



# McMULLEN CENTRAL APPRAISAL DISTRICT

207 Ash St. Tilden, TX 78072  
Mail: PO Box 338, Tilden, TX 78072  
Phone: 361-274-3638



January 21, 2026

Lovvorn & Kieschnick, LLP  
PO Box 1394  
Sinton, TX 78387

This representation letter is provided in connection with your audit of the financial statements of McMullen Central Appraisal District, which comprise the respective financial position of the governmental activities and each major fund, as of December 31, 2022, and the respective changes in financial position, and the disclosures (collectively, the "financial statements"), for the purpose of expressing opinions as to whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

We confirm, to the best of our knowledge and belief, as of January 21, 2026 the following representations made to you during your audit.

## **Financial Statements**

1. We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated November 16, 2023, including our responsibility for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP and for preparation of the supplementary information in accordance with the applicable criteria.
2. The financial statements referred to above are fairly presented in conformity with U.S. GAAP and include all properly classified funds and other financial information of the primary government and all component units required by generally accepted accounting principles to be included in the financial reporting entity.
3. We acknowledge our responsibility 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.
4. We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
5. Significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.

6. Related party relationships and transactions, including revenues, expenditures/expenses, loans, transfers, leasing arrangements, and guarantees, and amounts receivable from or payable to related parties have been appropriately accounted for and disclosed in accordance with U.S. GAAP.
7. Adjustments or disclosures have been made for all events, including instances of noncompliance, subsequent to the date of the financial statements that would require adjustment to or disclosure in the financial statements.
8. The effects of all known actual or possible litigation, claims, and assessments have been accounted for and disclosed in accordance with U.S. GAAP.
9. Guarantees, whether written or oral, under which the McMullen Central Appraisal District is contingently liable, if any, have been properly recorded or disclosed.

**Information Provided**

10. We have provided you with:
  - a. Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, and other matters and all audit or relevant monitoring reports, if any, received from funding sources.
  - b. Additional information that you have requested from us for the purpose of the audit.
  - c. Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
  - d. Minutes of the meetings of the Board of Directors or summaries of actions of recent meetings for which minutes have not yet been prepared.
11. All material transactions have been recorded in the accounting records and are reflected in the financial statements.
12. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
13. We have no knowledge of any fraud or suspected fraud that affects the entity and involves:
  - Management

- Employees who have significant roles in internal control, or
  - Others where the fraud could have a material effect on the financial statements.
14. We have no knowledge of any allegations of fraud or suspected fraud affecting the entity's financial statements communicated by employees, former employees, regulators, or others.
  15. We have no knowledge of instances of noncompliance or suspected noncompliance with provisions of laws, regulations, contracts, or grant agreements, or waste or abuse, whose effects should be considered when preparing financial statements.
  16. We have disclosed to you all known actual or possible litigation, claims, and assessments whose effects should be considered when preparing the financial statements.
  17. We have disclosed to you the names of the McMullen Central Appraisal District's related parties and all the related party relationships and transactions, including any side agreements.

**Government—specific**

18. There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
19. We have identified to you any previous audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have implemented.
20. We have identified to you any investigations or legal proceedings that have been initiated with respect to the period under audit.
21. The McMullen Central Appraisal District has no plans or intentions that may materially affect the carrying value or classification of assets, deferred outflows of resources, liabilities, deferred inflows of resources, and fund balance or net position.
22. We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to us, including tax or debt limits and debt contracts, and legal and contractual provisions for reporting specific activities in separate funds.
23. We have identified and disclosed to you all instances of identified and suspected fraud and noncompliance with provisions of laws, regulations, contracts, and grant agreements that we believe have a material effect on the financial statements.

24. There are no violations or possible violations of budget ordinances, laws and regulations (including those pertaining to adopting, approving, and amending budgets), provisions of contracts and grant agreements, tax or debt limits, and any related debt covenants whose effects should be considered for disclosure in the financial statements, or as a basis for recording a loss contingency, or for reporting on noncompliance.
25. As part of your audit, you assisted with preparation of the financial statements and disclosures. We acknowledge our responsibility as it relates to those nonaudit services, including that we assume all management responsibilities; oversee the services by designating an individual, preferably within senior management, who possesses suitable skill, knowledge, or experience; evaluate the adequacy and results of the services performed; and accept responsibility for the results of the services. We have reviewed, approved, and accepted responsibility for those financial statements and disclosures.
26. The McMullen Central Appraisal District has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.
27. The McMullen Central Appraisal District has complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.
28. The financial statements include all component units, appropriately present major equity interests in legally separate organizations and joint ventures with an equity interest, and properly disclose all other joint ventures and other related organizations.
29. The financial statements properly classify all funds and activities in accordance with GASB Statement No. 34, as amended.
30. All funds that meet the quantitative criteria in GASBS Nos. 34 and 37 for presentation as major are identified and presented as such and all other funds that are presented as major are particularly important to financial statement users.
31. Components of net position (net investment in capital assets; restricted; and unrestricted) and classifications of fund balance (nonspendable, restricted, committed, assigned, and unassigned) are properly classified and, if applicable, approved.
32. Investments, derivative instruments, and land and other real estate held by endowments are properly valued.
33. Provisions for uncollectible receivables have been properly identified and recorded.

34. Expenses have been appropriately classified in or allocated to functions and programs in the statement of activities, and allocations have been made on a reasonable basis.
35. Revenues are appropriately classified in the statement of activities within program revenues, general revenues, contributions to term or permanent endowments, or contributions to permanent fund principal.
36. Interfund, internal, and intra-entity activity and balances have been appropriately classified and reported.
37. Special and extraordinary items are appropriately classified and reported.
38. Deposits and investment securities and derivative instruments are properly classified as to risk and are properly disclosed.
39. Capital assets, including infrastructure and intangible assets, are properly capitalized, reported, and, if applicable, depreciated or amortized.
40. We have appropriately disclosed the McMullen Central Appraisal District's policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available and have determined that net position is properly recognized under the policy.
41. We are following our established accounting policy regarding which resources (that is, restricted, committed, assigned, or unassigned) are considered to be spent first for expenditures for which more than one resource classification is available. That policy determines the fund balance classifications for financial reporting purposes.
42. We acknowledge our responsibility for the required supplementary information (RSI). The RSI is measured and presented within prescribed guidelines and the methods of measurement and presentation have not changed from those used in the prior period. We have disclosed to you any significant assumptions and interpretations underlying the measurement and presentation of the RSI.

Signature: \_\_\_\_\_

Signature: \_\_\_\_\_

Title: \_\_\_\_\_

Title: \_\_\_\_\_

**MCMULLEN CENTRAL APPRAISAL DISTRICT**  
**ANNUAL FINANCIAL REPORT FOR THE**  
**YEAR ENDED DECEMBER 31, 2022**



**Lovvorn & Kieschnick**  
CERTIFIED PUBLIC ACCOUNTANTS

LOVVORN & KIESCHNICK, LLP



**MC MULLEN CENTRAL APPRAISAL DISTRICT**

**DIRECTORY OF OFFICIALS**

**DECEMBER 31, 2022**

**BOARD OF DIRECTORS**

JIM TEAL	CHAIR
WALT FRANKLIN	SECRETARY
MAX QUINTANILLA, JR.	MEMBER
WARREN WHEELER	MEMBER
KAREN WHEELER	MEMBER

**OTHER OFFICIALS**

JILL ATKINSON	TREASURER
BLAINE PATTERSON	CHIEF APPRAISER
BESSIE GUERRERO	EX-OFFICIO NON-VOTING MEMBER

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**MCMULLEN CENTRAL APPRAISAL DISTRICT  
ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED DECEMBER 31, 2022**

TABLE OF CONTENTS

	<u>Page</u>
<b>FINANCIAL SECTION</b>	
Independent Auditor's Report on Financial Statements.....	1
Management's Discussion and Analysis (Required Supplementary Information) .....	4
 <u>Basic Financial Statements</u>	
Government-Wide Financial Statements:	
Statement of Net Position.....	8
Statement of Activities.....	9
Fund Financial Statements:	
Balance Sheet – General Fund .....	10
Statement of Revenues, Expenditures, and Changes in Fund Balances – General Fund.....	11
Notes to the Basic Financial Statements.....	12
 <u>Required Supplementary Information:</u>	
Budgetary Comparison Schedule:	
General Fund.....	24
Notes to Required Supplementary Information.....	25
Schedule of Changes in Net Position Liability and Related Ratios – Texas County and District Retirement System .....	26
Schedule of Employer Contributions – Texas County and District Retirement System.....	27

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**FINANCIAL SECTION**

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**Lovvorn & Kieschnick, LLP**  
CERTIFIED PUBLIC ACCOUNTANTS

**Independent Auditor's Report**

Board of Directors  
McMullen Central Appraisal District  
Tilden, Texas 78072

Members of the Board:

**Opinions**

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, and each major fund of the McMullen Central Appraisal District, as of December 31, 2022, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Basis for Opinions**

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

**Responsibilities of Management for the Financial Statements**

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about McMullen Central Appraisal District's ability to continue as a going concern for twelve months beyond the

financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

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

In performing an audit in accordance with generally accepted auditing standards, we:

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

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

### **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires 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.

Respectfully submitted,

*Lovvorn + Kieschnick, LLP*

Lovvorn & Kieschnick, LLP  
Sinton, Texas  
January 21, 2026

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## **Management's Discussion and Analysis**

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**MCMULLEN CENTRAL APPRAISAL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
(UNAUDITED)**

This discussion and analysis is intended to be an easily readable analysis of the McMullen Central Appraisal District (District) financial activities based on currently known facts, decisions and conditions. This analysis focuses on current year activities and should be read in conjunction with the financial statements that follow.

**FINANCIAL HIGHLIGHTS**

Net Position. The assets of the District exceeded its liabilities at December 31, 2022 by \$335,297 (presented as "net position"). Of this amount \$333,803 was reported as "Unrestricted Net Position" and \$1,494 was reported as "Net Investment in Capital Assets." Unrestricted net position represents the amount not restricted by parties outside the District.

Changes in Net Position. The District's total net position increased by \$201,284 (a 150.20% increase) in fiscal year 2022.

**Report Layout**

Besides this Management's Discussion and Analysis (MD&A), the report consists of government-wide statements, fund financial statements, and the notes to the financial statements. The first two statements present a government-wide view of the District's finances. Within this view, all District operations are categorized and reported as governmental activities. Governmental activities include appraisal services provided by the District.

*Basic Financial Statements*

- The Statement of Net Position focuses on resources available for future operations. In simple terms, this statement presents a snap-shot view of the assets of the District, the liabilities it owes and the net difference. The net difference is further separated into amounts restricted for specific purposes and unrestricted amounts. Governmental activities are reported on the accrual basis of accounting.
- The Statement of Activities focuses gross and net costs of the District's programs and the extent to which such programs rely upon general revenues. This statement summarizes and simplifies the user's analysis to determine the extent to which programs are self-supporting and/or subsidized by general revenues.
- Fund financial statements focus separately on governmental funds. Governmental fund statements follow the more traditional presentation of financial statements.
- The notes to the financial statements provide additional disclosures required by governmental accounting standards and provide information to assist the reader in understanding the District's financial condition.

The MD&A is intended to explain the significant changes in financial position and differences in operation between the current and prior years.

**District as a Whole**

*Government-wide Financial Statements*

Net position serves as a useful indicator of the District's financial position. The District's net position was \$335,297 as of December 31, 2022. The District continues to be fiscally conservative, and its net position has increased by \$201,284 during the current fiscal year.

The Statement of Net Position at December 31, 2022 follows:

**Net Position at Year-End**

	Governmental Activities		Total Percentage Change 2022 - 2021
	2022	2021	
Cash and Cash Equivalents	219,185	130,246	68.29%
Capital Assets, Net	1,494	2,401	-37.78%
Net Pension Asset	120,619	-	100.00%
Total Assets	<u>341,298</u>	<u>132,647</u>	<u>157.30%</u>
Deferred Outflows of Resources - Pension	<u>30,762</u>	<u>27,420</u>	<u>12.19%</u>
Accounts Payable	5,426	5,370	1.04%
Accrued Payroll	13,840	13,091	5.72%
Compensated Absences (Long-Term)	963	2,709	-64.45%
Net Pension Liability (Long-Term)	-	2,876	-100.00%
Total Liabilities	<u>20,229</u>	<u>24,046</u>	<u>-15.87%</u>
Deferred Inflow Related to Pensions	<u>16,534</u>	<u>2,008</u>	<u>723.41%</u>
Net Position:			
Net Investment in Capital Assets	1,494	2,401	-37.78%
Unrestricted	333,803	131,612	153.63%
Total Net Position	<u><u>335,297</u></u>	<u><u>134,013</u></u>	<u><u>150.20%</u></u>

The Statement of Activities follows:

**Changes in McMullen County Appraisal District's Net Position**

	Governmental Activities		Total Percentage Change 2022 - 2021
	2022	2021	
Revenues			
Program revenues			
Levies from taxing units	604,060	604,060	0.00%
General revenues			
Miscellaneous	105	3,897	-97.31%
Interest	195	164	18.90%
Total revenues	604,360	608,121	-0.62%
Expenses			
Appraisal	403,076	562,589	-28.35%
Total expenses	403,076	562,589	-28.35%
Special item			
Refund to entities	-	157,993	-100.00%
Change in net position	201,284	(112,461)	278.98%
Beginning net position	134,013	246,474	-45.63%
Ending net position	335,297	134,013	150.20%

Program revenues for 2022 remained the same as 2021, while appraisal expenses decreased \$159,013 (28.35%) less than 2021. Change in net position for 2022 was an increase of \$201,284, while in 2021 the change in net position was a decrease of \$112,461.

**Governmental funds.** The focus of the McMullen Central Appraisal District's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the McMullen Central Appraisal District's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the audit period. The General Fund is the District's only governmental fund.

As of the end of the current audit period, the McMullen Central Appraisal District's General Fund reported an ending fund balance of \$199,918, an increase of \$88,133 in comparison with the prior year. None of this total fund balance constitutes *assigned/committed fund balance*, which is to be used for contingency purposes, the District's operations and litigation.

As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents approximately 38.8 percent of total general fund expenditures, while total fund balance represents approximately 38.8 percent of that same amount.

For 2022, revenues of the General Fund exceeded the expenditures by \$88,133. This is compared to the 2021 excess of revenues over expenditures of \$22,089.

### General Fund Budgetary Highlights

Actual revenues exceeded budgeted revenues by \$300, while actual expenditures were \$87,833 less than the final amended budget. The most significant budget variation was for Payroll Costs, for which actual expenditures were \$50,845 less than the budgeted amount.

### Capital Assets

At December 31, 2022 and 2021 the District's Capital Assets were as follows:

#### Capital Assets at Year-End

	Governmental Activities		Total Percentage Change 2022-2021
	2022	2021	
Furniture & Equipment	24,698	24,698	0.00%
Software	7,230	7,230	0.00%
Accumulated depreciation	(30,434)	(29,527)	3.07%
Capital assets, net	<u>1,494</u>	<u>2,401</u>	<u>-37.78%</u>

### Long – Term Liabilities

The District had the following long-term liabilities at December 31, 2022:

#### Debt Outstanding at Year End

	Governmental Activities		Total Percentage Change 2022-2021
	2022	2021	
Net Pension Liability/(Asset)	(120,619)	2,876	-4293.98%
Compensated Absences	963	2,709	-64.45%
Total	<u>(119,656)</u>	<u>5,585</u>	<u>-2242.45%</u>

### Economic Factors and Next Year's Budget

The approved budget for 2023 is \$606,916 which will be primarily provided by appraisal fees from all taxing units in the appraisal district.

### Financial Contact

The District's financial statements are designed to present users (citizens, taxpayers, local governments, and state agencies) with a general overview of the District's finances and to demonstrate the District's accountability. If you have questions about the report or need additional financial information, please contact the District's business office at P.O. Box 37, Tilden, Texas 78072.

## **Basic Financial Statements**

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**MCMULLEN CENTRAL APPRAISAL DISTRICT  
STATEMENT OF NET POSITION  
DECEMBER 31, 2022**

<b>ASSETS</b>	
Cash and Cash Equivalents	\$ 219,185
Non-Current Assets:	
Capital Assets, net of	
Accumulated Depreciation (Note 3)	1,494
Net Pension Asset	120,619
<b>TOTAL ASSETS</b>	<u>341,298</u>
 <b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred Outflow Related to Pension	30,762
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<u>30,762</u>
 <b>LIABILITIES</b>	
Accounts Payable	5,426
Accrued Payroll	13,840
Non-Current Liabilities:	
Compensated Absences	963
<b>TOTAL LIABILITIES</b>	<u>20,229</u>
 <b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred Revenue - Assessments	-
Deferred Inflow Related to Pension	16,534
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<u>16,534</u>
 <b>NET POSITION</b>	
Net Investment in Capital Assets	1,494
Unrestricted	333,803
<b>TOTAL NET POSITION</b>	<u>\$ 335,297</u>

The accompanying notes to financial statements are an integral part to this statement.

**MCMULLEN CENTRAL APPRAISAL DISTRICT  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2022**

	<b>TOTAL</b>
<b>EXPENSES:</b>	
Payroll Costs	\$ 136,814
Contract Services	234,002
Supplies and Materials	12,264
Other Operating Expenses	19,089
Depreciation	907
<b>TOTAL EXPENSES</b>	<b>403,076</b>
 <b>PROGRAM REVENUES:</b>	
Levies from Taxing Units	604,060
<b>NET PROGRAM REVENUE</b>	<b>200,984</b>
 <b>GENERAL REVENUES:</b>	
Interest	195
Miscellaneous	105
<b>TOTAL GENERAL REVENUES</b>	<b>300</b>
 <b>SPECIAL ITEM:</b>	
Refund Prior Year Assessment to Entities	-
Change in Net Position	201,284
Net Position - beginning	134,013
Net Position - ending	<b>\$ 335,297</b>

The accompanying notes to financial statements are an integral part to this statement.

**MCMULLEN CENTRAL APPRAISAL DISTRICT  
BALANCE SHEET  
GENERAL FUND  
DECEMBER 31, 2022**

**ASSETS**

Cash and Cash Equivalents	\$ 219,184
Prepaid Item	-
<b>TOTAL ASSETS</b>	<u>219,184</u>

**LIABILITIES**

Accounts Payable	5,426
Accrued Payroll	13,840
<b>TOTAL LIABILITIES</b>	<u>19,266</u>

**FUND BALANCE**

Unassigned	199,918
<b>TOTAL FUND BALANCE</b>	<u>199,918</u>

<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<u><u>\$ 219,184</u></u>
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RECONCILIATION TO THE STATEMENT OF NET POSITION:

Total fund balance reported above	\$ 199,918
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the balance sheet.	1,494
Payables for compensated absences are not due in the current period and therefore are not reported in the funds.	(963)
Recognition of the District's proportionate share of the net pension asset (liability) is not reported in the funds.	120,619
Deferred resource outflows/inflows related to pension are not reported in the funds.	<u>14,229</u>
<b>NET POSITION OF GOVERNMENTAL ACTIVITIES</b>	<u><u>\$ 335,297</u></u>

The accompanying notes to financial statements are an integral part to this statement.

**MCMULLEN CENTRAL APPRAISAL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - GENERAL FUND  
YEAR ENDED DECEMBER 31, 2022**

**REVENUES**

Levies from Taxing Units	\$ 604,060
Interest	195
Miscellaneous	105
<b>TOTAL REVENUES</b>	<u>604,360</u>

**EXPENDITURES**

Payroll Costs	250,872
Contract Services	234,002
Supplies and Materials	12,264
Other Operating Expenses	19,089
Capital Outlay	-
<b>TOTAL EXPENDITURES</b>	<u>516,227</u>

Excess (Deficiency) of Revenues Over Expenditures	<u>88,133</u>
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**SPECIAL ITEM**

Refund Prior Year Assessment to Entities	<u>-</u>
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Net Change in Fund Balance	88,133
Fund Balance at Beginning of Year	<u>111,785</u>

<b>FUND BALANCE AT END OF YEAR</b>	<u><u>\$ 199,918</u></u>
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**RECONCILIATION TO THE STATEMENT OF NET POSITION:**

Net change in fund balance	\$ 88,133
Capital outlays are not reported as expenses in the Statement of Activities	-
The depreciation of capital assets used in governmental activities is not reported in the funds	(907)
Trade-in or disposal of capital assets decrease net position in the SOA but not in the funds	-
The decrease in compensated absences liability does not require the use of current financial resources but is recorded as an expense in the Statement of Activities	1,746
Changes in pension expense are not reported in the funds	112,312

<b>CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES</b>	<u><u>\$ 201,284</u></u>
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The accompanying notes to financial statements are an integral part to this statement.

MCMULLEN CENTRAL APPRAISAL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2022

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The basic financial statements of the McMullen Central Appraisal District (the "District") have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP") applicable to governmental units. The Governmental Accounting Standards Board ("GASB") is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

**A. Reporting Entity**

The McMullen Central Appraisal District was organized as a result of the Texas Legislature adopting a comprehensive property code in 1979 which created a Central-wide appraisal district in each Central within the State of Texas. The McMullen Central Appraisal District is responsible for the appraisal of all taxable property and the equalization of appraised values of property of all taxing units in the appraisal district. The McMullen Central Appraisal District is governed by a board of directors elected by the governing bodies of certain taxing units in the appraisal district. The board of directors appoints a chief appraiser who acts as chief administrator of the appraisal district and an appraisal review board to equalize appraised values. The District's annual financial report includes the accounts of all district operations. Based on the criteria for determining the reporting entity (separate legal entity and fiscal or financial dependency on other governments), the District is considered to be an independent reporting entity and has no component units.

**B. Basis of Presentation**

Basic financial statements are presented at both the government-wide and fund financial level. Both levels of statements categorize primary activities as governmental.

Government-wide financial statements report information about the reporting unit as a whole. For the most part, the effect of interfund activity has been removed from these statements. These statements focus on the sustainability of the District as an entity and the change in aggregate financial position resulting from the activities of the year. These aggregated statements consist of the Statement of Net Position and the Statement of Activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function. Other items not reported as program revenues are reported instead as general revenues.

Fund financial statements report information at the individual fund level. Each fund is considered to be a separate accounting entity. The District reports only governmental type funds.

The District has presented the following major governmental funds:

**General Fund**

The General Fund is the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund. From the General Fund are paid the general operating expenditures, the fixed charges and the capital improvement costs that are not paid through other funds.

MCMULLEN CENTRAL APPRAISAL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2022

C. Measurement Focus/Basis of Accounting

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. A 60-day availability period is generally used for revenue recognition. Expenditures are recorded when the related fund liability is incurred.

D. Cash and Cash Equivalents

McMullen Central Appraisal District follows State statute, which authorizes the District to invest in obligations of, or guaranteed by, governmental entities, certificates of deposits, bankers acceptances, commercial paper, no load money market mutual fund, repurchase agreements, and investment pools.

E. Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated fixed assets are recorded at their fair value at the date of the donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

The District did not have a capital asset policy as of December 31, 2022.

Capital assets are being depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Furniture & Equipment	5
Software	3

F. Receivable and Payable Balances

The District believes that sufficient detail of receivable and payable balances is provided in the financial statements to avoid the obscuring of significant components by aggregation. Therefore, no disclosure is provided which disaggregates those balances.

G. Inventories

Supplies and materials are debited as expenditures when purchased, except for certain purchases, which are classified as prepaid items when they are more accurately reflected as expenditures of the next fiscal year.

MCMULLEN CENTRAL APPRAISAL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2022

H. Compensated Absences

It is the District's policy to permit regular full-time employees to accumulate earned but unused vacation and sick pay benefits. A liability for unused vacation leave for regular full-time employees is calculated and reported in the government-wide financial statements. Full-time employees earn vacation monthly at 6.67 hours per monthly pay period. Full-time employees who have worked for 10 or more years in a position are eligible to receive vacation at 12 hours per month, beginning on their anniversary date. Vacation time not taken by the end of the calendar year is carried over to the next year, with a maximum carry-over of 80 hours. All regular full-time employees can accrue up to 480 hours of sick leave. There is no liability for unpaid accumulated sick leave, since the District does not have a policy to pay any amounts when employees separate from service with the District. Therefore, no liability for sick leave is reported in government-wide financial statements.

I. Fund Balances – Governmental Funds

Fund balances of the governmental funds are classified as follows:

**Nonspendable Fund Balance** – represents amounts that cannot be spent because they are either not in spendable form (such as inventory or prepaid insurance) or legally required to remain intact (such as notes receivable or principal of a permanent fund).

**Restricted Fund Balance** – represents amounts that are constrained by external parties, constitutional provisions or enabling legislation.

**Committed Fund Balance** – represents amounts that can only be used for a specific purpose because of a formal action by the Board. Committed amounts cannot be used for any other purpose unless the Board removes those constraints by taking the same type of formal action. Committed fund balance amounts may be used for other purposes with appropriate due process by the Board. Commitments are typically done through adoption and amendment of the budget. Committed fund balance amounts differ from restricted balances in that the constraints on their use do not come from outside parties, constitutional provisions, or enabling legislation.

**Assigned Fund Balance** – represents amounts which the District intends to use for a specific purpose, but that do not meet the criteria to be classified as restricted or committed. Intent may be stipulated by the Board or by an official or body to which the Board delegates the authority. Specific amounts that are not restricted or committed in a special revenue, capital projects, debt service or permanent fund are assigned for purposes in accordance with the nature of their fund type or the fund's primary purpose. Assignments within the general fund conveys that the intended use of those amounts is for a specific purpose that is narrower than the general purposes of the District itself.

**Unassigned Fund Balance** – represents amounts which are unconstrained in that they may be spent for any purpose. Only the general fund reports a positive unassigned fund balance. Other governmental funds might report a negative balance in this classification because of overspending for specific purposes for which amounts had been restricted, committed or assigned.

When an expenditure is incurred for a purpose for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds.

MCMULLEN CENTRAL APPRAISAL DISTRICT  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED DECEMBER 31, 2022

J. Use of Estimates

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

2. **CASH AND CASH EQUIVALENTS**

**Deposits.** At year-end, the carrying amount of all District deposits (checking, certificate of deposit, and savings accounts) was \$219,185 and the bank balance was \$334,704. The entire bank balance was covered by federal depository insurance or by collateral held by its agent in the District's name.

**Investments.** The District had no investments at year end.

3. **CAPITAL ASSETS**

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

	Balance January 1	Additions/ Completions	Retirements/ Adjustments	Balance December 31
Governmental Activities:				
Capital assets, not being depreciated				
Land	-	-	-	-
Construction in Progress	-	-	-	-
	-	-	-	-
Capital assets, being depreciated				
Buildings	-	-	-	-
Equipment	24,698	-	-	24,698
Software	7,230	-	-	7,230
Total capital assets, being depreciated	31,928	-	-	31,928
Less accumulated depreciation for:				
Buildings	-	-	-	-
Equipment	(22,297)	(907)	-	(23,204)
Software	(7,230)	-	-	(7,230)
Total accumulated depreciation	(29,527)	(907)	-	(30,434)
Total capital assets, being depreciated, net	2,401	(907)	-	1,494
Governmental activities capital assets, net	2,401	(907)	-	1,494

Depreciation expense was charged as direct expense to programs of the primary government as follows:

Governmental Activities:	
Appraisal services	<u>907</u>

MCMULLEN CENTRAL APPRAISAL DISTRICT  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED DECEMBER 31, 2022

**4. LONG-TERM LIABILITIES**

The following is a summary of changes in long-term liabilities reported in the government-wide financial statements for the year ended December 31, 2022.

	Balance January 1	Additions	Reductions	Balance December 31
Governmental Activities:				
Compensated Absences	2,709	-	1,746	963
Net Pension Liability/(Asset)	2,876	40,388	163,883	(120,619)
Total Government	<u>5,585</u>	<u>40,388</u>	<u>165,629</u>	<u>(119,656)</u>

**5. HEALTH CARE COVERAGE**

During the year ended December 31, 2022, employees of the McMullen Central Appraisal District were covered by a health insurance plan (the plan). The District paid 100% of premiums for employees to the plan and employees, at their option, authorized payroll withholding to pay premiums for dependents. All premiums were paid to a licensed insurer. The plan was authorized by Article 3.51-2, Texas Insurance Code and was documented by contractual agreement.

Terms of coverage and premium costs are included in the contractual provisions.

**6. PENSION PLAN**

**Plan Description**

The District provides retirement, disability, and death benefits for all of its eligible employees through a nontraditional defined benefit pension plan in the statewide Texas County and District Retirement System (TCDRS). The Board of Trustees of TCDRS is responsible for the administration of the statewide agent multiple-employer public employee retirement system which consists of 800 nontraditional defined benefit pension plans. TCDRS, in the aggregate, issues a Comprehensive Annual Financial Report (CAFR) on a calendar year basis. The CAFR is available upon written request from the TCDRS Board of Trustees at P.O. Box 2034, Austin, Texas 78768-2034.

The plan provisions are adopted and may be amended by the governing body of the District within the options available in the Texas State statutes governing TCDRS (TCDRS Act). Members can retire at ages 60 and above with eight or more years of service, with 20 years of service regardless of age, or when the sum of their age and years of service equals 75 or more. Members are vested after eight years of service but must leave their accumulated deposits in the plan to receive any employer-financed benefit. Members who withdraw their personal deposits in a lump sum and who are not eligible to retire are not entitled to any amounts contributed by their employer.

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

MCMULLEN CENTRAL APPRAISAL DISTRICT  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED DECEMBER 31, 2022

At December 31, 2022, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	-
Inactive employees entitled to but not yet receiving benefits	-
Active employees	<u>3</u>
	<u>3</u>

**Funding Policy**

The District has elected the Annually Determined Contribution Rate plan provisions of the TCDRS Act. The plan is funded by monthly contributions from both employee members and the employer based on the covered payroll of employee members. Under the TCDRS Act, the contribution rate of the employer is actuarially determined annually.

The deposit rate payable by all employee members for the calendar year 2022 is 7.0% as adopted by the governing body of the District. The employee deposit rate and the employer contribution rate may be changed by the governing body of the employer within the options available in the TCDRS Act. The District has a 2 to 1 or a 250% matching policy for each employee.

The TCDRS board hires independent outside consulting actuaries to conduct an annual valuation to measure the 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:

1. 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 payments.
2. 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.
3. 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.

**Net Pension Liability**

The District's net pension liability was measured as of December 31, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The total pension liability in the December 31, 2022 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Salary Increases	4.70%
Investment Rate of Return	7.50%

MCMULLEN CENTRAL APPRAISAL DISTRICT  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED DECEMBER 31, 2022

**Actuarial Methods and Assumptions**

<b>Valuation Timing</b>	Actuarially determined contribution rates are calculated as of December 31, two years prior to the end of the fiscal year in which the contributions are reported.
<b>Actuarial Cost Method</b>	Entry Age Normal <sup>(1)</sup>
<b>Amortization Method</b>	
Recognition of economic/ demographic gains or losses	Straight-line amortization over Expected Working Life
Recognition of assumptions changes or inputs	Straight-line amortization over Expected Working Life
<b>Asset Valuation Method</b>	
Smoothing period	5 years
Recognition method	Non-asymptotic
Corridor	None
<b>Inflation</b>	2.50%
<b>Salary Increases</b>	Varies by age and service. 4.7% average over career including inflation.
<b>Investment Rate of Return</b>	7.60%
<b>Cost-of-Living Adjustments</b>	Cost-of-Living Adjustments for McMullen Central Appraisal District are not considered to be substantively automatic under GASB 68. Therefore, no assumption for future cost-of-living adjustments is included in the GASB calculations. No assumption for future cost-of-living adjustments is included in the funding valuation.
<b>Retirement Age</b>	Deferred members are assumed to retire (100% probability) at the later of: a) age 60 b) earliest retirement eligibility.
<b>Turnover</b>	For all eligible members ages 75 and later, retirement is assumed to occur immediately.
<b>Mortality</b>	
Depositing members	135% of Pub-2010 General Employees Amount-Weighted Mortality Table for males and 120% Pub-2010 General Employees Amount-Weighted Mortality Table for females, both projected with 100% of the MP-2021 Ultimate scale after 2010.
Service retirees, beneficiaries and non- depositing members	135% of Pub-2010 General Retirees Amount-Weighted Mortality Table for males and 120% Pub-2010 General Retirees Amount-Weighted Mortality Table for females, both projected with 100% of the MP-2021 Ultimate scale after 2010.
Disabled retirees	160% of Pub-2010 General Disabled Retirees Amount-Weighted Mortality Table for males and 125% Pub-2010 General Disabled Retirees Amount-Weighted Mortality Table for females, both projected with 100% of the MP-2021 Ultimate scale after 2010.

<sup>(1)</sup> Individual entry age cost method, as required by GASB 68, used for GASB calculations.

Note that a slightly different version of the entry age normal cost method is used for the funding actuarial valuation.

MCMULLEN CENTRAL APPRAISAL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2022

**Long-Term Expected Rate of Return**

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.

<b>Asset Class</b>	<b>Benchmark</b>	<b>Target Allocation</b>	<b>Geometric Real Rate of Return<sup>(2)</sup></b>
US Equities	Dow Jones U.S. Total Stock Market Index	11.50%	3.80%
Global Equities	MSCI World (net) Index	2.50%	4.10%
International Equities - Developed	MSCI World Ex USA (net) Index	5.00%	3.80%
International Equities - Emerging	MSCI Emerging Markets (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	4.00%	4.50%
REIT Equities	67% FTSE NAREIT All Equity REITs Index +33% S&P Global REIT (net) 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	6.00%	5.10%
Private Equity	Cambridge Associates Global Private Equity & Venture Capital Index	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 March 2022 TCDRS Board meeting.

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

<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.

### Discount Rate/Depletion of Plan Assets

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 the employer, TCDRS used an alternative method to determine the sufficiency of the fiduciary net position in all future years. The alternative method reflects the funding requirements under the County's funding policy and the legal requirements under the TCDRS Act.

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

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.

MCMULLEN CENTRAL APPRAISAL DISTRICT  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED DECEMBER 31, 2022

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, a discount rate of 7.60% was used. 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.

Changes in 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	60,974	58,098	2,876
Changes for the year:			
Service cost	32,741	-	32,741
Interest on total pension liability <sup>(1)</sup>	7,122	-	7,122
Effect of plan changes <sup>(2)</sup>	-	-	-
Effect of economic/demographic gains or losses	(683)	-	(683)
Effect of assumptions changes or inputs	405	-	405
Refund of contributions	-	-	-
Benefit payments	-	-	-
Administrative expenses	-	(120)	120
Member contributions	-	11,311	(11,311)
Net investment income	-	27,884	(27,884)
Employer contributions	-	120,262	(120,262)
Other <sup>(3)</sup>	-	3,744	(3,744)
Balances as of December 31, 2021	<u>100,559</u>	<u>221,179</u>	<u>(120,619)</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>No plan changes valued

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

**Sensitivity Analysis**

The following presents the net pension liability of the county/district, calculated using the discount rate of 7.60%, as well as what the San Patricio County Appraisal District 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	125,222	100,559	80,846
Fiduciary net position	221,179	221,178	221,179
Net pension liability / (asset)	<u>(95,957)</u>	<u>(120,619)</u>	<u>(140,333)</u>

MCMULLEN CENTRAL APPRAISAL DISTRICT  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED DECEMBER 31, 2022

**Pension Expense / (Income)**

	<u>January 1, 2021 to December 31, 2021</u>
Service cost	32,741
Interest on total pension liability <sup>(1)</sup>	7,122
Effect of plan changes	-
Administrative expenses	120
Member contributions	(11,311)
Expected investment return net of investment expenses	(9,459)
Recognition of deferred inflows/outflows of resources	
Recognition of economic/demographic gains or losses	(106)
Recognition of assumption changes or inputs	255
Recognition of investment gains or losses	(3,356)
Other <sup>(2)</sup>	<u>(3,744)</u>
 Pension expense / (income)	 <u><u>12,263</u></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.

**Deferred Inflows / Outflows of Resources**

As of December 31, 2022 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	2,584	14
Changes of assumptions	-	6,126
Net difference between projected and actual earnings	13,950	-
Contributions made subsequent to measurement date <sup>(3)</sup>	N/A	24,622

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 as follows:

Year ended December 31:	
2022	(3,207)
2023	(3,209)
2024	(3,402)
2025	(3,536)
2026	149
Thereafter <sup>(4)</sup>	2,811

<sup>(3)</sup> Any eligible employer contributions made subsequent to the measurement date through the employer's fiscal year end should be reflected as outlined in Appendix D of this report.

<sup>(4)</sup> Total remaining balance to be recognized in future years, if any. Note that additional future deferred inflows and outflows of resources may impact these numbers.

MCMULLEN CENTRAL APPRAISAL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2022

**7. RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters. The District carries commercial insurance for the risks of loss, including worker's compensation, and property and casualty loss insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. Limits of insurance coverage remain unchanged in the past three years.

**8. LITIGATION**

There is no pending or threatened litigation against McMullen Central Appraisal District involving claims for monetary damages.

**9. ASSESSMENT OF APPRAISAL FEES**

The District's primary revenue source is from assessments to taxing jurisdictions for services provided by the District. Assessments are imposed annually based on the amount approved by the Board of Directors in the annual budget. As required by law, the assessment is allocated in four (4) equal payments due on the last day of each quarter, with the first quarterly payment due before January 1 of the year in which the budget takes effect. Such assessments become delinquent if unpaid on the due date. Assessments applicable to the District's subsequent year are recorded as unearned revenue.

The taxing units participating in the appraisal district fund the District. The annual allocation to the taxing units is based upon the proportion of each taxing unit's property tax levy bears to the sum of the tax levies of all participating taxing units. Taxing units pay their share quarterly with the first quarter due by December 31 of the year before the budget takes effect. The taxing units paid approximately 100% of their property tax levy for appraisal district services in 2022.

**10. DEFERRED REVENUE - ASSESSMENTS**

Deferred revenue of \$0 at December 31, 2022 is comprised of appraisal fees collected in 2022, but budgeted for the 2023 fiscal year.

**11. COMPLIANCE AND ACCOUNTABILITY**

Finance-Related Legal and Contractual Provisions

In accordance with GASB Statement No. 38, "Certain Financial Statement Note Disclosures," violations of finance-related legal and contractual provisions, if any, are reported below, along with actions taken to address such violations:

<u>Violation</u>	<u>Action Taken</u>
None reported	Not applicable

## **Required Supplementary Information**

Required supplementary information includes financial information and disclosures required by the Governmental Accounting Standards Board but not considered a part of the basic financial statements.

MCMULLEN CENTRAL APPRAISAL DISTRICT  
GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL  
FOR THE YEAR ENDED DECEMBER 31, 2022  
WITH COMPARATIVE TOTALS FOR 2021

	2022			2021	
	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)	ACTUAL
	ORIGINAL	FINAL			
REVENUES					
Levies from Taxing Units	\$ 604,060	\$ 603,760	\$ 604,060	\$ 300	\$ 604,060
Interest	-	130	195	65	164
Miscellaneous	-	170	105	(65)	3,897
<b>TOTAL REVENUES</b>	<b>604,060</b>	<b>604,060</b>	<b>604,360</b>	<b>300</b>	<b>608,121</b>
EXPENDITURES					
Payroll Costs	301,717	301,717	250,872	50,845	337,810
Contract Services	245,500	241,700	234,002	7,698	218,397
Supplies and Materials	11,500	14,500	12,264	2,236	8,762
Other Operating Expenses	42,343	41,143	19,089	22,054	21,063
Capital Outlay	3,000	5,000	-	5,000	-
<b>TOTAL EXPENDITURES</b>	<b>604,060</b>	<b>604,060</b>	<b>516,226</b>	<b>87,833</b>	<b>586,032</b>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 88,133</u>	<u>\$ 88,133</u>	<u>\$ 22,089</u>

See accompanying notes to required supplementary information.

MCMULLEN CENTRAL APPRAISAL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED DECEMBER 31, 2022

Budgetary Data

The chief appraiser has the responsibility of preparing the District's budget. A proposed budget for operations of the District for the following tax year is submitted to each taxing unit participating in the District and to the District board of directors before June 15.

The board of directors holds a public hearing to consider the budget. The board completes its hearings, makes any amendments it desires to the proposed budget, and finally approves a budget before September 15. If governing bodies of a majority of the taxing units entitled to vote on the appointment of board members adopt resolutions disapproving the budget and file them with the secretary of the board within thirty days after its adoption, the budget does not take effect and the board adopts a new budget within thirty days of the disapproval.

The board may amend the approved budget at any time, but the secretary of the board must deliver a written copy of a proposed amendment to the presiding officer of the governing body of each taxing unit participating in the District not later than the 30<sup>th</sup> day before the date the board acts on it.

Amendments were made to the budget during the year. The budget for the General Fund is on a basis in conformity with generally accepted accounting principles (GAAP). The level of control for the budget is the fund level.

MCMULLEN CENTRAL APPRAISAL DISTRICT  
 REQUIRED SUPPLEMENTARY INFORMATION  
 TEXAS COUNTY AND DISTRICT RETIREMENT SYSTEM

Schedule of Changes in Net Pension Liability and Related Ratios

	Year Ended December 31		
	2021	2020	2019
Total Pension Liability			
Service cost	32,741	29,268	21,557
Interest on total pension liability	7,122	4,260	1,746
Effect of plan changes	-	-	-
Effect of assumption changes or inputs	405	6,215	-
Effect of economic/demographic (gains) or losses	(683)	(2,088)	17
Benefit payments/refunds of contributions	-	-	-
Net change in total pension liability	39,584	37,655	23,320
Total pension liability, beginning	60,974	23,320	-
Total pension liability, ending (a)	100,559	60,974	23,320
Fiduciary Net Position			
Employer contributions	120,262	20,150	14,661
Member contributions	11,311	10,929	8,228
Investment income net of investment expenses	27,884	2,505	(23)
Benefit payments/refunds of contributions	-	-	-
Administrative expenses	(120)	(43)	(18)
Other	3,744	922	787
Net change in fiduciary net position	163,081	34,463	23,635
Fiduciary net position, beginning	58,098	23,635	-
Fiduciary net position, ending (b)	221,179	58,098	23,635
Net pension liability / (asset), ending = (a) - (b)	(120,619)	2,876	(315)
Fiduciary net position as a % of total pension liability	219.95%	95.28%	101.35%
Pensionable covered payroll	161,579	156,131	117,540
Net pension liability / (asset) as a % of covered payroll	-74.65%	1.84%	-0.27%

In fiscal year end 2020 the District established a pension plan with TCDRS.  
 The District will continue to add data until 10 years are presented.

MCMULLEN CENTRAL APPRAISAL DISTRICT  
 REQUIRED SUPPLEMENTARY INFORMATION  
 TEXAS COUNTY AND DISTRICT RETIREMENT SYSTEM

Schedule of Employer Contributions

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
2019	14,951	14,661	290	117,540	12.5%
2020	19,860	20,150	(290)	156,131	12.9%
2021	20,262	120,262	(100,000)	161,579	74.4%

<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. If additional assistance is needed, please contact TCDRS.

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

In fiscal year end 2020 the District established a pension plan with TCDRS. The District will continue to add data until 10 years are presented.



