



AUG 14 2023

**AGENDA PLACEMENT FORM**

(Submission Deadline – Monday, 5:00 PM before Regular Court Meetings)

Date: 7/26/23

Meeting Date: 8/14/23

**Acknowledged**

Submitted By: CJO

Department/Office: CJO

Signature of Director/Official: \_\_\_\_\_

**Agenda Title:**

Acknowledgement of Central Appraisal District of Johnson County Annual  
Financial Report December 31, 2022

**Public Description** (Description should be 2-4 sentences explaining to the Court and the public what action is recommended and why it is necessary):

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

(May attach additional sheets if necessary)

**Person to Present:** \_\_\_\_\_

(Presenter must be present for the item unless the item is on the Consent Agenda)

**Supporting Documentation:** (check one) PUBLIC  CONFIDENTIAL

(PUBLIC documentation may be made available to the public prior to the Meeting)

**Estimated Length of Presentation:** \_\_\_\_\_ minutes

**Session Requested:** Consent (Action Item, Workshop, Consent, Executive)

**Check All Departments That Have Been Notified:**

County Attorney  IT  Purchasing  Auditor

Personnel  Public Works  Facilities Management

Other Department/Official (list) \_\_\_\_\_

**Please Inter-Office All Original Documents to County Judge’s Office Prior to Deadline  
& List All External Persons Who Need a Copy of Signed Documents  
In Your Submission Email**

**CENTRAL APPRAISAL DISTRICT**

**OF JOHNSON COUNTY**

ANNUAL FINANCIAL REPORT

DECEMBER 31, 2022

# CENTRAL APPRAISAL DISTRICT OF JOHNSON COUNTY

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Members:  
AMERICAN INSTITUTE OF  
CERTIFIED PUBLIC  
ACCOUNTANTS  
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PUBLIC ACCOUNTANTS

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TONN, SEAY & SCARBOROUGH**  
A Limited Liability Company

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CERTIFIED PUBLIC ACCOUNTANTS

**INDEPENDENT AUDITORS' REPORT**

The Board of Directors  
Central Appraisal District of Johnson County  
Cleburne, Texas

**Opinions**

We have audited the accompanying financial statements of the governmental activities and major fund information of the Central Appraisal District of Johnson County (the 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 and major fund information of the 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 requirement relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

**Emphasis of Matter**

As discussed in Note 8 to the basic financial statements, during the year ended December 31, 2022, the District implemented Governmental Accounting Standards Board (GASB) Statement No. 87, Leases. Our opinions are not modified with respect to this matter.

**Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of 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 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 judgement 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 controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

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

### **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 10, the budgetary comparison information on page 39, and the Texas County & District Retirement System Schedules on pages 40-43, 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 Audit Standards*, we have also issued our report dated May 31, 2023, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of law, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing on internal control over financial reports and compliance and the results of that testing, and not to provide an opinion on 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 the District's internal control over financial reporting and compliance.

*Hankins, Eastup, Deaton, Tonn, Seay & Scarborough, LLC*

Hankins, Eastup, Deaton, Tonn, Seay & Scarborough, LLC  
Denton, Texas

May 31, 2023

## **MANAGEMENT'S DISCUSSION & ANALYSIS**

# CENTRAL APPRAISAL DISTRICT OF JOHNSON COUNTY

## MANAGEMENT'S DISCUSSION AND ANALYSIS DECEMBER 31, 2022

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As management of the Central Appraisal District of Johnson County, we offer readers of the District's financial statement this narrative overview and analysis of the financial activities of the District for the year ended December 31, 2022. The District has implemented Government Accounting Standards Board Statement 34 "Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments". Please read this narrative in conjunction with the independent auditors' report on page 1, and the District's Basic Financial Statements that begin on page 12.

### FINANCIAL HIGHLIGHTS

- The District's expenditures were under its 2022 budget by \$245,579, due to cost savings in several expenditure categories.
- A total of \$4,249,398 in revenues were realized, \$30,387 or 0.72% more than originally budgeted, due to actual other income and interest income above the budgeted amount.
- The assets and deferred outflows of resources of the Central Appraisal District of Johnson County exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$3,378,367 (Total Net Position). Of this amount, \$2,607,365 is unrestricted and may be used to meet the District's ongoing obligations and responsibilities to citizens, supporting tax units, and creditors.
- The District's net capital assets increased by 0.50%, from \$806,437 in the prior year to \$810,482 as of December 31, 2022. This increase is attributable to the District's capital asset additions exceeding depreciation expense in 2022.
- At the end of 2022, the District had \$2,459,895 total fund balance in its General Fund, representing a 14.28% increase above the \$2,152,595 fund balance in the previous year.

### OVERVIEW OF THE FINANCIAL STATEMENTS

The management discussion and analysis are intended to serve as an introduction to the Central Appraisal District of Johnson County's basic financial statements. The District's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

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



# CENTRAL APPRAISAL DISTRICT OF JOHNSON COUNTY

## MANAGEMENT'S DISCUSSION AND ANALYSIS DECEMBER 31, 2022

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The Statement of Net Position presents information on all of the Central Appraisal District of Johnson County's assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference between these reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The Statement of Activities presents information showing how the District's net position changed during the fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected assessments and earned but unused compensated absences).

With many other governmental entities, the aforementioned government-wide financial statements normally identify and distinguish between either governmental activities supported by general revenues or business-type activities which are typically self-supported by user fees and charges. The District has no business-type activities. Pursuant to the Texas Property Tax Code, the Central Appraisal District of Johnson County's special purpose is to establish fair market values and administer associated lawful exemptions for all real and business personal property in Johnson County, Texas. To accomplish this, the governmental activities of the District encompass several departments and divisions, including Residential Appraisal, Business Personal Property, Commercial/Special Appraisal, Information Systems, Data Services, Mapping/GIS, Support Services, Appraisal Review Board, Administration, and General Operations. All the revenues received by the District are used to financially support the District's established special purpose and these governmental activities.

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

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

# CENTRAL APPRAISAL DISTRICT OF JOHNSON COUNTY

## MANAGEMENT'S DISCUSSION AND ANALYSIS DECEMBER 31, 2022

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

The District maintains a single governmental fund, its General Fund. The General Fund is used to account for the acquisition and use of the District's spendable financial resources and the related liabilities.

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

The District adopts an annual appropriated budget for its General Fund. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with this budget. It can be found under the "Required Supplementary Information" section of this report.

**Notes to 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 financial statements can be found on pages 18-38 of this report.

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

**Net Assets:** As noted earlier, net position may serve over time as a useful indicator of a government's financial position. As of December 31, 2022, the Central Appraisal District of Johnson County's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources by \$3,378,367.

At December 31, 2022, \$5,345,643 in total assets were recorded. Of that amount, cash and other assets (other receivables and prepaid expenses) represented 65%, capital assets (land, building, and equipment) represented 15%, and net pension asset represented 20%.

Total liabilities at December 31, 2022 equaled \$1,049,173. Of that amount, 81.7% was unearned 2023 tax unit assessments and 18.3% was other liabilities.

Of the \$3,378,367 in total net position, \$771,002 represents net investments in capital assets (building, and equipment). The District uses these capital assets to carry out its statutory property valuation responsibilities and to provide information and services to citizens and the taxing units which support the District. Capital assets are non-liquid and cannot be used to satisfy District obligations. The unrestricted net position of \$2,607,365 may be used to meet the District's ongoing obligations and responsibilities.

**CENTRAL APPRAISAL DISTRICT OF JOHNSON COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2022

	Net Position	
	<u>Governmental Activities</u>	
	<u>2021</u>	<u>2022</u>
Assets:		
Current and other assets	\$ 3,379,060	\$ 3,469,588
Capital assets (net of depreciation)	788,246	810,482
Net pension asset	-	1,065,573
Total Assets	<u>4,167,306</u>	<u>5,345,643</u>
Deferred outflows of resources	<u>938,464</u>	<u>758,120</u>
Liabilities:		
Current and other liabilities	253,733	152,868
Unearned revenues	972,732	856,825
Long-term liabilities	707,705	39,480
Total Liabilities	<u>1,934,170</u>	<u>1,049,173</u>
Deferred inflows of resources	<u>394,569</u>	<u>1,676,223</u>
Net Position:		
Net investment in capital assets	788,246	771,002
Unrestricted	1,988,785	2,607,365
Total Net Position	<u>\$ 2,777,031</u>	<u>\$ 3,378,367</u>

**Governmental Activities:** The following table provides a summary of the District's operations for the years ended December 31, 2021 and 2022.

	Changes in Net Position	
	<u>2021</u>	<u>2022</u>
Program Revenues:		
Assessments and charges for services	\$ 4,104,109	\$ 4,217,453
General Revenues:		
Interest Income	1,068	31,945
Total Revenues	<u>4,105,177</u>	<u>4,249,398</u>
Expenses By Governmental Activity:		
Appraisal Services	<u>3,828,654</u>	<u>3,647,364</u>
Total Expenses	<u>3,828,654</u>	<u>3,647,364</u>
Change In Net Position	276,523	602,034
Net Position – Beginning	2,500,508	2,777,031
Prior Period Adjustment	-	(698)
Net Position – Ending	<u>\$ 2,777,031</u>	<u>\$ 3,378,367</u>

As shown above, the District experienced an \$602,034 increase in net position. When added to the beginning net position at January 1, 2022, the District ended the 2022 year with \$3,378,367 net position.

**CENTRAL APPRAISAL DISTRICT OF JOHNSON COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2022

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**FINANCIAL ANALYSIS OF GOVERNMENTAL FUNDS**

**Governmental Funds:** The focus of the Central Appraisal District of Johnson County's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing and budgeting requirements. In particular, the unassigned fund balance may serve as a useful measure of the District's net resources available for spending at the end of the fiscal year.

At the December 31, 2022 year end, the District has a \$2,459,895 total fund balance. This is 14.28% more than the \$2,152,595 prior-year fund balance.

**General Fund Budgetary Highlights:** Actual expenditures for the year ended December 31, 2022 were \$3,973,432, which is \$245,579 or 5.82% less than the \$4,219,011 budgeted for the year. This decrease represents cost savings in several areas during fiscal year 2022.

Actual revenues for 2022 were \$4,249,398 or 100.72% of the budgeted revenues for the year. In accordance with the provisions of the Texas Property Tax Code applicable to appraisal district budgets, assessment payments from tax units account for the bulk of the District's revenues. For 2022, 98.94% came from assessment payments, 0.31% from interest earnings, and 0.75% from the sale of public information material and miscellaneous income.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets:** The District's investments in capital assets for its governmental activities as of December 31, 2022 were \$810,482 (net of accumulated depreciation). This represents a \$16,718 decrease from the previous fiscal year. The following table presents the District's net capital assets at December 31, 2022:

		<u>% of Total</u>
Non-depreciated Assets:		
Software project - work in progress	719,536	88.78%
Depreciated Assets:		
Building and improvements	34,992	4.32%
Furniture and equipment	17,000	2.10%
Right-to-use assets	38,954	4.80%
	<u>\$ 810,482</u>	<u>100.00%</u>

Capital asset additions occurred during the 2022 year for the following:

- Air conditioning unit – Building and improvements
- Office equipment – Right-to-use assets

**Debt Administration:** At the end of the 2022 year, the District had lease liabilities of \$39,480.

# CENTRAL APPRAISAL DISTRICT OF JOHNSON COUNTY

## MANAGEMENT'S DISCUSSION AND ANALYSIS DECEMBER 31, 2022

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

The Central Appraisal District of Johnson County's (the District) annual budget is driven by two basic factors: the needs and requirements to efficiently and effectively carry out its lawfully-mandated responsibilities in establishing fair market values for real and business personal property within the boundaries of Johnson County for the taxing entities (cities, school districts, county, and special districts) which financially support the District; and to provide an appeal process for the citizens/taxpayers who own property within Johnson County. It was on this basis that the District's 2023 budget was prepared and ultimately adopted. It includes the following:

- \$4,612,443 in proposed General Fund expenditures, representing a \$393,432 increase when compared with the 2022 budget. These efforts are all necessary to keep pace with growth in the county which translates into increased parcels and property protests.
- Funding of 5.0% cost-of-living/merit pay increases and salary adjustments to market value.
- The District currently serves twenty-six entities. It is the goal of the District to provide excellent service to all entities served.

### **REQUEST FOR INFORMATION**

This financial report is designed to provide the citizens, taxpayers, customers, supporting tax units, creditors, and the District's Board of Directors with a general overview of the District's finances and to show the accountability for the money it receives. If you have any questions about this report or need additional information, please contact the Chief Appraiser at the Central Appraisal District of Johnson County, located at 109 North Main Street, Cleburne, Texas 76033.

## **BASIC FINANCIAL STATEMENTS**

**CENTRAL APPRAISAL DISTRICT OF JOHNSON COUNTY**

STATEMENT OF NET POSITION  
DECEMBER 31, 2022

	Primary Government
	<u>Governmental Activities</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 3,463,972
Prepaid expenses	3,563
Other receivables	2,053
Capital assets:	
Software project - work in progress	719,536
Other capital assets, net of accumulated depreciation	90,946
Net pension asset	<u>1,065,573</u>
 Total Assets	 <u>5,345,643</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred outflows of resources related to pension plan	<u>758,120</u>
Total Deferred Outflows of Resources	<u>758,120</u>
<b>LIABILITIES</b>	
Accounts payable	70,190
Accrued wages	36,972
TCDRS-Employee deductions payable	43,659
Payroll related payables	2,047
Unearned assessment revenue	856,825
Noncurrent liabilities:	
Due within one year-leases	10,217
Due in more than one year-leases	<u>29,263</u>
 Total Liabilities	 <u>1,049,173</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred inflows of resources related to pension plan	<u>1,676,223</u>
Total Deferred Inflows of Resources	<u>1,676,223</u>
<b>NET POSITION</b>	
Net investment in capital assets	771,002
Unrestricted	<u>2,607,365</u>
 Total Net Position	 <u><u>\$ 3,378,367</u></u>

The accompanying notes are an integral part of this statement.

**CENTRAL APPRAISAL DISTRICT OF JOHNSON COUNTY**

STATEMENT OF ACTIVITIES  
YEAR ENDED DECEMBER 31, 2022

<u>Program Activities</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expenses)</u>
		<u>Assessments And Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Revenue and Changes in Net Assets</u>
			<u>Net Assets</u>		<u>Governmental Activities</u>
Governmental activities					
Appraisal services	\$ 3,647,364	\$ 4,217,453	\$ -	\$ -	\$ 570,089
 Total Government Activities	 3,647,364	 4,217,453	 -	 -	 570,089
 Total Primary Government	 \$ 3,647,364	 \$ 4,217,453	 \$ -	 \$ -	 \$ 570,089
 General Revenues:					
					31,945
					31,945
					602,034
					2,777,031
					(698)
					\$ 3,378,367

The accompanying notes are an integral part of this statement.



CENTRAL APPRAISAL DISTRICT OF JOHNSON COUNTY

BALANCE SHEET - GOVERNMENTAL FUND  
DECEMBER 31, 2022

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	<u>General Fund</u>
<u>ASSETS</u>	
Cash and cash equivalents	\$ 3,463,972
Prepaid expenses	3,563
Other receivables	2,053
Total Assets	<u>\$ 3,469,588</u>
<u>LIABILITIES AND FUND BALANCES</u>	
Liabilities:	
Accounts payable	\$ 70,190
Accrued wages	36,972
TCDRS-Employee deductions payable	43,659
Payroll related payables	2,047
Unearned revenue	856,825
Total Current Liabilities	<u>1,009,693</u>
Fund Balances:	
Nonspendable Fund Balance:	
Prepaid items	3,563
Assigned Fund Balance:	
Two months operating capital	703,168
Building	401,256
Building repairs	20,000
Legal	86,383
Web design	1,200
A/C & heating	75,316
Telephone system	7,220
Pictometry	76,533
Accrued vacation	49,893
Computer equipment	726,825
Unassigned Fund Balance:	<u>308,538</u>
Total Fund Balance	<u>2,459,895</u>
Total Liabilities and Fund Balances	<u>\$ 3,469,588</u>

The accompanying notes are an integral part of this statement.

**CENTRAL APPRAISAL DISTRICT OF JOHNSON COUNTY**

RECONCILIATION OF THE GOVERNMENTAL FUND  
BALANCE SHEET TO THE STATEMENT OF NET POSITION  
DECEMBER 31, 2022

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Total fund balance – governmental fund	\$ 2,459,895
Amounts reported for governmental activities in the statement of net position is different because:	
Capital assets – net of depreciation used in governmental activities are not current financial resources and therefore are not reported in the governmental fund balance sheet.	810,482
Lease liabilities are not reported in the governmental fund balance sheet.	(39,480)
Included in the items related to debt is the recognition of the District's net TCDRS pension asset required by GASB 68 in the amount of \$1,065,573, Deferred Outflows of Resources related to TCDRS in the amount of \$758,120, and Deferred Inflows of Resources in the amount of \$1,676,223. This amounted to an increase in Net Position in the amount of \$147,470.	<u>147,470</u>
Net position of governmental activities	<u>\$ 3,378,367</u>

The accompanying notes are an integral part of this statement.

**CENTRAL APPRAISAL DISTRICT OF JOHNSON COUNTY**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2022

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	<u>General Fund</u>
Revenues:	
Local support	\$ 4,204,511
Other revenues	12,942
Interest income	31,945
Total Revenues	<u>4,249,398</u>
Expenditures:	
Appraisal District	<u>3,973,432</u>
Total Expenditures	<u>3,973,432</u>
Excess Expenditures over Revenues	275,966
Other Resources - Lease Proceeds	<u>31,334</u>
Net Change in Fund Balance	307,300
Fund Balance Beginning	<u>2,152,595</u>
Fund Balance Ending	<u><u>\$ 2,459,895</u></u>

The accompanying notes are an integral part of this statement.

**CENTRAL APPRAISAL DISTRICT OF JOHNSON COUNTY**

RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCE OF THE  
GOVERNMENTAL FUND TO THE STATEMENT OF ACTIVITIES  
YEAR ENDED DECEMBER 31, 2022

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Net change in fund balance – total governmental fund	\$ 307,300
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount of capital assets recorded in the current period.	43,366
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Depreciation expense on capital assets is reported in the statement of activities, but does not require the use of current financial resources. Therefore, depreciation expense is not reported as expenditures in the governmental funds.	(28,750)
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Other resources from lease proceeds in the fund financial statements are additions to long-term debt in the government-wide financial statements.	(31,334)
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The implementation of GASB 68 required that certain expenditures be de-expended and recorded as deferred resource outflows. The contributions made after the measurement date of 12/31/21 caused the change in ending net position to increase in the amount of \$295,403. Contributions made before the measurement date but during 2021 were also recorded as a reduction in the net position liability for the District. This caused a decrease in the change in net position in the amount of \$290,886. These contributions were replaced with the District's negative pension expense for the year of \$306,935, which caused an increase in the change in net position. The impact of all of these is to increase the change in net position by \$311,452.	<u>311,452</u>
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Change in net position of governmental activities	<u>\$ 602,034</u>
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The accompanying notes are an integral part of this statement.

# CENTRAL APPRAISAL DISTRICT OF JOHNSON COUNTY

## NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2022

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### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### General

The Act creating the Central Appraisal District of Johnson County (the "District") was enacted as a provision of the Property Tax Code by the 66th Texas State Legislature in 1979. The District is responsible for the appraisal of property subject to ad valorem taxation in Johnson County, Texas. The District began operations in 1980.

The District is governed by a board of five directors serving two year terms, plus a sixth statutorily designated non-voting member who is the County Tax Assessor-Collector. The directors are appointed by a vote of the taxing entities within Johnson County.

#### Reporting Entity

For financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in all the reporting entity was made by applying the criteria set forth in GAAP. The criteria used is as follows:

**Financial Accountability** – The primary government is deemed to be financially accountable if it appoints a voting majority of the organization's governing body and (1) it is able to impose its will on that organization or (2) there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government. Additionally, the primary government may be financially accountable if an organization is fiscally dependent on the primary government regardless of whether the organization has a separately elected governing board, a governing board appointed by a higher level of government or a jointly appointed board.

There are no entities that are potential component units based upon the above criteria.

#### Basis of Presentation

The government-wide financial statements (the statement of net position and the statement of activities) report information on all of the activities of the District. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given program are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific program. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given program and 2) operating or capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Other items not properly included among program revenues are reported instead as general revenues.

# CENTRAL APPRAISAL DISTRICT OF JOHNSON COUNTY

## NOTES TO FINANCIAL STATEMENTS (continued) DECEMBER 31, 2022

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### Fund Financial Statements:

The District segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Separate statements are presented for governmental and proprietary activities. These statements present each major fund as a separate column on the fund financial statements; all non-major funds are aggregated and presented in a single column. The District has no proprietary activities, or non-major funds.

Governmental funds are those funds through which most governmental functions typically are financed. The measurement focus of governmental funds is on the sources, uses and balance of current financial resources. The District has presented the following major governmental fund:

#### **General Fund**

The General Fund is the only operating fund of the District. This fund is used to account for the acquisition and use of the District's expendable financial resources and the related liabilities. The measurement focus is based upon determination of changes in financial position rather than upon net income determination.

### **Measurement Focus/Basis of Accounting**

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The government-wide statements are reported using the economic resources measurement focus and the accrual basis of accounting. The economic resources measurement focus means all assets and liabilities (whether current or non-current) are included on the statement of net position and the operating statements present increases (revenues) and decreases (expenses) in net total position. Under the accrual basis of accounting, revenues are recognized when earned. Expenses are recognized at the time the liability is incurred.

Governmental fund financial statements are reported using the current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual; i.e., when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter (within 60 days of year-end) to be used to pay liabilities of the current period. Expenditures are recorded when the related fund liability is incurred. However, debt service expenditures, as well as expenditures related to compensated absences are recorded only when payment is due.

Assessments and sales of public information material are recognized under the susceptible to accrual concept. Interest income is recorded as earned, since it is measurable and available.

# CENTRAL APPRAISAL DISTRICT OF JOHNSON COUNTY

## NOTES TO FINANCIAL STATEMENTS (continued) DECEMBER 31, 2022

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### **Budgetary Data**

The District uses the following procedures in establishing the budget reflected in the general purpose financial statements:

1. Prior to September 15, the Board of Directors is presented with a proposed budget for the year beginning on the following January 1. The budget includes proposed expenditures and the means of financing them. The budget also serves as a basis for determining the annual assessments due for the taxing jurisdictions. The budget is legally enacted through passage of a resolution.
2. Public hearings are conducted to obtain citizen's comments.
3. An annual budget is legally adopted for the General Fund. The budget is adopted on a basis consistent with accounting principles generally accepted in the United States of America.
4. The Chief Appraiser is authorized to transfer amounts between departments within the General Fund; however, revisions that alter General Fund expenditures must be approved by the Board of Directors and the taxing jurisdictions. The fund level is the legal level of budgetary control. Appropriations lapse at year-end.
5. Original budgeted amounts presented in the budgetary comparison schedule are as originally adopted by the Board of Directors on July 15, 2021. The final amended budget is as amended by the Board during the year.

### **Assessments**

If the District accumulates unassigned excess funds, the Board of Directors may refund the excess to the taxing entities. In addition, state law requires the District to refund any assessment revenue in excess of expenditures if not waived by the taxing jurisdictions. During the year ended December 31, 2022, the District did not make any refunds.

### **Capital Assets**

Capital assets, which include land, buildings and improvements, furniture and equipment and computers and peripherals, are reported in the government-wide financial statements. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated assets are valued at their fair market value on the date donated. Repairs and maintenance are recorded as expenses. Renewals and betterments are capitalized.

Assets capitalized have an original cost of \$5,000 or more and over one year useful life. Depreciation has been calculated on each class of depreciable property using the straight-line method. Estimated useful lives are as follows:

Building and improvements	5-32 Years
Furniture and equipment	5-10 Years
Right-to-use assets	5 Years

# CENTRAL APPRAISAL DISTRICT OF JOHNSON COUNTY

NOTES TO FINANCIAL STATEMENTS (continued)  
DECEMBER 31, 2022

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## **Compensated Absences**

The District provides for paid vacation which accumulates at the rate of ten to twenty days per year depending on length of service. Employees are allowed to carry vacation hours from one year to the next, but any hours carried over must be used by March 31 of the following year. Upon termination of employment the employee will be paid for unused vacation time. The amount expected to be liquidated with expendable available financial resources is not considered to be material.

## **Net Position**

Net position represents the difference between assets, deferred outflows of resources and liabilities. Net position invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent proceeds. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislations adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

## **NOTE 2 – FUND BALANCE**

The District has implemented GASB Statement No. 54, “Fund Balance Reporting and Governmental Fund Type Definitions.” This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government’s fund balances more transparent.

Fund Balance Classification: The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classification used in the governmental fund financial statements are as follows:

- Nonspendable: This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact.
- Restricted: This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. Debt service resources are to be used for future servicing of the District’s debt and are restricted through debt covenants. The District did not have any restricted funds at December 31, 2022.



**CENTRAL APPRAISAL DISTRICT OF JOHNSON COUNTY**

NOTES TO FINANCIAL STATEMENTS (continued)  
DECEMBER 31, 2022

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- **Committed:** This classification includes amounts that can be used for specific purposes pursuant to constraints imposed by formal action of the District's Board of Directors. The Board of Directors establishes (and modifies or rescinds) fund balance commitments by passage of a resolution. This can also be done through adoption and amendment of the budget. These amounts cannot be used for any other purpose unless the Board removes or changes the specified use by taking the same type of action that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements. The District did not have any committed funds at December 31, 2022.
  
- **Assigned:** This classification includes amounts that are constrained by the District's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the Board of Directors or through the Board of Directors delegating this responsibility to other individuals in the District. Under the District's adopted policy, only the Board of Directors may assign amounts for specific purposes. The Board of Directors has assigned fund balances for two months operating capital \$703,168, building \$401,256, building repairs \$20,000, legal \$86,383, web design \$1,200, A/C & heating \$75,316, telephone system \$7,220, pictometry \$76,533, accrued vacation \$49,893, and computer equipment \$726,825.
  
- **Unassigned:** This classification includes all amounts not included in other spendable classifications, including the residual fund balance for the General Fund.

**General Fund**

Prepaid items of \$3,563 in the General Fund are considered non-spendable fund balance.

The General Fund has \$308,538 of unassigned fund balance at December 31, 2022.

**NOTE 3 – DEPOSITS AND INVESTMENTS WITH FINANCIAL INSTITUTIONS**

The District's funds are required to be deposited and invested under the terms of a depository agreement. The depository bank deposits for safekeeping and trust with the District's agent bank approved pledged securities in an amount sufficient to protect District funds on a day-to-day basis during the period of the agreement. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance.

**1. Cash Deposits:**

At December 31, 2022, the carrying amount of the District's deposits in checking accounts and interest-bearing accounts was \$3,463,972 and the bank balance was \$3,480,523. The District's cash deposits at December 31, 2022, and during the year, were entirely covered by FDIC insurance or by pledged collateral held by the District's agent bank in the District's name.

## CENTRAL APPRAISAL DISTRICT OF JOHNSON COUNTY

NOTES TO FINANCIAL STATEMENTS (continued)  
DECEMBER 31, 2022

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### **2. 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 the District to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, (9) and bid solicitation preferences for certificates of deposit. Statutes authorize the City 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 acceptance, (7) Mutual Funds, (8) Investment pools, (9) guaranteed investment contracts, (10) and common trust funds.

The Act also requires the District to have independent auditors perform test procedures related to investment practices as provided by the Act. The District is in substantial compliance with the requirements of the Act and with local policies.

The District had no investments at December 31, 2022.

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

- a. **Custodial Credit Risk – Deposits:** In the case of deposits, this is the risk that, in the event of a bank failure, the District's deposits may not be returned to it. As of December 31, 2022, the District's cash balances totaled \$3,463,972. This entire amount was either collateralized with securities held by the District's financial institution's agent in the District's name or covered by FDIC insurance. Thus, the District's deposits are not exposed to custodial credit risk as of December 31, 2022.
- b. **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. At December 31, 2022, the District was not exposed to custodial credit risk.
- c. **Credit Risk:** This is the risk that an issuer or other counterparty to an investment will be unable to fulfill its obligations. The rating of securities by nationally recognized rating agencies is designed to give an indication of credit risk. The District was not exposed to credit risk at December 31, 2022.
- d. **Foreign Currency Risk:** This is the risk that exchange rates will adversely affect the fair value of an investment. At December 31, 2022, the District was not exposed to foreign currency risk.

**CENTRAL APPRAISAL DISTRICT OF JOHNSON COUNTY**

NOTES TO FINANCIAL STATEMENTS (continued)  
DECEMBER 31, 2022

- e. Concentration of Credit Risk: This is the risk of loss attributed to the magnitude of the District's investment in a single issuer (i.e., lack of diversification). Concentration risk is defined as positions of 5 percent or more in the securities of a single issuer. At December 31, 2022, the District had all of its investments at First Financial Bank and was exposed to concentration of credit risk.

**NOTE 4 – CAPITAL ASSETS**

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

	Balance December 31, <u>2021</u>	<u>Additions</u>	<u>Retirements</u>	Balance December 31, <u>2022</u>
Governmental activities:				
Capital Assets not being depreciated:				
Software project – work in progress	\$ 719,536	\$ -	\$ -	\$ 719,536
Total Capital Assets, not being depreciated	<u>719,536</u>	<u>-</u>	<u>-</u>	<u>719,536</u>
Capital Assets being depreciated:				
Building and improvements	416,410	12,032	16,588	411,854
Furniture and equipment	98,961	-	-	98,961
Appraisal software	733,215	-	-	733,215
Right-to-Use Assets	<u>52,877</u>	<u>31,334</u>	<u>31,372</u>	<u>52,839</u>
Total Capital Assets, being depreciated	<u>1,301,463</u>	<u>43,366</u>	<u>47,960</u>	<u>1,296,869</u>
Less accumulated depreciation:				
Building and improvements	380,592	12,858	16,588	376,862
Furniture and equipment	83,230	7,311	-	90,541
Appraisal software	716,054	8,581	-	724,635
Right-to-Use Assets	<u>34,686</u>	<u>10,571</u>	<u>31,372</u>	<u>13,885</u>
Total accumulated depreciation	<u>1,214,562</u>	<u>39,321</u>	<u>47,960</u>	<u>1,205,923</u>
Total Capital Assets, being depreciated, net	<u>86,901</u>	<u>4,045</u>	<u>-</u>	<u>90,946</u>
Governmental activities capital assets, net	<u>\$ 806,437</u>	<u>\$ 4,045</u>	<u>\$ -</u>	<u>\$ 810,482</u>

**NOTE 5 – ACCUMULATED UNPAID VACATION BENEFITS**

On retirement, death, or termination of employees, the District pays any accumulated vacation leave in a lump-sum cash payment to such employee or his/her estate. Accumulated vacation time may not be carried more than 90 days into the next calendar year, at which time all unused vacation time will be forfeited without prior Board approval.

# CENTRAL APPRAISAL DISTRICT OF JOHNSON COUNTY

NOTES TO FINANCIAL STATEMENTS (continued)  
DECEMBER 31, 2022

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## **NOTE 6 – DEFINED BENEFIT PENSION PLAN**

### **Introduction – Summary of TCDRS Funding Policy**

The funding policy governs how the Texas County & District Retirement System (TCDRS) determines the employer contributions required to ensure that benefits provided to TCDRS members are funded in a reasonable and equitable manner. The goals of TCDRS's funding policy are to fully fund benefits over the course of employees' careers to ensure intergenerational equity, and to balance rate and benefit stability with the need for the plan funding to be reflective of current plan conditions. This policy documents the current funding policies in effect for the December 31, 2021 actuarial valuation as established by state law, administrative rule and action by the TCDRS Board of Trustees (the board). The policy serves as a comprehensive funding overview and complies with the GASB reporting requirements for an agent multiple-employer plan.

### **TCDRS Funding Overview**

TCDRS is a model for responsible, disciplined funding. TCDRS does not receive any state funding. As an agent, multiple-employer plan, each participating employer in the system funds its plan independently. A combination of three elements funds each employer's plan: employee deposits, employer contributions and investment income.

- The deposit rate for employees is 4%, 5%, 6% or 7% of compensation, as adopted by the employer's governing body. The District has adopted the 7% rate.
- Participating employers are required to contribute at actuarially determined rates to ensure adequate funding for each employer's plan. Employer contribution rates are determined annually and approved by the TCDRS Board of Trustees. The District's rate for 2021 was 14%.
- Investment income funds a large part of the benefits employees earn.

Pursuant to state law, employers participating in the system must pay 100% of their actuarially determined required contributions on an annual basis. Each employer has 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 and/or buffer against future adverse experience. In addition, the District annually reviews its plans and may adjust benefits and costs based on local needs and budgets. Although accrued benefits may not be reduced, employers may reduce future benefit accruals and immediately reduce costs.

### **Methodology for Determining Employer Contribution Rates**

The TCDRS Board hires independent outside consulting actuaries to conduct the annual valuation to measure funding status and to determine the required employer contribution rate for each employer plan. In order to calculate the employer contribution rate, the actuary does the following:

## CENTRAL APPRAISAL DISTRICT OF JOHNSON COUNTY

### NOTES TO FINANCIAL STATEMENTS (continued) DECEMBER 31, 2022

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- Studies each employer's adopted plan of benefits and the profile of its plan participants, and uses assumptions established by the board to estimate future benefit plan payments.
- Discounts the estimate of future benefit payments to the present based on the long-term rate of investment return to determine the present value of future benefits.
- Compares the present value of future benefits with the plan's assets to determine the difference that needs to be funded based on the funding policy.

The valuation of each employer plan is based on the system funding policy and the assets, benefits and participant profile of each participating employer plan. The four key components in the determination of employer contribution rates are: the actuarial cost method, amortization policy, the asset valuation method and the actuarial assumptions.

#### **Actuarial Cost Method**

TCDRS has adopted the replacement life entry age cost method, a conservative cost method and an industry standard. 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.

#### **Amortization Policy**

The portion of the contribution rate that funds any remaining unfunded amounts for benefits that are not covered by the normal cost is called the unfunded actuarial accrued liability (UAAL) rate. UAAL amounts occur when benefit enhancements are adopted that have not been funded in advance, or when actual investment or demographic experience varies from the actuarial assumptions (actuarial gains and losses). UAAL amounts are amortized on a level-percentage-of-covered-payroll basis over a closed period with a layered approach. The closed periods ensure all unfunded liabilities are financed over no more than 20 years from the time they occur. Each year new layers are established to amortize changes in the UAAL due to actuarial gains or losses, as well as any plan benefit changes elected by an employer for that year.

Benefit enhancements are amortized over a 15-year closed period. All other changes in the UAAL are amortized over 20-year closed periods. These amortization periods are generally more conservative than those of most other public retirement plans and are stricter than the minimum amortization period required under state law.

For newly participating districts that have five or fewer employees who are all within five years of retirement eligibility, any initial UAAL and any subsequent adoption of prior service credits are amortized over a five-year closed amortization period. This ensures that benefits are appropriately funded over the current generation of employees. Notwithstanding the layered approach, the total UAAL payment may not be less than the required payment obtained by amortizing the entire UAAL over a 20-year period. If a plan is overfunded, the overfunded actuarial accrued liability (OAAL) is calculated annually using a 30-year open amortization period.

## CENTRAL APPRAISAL DISTRICT OF JOHNSON COUNTY

NOTES TO FINANCIAL STATEMENTS (continued)  
DECEMBER 31, 2022

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### **Asset Valuation Method**

When determining the actuarial value of assets used for measuring a plan's funded status, TCDRS smoothes each year's actuarial investment gains and losses and recognizes them over a five-year period to better reflect the system's long-term investment horizons and to keep employer contribution rates more stable. As actuarial asset investment gains and losses are recognized, they become part of the actuarial gains and losses for the year and are funded according to the amortization policy. The five-year period helps stabilize employer rates while still ensuring that rates are reflective of current market conditions.

In addition, the TCDRS Board has the option to set aside reserves from investment earnings to help offset future negative economic cycles. These reserves are held separately and are not counted as part of a participating employer's plan assets until they are passed through to employers when determined necessary by the TCDRS board. Reserves help maintain rate stability for employers. In addition, reserves ensure that employers do not adopt benefit increases based on a temporarily lower plan cost at a high point in a market cycle and, conversely, are not as pressured to immediately reduce benefit levels during a low point in a market cycle.

### **Actuarial Assumptions**

Demographic and economic assumptions are used to estimate employer liabilities and to determine the amount of funding required from employer contributions as opposed to investment earnings. These assumptions reflect a long-term perspective of 30 years or more. Examples of key economic assumptions include long-term investment return, long-term inflation and annual payroll increase. Demographic assumptions are the actuary's best estimate of what will happen to TCDRS members and retirees. Examples of demographic assumptions are employment termination rates, retirement rates and retiree mortality rates. A complete listing of all actuarial assumptions can be found in the annual system-wide valuation report.

### **Oversight**

The TCDRS Board established review policies to ensure that actuarial assumptions are appropriate and that the methodology for determining employer contribution rates is being correctly applied.

### **Review of Actuarial Assumptions**

TCDRS' actuarial assumptions are periodically reviewed and revised as deemed necessary to reflect best estimates of future experience. Every four years, the TCDRS consulting actuary conducts an investigation of experience. TCDRS assumptions are compared to plan experience and future expectations, and changes to the assumptions are recommended as needed. The board adopts actuarial assumptions to be used in the valuation based on the results of this study.

**CENTRAL APPRAISAL DISTRICT OF JOHNSON COUNTY**

NOTES TO FINANCIAL STATEMENTS (continued)  
DECEMBER 31, 2022

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An actuarial audit of every investigation of experience is required and must be performed by an independent auditing actuary to review the consulting actuary's analysis, conclusions and recommendations for accuracy, appropriateness and reasonableness. These audits alternate between a peer review and a full replication audit of the investigation of experience. In a peer review audit of the investigation, the reviewing actuary uses the raw results of the investigation for demographic assumptions as calculated by the consulting actuary to test the conclusions and recommendations. In addition, the reviewing actuary independently analyzes economic assumptions to test the results and recommendations of the consulting actuary. The reviewing actuary also examines the consulting actuary's methods and assumptions for reasonableness and internal consistency. In a full replication audit of the investigation, in addition to performing all of the steps of a peer review, the auditing actuary fully replicates the calculation of the investigation's raw results.

**Review of Employer Contribution Rates**

In order to test accuracy and ensure that the actuarial methods and assumptions are being correctly applied, an audit of the valuation is required every four years. These audits are conducted by an independent reviewing actuary and alternate between a peer review and a full replication audit of the valuation. In the peer review audit of the valuation, the actuary uses a sample of participant data and TCDRS plans to test the results of the valuation. The reviewing actuary also examines the consulting actuary's methods and assumptions for reasonableness and internal consistency. In a full replication audit of the valuation, the auditing actuary performs all the steps of a peer review audit but instead of analyzing sample data and plans, the auditing actuary fully replicates the original actuarial valuation.

**Review and Modification of Funding Policy**

The TCDRS Board reviews the funding policy on a regular basis and may modify such policy at its discretion. Modifications to the policy may be submitted for consideration to the TCDRS Board by staff and/or outside consulting actuaries as circumstances warrant.

<b>Discount Rate</b>	<u>December 31, 2020</u>	<u>December 31, 2021</u>
Discount rate <sup>1</sup>	7.60%	7.60%
Long-term expected rate of return, net of investment expense	7.60%	7.60%
Municipal bond rate <sup>2</sup>	Does not apply	Does not apply

<sup>1</sup> This rate reflects the long-term rate of return funding valuation assumption of 7.50%, plus 0.10% adjustment to be gross of administrative expenses as required by GASB 68.

<sup>2</sup> The plan's fiduciary net position is projected to be available to make all projected future benefit payments of current active, inactive, and retired members. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return, and the municipal bond rate does not apply.

**CENTRAL APPRAISAL DISTRICT OF JOHNSON COUNTY**

NOTES TO FINANCIAL STATEMENTS (continued)  
DECEMBER 31, 2022

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**Other Key Actuarial Assumptions**

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.

	<u>Beginning Date</u>	<u>Ending Date</u>
Valuation date	December 31, 2020	December 31, 2021
Measurement date	December 31, 2020	December 31, 2021
Employer's fiscal year	January 1, 2022	December 31, 2022

**Actuarial Methods and Assumptions Used for Funding Valuation**

Following is a description of the assumptions used in the December 31, 2021 actuarial valuation analysis for Central Appraisal District of Johnson County. This information may also be found in the Central Appraisal District of Johnson County December 31, 2021 Summary Valuation Report.

*Economic Assumptions*

TCDRS system-wide economic assumptions:

Real rate of return	5.00%
Inflation	2.50%
Long-term investment return	7.50%

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

The annual salary increase rates assumed for individual members vary by length of service and by entry-age group. The annual rates consist of a general wage inflation component of 3.00% (made up of 2.50% inflation and 0.5% productivity increase assumptions) and a merit, promotion and longevity component that on average approximates 1.7% per year for a career employee.

Employer-specific economic assumptions:

Growth in membership	0.00%
Payroll growth	1.50%

The payroll growth assumption is for the aggregate covered payroll of the District.



**CENTRAL APPRAISAL DISTRICT OF JOHNSON COUNTY**

NOTES TO FINANCIAL STATEMENTS (continued)  
DECEMBER 31, 2022

**Long-Term Expected Rate of Return**

The long-term expected rate of return on TCDRS assets is determined by adding expected inflation to expected long-term real returns, and reflecting expected volatility and correlation. The capital market assumptions and information shown below are provided by TCDRS' investment consultant, Cliffwater LLC. The numbers shown are based on January 2022 information for a 10-year time horizon. Note that the valuation assumption for long-term expected return is re-assessed at a minimum of every four years, and is set based on a long-term time horizon. The TCDRS Board of Trustees adopted the current assumptions at their March 2021 meeting. The assumptions for the long-term expected return is reviewed annually for continued compliance with the relevant actuarial standards of practice. Milliman relies on the expertise of Cliffwater in this assessment.

Asset Class	Benchmark	Target Allocation <sup>1</sup>	Geometric Real Rate of Return (Expected minus Inflation) <sup>2</sup>
US Equities	Dow Jones U.S. Total Stock Market Index	11.50%	3.80%
Global Equities	MSCI World (net) Index	2.50%	4.10%
Int'l Equities-Developed Markets	MSCI World Ex USA (net) Index	5.00%	3.80%
Int'l Equities-Emerging Markets	MSCI EM Standard (net) Index	6.00%	4.30%
Investment-Grade Bonds	Bloomberg Barclays U.S. Aggregate Bond Index	3.00%	-0.85%
Strategic Credit	FTSE High-Yield Cash-Pay Capped Index	9.00%	1.77%
Direct Lending	S&P/LSTA Leveraged Loan Index	16.00%	6.25%
Distressed Debt	Cambridge Associates Distressed Securities Index <sup>3</sup>	4.00%	4.50%
REIT Equities	67% FTSE NAREIT All Equity REITs Index + 33% S&P Global REIT Index	2.00%	3.10%
Master Limited Partnerships (MLPs)	Alerian MLP Index	2.00%	3.85%
Private Real Estate Partnerships	Cambridge Associates Real Estate Index <sup>4</sup>	6.00%	5.10%
Private Equity	Cambridge Associates Global Private Equity & Venture Capital Index <sup>5</sup>	25.00%	6.80%
Hedge Funds	Hedge Fund Research, Inc. (HFRI) Fund of Funds Composite Index	6.00%	1.55%
Cash Equivalents	90-Day U.S. Treasury	2.00%	-1.05%

<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 minus the assumed inflation of 2.00%, per Cliffwater's 2022 capital market assumptions.

<sup>3</sup> Includes vintage years 2005-present of Quarter Pooled Horizon IRRs.

<sup>4</sup> Includes vintage years 2007-present of Quarter Pooled Horizon IRRs.

<sup>5</sup> Includes vintage years 2006-present of Quarter Pooled Horizon IRRs.

## CENTRAL APPRAISAL DISTRICT OF JOHNSON COUNTY

NOTES TO FINANCIAL STATEMENTS (continued)  
DECEMBER 31, 2022

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### **Depletion of Plan Assets/GASB Discount Rate**

The discount rate is the single rate of return that, when applied to all projected benefit payments results in an actuarial present value of projected benefit payments equal to the total of the following:

1. The actuarial present value of benefit payments projected to be made in future periods in which (a) the amount of the pension plan's fiduciary net position is projected to be greater than the benefit payments that are projected to be made in that period and (b) pension plan assets up to that point are expected to be invested using a strategy to achieve the long-term rate of return, calculated using the long-term expected rate of return on pension plan investments.
2. The actuarial present value of projected benefit payments not included in (1), calculated using the municipal bond rate.

Therefore, if plan investments in a given future year are greater than projected benefit payments in that year and are invested such that they are expected to earn the long-term rate of return, the discount rate applied to projected benefit payments in that year should be the long-term expected rate of return on plan investments. If future years exist where this is not the case, then an index rate reflecting the yield on a 20-year, tax-exempt municipal bond should be used to discount the projected benefit payments for those years.

The determination of a future date when plan investments are not sufficient to pay projected benefit payments is often referred to as a depletion date projection. A depletion date projection compares projections of the pension plan's fiduciary net position to projected benefit payments and aims to determine a future date, if one exists, when the fiduciary net position is projected to be less than projected benefit payments. If an evaluation of the sufficiency of the projected fiduciary net position compared to projected benefit payments can be made with sufficient reliability without performing a depletion date projection, alternative methods to determine sufficiency may be applied.

In order to determine the discount rate to be used by each employer TCDRS used an alternative method to determine the sufficiency of the fiduciary net position in all future years. Our alternative method reflects the funding requirements under the District'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 District is legally required to make the contribution 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 District is still required to contribute at least the normal cost.

**CENTRAL APPRAISAL DISTRICT OF JOHNSON COUNTY**

NOTES TO FINANCIAL STATEMENTS (continued)  
DECEMBER 31, 2022

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4. Any increased cost due to the adoption of a COLA is required to be funded over a period of 15 years, if applicable.

Based on the above, the projected fiduciary net position is determined to be sufficient compared to projected benefit payments. Based on the expected level of cash flows and investment returns to the system, the fiduciary net position as a percentage of total pension liability is projected to increase from its current level in future years. Since the projected fiduciary net position is projected to be sufficient to pay projected benefit payments in all future years, the discount rate for purposes of calculating the total pension liability and net pension liability of the employer is equal to the long-term assumed rate of return on investments. This long-term assumed rate of return should be net of investment expenses, but gross of administrative expenses for GASB 68 purposes. Therefore, TCDRS used a discount rate of 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.

**Net Pension Liability / (Asset)**

<b>Net Pension Liability / (Asset)</b>	<u>December 31, 2020</u>	<u>December 31, 2021</u>
Total pension liability	\$12,900,175	\$13,860,795
Fiduciary net position	12,192,469	14,926,368
Net pension liability / (Asset)	707,705	(1,065,573)
Fiduciary net position as a % of total pension liability	94.51%	107.69%
Pensionable covered payroll <sup>1</sup>	1,974,850	2,077,760
Net pension liability as a % of covered payroll	35.84%	(51.28%)

The total pension liability was determined by an actuarial valuation as of the valuation date, calculated based on the discount rate and actuarial assumptions below.

*Note: Rounding differences may exist above or in other tables in this report.*

<sup>1</sup> Payroll is calculated based on contributions as reported to TCDRS.

**CENTRAL APPRAISAL DISTRICT OF JOHNSON COUNTY**

NOTES TO FINANCIAL STATEMENTS (continued)  
DECEMBER 31, 2022

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

Changes in the Net Pension Liability/(Asset)	Increase (Decrease)		
	Total Pension Liability (a)	Fiduciary Net Position (b)	Net Pension Liability / (Asset) (a) – (b)
Balances as of December 31, 2020	\$12,900,175	\$12,192,469	\$707,705
Changes for the year:			
Service cost	301,491		301,491
Interest on total pension liability <sup>1</sup>	989,012		989,012
Effect of plan changes <sup>2</sup>	0		0
Effect of economic/demographic gains or losses	62,012		62,012
Effect of assumptions changes or inputs	(8,178)		(8,178)
Refund of contributions	(9,222)	(9,222)	0
Benefit payments	(374,494)	(374,494)	0
Administrative expenses		(8,075)	8,075
Member contributions		145,443	(145,443)
Net investment income		2,684,172	(2,684,172)
Employer contributions		290,886	(290,886)
Other <sup>3</sup>	0	5,189	(5,189)
Balances as of December 31, 2021	\$13,860,795	\$14,926,368	\$(1,065,573)

<sup>1</sup> Reflects the change in the liability due to the time value of money. TCDRS does not charge fees or interest.

<sup>2</sup> No plan changes valued.

<sup>3</sup> Relates to allocation of system-wide items.

**Sensitivity Analysis**

The following presents the net pension liability of Central Appraisal District of Johnson County, calculated using the discount rate of 7.60%, as well as what the Central Appraisal District of Johnson County 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	\$15,637,326	\$13,860,795	\$12,354,969
Fiduciary net position	14,926,368	14,926,368	14,926,368
Net pension liability / (Asset)	\$710,958	\$(1,065,573)	\$(2,571,399)

**CENTRAL APPRAISAL DISTRICT OF JOHNSON COUNTY**

NOTES TO FINANCIAL STATEMENTS (continued)  
DECEMBER 31, 2022

**Pension Expense / (Income)**

	<u>January 1, 2021 to December 31, 2021</u>
Service cost	\$ 301,491
Interest on total pension liability <sup>1</sup>	989,012
Effect of plan changes	0
Administrative expenses	8,075
Member contributions	(145,443)
Expected investment return net of investment expenses	(928,483)
Recognition of deferred inflows/outflows of resources	
Recognition of economic/demographic gains or losses	35,756
Recognition of assumption changes or inputs	198,141
Recognition of investment gains or losses	(469,237)
Other <sup>2</sup>	(5,189)
Pension expense / (income)	<u>\$(15,877)</u>

<sup>1</sup> Reflects the change in the liability due to the time value of money. TCDRS does not charge fees or interest.

<sup>2</sup> Relates to allocation of system-wide items.

As of December 31, 2021, the deferred inflows and outflows of resources are as follows:

	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 90,380
Changes of assumptions	6,133	372,337
Net difference between projected and actual earnings	1,670,090	-
Contributions made subsequent to measurement date	-	295,403
	<u>1,676,223</u>	<u>758,120</u>

\$295,403 reported as deferred outflows of resources resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2022. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Amounts currently reported as deferred outflows of resources and deferred inflows of resources related to pensions, excluding contributions made subsequent to the measurement date, will be recognized in pension expense in:

Years ended December 31	
2022	\$ (135,882)
2023	(340,566)
2024	(385,921)
2025	(351,137)
2026	-
Thereafter	-

**CENTRAL APPRAISAL DISTRICT OF JOHNSON COUNTY**

NOTES TO FINANCIAL STATEMENTS (continued)  
DECEMBER 31, 2022

**Schedule of Deferred Inflows and Outflows of Resources**

	Original Amount	Date Established	Original Recognition Period <sup>1</sup>	Amount Recognized in 12/31/2021 Expense	Balance of Deferred Inflows 12/31/2021	Balance of Deferred Outflows 12/31/2021
Investment (gains) or losses	\$ (1,755,689)	12/31/2021	5.0	\$ (351,138)	\$ 1,404,551	\$ -
	(241,223)	12/31/2020	5.0	(48,245)	144,733	-
	(767,472)	12/31/2019	5.0	(153,494)	306,990	-
	930,928	12/31/2018	5.0	186,186	-	186,184
	(512,738)	12/31/2017	5.0	(102,548)	-	-
Economic / Demographic (gains) or losses	62,012	12/31/2021	4.0	15,503	-	46,509
	50,748	12/31/2020	4.0	12,687	-	25,374
	47,389	12/31/2019	4.0	11,847	-	11,848
	33,249	12/31/2018	5.0	6,650	-	6,649
	(54,659)	12/31/2017	5.0	(10,931)	-	-
Assumption changes or inputs	(8,178)	12/31/2021	4.0	(2,045)	6,133	-
	744,675	12/31/2020	4.0	186,169	-	372,337
	-	12/31/2019	4.0	-	-	-
	-	12/31/2018	5.0	-	-	-
	70,077	12/31/2017	5.0	14,017	-	-
Employer contributions made subsequent to measurement date	295,403	12/31/2021	1.0	-	-	295,403
	290,886	12/31/2020	1.0	290,886	-	-

<sup>1</sup> Investment (gains)/losses are recognized in pension expense over a period of five years; economic/demographic (gains)/loses and assumption changes or inputs are recognized over the average remaining service life for all active, inactive, and retired members.

**NOTE 7 – HEALTH CARE COVERAGE**

The District participates in a medical/dental health plan as provided by Blue Cross Blue Shield of Texas. The District and employees pay premiums into the plan.

**CENTRAL APPRAISAL DISTRICT OF JOHNSON COUNTY**

NOTES TO FINANCIAL STATEMENTS (continued)  
DECEMBER 31, 2022

**NOTE 8 – LEASES**

In June 2017, GASB issued Statement No. 87 – Leases. This statement increased the usefulness of the government’s financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. The initial adoption date was postponed to fiscal years beginning after June 15, 2021 (FY 2022) by GASB Statement No. 95 – Postponement of the Effective Dates of Certain Authoritative Guidance, which was issued in May 2020.

The District has entered into long-term agreements for the right-to-used certain office equipment. No impairment related to losses were recognized by the District. The lease asset is being amortized over the life of the agreements. As of December 31, 2022, \$13,885 has been amortized. Below is a summary of the leases.

The District measured the lease liability at the present value of the original unpaid lease payments, discounted using the District’s incremental borrowing rate, 4.0%.

	Balance 12/31/2021	Additions	Retirements	Balance 12/31/2022
Right-to-Use Assets	\$ 52,877	\$ 31,334	\$ (31,372)	\$ 52,839
Less Accumulated Amortization	(34,686)	(10,571)	31,372	(13,885)
<b>Total Right-to-Use Assets, Net</b>	<b>\$ 18,191</b>	<b>\$ 20,763</b>	<b>\$ -</b>	<b>\$ 38,954</b>

	Balance 12/31/2021	Additions	Retirements	Balance 12/31/2022
Lease Liability	\$ 18,889	\$ 31,334	\$ (10,743)	\$ 39,480
<b>Total Lease Liability</b>	<b>\$ 18,889</b>	<b>\$ 31,334</b>	<b>\$ (10,743)</b>	<b>\$ 39,480</b>

Future payment requirements under the leases as of December 31, 2022, are as follows:

Year Ended December 31,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 10,217	\$ 1,413	\$ 11,630
2024	10,632	997	11,629
2025	8,668	585	9,253
2026	6,576	301	6,877
2027	3,387	51	3,438
Thereafter	-	-	-
	<u>\$ 39,480</u>	<u>\$ 3,347</u>	<u>\$ 42,827</u>

# CENTRAL APPRAISAL DISTRICT OF JOHNSON COUNTY

## NOTES TO FINANCIAL STATEMENTS (continued) DECEMBER 31, 2022

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### **NOTE 9 – LITIGATION**

The District and Appraisal Review Board are defendants in a number of property owner appeals pursuant to Chapter 42 of the State Tax Code. Such legal proceedings allege that the appraised values placed on taxpayers' properties are excessive. The potential liability to the District in each of these appeals is for recovery of attorney's fees and court costs. The District believes that any ultimate liability on these appeals will not materially affect its financial position. No provisions for any liability that might result from these appeals has been recorded in the general purpose financial statements.

### **NOTE 10 – 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. During 2022, the District purchased commercial insurance to cover general liabilities. There were no significant reductions in coverage in the past fiscal year, and there were no settlements exceeding insurance coverage for each of the past three years.

### **NOTE 11 – 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 and disclosures. Accordingly, actual results could differ from those estimates.

### **NOTE 12 – SUBSEQUENT EVENTS**

Management has evaluated subsequent events through May 31, 2023, which is the date the financial statements were available to be issued.

### **NOTE 13 – PRIOR PERIOD ADJUSTMENT**

During the fiscal year ended December 31, 2022, the District implemented GASB Statement (No. 87) relating to leases. As part of the implementation, the District recorded a prior period adjustment for \$698 decreasing the beginning net position of Governmental Activities. The net prior period adjustment was the result of an increase in capital assets for the right-to-use asset of \$18,191 offset by an increase in long-term debt for the lease liability of \$18,889.



**REQUIRED SUPPLEMENTARY INFORMATION**

**CENTRAL APPRAISAL DISTRICT OF JOHNSON COUNTY**

**BUDGETARY COMPARISON SCHEDULE – GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2022**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Local support	\$ 4,204,511	\$ 4,204,511	\$ 4,204,511	\$ -
Other revenues	4,500	4,500	12,942	8,442
Interest income	10,000	10,000	31,945	21,945
Total Revenues	<u>4,219,011</u>	<u>4,219,011</u>	<u>4,249,398</u>	<u>30,387</u>
Expenditures:				
Appraisal district	<u>4,219,011</u>	<u>4,219,011</u>	<u>3,973,432</u>	<u>245,579</u>
Total Expenditures	<u>4,219,011</u>	<u>4,219,011</u>	<u>3,973,432</u>	<u>245,579</u>
Excess Revenues over (under) Expenditures	-	-	275,966	275,966
Other Resources - Lease Proceeds	-	-	31,334	31,334
Net Change in Fund Balance	-	-	307,300	307,300
Fund Balance Beginning	<u>2,152,595</u>	<u>2,152,595</u>	<u>2,152,595</u>	<u>-</u>
Fund Balance Ending	<u>\$ 2,152,595</u>	<u>\$ 2,152,595</u>	<u>\$ 2,459,895</u>	<u>\$ 307,300</u>

**CENTRAL APPRAISAL DISTRICT OF JOHNSON COUNTY**

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS  
FOR THE YEAR ENDED DECEMBER 31, 2022

	2021	2020	2019
<b>Total Pension Liability</b>			
Service cost	\$ 301,491	\$ 258,751	\$ 255,635
Interest on total pension liability	989,012	919,175	848,452
Effect of plan changes	-	-	-
Effect of assumption changes or inputs	(8,178)	744,675	-
Effect of economic/demographic (gains) or losses	62,012	50,748	47,389
Benefit payments/refunds of contributions	<u>(383,717)</u>	<u>(318,333)</u>	<u>(246,000)</u>
Net change in total pension liability	960,620	1,655,016	905,476
Total pension liability, beginning	<u>12,900,174</u>	<u>11,245,158</u>	<u>10,339,682</u>
Total pension liability, ending (a)	<u>\$ 13,860,794</u>	<u>\$ 12,900,174</u>	<u>\$ 11,245,158</u>
<b>Fiduciary Net Position</b>			
Employer contributions	\$ 290,886	\$ 276,479	\$ 263,368
Member contributions	145,443	138,239	131,684
Investment income net of investment expenses	2,684,172	1,133,246	1,526,163
Benefit payments/refunds of contributions	(383,717)	(318,333)	(246,000)
Administrative expenses	(8,075)	(8,921)	(8,358)
Other	<u>5,189</u>	<u>3,939</u>	<u>6,631</u>
Net change in fiduciary net position	2,733,898	1,224,649	1,673,488
Fiduciary net position, beginning	<u>12,192,468</u>	<u>10,967,819</u>	<u>9,294,331</u>
Fiduciary net position, ending (b)	<u>\$ 14,926,366</u>	<u>\$ 12,192,468</u>	<u>\$ 10,967,819</u>
Net pension liability / (asset), ending = (a) - (b)	<u>\$ (1,065,572)</u>	<u>\$ 707,706</u>	<u>\$ 277,339</u>
Fiduciary net position as a % of total pension liability	107.69%	94.51%	97.53%
Pensionable covered payroll	\$ 2,077,760	\$ 1,974,850	\$ 1,881,199
Net pension liability as a % of covered payroll	-51.28%	35.84%	14.74%

*This schedule is presented to illustrate the requirement to show information for 10 years. However, recalculations of prior years are not required, and if prior years are not reported in accordance with the standards of GASB 67/68, they should not be shown here. Therefore, we have shown only years for which the new GASB statements have been implemented.*

*Based on measurement date December, 31, 2021*

	2018	2017	2016	2015	2014
\$	264,168	\$ 270,886	\$ 301,885	\$ 268,156	\$ 260,277
	780,565	717,074	650,829	593,670	537,557
	-	-	-	(46,310)	-
	-	70,077	-	107,631	-
	33,249	(54,659)	(74,513)	(40,404)	19,934
	(217,251)	(208,546)	(158,921)	(168,006)	(150,225)
	<u>860,731</u>	<u>794,832</u>	<u>719,280</u>	<u>714,737</u>	<u>667,543</u>
	9,478,951	8,684,119	7,964,839	7,250,100	6,582,557
\$	<u>10,339,682</u>	<u>\$ 9,478,951</u>	<u>\$ 8,684,119</u>	<u>\$ 7,964,837</u>	<u>\$ 7,250,100</u>
\$	259,572	\$ 258,699	\$ 257,569	\$ 266,578	\$ 252,868
	129,786	129,350	128,784	133,289	126,434
	(171,250)	1,164,105	536,605	(162,732)	431,400
	(217,251)	(208,546)	(158,921)	(168,006)	(150,225)
	(7,465)	(6,182)	(5,831)	(5,185)	(5,261)
	5,720	2,347	(34,432)	23,189	195
	<u>(888)</u>	<u>1,339,773</u>	<u>723,774</u>	<u>87,133</u>	<u>655,411</u>
	9,295,219	7,955,446	7,231,672	7,144,539	6,489,128
\$	<u>9,294,331</u>	<u>\$ 9,295,219</u>	<u>\$ 7,955,446</u>	<u>\$ 7,231,672</u>	<u>\$ 7,144,539</u>
\$	<u>1,045,351</u>	<u>\$ 183,732</u>	<u>\$ 728,673</u>	<u>\$ 733,165</u>	<u>\$ 105,561</u>
	89.89%	98.06%	91.61%	90.79%	98.54%
\$	1,854,089	\$ 1,847,851	\$ 1,839,775	\$ 1,904,125	\$ 1,806,199
	56.38%	9.94%	39.61%	38.50%	5.84%

**CENTRAL APPRAISAL DISTRICT OF JOHNSON COUNTY**

**SCHEDULE OF EMPLOYER CONTRIBUTIONS  
DECEMBER 31, 2022**

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Year Ending December 31	Actuarially Determined Contribution <sup>1</sup>	Actual Employer Contribution <sup>1</sup>	Contribution Deficiency (Excess)	Pensionable Covered Payroll <sup>2</sup>	Actual Contribution as a % of Covered Payroll
2012	\$190,372	\$262,753	\$(72,381)	\$1,698,236	15.5%
2013	192,443	294,705	(102,262)	1,747,895	16.9%
2014	198,682	252,868	(54,186)	1,806,199	14.0%
2015	190,984	266,578	(75,597)	1,904,125	14.0%
2016	171,835	257,569	(85,734)	1,839,775	14.0%
2017	189,590	258,699	(69,110)	1,847,851	14.0%
2018	199,129	259,572	(60,443)	1,854,089	14.0%
2019	200,536	263,368	(62,832)	1,881,199	14.0%
2020	225,923	276,479	(50,556)	1,974,850	14.0%
2021	232,086	290,886	(58,801)	2,077,760	14.0%

<sup>1</sup> TCDRS calculates actuarially determined contributions on a calendar year basis. GASB Statement No. 68 indicates the employer should report employer contribution amounts on a fiscal year basis.

<sup>2</sup> Payroll is calculated based on contributions as reported to TCDRS.

## CENTRAL APPRAISAL DISTRICT OF JOHNSON COUNTY

### NOTES TO REQUIRED SUPPLEMENTARY INFORMATION DECEMBER 31, 2022

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

**Methods and assumptions used to determine contribution rates:**

Actual Cost Method	Entry Age
Amortization Method	Level percentage of payroll, closed.
Remaining Amortization Period	16.5 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 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.
Changes in Plan Provisions Reflected in the Schedule of Employer Contributions*	2015 & 2016: No changes in plan provisions were reflected in the Schedule. 2017: New Annuity Purchase Rates were reflected for benefits earned after 2017. 2018-2021: No changes in plan provisions were reflected in the Schedule.

\* Only changes effective 2015 and later are shown in the Notes to Schedule.

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INDEPENDENT AUDITORS' 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  
Central Appraisal District of Johnson County

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 Central Appraisal District of Johnson County (the District), which comprise the statement of financial position as of December 31, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated May 31, 2023.

**Report on Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

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

## Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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 determination of financial statement amounts. 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 the 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.

*Hankins, Eastup, Deaton, Tonn, Seay + Scarborough, LLC*

Hankins, Eastup, Deaton, Tonn, Seay & Scarborough, LLC  
Denton, Texas

May 31, 2023