428		1,160,290
Fund Balance - Ending			\$ 2,040,356		\$ 1,492,428

**HOOD CENTRAL APPRAISAL DISTRICT**  
**Schedule of Changes in the Net Pension Liability (Asset) and Related Ratios**  
**Last Six Fiscal Years\*\***

Measurement Date - December 31: <sup>*</sup>	2021	2020	2019	2018	2017	2016
<b>Total Pension Liability</b>						
Service cost	\$ 137,810	\$ 157,475	\$ 144,420	\$ 119,125	\$ 117,072	\$ 475,905
Interest on total pension liability	247,246	236,365	156,510	88,881	49,595	18,899
Effect of plan changes	-	-	715,141	550,718	303,907	-
Effect of assumption changes or inputs	(15,681)	179,202	-	-	4,287	-
Effect of economic/demographic (gains) or losses	33,849	(69,923)	17,269	51,683	8,093	409
Benefit payments/refunds of contributions	(175,641)	(121,826)	(1,573)	-	-	-
Net change in total pension liability	227,583	381,293	1,031,767	810,407	482,954	495,213
Total pension liability, beginning	<u>3,201,635</u>	<u>2,820,342</u>	<u>1,788,575</u>	<u>978,168</u>	<u>495,213</u>	<u>-</u>
Total pension liability, ending (a)	<u>\$ 3,429,218</u>	<u>\$ 3,201,635</u>	<u>\$ 2,820,342</u>	<u>\$ 1,788,575</u>	<u>\$ 978,167</u>	<u>\$ 495,213</u>
<b>Plan Fiduciary Net Position</b>						
Employer contributions	\$ 81,637	\$ 531,878	\$ 588,214	\$ 625,579	\$ 266,625	\$ 321,584
Member contributions	72,890	75,606	78,757	81,773	60,096	57,150
Investment income net of investment expenses	695,817	251,926	245,187	(6,564)	61,374	-
Benefit payments/refunds of contributions	(175,641)	(121,826)	(1,573)	-	-	-
Administrative expenses	(2,084)	(2,326)	(1,851)	(1,203)	(516)	-
Other	279	14,610	23,120	21,152	4,374	5,736
Net change in plan fiduciary net position	672,898	749,868	931,854	720,737	391,953	384,470
Plan fiduciary net position, beginning	<u>3,178,882</u>	<u>2,429,014</u>	<u>1,497,160</u>	<u>776,423</u>	<u>384,470</u>	<u>-</u>
Plan fiduciary net position, ending (b)	<u>\$ 3,851,780</u>	<u>\$ 3,178,882</u>	<u>\$ 2,429,014</u>	<u>\$ 1,497,160</u>	<u>\$ 776,423</u>	<u>\$ 384,470</u>
Net pension liability (asset), ending (a) - (b)	<u>\$ (422,562)</u>	<u>\$ 22,753</u>	<u>\$ 391,328</u>	<u>\$ 291,415</u>	<u>\$ 201,744</u>	<u>\$ 110,743</u>
Plan's fiduciary net position as a percentage of total pension liability	112.32%	99.29%	86.12%	83.71%	79.38%	77.64%
Covered payroll	\$ 1,041,290	\$ 1,080,081	\$ 1,125,103	\$ 1,168,186	\$ 858,518	\$ 816,423
Net pension liability (asset) as a % of covered payroll	-40.58%	2.11%	34.78%	24.95%	23.50%	13.56%

\* The amounts presented above are as of the measurement date of the collective net pension liability (asset).

\*\* Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

**HOOD CENTRAL APPRAISAL DISTRICT**  
**Schedule of Employer Pension Contributions and Related Ratios**  
**Last Seven Fiscal Years**

<b>Year Ended December 31st: *</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>
Actuarially determined contribution	\$ 112,768	\$ 81,637	\$ 131,878	\$ 114,648	\$ 112,146	\$ 70,914	\$ 61,640
Contributions in relation to the actuarially determined amount	<u>112,768</u>	<u>81,637</u>	<u>531,878</u>	<u>588,214</u>	<u>625,579</u>	<u>266,625</u>	<u>321,584</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (400,000)</u>	<u>\$ (473,566)</u>	<u>\$ (513,433)</u>	<u>\$ (195,711)</u>	<u>\$ (259,944)</u>
Covered payroll	\$ 1,156,595	\$ 1,041,290	\$ 1,080,081	\$ 1,125,103	\$ 1,168,186	\$ 858,518	\$ 816,423
Contributions as a percentage of covered payroll	9.7%	7.8%	49.2%	52.3%	53.6%	31.1%	39.4%

**Notes to Schedule of Contributions**

**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	18.9 years (based on contribution rate calculated in 12/31/2021 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 the Pub-2010 General Retirees Mortality 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.
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: Employer contributions reflect that the prior service matching rate was increased to 35%. 2019: Employer contributions reflect that the prior service matching rate was increased to 60%. 2020: Employer contributions reflect that the prior service matching rate was increased to 90%. 2021: No changes in plan provisions were reflected in the Schedule.

\* This schedule displays amounts for the fiscal year (Fiscal Year 2022 displays amounts for the current fiscal year, not the measurement year).

**COMPLIANCE REPORTING SECTION**



**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  
Hood Central Appraisal District  
Granbury, 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, the major fund, and the aggregate remaining fund information of Hood Central Appraisal District as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated June 1, 2023.

**Report on Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Hood Central Appraisal 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 Hood Central Appraisal District's internal control. Accordingly, we do not express an opinion on the effectiveness of Hood Central Appraisal 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 District'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 Hood Central Appraisal District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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 District'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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Snow Garrett Williams*

Snow Garrett Williams  
June 1, 2023

