

WILBARGER COUNTY APPRAISAL DISTRICT

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED DECEMBER 31, 2022

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FINANCIAL SECTION



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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Wilbarger County Appraisal District
Vernon, Texas

Opinion

We have audited the accompanying financial statements of the Wilbarger County Appraisal District, of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise Wilbarger County 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 Wilbarger County Appraisal District as of December 31, 2022, and the respective changes in financial position and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

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 Wilbarger County Appraisal District, and to meet our 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 opinion.

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 Wilbarger County 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 Responsibility 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 opinion. 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 Wilbarger County Appraisal District's internal control. Therefore, 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 Wilbarger County 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, the Schedule of Changes in Net Pension Liability (Asset) and Related Ratios – Texas County and District Retirement System and the Schedule of Employer Contributions – Texas County and District Retirement System information identified in the table of contents 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Wilbarger County Appraisal District's basic financial statements. The Schedule of Revenues, Expenses, and Changes in Net Position – Budget and Actual – Enterprise Fund is presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Revenues, Expenses, and Changes in Net Position – Budget and Actual – Enterprise Fund is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Edgin, Parkman, Fleming & Fleming, PC
EDGIN, PARKMAN, FLEMING & FLEMING, PC

Wichita Falls, Texas
February 27, 2023

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Wilbarger County Appraisal District, we offer readers of the District's Annual Financial Report this narrative overview and analysis of the District's financial performance during the fiscal year ended December 31, 2022. Please read it in conjunction with the District's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The District's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources at December 31, 2022 by \$427,814 (net position). \$129,498 is restricted for the District's pension plan while \$298,316 is unrestricted and may be used to meet the District's obligations to taxing entities and creditors.
- During the year, the District's total net position increased by \$84,073. The District's expenses, which totaled \$532,421, were less than the District's operating revenues of \$608,689 and non-operating revenues of \$7,805.
- The District's total revenues increased \$32,787 from the prior year as the District's 2022 budget was slightly higher than the 2021 budget.
- The District's expenses decreased \$4,134 from the prior year with no significant fluctuations noted.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of two components: the basic financial statements and the notes to the basic financial statements. This report also contains other supplementary information in addition to the basic financial statements.

Basic Financial Statements

All of the District's services are reported in the basic financial statements. Collections from the taxing entities for appraisal services finance the District's activities.

The basic financial statements are designed to provide readers a broad overview of the District's finances in a manner similar to a private-sector business.

The *statement of net position* presents financial information on all the District's assets, liabilities, and deferred inflows/outflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the District's financial position is improving or deteriorating.

The *statement of revenues, expenses and changes in net position* details how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows.

Therefore, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Fund Financial Statements

The District uses fund accounting to keep track of specific sources of funding and spending for particular purposes. The fund financial statements provide more detailed information about the District's most significant *funds* – not the District as a whole.

An **Enterprise Fund** is used to report all financial aspects of the District's operations. This fund includes all financial activity of the District.

Notes to the Basic Financial Statements

The notes to the basic financial statements provide additional information that is essential to obtain a full understanding of the data provided in the basic financial statements.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain *other supplementary information* concerning the District's budgetary performance.

Financial Analysis of the District

As noted earlier, net position over time, may serve as a useful indicator of a government's financial position. Exhibited below in Table 1 is the District's net position.

Table 1 - District's Net Position

	2022	2021	Change	% Change
Current and other assets	\$ 624,478	\$ 490,221	\$ 134,257	27%
Total Assets	624,478	490,221	134,257	27%
Deferred outflows	59,175	44,299	14,876	34%
Current liabilities	15,812	8,904	6,908	78%
Total Liabilities	15,812	8,904	6,908	78%
Deferred inflows	240,027	181,875	58,152	32%
Net position:				
Restricted	129,498	86,616	42,882	50%
Unrestricted	298,316	257,125	41,191	16%
Total Net Position	\$ 427,814	\$ 343,741	\$ 84,073	24%

\$298,316 of the District's net position may be used to meet the District's ongoing obligations. The remaining net position of \$129,498 is restricted for the District's participation in the Texas County and District Retirement System.

Changes in Net Position

The District's total revenues were \$616,494. The vast majority of the District's revenue comes from billings to the taxing entities. Exhibited below in Table 2 are the District's revenues for the years ended December 31, 2022 and 2021.

Table 2 - District's Revenues

	2022	Percent	2021	Percent
Charges for services	\$ 607,564	99%	\$ 576,367	99%
Investment earnings	7,805	1%	6,107	1%
Miscellaneous	1,125	0%	1,233	0%
Total Revenues	\$ 616,494	100%	\$ 583,707	100%

Charges for services increased very slightly from the prior year as the District's 2022 budget (and therefore billings to entities) slightly increased from the 2021 budget.

Exhibited below in Table 3 are the District's expenses for the years ended December 31, 2022 and 2021 for the District.

Table 3 - District's Expenses

	2022	Percent	2021	Percent
Salaries and wages	\$ 284,820	53%	\$ 263,980	49%
Employee benefits	77,225	15%	83,642	16%
Contracted real estate appraisal services	-	0%	8,667	2%
Contracted mineral appraisal services	46,000	9%	44,800	8%
Computer software services	22,750	4%	22,150	4%
Other professional services	37,499	7%	36,100	7%
Board and ARB expenses	2,768	0%	7,738	1%
Rent	4,645	1%	4,705	1%
Education	8,904	2%	7,951	1%
Insurance	4,422	1%	4,144	1%
General office expenses	43,388	8%	52,678	10%
Total Expenses	\$ 532,421	100%	\$ 536,555	100%

The District's expenses decreased \$4,134 from the prior year with no significant fluctuations noted.

ECONOMIC FACTORS AND NEXT YEAR'S FINANCIAL OUTLOOK

Total revenues and expenses budgeted for 2023 are very similar to the 2022 budget. In 2022, budgeted revenues were \$607,564 while budgeted revenues for 2023 are \$654,795, an increase of approximately 8%. Budgeted expenses increased from \$607,564 in 2022 to \$654,795 in 2023. If these estimates are realized, the District's net position should not change appreciably by December 31, 2023.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, please contact the Chief Appraiser.

BASIC FINANCIAL STATEMENTS

WILBARGER COUNTY APPRAISAL DISTRICT

STATEMENT OF NET POSITION DECEMBER 31, 2022

	Enterprise Fund
Assets	
Cash and cash equivalents	\$ 467,628
Prepaid expenses	3,846
Net pension asset	153,004
Total assets	<u>624,478</u>
Deferred outflows of resources	
Pension-related	<u>59,175</u>
Liabilities	
Accounts payable	5,155
Accrued liabilities	10,657
Total liabilities	<u>15,812</u>
Deferred inflows of resources	
Payments received in advance	157,346
Pension-related	82,681
Total deferred inflows of resources	<u>240,027</u>
Net position	
Restricted for pension plan	129,498
Unrestricted	298,316
Total net position	<u><u>\$ 427,814</u></u>

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

WILBARGER COUNTY APPRAISAL DISTRICT

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION FOR THE YEAR ENDED DECEMBER 31, 2022

	Enterprise Fund
Operating revenues:	
Taxing authority assessments	\$ 607,564
Miscellaneous	<u>1,125</u>
Total operating revenues	<u>608,689</u>
Operating expenses:	
Salaries and wages	284,820
Employee benefits	77,225
Contracted mineral appraisal services	46,000
Computer software services	22,750
Other professional services	37,499
Board and ARB expenses	2,768
Rent	4,645
Education	8,904
Insurance	4,422
General office expenses	<u>43,388</u>
Total operating expenses	<u>532,421</u>
Operating income	76,268
Non-operating revenues:	
Interest income	<u>7,805</u>
Change in net position	84,073
Net position, beginning	<u>343,741</u>
Net position, ending	<u><u>\$ 427,814</u></u>

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

WILBARGER COUNTY APPRAISAL DISTRICT

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2022

	Enterprise Fund
Cash flows from operating activities:	
Received from customers and users	\$ 614,144
Payments to suppliers	(284,190)
Payments to employees	(284,820)
Net cash provided by operating activities	<u>45,134</u>
Cash flows from investing activities:	
Interest on investments	<u>7,805</u>
Net increase in cash and cash equivalents	52,939
Cash and cash equivalents - beginning	414,689
Cash and cash equivalents - ending	<u><u>\$ 467,628</u></u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	<u>\$ 76,268</u>
Adjustments to reconcile operating income to net cash provided by operating activities:	
(Increase) decrease in assets and deferred outflows of resources:	
Prepaid expenses	(615)
Net pension asset	(80,703)
Deferred outflows of resources	(14,876)
Increase (decrease) in liabilities and deferred inflows of resources:	
Accounts payable	5,155
Accrued liabilities	1,753
Deferred inflows of resources	58,152
Total adjustments	<u>(31,134)</u>
Net cash provided by operating activities	<u><u>\$ 45,134</u></u>

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

WILBARGER COUNTY APPRAISAL DISTRICT

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Wilbarger County Appraisal District (District) was created in 1979 by Senate Bill Number 621, which was passed by the 66th Texas State Legislature and signed by the Governor. This act created local appraisal districts in the State of Texas and specified the powers, duties, functions, and financing of these local appraisal districts. Each district has the responsibility for listing and appraising taxable property within the district and providing local remedies for dissatisfied property owners. The District determines property values for ad valorem taxes in the following taxing units: Chillicothe Independent School District, City of Vernon, Harrold Independent School District, Northside Independent School District, Vernon College, Vernon Independent School District, Wilbarger County and Wilbarger General Hospital.

The accompanying basic financial statements of the District are prepared in conformity with generally accepted accounting principles for 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 reporting entity of the District includes funds under the authority of the Board of Directors of the District. The basic, but not the only, criterion for including a potential component unit within the reporting entity is the ability of the Board of Directors to exercise oversight responsibility. The most significant manifestation of this ability is financial inter-dependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. Another criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the District is able to exercise oversight responsibilities. There are no related organizations that are required to be included within the reporting entity of the District.

B. Basis of Presentation

The District's financial statements consist of business-type activities. The basic financial statements (i.e., the statement of net position and the statement of revenues, expenses and changes in net position) report information on all activities of the District.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

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

The basic 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.

WILBARGER COUNTY APPRAISAL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONT'D.) DECEMBER 31, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's proprietary fund are providing appraisal and collection services to the taxing entities within Wilbarger County. Operating expenses for the proprietary fund include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

D. Cash and Cash Equivalents

For purposes of the statement of cash flows, the District considers all deposits with original maturities of three months or less at the time of acquisition to be cash equivalents.

E. Inventories and Prepaid Expenses

The District records purchases of supplies as expenses, utilizing the purchase method of accounting for inventory.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenses.

F. Capital Assets

Capital assets, which include software and equipment, are reported in the District's financial statements. The District defines capital assets as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the time received.

The District has no assets that meet the criteria of a capital asset as of December 31, 2022.

G. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. For the year ended December 31, 2022, the District reports deferred outflows of resources for amounts related to the District's defined benefit pension plan (See Note 5).

WILBARGER COUNTY APPRAISAL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONT'D.) DECEMBER 31, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflow of resources. This separate financial statement element represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has two types of items that qualify for reporting in this category. At December 31, 2022, certain taxing authorities made advance payments on the 2022 assessments and the aggregate amount of \$157,346 is reported as a deferred inflow of resources. The District also reports deferred inflows of resources for amounts related to the District's defined benefit pension plan (See Note 5).

H. Vacation and Sick Leave

Employees are entitled to certain compensated absences based upon their length of employment. Vacation leave and sick leave benefits are accrued during the year. The District has not recorded any liability for these absences as any such accrual would be immaterial to the financial statements.

I. 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.

J. Pensions

The fiduciary net position of the Texas County and District Retirement System (TCDRS) has been determined using the flow of economic resources measurement focus and full accrual basis of accounting, the same basis as is reported by TCDRS in their Annual Comprehensive Financial Report. This includes for purposes of measuring the net pension asset (liability), deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, and information about assets, liabilities and additions to/deductions from TCDRS's fiduciary net position. Benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

NOTE 2 - 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 are reported below, along with actions taken to address such violations.

Violation

None

Action Taken

None

WILBARGER COUNTY APPRAISAL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONT'D.) DECEMBER 31, 2022

NOTE 3 - DEPOSITS

The District's funds are required to be deposited and invested under the terms of a depository contract. 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 contract. 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.

Cash Deposits

At December 31, 2022, the carrying amount of the District's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$467,628 and the bank balance was \$467,892. The District's cash deposits at December 31, 2022 were entirely covered by FDIC insurance, which includes FDIC coverage through the Deposit Insurance Coverage Program.

Analysis of Specific Deposit Risks

GASB Statement No. 40 requires a determination as to whether the District was exposed to the following specific investment risks at year end and if so, the reporting of certain related disclosures:

a. Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The ratings of securities by nationally recognized rating agencies are designed to give an indication of credit risk. At year end, the District was not significantly exposed to credit risk.

b. Custodial Credit Risk

Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the District's name.

At year end, the District was not exposed to custodial credit risk.

c. Concentration of Credit Risk

This risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. At year end, the District was not exposed to concentration of credit risk.

WILBARGER COUNTY APPRAISAL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONT'D.) DECEMBER 31, 2022

NOTE 3 - DEPOSITS (CONT'D.)

d. Interest Rate Risk

This is the risk that changes in interest rates will adversely affect the fair value of an investment. At year end, the District was not exposed to interest rate risk.

e. Foreign Currency Risk

This is the risk that exchange rates will adversely affect the fair value of an investment. At year end, the District was not exposed to foreign currency risk.

NOTE 4 - RISK MANAGEMENT AND LITIGATION

The District is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. For the past several years, the District has purchased coverage from commercial insurance companies for most risks except for litigation concerning appraisal value. There have been no significant reductions in coverage during the year and there were no settlements exceeding insurance coverage for the past three fiscal years.

All risk management activities are accounted for in the Enterprise Fund. Expenses and claims are recognized when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. In determining claims, events that might create claims, but for which none have been reported, are considered.

NOTE 5 - DEFINED BENEFIT PENSION PLAN

A. Plan Description

The District provides retirement, disability, and death benefits for all of its full-time employees through a nontraditional, defined benefit pension plan in the statewide TCDRS. The Board of Trustees of TCDRS is responsible for the administration of the statewide agent multiple-employer public employee retirement system consisting of more than 830 nontraditional defined benefit pension plans. TCDRS in the aggregate issues a Annual Comprehensive Financial Report (ACFR) on a calendar year basis that is publicly available at www.tcdrs.org.

The plan provisions are adopted 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 10 or more years of service or with 30 years of service regardless of age, or when the sum of their age and years of service equals 80 or more. Members are vested after 10 years of service but must leave their accumulated contributions in the plan to receive any employer-financed benefit. Members who withdraw their personal contributions in a lump sum are not entitled to any amounts contributed by the District.

WILBARGER COUNTY APPRAISAL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONT'D.) DECEMBER 31, 2022

NOTE 5 - DEFINED BENEFIT PENSION PLAN (CONT'D.)

B. Benefits Provided

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

Employees Covered by Benefit Terms

At the December 31, 2021 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	3
Inactive employees entitled to but not yet receiving benefits	6
Active employees	5

C. Contributions

The District has elected the annually determined contribution rate (ADCR) plan provisions of the TCDRS Act. The plan is funded by monthly contributions from both employee members and the District based on the covered payroll of employee members. Under the TCDRS Act, the contribution rate of the employer is actuarially determined annually. The District contributed 11.82% of participant's salaries for 2022. The actuarially determined rate was 11.82% for 2022.

The contribution rate payable by the employee members for calendar year 2021 is the rate of 7% as adopted by the Board of Directors of the District. The employee contribution rate and the District contribution rate may be changed by the Board of Directors of the District within the options available in the TCDRS Act.

D. Net Pension Asset

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

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

WILBARGER COUNTY APPRAISAL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONT'D.) DECEMBER 31, 2022

NOTE 5 - DEFINED BENEFIT PENSION PLAN (CONT'D.)

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.

Real rate of return	5.00% per year
Inflation	2.50% per year
Long-term investment return	7.50% per year, net of pension plan investments expenses
Growth in membership	0.0% per year
Payroll growth	0.0% per year

Salary increases were based on a service-related table. The mortality rates for active members were based on 135% of Pub-2010 General Employees Amount-Weighted Mortality Table for males and 120% of Pub-2010 General Employees Amount-Weighted Mortality Table for females, both projected with 100% of the MP-2021 Ultimate scale after 2010. The mortality rate for service retirees, beneficiaries, and non-depositing members was based on 135% of Pub-2010 General Retirees Amount-Weighted Mortality Table for males and 120% of Pub-2010 General Retirees Amount-Weighted Mortality Table for females, both projected with 100% of the MP-2021 Ultimate scale after 2010. The mortality rates for disabled retirees were based on 160% of Pub-2010 General Disabled Retirees Amount-Weighted Mortality Table for males and 125% of Pub-2010 General Disabled Retirees Amount-Weighted Mortality Table for females, both projected with 100% of the MP-2021 Ultimate scale after 2010.

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 based on January 2022 information for a 10-year time horizon.

The valuation assumption for long-term expected return is re-assessed a minimum of every four years, and is set based on a long-term time horizon. The TCDRS Board of Trustees adopted the current assumption at their March 2021 meeting.

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

WILBARGER COUNTY APPRAISAL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONT'D.) DECEMBER 31, 2022

<u>Asset Class</u>	<u>Benchmark</u>	<u>Target Allocation ⁽¹⁾</u>	<u>Geometric Real Rate of Return (Expected minus Inflation) ⁽²⁾</u>
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 Markets	MSCI World Ex USA (net) Index	5.00%	3.80%
International Equities – Emerging Markets	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 ⁽³⁾	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 ⁽⁴⁾	6.00%	5.10%
Private Equity	Cambridge Associates Global Private Equity & Venture Capital Index ⁽⁵⁾	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%

⁽¹⁾ Target asset allocation adopted at the March 2021 TCDRS Board Meeting.

⁽²⁾ Geometric real rates of return equal the expected return for the asset class minus the assumed inflation of 2.0%, per Cliffwater's 2021 capital market assumptions

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

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

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

Discount Rate

The projected fiduciary net position was determined to be sufficient compared to projected benefit payments. Based on that assumption, the pension plan's Fiduciary Net Position was projected to be sufficient to pay projected benefit payments in all future years. Therefore, the

WILBARGER COUNTY APPRAISAL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONT'D.) DECEMBER 31, 2022

NOTE 5 - DEFINED BENEFIT PENSION PLAN (CONT'D.)

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, increased by 0.10% to be gross of administrative expenses (7.60%).

Changes in Net Pension Liability / (Asset)

	Increase (Decrease)		
	Total Pension Liability	Fiduciary Net Position	Net Pension Liability / (Asset)
	(a)	(b)	(a) - (b)
Balances as of December 31, 2020	\$478,018	\$550,319	(\$ 72,301)
Changes for the year:			
Service cost	33,494	-	33,494
Interest on total pension liability ⁽¹⁾	38,334	-	38,334
Effect of plan changes ⁽²⁾	-	-	-
Effect of economic/demographic gains or losses	19,471	-	19,471
Effect of assumptions changes or inputs	(2,799)	-	(2,799)
Refund of contributions	(7,905)	(7,905)	-
Benefit payments	(6,597)	(6,597)	-
Administrative expense	-	(381)	381
Member contributions	-	18,311	(18,311)
Net investment income	-	124,302	(124,302)
Employer contributions	-	25,976	(25,976)
Other changes ⁽³⁾	-	995	(995)
Balances as of December 31, 2021	<u>\$552,016</u>	<u>\$705,020</u>	<u>(\$153,004)</u>

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

⁽²⁾ No plan changes valued.

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

Sensitivity Analysis

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

	1% Decrease 6.60%	Current Discount Rate 7.60%	1% Increase 8.60%
Total pension liability	\$618,521	\$552,016	\$494,797
Fiduciary net position	<u>705,020</u>	<u>705,020</u>	<u>705,020</u>
Net pension liability / (asset)	<u>(\$ 86,499)</u>	<u>(\$153,004)</u>	<u>(\$210,223)</u>

WILBARGER COUNTY APPRAISAL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONT'D.) DECEMBER 31, 2022

NOTE 5 - DEFINED BENEFIT PENSION PLAN (CONT'D.)

Pension Expense

	January 1, 2021 to December 31, 2021
Service cost	\$33,494
Interest on total pension liability ⁽¹⁾	38,334
Effect of plan changes	-
Administrative expenses	381
Member contributions	(18,311)
Expected investment return net of investment expenses	(42,958)
Recognition of deferred inflows/outflows of resources:	
Recognition of economic/demographic gains or losses	(6,138)
Recognition of assumption changes or inputs	7,879
Recognition of investment gains or losses	(20,973)
Other ⁽²⁾	(996)
Pension expense	<u>(\$ 9,288)</u>

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

⁽²⁾ Relates to allocation of system-wide items.

Deferred Outflows / Inflows of Resources

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 16,849	\$4,014
Changes of assumptions	8,733	2,332
Net difference between projected and actual earnings	-	76,335
Contributions made subsequent to measurement date	<u>33,593</u>	<u>-</u>
Total	<u>\$59,175</u>	<u>\$82,681</u>

Amounts currently reported as deferred outflows of resources and deferred inflows of resources related to pensions, excluding contributions made subsequent to the measurement date of \$33,593, will be recognized in pension expense as follows:

<u>Year Ended December 31:</u>	
2022	(\$7,520)
2023	(23,396)
2024	(15,476)
2025	(13,489)
2026	2,782
Thereafter	-

WILBARGER COUNTY APPRAISAL DISTRICT

NOTES TO FINANCIAL STATEMENTS (CONT'D.) DECEMBER 31, 2022

NOTE 6 - CONTINGENCIES

From time to time, the District is a defendant in lawsuits contesting appraisal values. Liability to the District, if any, is limited to the cost of the plaintiff's attorney fees. The ultimate liability of the District in the lawsuits cannot be determined at this time. Since the probable range of any potential liability cannot be estimated with any certainty, an expense has not been recorded in the financial statements.

NOTE 7 - ECONOMIC DEPENDENCY

The District derives approximately 54% of its revenues from two government entities, and the remaining 46% of its revenues from six other taxing authorities. All entities are located in Wilbarger County, Texas.

REQUIRED SUPPLEMENTARY INFORMATION

WILBARGER COUNTY APPRAISAL DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF CHANGES IN NET PENSION LIABILITY (ASSET) AND RELATED RATIOS TEXAS COUNTY AND DISTRICT RETIREMENT SYSTEM

	2021	2020	2019
Total Pension Liability			
Service cost	\$ 33,494	\$ 30,031	\$ 28,048
Interest on total pension liability	38,334	34,528	31,600
Effect of plan changes	-	-	-
Effect of assumption changes or inputs	(2,799)	23,890	-
Effect of economic/demographic (gains) or losses	19,471	(1,697)	(12,568)
Benefit payments/refunds of contributions	(14,502)	(9,767)	(15,928)
Net change in total pension liability	73,998	76,985	31,152
Total pension liability (asset), beginning	478,018	401,033	369,881
Total pension liability (asset), ending (a)	<u>\$ 552,016</u>	<u>\$ 478,018</u>	<u>\$ 401,033</u>
Fiduciary Net Position			
Employer contributions	\$ 25,976	\$ 17,737	\$ 16,543
Member contributions	18,311	12,503	11,662
Investment income net of investment expenses	124,302	49,626	65,943
Benefit payments/refunds of contributions	(14,502)	(9,767)	(15,928)
Administrative expenses	(381)	(403)	(366)
Other	995	652	489
Net change in fiduciary net position	154,701	70,348	78,343
Fiduciary net position, beginning	550,319	479,971	401,628
Fiduciary net position, ending (b)	<u>\$ 705,020</u>	<u>\$ 550,319</u>	<u>\$ 479,971</u>
Net pension liability / (asset), ending = (a) - (b)	<u>\$ (153,004)</u>	<u>\$ (72,301)</u>	<u>\$ (78,938)</u>
Fiduciary net position as a % of total pension liability	<u>127.72%</u>	<u>115.13%</u>	<u>119.68%</u>
Pensionable covered payroll	<u>\$ 261,592</u>	<u>\$ 178,616</u>	<u>\$ 166,601</u>
Net pension liability as a % of covered payroll	<u>-58.49%</u>	<u>-40.48%</u>	<u>-47.38%</u>

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 prepared.

- (1) During 2014 the District amended the plan agreement. The amendment increased the District's matching contribution from 175% to 225% of the member's contribution.

EXHIBIT B-1

<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
\$ 32,200	\$ 30,970	\$ 32,219	\$ 29,603	\$ 24,782
29,023	25,525	19,882	16,547	13,447
-	-	-	(3,025)	28,020 (1)
-	2,684	-	3,863	-
(14,092)	(12,079)	4,355	(6,475)	(13,143)
(6,597)	(3,744)	(250)	(166)	(7,450)
<u>40,534</u>	<u>43,356</u>	<u>56,206</u>	<u>40,347</u>	<u>45,656</u>
<u>329,347</u>	<u>285,991</u>	<u>229,785</u>	<u>189,438</u>	<u>143,782</u>
<u>\$ 369,881</u>	<u>\$ 329,347</u>	<u>\$ 285,991</u>	<u>\$ 229,785</u>	<u>\$ 189,438</u>
\$ 15,409	\$ 17,075	\$ 16,783	\$ 15,844	\$ 14,129
10,862	12,037	11,831	11,169	9,960
(7,021)	46,621	19,853	(8,268)	13,956
(6,597)	(3,744)	(250)	(166)	(7,450)
(323)	(258)	(216)	(186)	(180)
<u>626</u>	<u>336</u>	<u>2,140</u>	<u>120</u>	<u>(13)</u>
12,956	72,067	50,141	18,513	30,402
388,672	316,605	266,464	247,951	217,549
<u>\$ 401,628</u>	<u>\$ 388,672</u>	<u>\$ 316,605</u>	<u>\$ 266,464</u>	<u>\$ 247,951</u>
<u>\$ (31,747)</u>	<u>\$ (59,325)</u>	<u>\$ (30,614)</u>	<u>\$ (36,679)</u>	<u>\$ (58,513)</u>
<u>108.58%</u>	<u>118.01%</u>	<u>110.70%</u>	<u>115.96%</u>	<u>130.89%</u>
<u>\$ 155,177</u>	<u>\$ 171,952</u>	<u>\$ 169,008</u>	<u>\$ 159,554</u>	<u>\$ 142,288</u>
<u>-20.46%</u>	<u>-34.50%</u>	<u>-18.11%</u>	<u>-22.99%</u>	<u>-41.12%</u>

WILBARGER COUNTY APPRAISAL DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF EMPLOYER CONTRIBUTIONS TEXAS COUNTY AND DISTRICT RETIREMENT SYSTEM

Year Ending December 31,	Actuarially Determined Contribution	Actual Employer Contribution	Contribution Deficiency (Excess)	Pensionable Covered Payroll (1)	Actual Contribution as a % of Covered Payroll
2011	\$ 10,594	\$ 11,914	\$ (1,320)	\$ 119,982	9.9%
2012	10,188	12,322	(2,134)	124,088	9.9%
2013	7,789	15,345	(7,556)	154,535	9.9%
2014	7,100	14,129	(7,029)	142,288	9.9%
2015	14,647	15,844	(1,197)	159,554	9.9%
2016	14,045	16,783	(2,738)	169,008	9.9%
2017	16,404	17,075	(671)	171,952	9.9%
2018	15,083	15,409	(326)	155,177	9.9%
2019	16,443	16,543	(100)	166,601	9.9%
2020	16,647	17,737	(1,090)	178,616	9.9%
2021	23,700	25,976	(2,276)	261,592	9.9%
2022	33,663	33,593	70	284,800	11.8%

(1) Payroll is calculated based on contributions as reported to TCDRS.

Valuation Date:

Actuarially determined contribution rates are calculated as of December 31 and become effective 13 months later.

Methods and Assumptions Used to Determine Contribution Rates:

<i>Actuarial Cost Method</i>	Entry Age (level percentage of pay)
<i>Amortization Method</i>	Level percentage of payroll, closed
<i>Remaining Amortization Period</i>	0.0 years (based on contribution rate calculated in 12/31/2021 valuation)
<i>Asset Valuation Method</i>	5-year smoothed market
<i>Inflation</i>	2.50%
<i>Salary increases</i>	Varies by age and service. 4.7% average over career, including inflation
<i>Investment rate of return</i>	7.50%, net of administrative and investment expenses, including inflation
<i>Retirement age</i>	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.
<i>Mortality</i>	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.
<i>Changes in Assumptions and Methods Reflected in the Schedule of Employer Contributions</i>	2015: New inflation, mortality and other assumptions were reflected. 2017: New mortality assumptions were reflected. 2019: New inflation, mortality and other assumptions were reflected.
<i>Changes in Plan Provisions Reflected in the Schedule of Employer Contributions</i>	2015: Employer contributions reflect that the current service matching rate was increased to 225% 2016: No changes in plan provisions were reflected in the Schedule 2017: New Annuity Purchase Rates were reflected for benefits earned after 2017. 2018: No changes in plan provisions were reflected in the Schedule. 2019: No changes in plan provisions were reflected in the Schedule. 2020: No changes in plan provisions were reflected in the Schedule. 2021: No changes in plan provisions were reflected in the Schedule.

OTHER SUPPLEMENTARY INFORMATION

WILBARGER COUNTY APPRAISAL DISTRICT

SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION - BUDGET AND ACTUAL - ENTERPRISE FUND FOR THE YEAR ENDED DECEMBER 31, 2022

	Budget			Variance
	Original	Final	Actual	Favorable (Unfavorable)
Operating revenues:				
Taxing authority assessments	\$ 607,564	\$ 607,564	\$ 607,564	\$ -
Miscellaneous	-	-	1,125	1,125
Total operating revenues	607,564	607,564	608,689	1,125
Operating expenses:				
Salaries and wages	281,199	284,199	284,820	(621)
Employee benefits	120,234	120,234	120,139	95
Contracted mineral appraisal services	46,000	46,000	46,000	-
Computer software services	22,750	22,750	22,750	-
Other professional services	41,350	41,350	37,499	3,851
Board and ARB expenses	13,300	13,300	2,768	10,532
Rent	4,830	4,830	4,645	185
Education	12,800	12,800	8,904	3,896
Insurance	5,500	5,500	4,422	1,078
General office expenses	59,601	56,601	43,388	13,213
Total operating expenses	607,564	607,564	575,335	32,229
Operating income	-	-	33,354	33,354
Non-operating revenues:				
Interest income	-	-	7,805	7,805
Change in net position	\$ -	\$ -	\$ 41,159	\$ 41,159

Reconciliation of budgetary basis results to GAAP basis results shown on Exhibit A-2:

	Budgetary Basis	Pension Plan Adjustments (1)	GAAP Basis
Total operating revenues	\$ 608,689	\$ -	\$ 608,689
Total operating expenses	575,335	(42,914)	532,421
Non-operating revenues	7,805	-	7,805
Change in net position	\$ 41,159	\$ 42,914	\$ 84,073

(1) The District budgets pension expenses based on annual contributions to the plan. For GAAP reporting purposes, pension expenses include items other than contributions. These include actuarial calculations and other items that cannot be budgeted as they are not within the District's control.

WILBARGER COUNTY APPRAISAL DISTRICT

NOTES TO THE OTHER SUPPLEMENTARY INFORMATION DECEMBER 31, 2022

Demonstrating compliance with the adopted budget is an important component of a government's accountability to the public. The District and many other governments revise their original budgets over the course of the year for a variety of reasons.

The District adheres to the following procedures in establishing the operating budget reflected in the basic financial statements:

Prior to the beginning of each fiscal year, the Chief Appraiser submits to the Board of Directors a proposed budget for the calendar year beginning on the following January 1. The operating budget, which represents the financial plan for the ensuing year, includes proposed expenses.

A public hearing is conducted at which all interested persons' comments concerning the budget are heard.

The budget for the next year is approved by the Board of Directors prior to September 15.

Expenses may not exceed appropriations for each legally adopted annual operating budget.

Annual budgets are adopted for the enterprise fund on a basis consistent with generally accepted accounting principles, with the exception of pension expenses. Pension expenses are budgeted based on planned contributions to the plan, not actuarial pension expense.

At the close of each year, any unencumbered appropriation balances (appropriations including prior year encumbrances less current year expenditures and encumbrances) lapse or revert to the unrestricted net position.