HOOD CENTRAL APPRAISAL DISTRICT

WEAVER - *Assurance – Tax – Advisory*

FORENSIC AUDIT – DECEMBER 1,2025

WEAVER - *Assurance – Tax – Advisory* Disavows Authorship of "Summary" Prepared by HCAD

Mr. Jarrett--

I received your voicemail this morning. The "HCAD Forensic Audit Report Summary" posted at https://hoodcad.net/hcad-forensic-audit-report-summary/ was not prepared by Weaver and Tidwell, L.L.P. Our Forensic Audit Report is linked on the same webpage, labeled "Full Forensic Audit Report." As I understand you have been informed by Weaver before, we have no opinion on the summary provided on the webpage.

Finally, I understand you have contacted many members of our engagement team on this topic. We would ask again that you direct any questions you may have regarding the report or summary to the Hood Central Appraisal District.

Frank McElroy

General Counsel and Chief Risk Officer

Weaver - *Assurance – Tax – Advisory*

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TEXAS APPRAISAL DISTRICTS OPERATING PRINCIPLES

- **Appraisal Districts are financially supported by taxing jurisdictions ("Taxing Entities"), who provide funding as specified in the annual budget based on allocations specified in Section 6.06 of the Texas Property Tax Code ("Tax Code").**

- **HCAD's operations are governed by the Tax Code. The Tax Code specifies proper operating activities in relation to HCAD's fund balance management, allowable expenditures, communications with the Taxing Entities, among other items.**

DEFINITIONS:

- **"Budget Amendment"** – According to HCAD leadership, legal counsel, and auditors, a budget amendment entails an increase in the total budgeted amount to be spent in a given year.

- **"Line-Item Adjustment"** – According to HCAD leadership, legal counsel, and auditors, a line-item adjustment entails the shifting of spending from one budgeted category to another, without an overall increase in the total budgeted amount to be spent in a fiscal year.

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Pertinent Tax Codes:

- Texas Tax Code, Chapter 6, Section 6.051(b): The purchase, acquisition, construction, or renovation of real property by a CAD **must be approved by the governing bodies of three-fourths of the taxing units entitled to vote on the appointment of board members**.

- Texas Tax Code, Chapter 6, Section 6.06(c) – "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 30th day before the date the board acts on it."

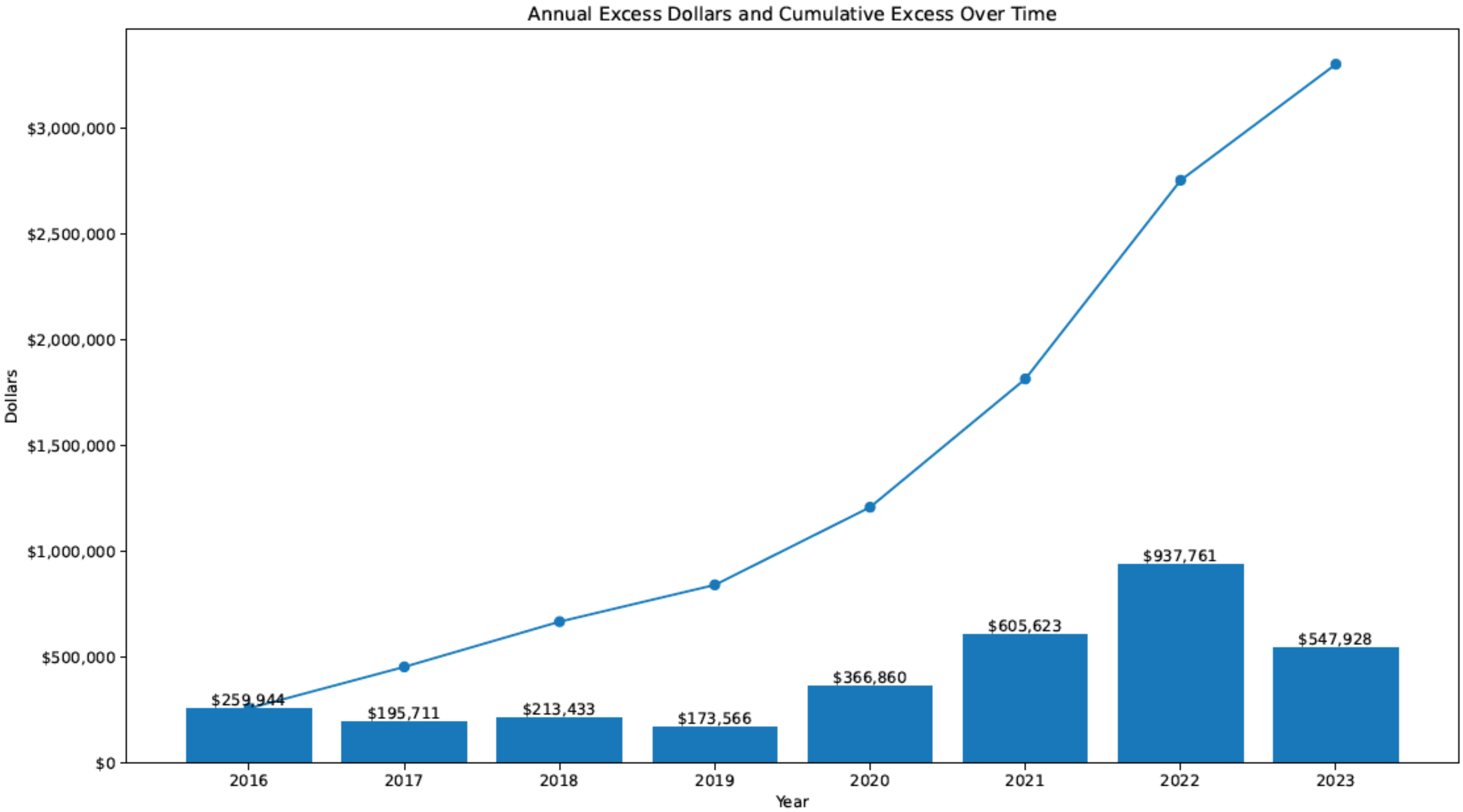
- Texas Tax Code, Chapter 6, Section 6.06(j): If the total amount of the payments made or due to be made by the taxing units participating in an appraisal district exceeds the amount actually spent or obligated to be spent during the fiscal year for which the payments were made, the **chief appraiser shall credit the excess amount against each taxing unit's allocated payments for the following year** in proportion to the amount of each unit's budget allocation for the fiscal year for which the payments were made.

HOOD CENTRAL APPRAISAL DISTRICT

ANNUAL EXCESS DOLLARS AND CUMULATIVE EXCESS OVER TIME

HCAD Minutes	Excess Funds & Fund Balance Distribution	
Date	**Annual $'s**	**Cumulative $'s**
5/12/16	$ 259,944	$ 259,944
7/13/17	$ 195,711	$ 455,655
5/10/18	$ 213,433	$ 669,088
5/19/19	$ 173,566	$ 842,654
5/14/20	$ 366,860	$ 1,209,514
5/19/21	$ 605,623	$ 1,815,137
7/14/22	$ 937,761	$ 2,752,898
7/19/23	$ 547,928	$ 3,300,826

Source: HCAD Minutes 2016 - 2023



Source: HCAD Minutes 2016 - 2023

FORENSIC AUDIT FINDINGS

- **<u>Section C.1.B</u> -** HCAD Expended $397,078 on "Capital Outlay - Land and Building" Items During the Period of Analysis.

- **<u>Section C.I.C -</u>** .... HCAD Added an extra $2,004,451 to " Capital Outlay - Land and Building" through mid-year adjustments. These mid-year adjustments were approved by the Board but were not communicated to the Taxing Entities.

- **<u>Section C.I.E</u>** - HCAD Returned Fiscal Year 2020-2022 Funds to the Taxing Entities in Proportion to How the Funds Were Received. **($1,908,318 Returned Aug 4, 2023.Source HCAD Accounts Payable 8/4/2023)**

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FORENSIC AUDIT FINDINGS

- **<u>Section C.I.D</u> -** HCAD **<u>retained excess funds of approximately $1,400,000</u>** throughout the Period of Analysis and did not commit the balances to a particular use in the HCAD general Ledger. **Pg 5 of 38**

- **<u>Section C.II.A</u>** - Of the total **<u>funds budgeted for TCDRS contributions between 2015 and 2024, $2,010,198 was included in the original budgets</u>** and communicated to the Taxing Entities for potential disapproval. **<u>However, HCAD added an extra $818,502</u>** <u>using an account designated as "Use of Prior Year Fund Balance" through mid-year adjustments</u>. We understand this approach was recommended by their external Auditor at the time, Snow Garrett Williams. These mid-year adjustments were approved by the Board but were not communicated to the Taxing Entities. **Pg 6 of 38**

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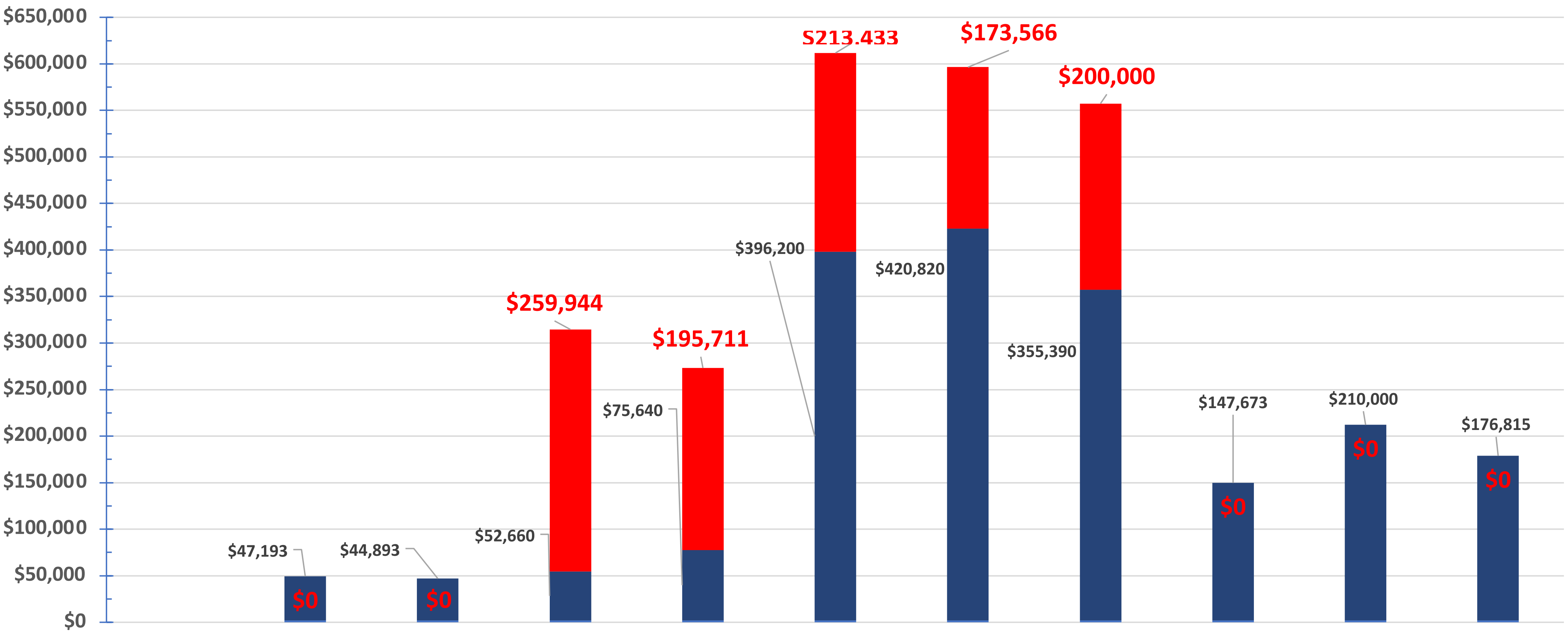
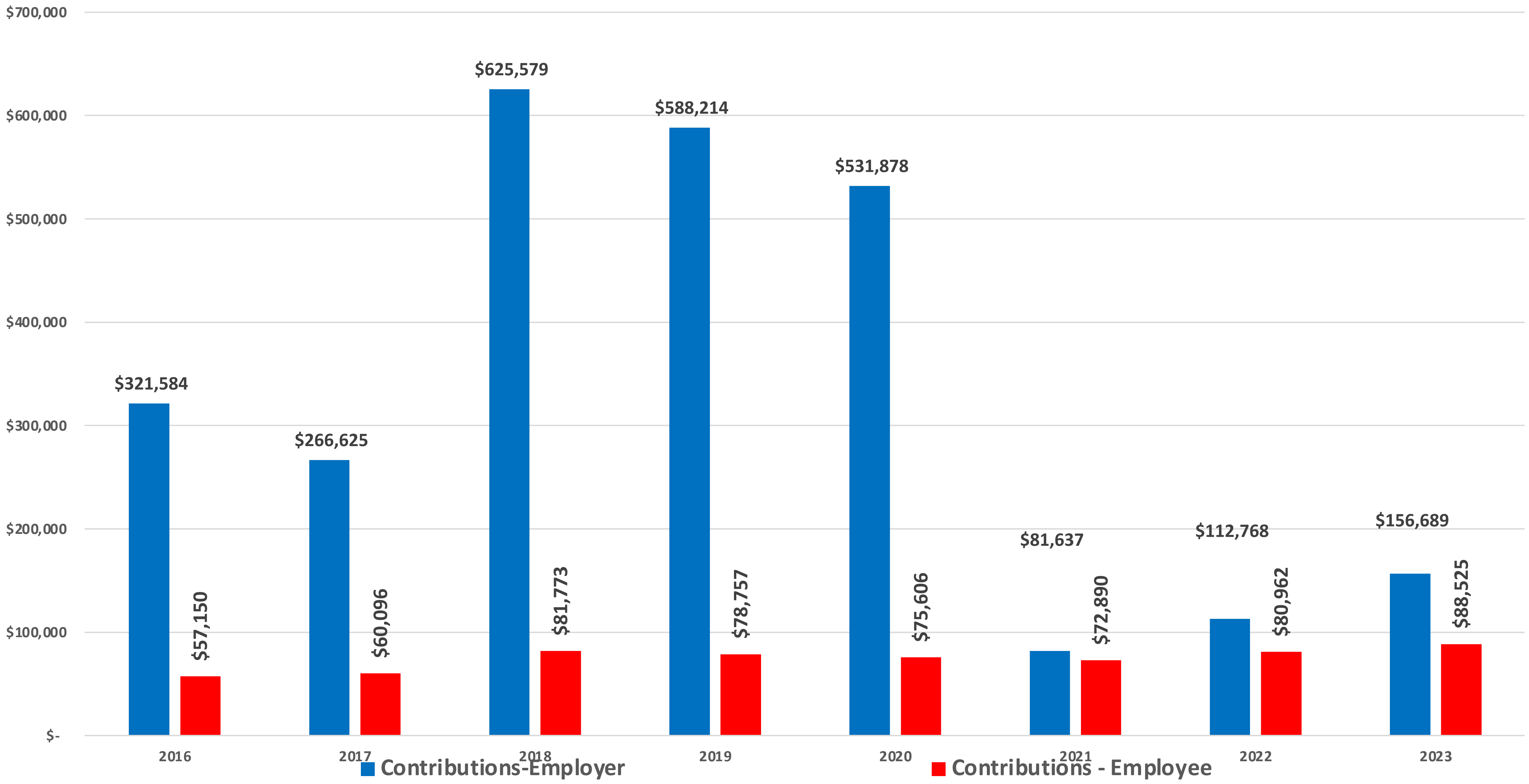
2016-2020 Board Approved Excess Funds To Retirement Fund



Source: HCAD Minutes 2016 - 2023

HCAD Employer/Employee Retirement Contributions 2016 - 2023



Source: EOY 2023 Financial Audit

HOOD CENTRAL APPRAISAL DISTRICT

How Much Of The Excess Funds Are To Be Returned?

Dollars	**Description**	**To Be Returned**
$ 3,300,826	Inappropriately Allocated	$ -
$ (818,502)	Retirement Plan	$ 818,502
$ (397,078)	Capital Outlay	$ 397,078
($1,908,318)	Returned	$ -
$ 176,928	Unaccounted For	$ 176,928
	To Be Returned to Taxing Entities	$ 1,392,508

NEXT STEPS

- HCAD Misappropriation of Excess Funds **(Building)** Info **Presented to District Attorney April 22,2024**
- HCAD Misappropriation of Excess Funds **(Retirement)** info **Presented to District Attorney April 26,2025**

Any meeting time available

Mickie Matlock
To: Jim Jarratt
Cc: SoRelle law <jeremy@sorellelaw.com>

Reply | Reply all | Forward

Wed 1/28/2026 7:58 AM

You forwarded this message on Thu 1/29/2026 9:25 AM

Good morning Mayor
I received this from Mr. Sinclair's office.

Hi Mickie,

I was able to touch base with Ryan today. He said he is bringing in a fraud expert to review the case and doesn't want to meet until after that happens. He is thinking it will be later in February due to busy court days in the next few weeks. Can I touch base with you in a few weeks on this?

Thanks,

Emily Guerrero
Legal Secretary
Hood County District Attorney
Office Phone: 817-579-3245
Fax Number: 817-579-3247

SAMPLE LETTER TO DISTRICT ATTORNEY

CONFIDENTIAL – ATTORNEY COMMUNICATION

To: Hood County District Attorney

From: [Counsel Name], for [Taxing Entity / Coalition of Taxing Units]

Date: [Insert Date]

Re: Request for Charging Decision / Written Guidance – Alleged Misappropriation of Public Funds at HCAD

We represent one or more Hood County taxing units that fund the Hood Central Appraisal District ("HCAD") through statutory allocations. Because HCAD operates on public funds, the taxing units have non-discretionary fiduciary and statutory compliance obligations related to HCAD budgets, approvals, transparency, and stewardship of taxpayer dollars.

Background. Allegations of misappropriation of HCAD funds have persisted for nearly three years. The absence of a resolved charging decision impairs governance, corrective controls, and timely recovery of public funds.

Requested action. On behalf of the participating taxing entities, we respectfully request:

- Expedited review of the available audit materials, witness statements, and supporting documents and, as promptly as practicable, a charging decision or formal investigative next-step (e.g., grand-jury presentation).
- Written confirmation of the matter's current posture (active investigation vs. closed/declined) and the key point of contact for coordination.
- If criminal charges are declined, a brief written declination or other written guidance, to the extent permissible, so the taxing entities can satisfy governance requirements and proceed with civil and insurance recovery efforts without risking prejudice to any criminal matter.

Time sensitivity. Insurance and fidelity policies often impose notice, cooperation, and limitations-period requirements. Absent timely guidance, taxing entities risk impairing recovery efforts intended to restore misappropriated taxpayer funds.

Please advise the undersigned within ten (10) business days regarding status and next steps. We can promptly provide an organized exhibit index, witness list, and a concise chronology to facilitate efficient review.

Respectfully submitted,