

BOARD OF DIRECTORS OF THE  
McLENNAN COUNTY APPRAISAL DISTRICT

**NOTICE OF PUBLIC MEETING OF THE BOARD OF DIRECTORS**

Take notice that a meeting of the Board of Directors of the McLennan County Appraisal District will be held on May 25th, 2021, at 9:00 A.M., by videoconference, as outlined on the agenda below. Due to health and safety concerns related to the COVID-19 coronavirus, this meeting will not be open to the public and will be conducted by videoconference. At least a quorum of the board will be participating by videoconference in accordance with the provisions of Sections 551.125 or 551.127 of the Texas Government Code that have not been suspended by order of the governor. Members of the public may access this meeting as follows:

<https://zoom.us/j/6901171386?pwd=SFViU3V6Skk4VmtsOGdIU2xIbHNIQT09>

Phone: +1 346 248 7799 US (Houston)  
Meeting ID: 690 117 1386

Passcode: 913605

Members of the public who wish to submit comments on an agenda item or speak during a public hearing item must sign up by emailing name and address to [ca@mclennanad.org](mailto:ca@mclennanad.org) or by leaving a message at 254-755-6567 before 08:00 AM on May 25, 2021. Each speaker will have three minutes to speak. Timely submitted comments will be heard at the start of the meeting.

I hereby certify that such notice was posted by 5:00 P.M. May 21, 2021, at McLennan County Appraisal District and on the website at <http://www.mclennanad.org/Announcements> in accordance with govt code 551.05.

  
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JOE DON BOBBITT  
CHIEF APPRAISER

BOARD OF DIRECTORS VIDEO CONFERENCE MEETING  
MAY 25, 2021 9:00 A.M.  
MCLENNAN COUNTY APPRAISAL DISTRICT  
315 S. 26<sup>TH</sup> STREET, WACO, TX 76710

**Agenda**

Meeting Called to Order

**Public Comment**

**Business Session**

**Items Requiring Board Action**

1. Minutes of April 13, 2021 meeting
2. Review and Accept 2020 Financial Audit by Patillo Brown and Hill
3. Adopt Resolution to Commit, Reallocate and/or Return Excess Funds from 2020 Budget
4. Adopt TCDRS plan assessment for 2022
5. Verification of Cybersecurity Training

**Discussion Items**

6. Financials
7. Draft 2022 Budget

**Management and Committee Reports**

8. Taxpayer Liaison Officer report
9. Chief appraiser report to include updates regarding: appraisals, exemptions, preliminary totals, arb, arbitrations, lawsuits, training & education, open records requests, MCAD building, MCAD contracts, PVS results, relevant AG opinions and miscellaneous issues

**Executive Session**

- a. The appointment, employment, evaluation, reassignment, duties, discipline, or dismissal of an officer or employee, supervisor, chief appraiser (Tex. Govt. Code sec.551.074) (a)
- b. A private consultation with the board's attorney on matters in which the duty of the attorney to the governmental body under the Texas disciplinary rules of professional conduct of the state bar of Texas clearly conflicts with the open meetings act or pending or contemplated litigation or settlement offer, as authorized by law (Tex. Govt. Code section 551.071) BANK OF THE WEST/EQUIPMENT DEPOT
- c. Note for agenda items under this heading: the board of directors will be in closed session for these items.  
For any agenda items not under this heading: If during the course of the meeting covered by this notice, the board should determine that any business session item is permitted/eligible for a closed or executive meeting or session of the board and/or is required for such item, then a closed or executive meeting or session will be held as authorized by the Texas Open Meetings Act, Texas Government Code, Chapter 551 for any such item(s).

**Business Session (Continued)**

**Other Items**

10. Set agenda items, and next meeting date/time
  - a. Before September 15<sup>th</sup> – Public Hearing on Budget
11. Adjournment

***Videoconference Info***

<https://zoom.us/j/6901171386?pwd=SFViU3V6Skk4VmtsOGdIU2xIbHNIQT09>

Phone: +1 346 248 7799 US (Houston)

Meeting ID: 690 117 1386

Passcode: 913605

MCLENNAN COUNTY APPRAISAL DISTRICT  
BOARD OF DIRECTORS MEETING  
April 13, 2021 9:00 A.M.  
McLennan County Appraisal District  
315 S. 26<sup>th</sup> St.  
Waco, TX 76710

The Board of Directors of the McLennan County Appraisal District (BOD) met at 9:00 a.m. on Tuesday April 13, 2021, via video conference. The notice of such meeting was duly posted by 4:00 p.m., April 9, 2021.

The members present for the video conference meeting were: Mr. John Kinnaird, Mr. Allen Sykes, Mr. Tom Pagel, Mr. Ben Perry, Mrs. Mildred Watkins, and Mr. Randy Riggs. Also present at the meeting were Mr. Joe Don Bobbitt, Mr. Jim Halbert, Mrs. Lisa Gonzalez, Mrs. Olivia Daniel and Mrs. Betty Sanchez.

John Kinnaird called the meeting to order at 9:02 a.m.

Public Comment: None

Business Session

Items Requiring Board Action

1. Minutes of February 11, 2021 meeting: Approved as submitted
2. Act on Chief Appraiser Evaluation and Contract: Board to consider after Executive Session. After returning from Executive session Tom Pagel motioned to renew Joe Don Bobbitt as the Chief Appraiser as it was presented, through December 31, 2022. Ben Perry seconded. No opposition. Motion passed.
3. Contract with TrueRoll for Homestead Audit services: Joe Don Bobbitt presented that after the previous meeting TrueRoll offered a proposal to a web-based service that the district would have access to daily. The service would update properties that may have homesteads that should not, update obituaries from every local newspaper, and at the end of the year would determine any amount that should be returned to the entities. The board discussed the rate, timing and cancellation policy for this service. Joe Don Bobbitt indicated the proposal would be for one year for half of the roll to be analyzed for \$9400. If the district is satisfied with the service the second and third year would be \$18,800 annually with an opt-out at any time clause.

Discussion Items

4. Draft Financial Reports for December 2020 and February 2021: Joe Don Bobbitt presented December 2020 financials from Quick Books due to JRBT waiting on the results of the financial audit before they publish the December financials. Joe Don Bobbitt estimated that there would be \$350,000 left over from

the 2020 budget mainly due to salaries and benefits. The board discussed and will wait until the next board meeting to decide what the exact overage will be and what to do with it. Joe Don Bobbitt presented the February 2021 financials from Quick Books and everything is on schedule.

5. Draft 2022 Budget: Joe Don Bobbitt presented making the board aware that he would need to take \$130,000 from the Technology & Professional Service Reserve to replace the servers and is going to start forecasting the reserves in coming years. Salary amounts will be lower due to turn over in employees, replacements are being paid at lower salaries starting out. Also lowering cost for temp services, postage, subscriptions and books. The amounts for salaries do include a 2% cost of living and 1% merit due to employees not receiving any rate increases in the 2021 year. Joe Don Bobbitt also forecasted in 2023 to expand the rear driveway and possible capital infrastructures that will be presented in future meetings for discussion. Board discussed timing and when the draft budget should go out to the entities.
6. Summary of Residential Value Increase by ISD: Joe Don Bobbitt presented a summary of median increases by ISD to make the board aware of the increases that are being done. The overall increase in the ISD's is 9%. Most people believe that the increase is due to something that they did when in fact it is not, it's based on what a neighbor bought or sold their property for. At current, the protest numbers are low compared to last year but are expected to rise. The board discussed the current housing frenzy nationwide and wanted to point out that the Comptroller has access to MLS (Multiple Listing Services) and the District does not. The Comptroller will not share the information until after the Property Value Study has been done and at that point it is too late. The board discussed difference in using and average versus median in appraisal values. The difference would be substantially higher if an average was used.
7. Internal Audit of Total Exempt Properties including Eligibility and Valuation: Joe Don Bobbitt presented saying that we currently have a new exemption clerk that is auditing charitable and religious organization's exemptions. The clerk is making sure that there is a current application for the exemption on file, and that all requirements are being met based on the tax code. A lot of the ones that are being found are vacant land from 2011-2014 in which a church should have been built on. A church has a 3-year window in which to build to qualify for the exemption according to the tax code. There will be some that will be upset but the district is going by the tax code. The board discussed.

#### Management and Committee Reports

8. Taxpayer Liaison Officer report: Betty Sanchez presented saying she had no new or pending complaints. Betty Sanchez did include a copy of the results from the Comptroller 2020 ARB survey for the board members to review. The board asked Betty Sanchez to summarize the results. Betty Sanchez said that overall, the results showed that the ARB to be respectful and fair. Due to COVID the surveys were mailed out last year where normally the public could fill out the survey in the district's office terminal after an ARB hearing. The board discussed. The state showed a 70% decrease in survey responses that were received for the 2020 year. Probably due to remote ARB hearings
9. Chief Appraiser Report: Joe Don Bobbitt presented going over residential notices that have gone out and the scheduled dates of the commercial and business personal property notices going out. The consulting service has been going through the district's handbook and at the next meeting the changes will be brought to the board. Training and Education costs may increase for 2021 as the district begins to catch up on postponements of in person classes that were not available in 2020 due to COVID. The front desk and lobby are now open to the public and our financial audit is now complete and will present results at the next meeting.

The board went into Executive session at 9:52 a.m. Executive session adjourned at 10:59 a.m.

Business Session (continued)

The board took action on item # 2 of the agenda.

10. Set agenda items and next meeting date/time: The board indicated that the next meeting should be sometime in May. The items to be included on the agenda should be the financial audit results and the draft budget for 2022. Joe Don Bobbitt will circulate dates and times to get the next meeting scheduled.
11. There is no other business to come before the Board; the meeting adjourned at 11:02 a.m.

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Allen Sykes, Secretary



Board of Directors  
McLennan County Appraisal District  
Waco, Texas

We have audited the financial statements of McLennan County Appraisal District as of and for the year ended December 31, 2020 and have issued our report thereon dated [REDACTED], 2021. Professional standards require that we advise you of the following matters relating to our audit.

### **Our Responsibility in Relation to the Financial Statement Audit**

As communicated in our engagement letter dated November 12, 2020, our responsibility, as described by professional standards, is to form and express opinions about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, as part of our audit, we considered the internal control of McLennan County Appraisal District solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

### **Planned Scope and Timing of the Audit**

We conducted our audit consistent with the planned scope and timing we previously communicated to you.

### **Compliance with All Ethics Requirements Regarding Independence**

The engagement team, others in our firm, and, as appropriate, our firm have complied with all relevant ethical requirements regarding independence.

As part of the engagement we assisted in preparing the financial statements and related notes to the financial statements of the District in conformity with U.S. generally accepted accounting principles based on information provided by you. These nonaudit services do not constitute an audit under *Government Auditing Standards* and such services will not be conducted in accordance with *Government Auditing Standards*.

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#### **OFFICE LOCATIONS**

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NEW MEXICO | Albuquerque

In order to ensure we maintain our independence for performing these nonaudit services certain safeguards were applied to this engagement. Management assumed responsibility for the financial statements and related notes to the financial statements and any other nonaudit services we provided. Management acknowledged, in the management representation letter, our assistance with the preparation of the financial statements and related notes to the financial statements and that these items were reviewed and approved prior to their issuance and accepted responsibility for them. Further, the nonaudit services were overseen by an individual within management that has the suitable skill, knowledge, or experience; evaluated the adequacy and results of the services; and accepted responsibility for them.

## **Qualitative Aspects of the Entity's Significant Accounting Practices**

### *Significant Accounting Policies*

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by McLennan County Appraisal District is included in Note 1 to the financial statements. There have been no initial selection of accounting policies and no changes in significant accounting policies or their application during the year ended December 31, 2020. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

### *Significant Accounting Estimates*

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments.

The most sensitive accounting estimates affecting the financial statements are:

Management's estimate of the useful lives of capital assets is based on the expected lifespan of the asset in accordance with standard guidelines. We evaluated the key factors and assumptions used to develop the estimate of useful lives and determined that it is reasonable in relation to the financial statements taken as a whole and in relation to the applicable opinion units.

Management's estimate of the net pension liability and pension expense are based on actuarial assumptions which are determined by the demographics of the plan and future projections that the actuary makes based on historical information of the plan and the investment market. We evaluated the key factors and assumptions used to develop the net pension liability and pension expense and determined that they are reasonable in relation to the basic financial statements taken as a whole and in relation to the applicable opinion units.

### *Financial Statement Disclosures*

Certain financial statement disclosures involve significant judgment and are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting McLennan County Appraisal District's financial statements relate to the TCDRS pension liability.

## **Significant Difficulties Encountered during the Audit**

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

### **Uncorrected and Corrected Misstatements**

For purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole and each applicable opinion unit. Management has corrected all identified misstatements.

In addition, professional standards require us to communicate to you all material, corrected misstatements that were brought to the attention of management as a result of our audit procedures. None of the misstatements identified by us as a result of our audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole or applicable opinion units.

### **Disagreements with Management**

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to McLennan County Appraisal District's financial statements or the auditor's report. No such disagreements arose during the course of the audit.

### **Representations Requested from Management**

We have requested certain written representations from management, which are included in the management representation letter dated [REDACTED], 2021

### **Management's Consultations with Other Accountants**

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

### **Other Significant Matters, Findings, or Issues**

In the normal course of our professional association with McLennan County Appraisal District, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, operating and regulatory conditions affecting the entity, and operational plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as McLennan County Appraisal District's auditors.

Waco, Texas  
[REDACTED], 2021



**McLENNAN COUNTY  
APPRAISAL DISTRICT**

**ANNUAL FINANCIAL REPORT**

**DECEMBER 31, 2020**

**McLENNAN COUNTY APPRAISAL DISTRICT**

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## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
McLennan County Appraisal District  
Waco, Texas

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities and the major fund of McLennan County Appraisal District, as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise McLennan County Appraisal District's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

McLennan County Appraisal District's management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### OFFICE LOCATIONS

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**Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the McLennan County Appraisal District, as of December 31, 2020, 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.

**Other Matters**

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management’s discussion and analysis, budgetary comparison information, schedule of changes in net pension liability and related ratios, and schedule of employer contributions be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated [REDACTED], 2021, on our consideration of the McLennan County Appraisal District’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering McLennan County Appraisal District’s internal control over financial reporting and compliance.

Waco, Texas  
[REDACTED], 2021

**MANAGEMENT'S DISCUSSION  
AND ANALYSIS**

## MANAGEMENT'S DISCUSSION AND ANALYSIS

The Management's Discussion and Analysis provides a narrative overview of the financial activities and changes in the financial position of the McLennan County Appraisal District (the "District") for the fiscal year ended December 31, 2020. Readers should use the additional required notes included in the standard Financial Audit of the Appraisal District along with this information.

### ***Financial Highlights:***

The assets and deferred outflows of resources of the McLennan County Appraisal District exceeded its liabilities and deferred inflows of resources by \$1,331,331. Of this amount on December 31, 2020, \$642,469 represented unrestricted net position which can be used to meet the District's ongoing obligations. The District's total change in net position was a decrease of \$144,755.

Investments by the District are governed by the Public Funds Investment Act and are limited to interest earning bank accounts. Interest and other earnings for the financial year ended December 31, 2020, were \$24,436, a decrease of \$58 over the prior year's earnings.

### ***Overview of the Financial Statements:***

This part of the discussion and analysis is merely intended to serve as an introduction for the District's basic financial statements for year-end. The District's basic financial statements are comprised of two components: (1) government-wide financial statements, which include the fund financial statement and (2) notes to the financial statements. The report also contains other required supplementary information in addition to the basic financial statements themselves.

The first report in the Financial Audit is the *Statement of Net Position and Governmental Fund Balance Sheet*, reporting the District's year-end position on December 31, 2020, based on the accrual method of accounting. This is followed by the *Statement of Activities and Governmental Fund Revenues, Expenditures, and Changes in Fund Balance* for the year.

Behind these reports are *Notes to Financial Statements*, explaining in further detail accounting policies, cash and certificates of deposit, changes in general fixed assets, employees' retirement system, and leases. The final report in the audit is the *Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual*. This report shows how effective the District has been in the past 12 months adhering to budgeted expenditures.

**Financial Analysis:**

**DISTRICT'S NET POSITION**

	<u>2020</u>	<u>2019</u>
Current and other assets	\$ 2,629,771	\$ 2,776,790
Capital assets	<u>1,581,993</u>	<u>1,608,973</u>
Total assets	<u>4,211,764</u>	<u>4,385,763</u>
Deferred outflows of resources	<u>391,409</u>	<u>1,157,822</u>
Long-term liabilities	1,501,724	2,756,524
Other liabilities	<u>1,238,484</u>	<u>1,249,094</u>
Total liabilities	<u>2,740,208</u>	<u>4,005,618</u>
Deferred inflows of resources	<u>531,634</u>	<u>61,881</u>
Net position:		
Net investment in capital assets	688,862	631,286
Unrestricted	<u>642,469</u>	<u>844,800</u>
Total net position	<u>\$ 1,331,331</u>	<u>\$ 1,476,086</u>

**DISTRICT'S CHANGE IN NET POSITION**

	<u>2020</u>	<u>2019</u>
Revenues:		
Program:		
Charges for services	\$ <u>3,947,222</u>	\$ <u>4,228,661</u>
Total program revenues	<u>3,947,222</u>	<u>4,228,661</u>
General:		
Interest and other	<u>24,436</u>	<u>24,494</u>
Total general revenues	<u>24,436</u>	<u>24,494</u>
Total revenues	<u>3,971,658</u>	<u>4,253,155</u>
Expenses:		
Tax appraisal - operations	4,073,358	4,032,814
Interest and other fiscal charges	<u>43,055</u>	<u>46,736</u>
Total expenses	<u>4,116,413</u>	<u>4,079,550</u>
Change in net position	( 144,755)	173,605
Net position, beginning	<u>1,476,086</u>	<u>1,302,481</u>
Net position, ending	<u>\$ 1,331,331</u>	<u>\$ 1,476,086</u>

**Capital Asset and Debt Administration:**

**Capital Assets:**

The District's investment in capital assets for its operations as of December 31, 2020, amounts to \$1,581,993 (net of accumulated depreciation). This investment in capital assets includes leasehold improvements, furniture, equipment and software, and aerial photography. The District's total capital assets (before depreciation) decreased for the current fiscal year \$291,080 over the prior year. The decrease in capital asset value was due to the District's disposals of unused capital assets and current depreciation exceeded current year additions.

		<u>12/31/2020</u>
Building	\$ 1,466,455	
Furniture	208,354	
Equipment and software	797,094	
Aerial photography	<u>512,960</u>	
Total capital assets being depreciated		2,984,863
Less: accumulated depreciation		<u>( 1,402,870)</u>
Total capital assets being depreciated, net		<u>\$ 1,581,993</u>

**Long-term Debt:**

As of December 31, 2020, the District had \$893,131 in long-term debt with the building note payable. The District also has a liability of \$239,755 for compensated absences and unpaid sick leave and a liability of \$368,838 for a net pension liability related to the District's participation in the Texas County and District Retirement System.

**Revenue:**

The District receives the majority of its revenue from the 42 taxing jurisdictions it serves in McLennan County. This would include cities, school districts, the County, and special districts. During the fiscal year ended December 31, 2020, the District received \$0 in revenue. Of this amount, \$0 or 99.4% was received from these jurisdictions. The remaining \$0 was from interest earned on the District's investments and from the sale of copies of District data to the public through the Public Information Act and other District revenues.

**Economic Factors and Next Year's Budget:**

The District has no pending litigation other than valuation related cases. The District does plan on increased litigation costs in the future to support the defense of market value. The Board has implemented policies to ensure that the fund balance has sufficient capital reserves going forward. The District plans to assign and commit funds to cover both expected and unexpected expenses going forward. Excess funds will be credited back to the entities.

**Contacting the District's Financial Manager:**

This financial report is designed to provide the entities served by The District, the residents of McLennan County, and the District's creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives from the taxing entities. If you have questions about this report or need additional financial information, please contact the McLennan County Appraisal District, P. O. Box 2297, Waco, TX 76703 with attention to the Chief Appraiser.



## **BASIC FINANCIAL STATEMENTS**

**MCLENNAN COUNTY APPRAISAL DISTRICT**

STATEMENT OF NET POSITION AND GOVERNMENTAL FUND BALANCE SHEET

DECEMBER 31, 2020

	<u>General</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 2,474,153	\$ -	\$ 2,474,153
Receivables	127,924	-	127,924
Prepaid expenses	27,694	-	27,694
Capital assets, net of depreciation	<u>-</u>	<u>1,581,993</u>	<u>1,581,993</u>
Total assets	<u>2,629,771</u>	<u>1,581,993</u>	<u>4,211,764</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred resources related to pensions	<u>-</u>	<u>391,409</u>	<u>391,409</u>
Total deferred outflows of resources	<u>-</u>	<u>391,409</u>	<u>391,409</u>
<b>LIABILITIES</b>			
Accounts payable	43,014	-	43,014
Accrued liabilities	108,516	-	108,516
Unearned revenues	1,086,954	-	1,086,954
Compensated absences	-	239,755	239,755
Note payable	-	893,131	893,131
Net pension liability	<u>-</u>	<u>368,838</u>	<u>368,838</u>
Total liabilities	<u>1,238,484</u>	<u>1,501,724</u>	<u>2,740,208</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred resources related to pensions	<u>-</u>	<u>531,634</u>	<u>531,634</u>
Total deferred outflows of resources	<u>-</u>	<u>531,634</u>	<u>531,634</u>
<b>FUND BALANCE/NET POSITION</b>			
Fund balance:			
Committed:			
Litigation	300,000	( 300,000)	-
Capital improvements	80,663	( 80,663)	-
Technology and professional services	700,576	( 700,576)	-
General reserves	310,048	( 310,048)	-
Refunds to taxing entities	<u>-</u>	<u>-</u>	<u>-</u>
Total fund balance	<u>1,391,287</u>	<u>( 1,391,287)</u>	<u>-</u>
Total liabilities and fund balance	\$ <u>2,629,771</u>		
Net position:			
Net investment in capital assets		688,862	688,862
Unrestricted		<u>642,469</u>	<u>642,469</u>
Total net position		\$ <u>1,331,331</u>	\$ <u>1,331,331</u>

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

**MCLENNAN COUNTY APPRAISAL DISTRICT**

STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUND REVENUES, EXPENDITURES  
AND CHANGE IN FUND BALANCE

FOR THE YEAR ENDED DECEMBER 31, 2020

	<u>General</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
<b>EXPENDITURES/EXPENSES</b>			
Tax appraisal - operations	\$ 3,812,697	\$ 260,661	\$ 4,073,358
Debt service			
Principal	84,556	( 84,556)	-
Interest and other fiscal charges	43,055	-	43,055
Capital outlay	<u>167,759</u>	<u>( 167,759)</u>	<u>-</u>
Total expenditures/expenses	<u>4,108,067</u>	<u>8,346</u>	<u>4,116,413</u>
 <b>PROGRAM REVENUES</b>			
Charges for services	<u>3,947,222</u>	<u>-</u>	<u>3,947,222</u>
Total program revenues	<u>3,947,222</u>	<u>-</u>	<u>3,947,222</u>
 <b>GENERAL REVENUES</b>			
Interest and other	<u>24,436</u>	<u>-</u>	<u>24,436</u>
Total general revenues	<u>24,436</u>	<u>-</u>	<u>24,436</u>
 <b>CHANGE IN FUND BALANCE</b>	 ( 136,409)	 136,409	 -
 <b>CHANGE IN NET POSITION</b>	 -	 ( 144,755)	 ( 144,755)
 <b>FUND BALANCE/NET POSITION, BEGINNING</b>	 <u>1,527,696</u>	 <u>( 51,610)</u>	 <u>1,476,086</u>
 <b>FUND BALANCE/NET POSITION, ENDING</b>	 <u>\$ 1,391,287</u>	 <u>\$( 59,956)</u>	 <u>\$ 1,331,331</u>

**McLENNAN COUNTY APPRAISAL DISTRICT**

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Reporting Entity**

The McLennan County Appraisal District (“the District”) was created by the 66<sup>th</sup> Legislature of the State of Texas under the provisions of Senate Bill 621 known as the Property Tax Code. Under this code, the District was established in McLennan County and is responsible for appraising all property within the county for ad valorem tax purposes. Each of the taxing units within the District are allocated a portion of the amount of the District’s budget equal to the proportion that the total dollar amount of property taxes imposed in the District by the unit for the tax year bears to the sum of the total dollar amount of property taxes imposed by all taxing units participating in the District.

In evaluating how to define the entity, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GASB Codification. The basic, but not the only, criterion for including a potential component unit with the reporting entity is the governing body’s ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the government and/or its citizens, or whether the activity is conducted within the geographic boundaries of the government and is generally available to its citizens. A third criterion used to evaluate potential component units for inclusion exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the government is able to exercise oversight responsibilities. Based upon the application of these criteria, no additional component units are included in defining the District’s reporting entity.

**Government-wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the District. *Governmental activities* are supported by tax appraisal services and investment revenue.

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

The government-wide and fund financial statements are provided for the governmental fund of the District with a column for adjustments between the two statements.

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Tax appraisal services are recognized as revenue in the year for which they are performed.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available when it is collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenue to be available if collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, are recorded only when payment is due.

The District reports the following major governmental fund:

The ***General Fund*** is the District’s primary operating fund. It accounts for all financial resources of the government.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

**Assets and Deferred Inflows of Resources, Liabilities and Deferred Inflows of Resources, and Net Position or Fund Balance**

***Cash and Investments***

Cash consists of demand deposit accounts. The investment policies of the District are governed by state statute. Management has followed a practice of investing in certificates of deposit.

***Capital Assets***

Capital assets, which include property, plant and equipment, are reported in the governmental activities column in the government-wide financial statements. The District defines capital assets as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at their acquisition cost, which is the price that would be paid to acquire an asset with equivalent service potential at the acquisition date.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets’ lives are not capitalized.

Property, plant and equipment are depreciated using the straight-line method over the following useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	20 - 50
Furniture	5 - 10
Equipment and software	3 - 10
Aerial photography	3

***Deferred Outflows/Inflows of Resources***

In addition to assets, the statement of financial position and/or balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, 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. The District has the following items that qualify for reporting in this category.

- The difference in expected and actual economic experience – This difference is deferred and recognized over the estimated average remaining lives of all members determined as of the measurement date.
- Changes in actuarial assumptions – This difference is deferred and amortized over a closed five-year period.
- Pension contributions after measurement date – These contributions are deferred and recognized in the following fiscal year.

In addition to liabilities, the statement of financial position and/or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, 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 one item that qualifies for reporting in this category.

- The difference in expected and actual economic experience – This difference is deferred and recognized over the estimated average remaining lives of all members determined as of the measurement date.
- Difference in projected and actual earnings on pension assets – This difference is deferred and amortized over a closed five-year period.

### ***Pensions***

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expenses, information about the Fiduciary Net Position of the Texas County and District Retirement System (TCDRS) and additions to/deductions from TCERS's Fiduciary Net Position have been determined on the same basis as they are reported by TCERS. For this purpose, plan contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

### ***Fund Balance Classification***

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

- **Nonspendable:** This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact. Nonspendable items are not expected to be converted to cash or are not expected to be converted to cash within the next year.
- **Restricted:** This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.
- **Committed:** This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by resolution of the Board of Directors, the District's highest level of decision-making authority. These amounts cannot be used for any other purpose unless the Board of Directors removes or changes the specified use by taking the same type of action that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements.
- **Assigned:** This classification includes amounts that are constrained by the District's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the Board of Directors.
- **Unassigned:** This classification includes the residual fund balance for the General Fund. The unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of assigned fund balance amounts.

When an expenditure is incurred for purposes 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.

## **Net Position**

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

## **Use of Estimates**

The process of preparing financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenue and expenses. Accordingly, actual results may differ from estimated amounts.

## **2. DETAILED NOTES ON ALL FUNDS**

### **Deposits and Cash Equivalents**

*Custodial Credit Risk.* In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. As of December 31, 2020, all of the District's deposit balances were covered by FDIC insurance and pledged governmental securities.

*Interest Rate Risk.* In accordance with its investment policy, the District manages its exposure to declines in fair market values by limiting the average dollar-weighted maturity of its portfolio to a maximum of 365 days.

*Credit Risk.* It is the District's policy, as defined in the Texas Public Funds Investment Act, to limit its investments to investment types with an investment quality rating not less than A or its equivalent by a nationally recognized statistical rating organization.

### **Capital Assets**

Capital asset activity for the year ended December 31, 2020, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Government activities:				
Capital assets, being depreciated:				
Building	1,466,455	\$ -	\$ -	\$ 1,466,455
Furniture	208,354	-	-	208,354
Equipment and software	799,168	5,250	( 7,324)	797,094
Aerial photography	<u>801,966</u>	<u>167,729</u>	<u>( 456,735)</u>	<u>512,960</u>
Total capital assets being depreciated	<u>3,275,943</u>	<u>172,979</u>	<u>( 464,059)</u>	<u>2,984,863</u>
Less accumulated depreciation:				
Building	( 322,619)	( 29,330)	-	( 351,949)
Furniture	( 117,004)	( 10,150)	-	( 127,154)
Equipment and software	( 707,732)	( 25,539)	3,506	( 729,765)
Aerial photography	<u>( 519,615)</u>	<u>( 119,403)</u>	<u>445,016</u>	<u>( 194,002)</u>
Total accumulated depreciation	<u>( 1,666,970)</u>	<u>( 184,422)</u>	<u>448,522</u>	<u>( 1,402,870)</u>
Total capital assets, being depreciated, net	<u>\$ 1,608,973</u>	<u>\$ ( 11,443)</u>	<u>\$ ( 15,537)</u>	<u>\$ 1,581,993</u>

## **Defined Benefit Pension Plan**

**Plan Description.** The District participates in 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 consisting of nontraditional defined benefit pension plans. TCDRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at [www.tcdrs.org](http://www.tcdrs.org).

All non-temporary employees participate in the plan. Employees in a temporary position are not eligible for membership.

**Benefits Provided.** TCDRS provides retirement, disability and survivor benefits for all eligible employees. Benefit terms are established by the TCDRS Act. The benefit terms may be amended as of January 1, each year, but must remain in conformity with the Act.

Members can retire at age 60 and above with 8 or more years of service, with 30 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 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 their employer.

Benefit amounts are determined by the sum of the employee's contributions 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. By law, employee accounts earn 7% interest. At retirement, death or disability, the benefit is calculated by converting the sum of the employee's accumulated contributions and the employer-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, 2019 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	35
Inactive employees entitled to but not yet receiving benefits	19
Active employees	<u>38</u>
	<u>92</u>

**Contributions.** The contribution rates for employees in TCDRS are either 4%, 5%, 6%, or 7% of employee gross earnings, as adopted by the employer's governing body. Participating employers are required to contribute at actuarially determined rates to ensure adequate funding for each employer's plan. Under the state law governing TCDRS, the contribution rate for each entity is determined annually by the actuary and approved by the TCDRS Board of Trustees. The replacement life entry age actuarial cost method is used in determining the contribution rate. The actuarially determined rate is the estimated amount necessary to fund benefits in an orderly manner for each participant over his or her career so that sufficient funds are accumulated by the time benefit payments begin, with an additional amount to finance any unfunded accrued liability.

Employees for the District were required to contribute 7% of their annual gross earnings during the fiscal year. The required contribution rate for the District was 12.67% in calendar year 2020. However, the District elected to use a rate of 13%. The District's contributions to TCDRS for the year ended December 31, 2020, were \$286,577, which exceeded required contributions by \$36,513.

### ***Actuarial Assumptions***

The Total Pension Liability in the December 31, 2019, actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.75% per year
Overall payroll growth	2.0% per year
Investment rate of return	8.0%, net of administrative and investment expense, including inflation



The District has no automatic cost-of-living adjustments ("COLA") and one is not considered to be substantively automatic. Therefore, no assumption for future cost-of-living adjustments is included in the actuarial valuation. Each year, the District may elect an ad-hoc COLA for its retirees.

Mortality rates for active members, retirees, and beneficiaries were based on the following:

Depositing members	90% of the RP-2014 Active Employee Mortality Table for males and 90% of the RP-2014 Active Employee Mortality Table for females, projected with 110% of the MP-2014 Ultimate scale after 2014.
Service retirees, beneficiaries and non-depositing members	130% of the RP-2014 Healthy Annuitant Mortality Table for males and 110% of the RP-2014 Health Annuitant Mortality Table for females, both projected with 110% of the MP-2014 Ultimate scale after 2014.
Disabled retirees	130% of the RP-2014 Disabled Annuitant Mortality Table for males and 115% of the RP-2014 Disabled Annuitant Mortality Table for females, both projected with 110% of the MP-2014 Ultimate scale after 2014.

The actuarial assumptions that determined the total pension liability as of December 31, 2020 were based on the results of an actuarial experience study for the period January 1, 2013 through December 31, 2016, except for mortality assumptions. Mortality assumptions were updated for the 2017 valuation to reflect projected improvements.

The long-term expected rate of return on pension plan investments is 8.10%. The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the TCDRS Board of Trustees.

The long-term expected rate of return on TCDRS is determined by adding expected inflation to expected long-term real returns, and reflecting expected volatility and correlation. The capital market assumptions and information below are based on April 2020 information for a 10-year time horizon. The valuation assumption for long-term expected return is re-assessed at a minimum of every four years and is set based on a 30-year time horizon; the most recent analysis was performed in 2017. The target allocation and best estimates of geometric real rates return for each major asset class are summarized in the following table:

<b>Asset Class</b>	<b>Benchmark</b>	<b>Target Allocation</b> <sup>(1)</sup>	<b>Geometric Real Rate of Return (Expected minus Inflation)</b> <sup>(2)</sup>
US Equities	Dow Jones U.S. Total Stock Market Index	14.50%	5.20%
Private Equity	Cambridge Associates Global Private Equity & Venture Capital Index <sup>(3)</sup>	20.00%	8.20%
Global Equities	MSCI World (net) Index	2.50%	5.50%
International Equities - Developed	MSCI World Ex USA (net)	7.00%	5.20%
International Equities - Emerging	MSCI EM Standard (net) Index	7.00%	5.70%
Investment-Grade Bonds	Bloomberg Barclays U.S Aggregate Bond Index	3.00%	-0.20%
Strategic Credit	FTSE High-Yield Cash-Pay Capped Index	12.00%	3.14%
Direct Lending	S&P/LSTA Leveraged Loan Index	11.00%	7.16%
Distressed Debt	Cambridge Associates Distressed Securities Index <sup>(4)</sup>	4.00%	6.90%
REIT Equities	67% FTSE NAREIT All Equity REITs Index + 33% S&P Global REIT (net) index	3.00%	4.50%
Master Limited Partnerships (MLPs)	Alerian MLP Index	2.00%	8.40%
Private Real Estate Partnerships	Cambridge Associates Real Estate Index <sup>(5)</sup>	6.00%	5.50%
Hedge Funds	Hedge Fund Research, Inc. (HFRI) Fund of Funds Composite Index	8.00%	2.30%

<sup>(1)</sup> Target asset allocation adopted at the June 2020 TCDRS Board meeting.

<sup>(2)</sup> Geometric real rates of return equal the expected return minus the assumed inflation rate of 1.80%, per Cliffwater's 2020 capital market assumptions.

<sup>(3)</sup> Includes vintage years 2006-present of Quarter Pooled Horizon IRRs.

<sup>(4)</sup> Includes vintage years 2005-present of Quarter Pooled Horizon IRRs.

<sup>(5)</sup> Includes vintage years 2007-present of Quarter Pooled Horizon IRRs.

### **Discount Rate**

The discount rate used to measure the total pension liability was 8.10%. There was no change in the discount rate since the previous year. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The long-term rate of return on pension plan investments is 8.10%. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

### Sensitivity Analysis

The following schedule shows the impact of the Net Pension Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (8.1%) in measuring the 2020 Net Pension Liability:

	1% Decrease 7.1%	Current Discount Rate 8.1%	1% Increase 9.1%
Total pension liability	\$ 14,362,823	\$ 12,911,005	\$ 11,666,103
Fiduciary net position	<u>12,542,167</u>	<u>12,542,167</u>	<u>12,542,167</u>
Net pension liability/(asset)	<u>\$ 1,820,656</u>	<u>\$ 368,838</u>	<u>\$ (876,064)</u>

### Changes in the Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at 12/31/2018	\$ 12,680,407	\$ 11,145,733	\$ 1,534,674
Changes for the year:			
Service cost	248,759	-	248,759
Interest on total pension liability <sup>(1)</sup>	1,014,610	-	1,014,610
Effect of economic/demographic gains or losses	( 210,545)	-	( 210,545)
Refund of contributions	( 110,028)	( 110,028)	-
Benefit payments	( 712,198)	( 712,198)	-
Administrative expenses	-	( 9,558)	9,558
Member contributions	-	132,937	( 132,937)
Net investment income	-	1,830,770	( 1,830,770)
Employer contributions	-	276,883	( 276,883)
Other <sup>(2)</sup>	-	( 12,372)	12,372
Balance at 12/31/2019	<u>\$ 12,911,005</u>	<u>\$ 12,542,167</u>	<u>\$ 368,838</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.

### Pension Plan Fiduciary Net Position

Detailed information about the pension plan's Fiduciary Net Position is available in a separately-issued TCDRS financial report. The report may be obtained on the Internet at [www.tcdrs.org](http://www.tcdrs.org).

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

For the year ended December 31, 2020, the District recognized pension expense of \$356,907. At December 31, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 68,085	\$ 204,508
Changes in actuarial assumptions	36,747	-
Difference between projected and actual investment earnings	-	327,126
Contributions subsequent to the measurement date	<u>286,577</u>	<u>-</u>
Total	<u>\$ 391,409</u>	<u>\$ 531,634</u>

\$286,577 reported as deferred outflows of resources related to pension resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending December 31, 2021. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expenses as follows:

Fiscal Year Ended December 31,	
2021	\$( 88,678)
2022	( 122,584)
2023	15,611
2024	( 231,151)

**Long-term Debt**

Annual debt service requirements to maturity for the District's long-term debt are as follows:

Year Ending December 31,	Governmental Activities	
	Principal	Interest
2021	\$ 88,404	\$ 39,207
2022	92,427	35,185
2023	96,633	30,979
2024	101,030	26,581
2025	105,628	21,984
2026-2029	<u>409,009</u>	<u>37,630</u>
Total	<u>\$ 893,131</u>	<u>\$ 191,566</u>

**Changes in Long-term Debt**

Long-term debt activity for the year ended December 31, 2020 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Direct borrowings	\$ 977,687	\$ -	\$ 84,556	\$ 893,131	\$ 88,404
Compensated absences	<u>244,163</u>	<u>135,197</u>	<u>139,605</u>	<u>239,755</u>	<u>47,951</u>
Total long-term liabilities	<u>\$ 1,221,850</u>	<u>\$ 135,197</u>	<u>\$ 224,161</u>	<u>\$ 1,132,886</u>	<u>\$ 136,355</u>

## **Litigation**

On various occasions, the District can be either a defendant or co-defendant in lawsuits. While the District and legal counsel cannot predict the results of any litigation, it believes it has meritorious defenses to those actions, proceedings and claims.

The District is involved in 106 lawsuits as of year-end related to taxpayers challenging appraisal values on their properties. Although the District would not be directly liable for any potential judgements or settlements in these cases, in the event that adverse judgements are reached in these cases, the District could suffer the imposition of some attorney fees ranging from \$2,000 to \$100,000.

## **Related Party Transactions**

For the year ended December 31, 2020, the District had one Board Member who was also an executive officer of the District's depository financial institution. This member abstained from voting when the depository contract bid was being approved.

## **New Accounting Principles**

Significant new accounting standard not yet implemented by the District includes the following.

Statement No. 87, *Leases* – This statement changes the recognition requirements for certain lease assets and liabilities for leases that are currently classified as operating leases. This statement will become effective for the District in fiscal year 2022.

Statement No. 96, *Subscription-Based Information Technology Arrangements* – This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset-an intangible asset-and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended. GASB 96 will be implemented in fiscal year 2023 and the impact has not yet been determined.

**REQUIRED  
SUPPLEMENTARY INFORMATION**

**MCLENNAN COUNTY APPRAISAL DISTRICT**

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL

GENERAL FUND

FOR THE YEAR ENDED DECEMBER 31, 2020

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Appraisal assessments	\$ 4,358,511	\$ 4,358,411	\$ 3,947,222	\$( 411,189)
Interest and other income	<u>25,000</u>	<u>25,000</u>	<u>24,436</u>	<u>( 564)</u>
Total revenues	<u>4,383,511</u>	<u>4,383,411</u>	<u>3,971,658</u>	<u>( 411,753)</u>
<b>EXPENDITURES</b>				
Current:				
Salaries	2,115,249	2,115,249	1,947,518	167,731
Benefits	790,100	790,000	702,280	87,720
Office operations	301,800	301,800	345,770	( 43,970)
Maintenance of structures and equipment	192,176	192,176	287,265	( 95,089)
Professional fees	510,279	510,279	529,864	( 19,585)
Contingency	125,000	125,000	-	125,000
Debt service	128,407	128,407	127,611	796
Capital outlay	<u>220,500</u>	<u>220,500</u>	<u>167,759</u>	<u>52,741</u>
Total expenditures	<u>4,383,511</u>	<u>4,383,411</u>	<u>4,108,067</u>	<u>275,344</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>-</u>	<u>-</u>	<u>( 136,409)</u>	<u>( 136,409)</u>
<b>CHANGE IN FUND BALANCE</b>	<u>-</u>	<u>-</u>	<u>( 136,409)</u>	<u>( 136,409)</u>
<b>FUND BALANCE, BEGINNING</b>	<u>1,527,696</u>	<u>1,527,696</u>	<u>1,527,696</u>	<u>-</u>
<b>FUND BALANCE, ENDING</b>	<u>\$ 1,527,696</u>	<u>\$ 1,527,696</u>	<u>\$ 1,391,287</u>	<u>\$( 136,409)</u>

**MCLENNAN COUNTY APPRAISAL DISTRICT**

SCHEDULE OF CHANGES IN NET PENSION LIABILITY  
AND RELATED RATIOS

FOR THE YEAR ENDED DECEMBER 31, 2020

<b>Plan Year Ended December 31</b>	<u><b>2014</b></u>	<u><b>2015</b></u>	<u><b>2016</b></u>
<b>Total Pension Liability</b>			
Service costs	\$ 245,136	\$ 243,275	\$ 247,308
Interest total pension liability	833,114	851,239	885,020
Effect of plan changes	-	( 37,806)	-
Effect of assumption changes or inputs	-	115,196	-
Effect of economic/demographic (gains) or losses	( 212,431)	( 38,866)	108,681
Benefit payments/refunds of contributions	<u>( 696,581)</u>	<u>( 660,878)</u>	<u>( 699,934)</u>
Net change in total pension liability	169,238	472,159	541,075
Total pension liability - beginning	<u>10,506,683</u>	<u>10,675,921</u>	<u>11,148,080</u>
Total pension liability - ending (a)	\$ <u>10,675,921</u>	\$ <u>11,148,080</u>	\$ <u>11,689,155</u>
<b>Plan Fiduciary Net Position</b>			
Employer contributions	\$ 258,791	\$ 267,281	\$ 267,595
Member contributions	123,673	127,936	127,935
Investment income net of investment expenses	679,673	16,071	744,126
Benefit payments refunds of contributions	( 696,581)	( 660,878)	( 699,934)
Administrative expenses	( 7,844)	( 7,315)	( 8,074)
Other	<u>( 112,779)</u>	<u>10,797</u>	<u>14,811</u>
Net change in plan fiduciary net position	244,933	( 246,108)	446,459
Plan fiduciary net position - beginning	<u>10,085,100</u>	<u>10,330,033</u>	<u>10,083,925</u>
Plan fiduciary net position - ending (b)	\$ <u>10,330,033</u>	\$ <u>10,083,925</u>	\$ <u>10,530,384</u>
Net pension liability - ending (a) - (b)	\$ <u>345,889</u>	\$ <u>1,064,155</u>	\$ <u>1,158,771</u>
Fiduciary net position as a percentage of total pension liability	96.76%	90.45%	90.09%
Pensionable covered payroll	\$ 1,766,768	\$ 1,827,664	\$ 1,827,644
Net pension liability as a percentage of covered payroll	19.58%	58.22%	63.40%

Note: This schedule is required to have 10 years of information, but the information prior to 2014 is not available.



<u>2017</u>	<u>2018</u>	<u>2019</u>
\$ 249,907	\$ 235,516	\$ 248,759
937,455	972,530	1,014,610
-	-	-
91,867	-	-
( 90,180)	77,248	( 210,545)
( 745,616)	( 737,475)	( 822,226)
443,433	547,819	230,598
<u>11,689,155</u>	<u>12,132,588</u>	<u>12,680,407</u>
\$ <u>12,132,588</u>	\$ <u>12,680,407</u>	\$ <u>12,911,005</u>
\$ 273,308	\$ 279,676	\$ 276,883
131,013	134,441	132,937
1,531,579	( 221,734)	1,830,770
( 745,616)	( 737,475)	( 822,226)
( 7,786)	( 8,952)	( 9,558)
( 4,647)	( 8,458)	( 12,372)
1,177,851	( 562,502)	1,396,434
<u>10,530,384</u>	<u>11,708,235</u>	<u>11,145,733</u>
\$ <u>11,708,235</u>	\$ <u>11,145,733</u>	\$ <u>12,542,167</u>
\$ <u>424,353</u>	\$ <u>1,534,674</u>	\$ <u>368,838</u>
96.50%	87.90%	97.14%
\$ 1,871,608	\$ 1,920,591	\$ 1,899,098
22.67%	79.91%	19.42%

**MCLENNAN COUNTY APPRAISAL DISTRICT**

**TEXAS COUNTY AND DISTRICT RETIREMENT SYSTEM-  
SCHEDULE OF EMPLOYER CONTRIBUTIONS**

FOR THE YEAR ENDED DECEMBER 31, 2020

<b>Fiscal Year Ended December 31,</b>	<b>Actuarially Determined Contribution</b>	<b>Actual Employer Contribution</b>	<b>Contribution Deficiency (Excess)</b>	<b>Pensionable Covered Payroll</b>	<b>Actual Contribution as a % of Covered Payroll</b>
2011	\$ 199,346	\$ 262,013	\$( 62,667)	\$ 1,856,105	14.1%
2012	208,406	258,315	( 49,909)	1,826,524	14.1%
2013	222,536	267,724	( 45,188)	1,831,570	14.6%
2014	224,203	258,791	( 34,588)	1,766,768	14.6%
2015	227,361	267,281	( 39,920)	1,827,664	14.6%
2016	217,307	267,595	( 50,288)	1,827,650	14.6%
2017	222,160	273,308	( 51,148)	1,871,601	14.6%
2018	234,120	279,606	( 45,486)	1,920,046	14.6%
2019	225,423	276,883	( 51,460)	1,899,098	14.6%
2020	250,064	286,577	( 36,513)	1,973,667	14.5%

**MCLENNAN COUNTY APPRAISAL DISTRICT**

NOTES TO SCHEDULE OF EMPLOYER CONTRIBUTIONS

FOR THE YEAR ENDED DECEMBER 31, 2020

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

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

<b>Actuarial Cost Method</b>	Entry age
<b>Amortization Method</b>	Level percentage of payroll, closed
<b>Remaining Amortization Period</b>	9.1 years (based on contribution rate calculated in 12/31/2019 valuation)
<b>Asset Valuation Method</b>	5-year smoothed market
<b>Inflation</b>	2.75%
<b>Salary Increases</b>	Varies by age and service. 4.9% average over career including inflation.
<b>Investment Rate of Return</b>	8.00%, net of administrative and investment expenses, including inflation
<b>Retirement Age</b>	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.
<b>Mortality</b>	130% of the RP-2014 Healthy Annuitant Mortality Table for males and 110% of the RP-2014 Healthy Annuitant Mortality Table for females, both projected with 110% of the MP-2014 Ultimate scale after 2014.
<b>Changes in Plan Provisions Reflected in the Schedule of Employer Contributions</b>	2015: No changes in plan provisions. 2016: No changes in plan provisions. 2017: New Annuity Purchase Rates were reflected for benefits earned after 2017. 2018: No changes in plan provisions. 2019: No changes in plan provisions.
<b>Changes in Assumptions and Methods Reflected in the Schedule of Employer Contributions</b>	2015: New inflation, mortality and other assumptions were reflected. 2017: New mortality assumptions were reflected.

## **COMPLIANCE SECTION**

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Board of Directors  
McLennan County Appraisal District  
Waco, Texas

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and the major fund of McLennan County Appraisal District, as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise McLennan County Appraisal District's basic financial statements, and have issued our report thereon dated [REDACTED], 2021.

**Internal Control Over Financial Reporting**

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

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

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

**OFFICE LOCATIONS**

**TEXAS** | Waco | Temple | Hillsboro | Houston  
**NEW MEXICO** | Albuquerque

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the McLennan County Appraisal District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Waco, Texas  
\_\_\_\_\_, 2021

**RESOLUTION 2021-1  
TO  
DESIGNATE OR REFUND  
2020 EXCESS FUNDS**

WHEREAS, section 6.06(j), Texas Property Tax Code, requires that excess must either be returned to the taxing units or credited towards the payments due the District by the taxing units, if such excess funds are not otherwise obligated to be spent; and,

WHEREAS, the audit of the District's finances for 2019 was conducted by its outside certified public account and based upon the audit the amount of excess funds resulting from the 2020 budget is \$310,048 and the remaining committed excess funds is \$1,081,239; and,

WHEREAS, the Board of Directors determined that it would be in the public interest to assure the long-term financial interest of the District to designate the excess funds resulting from the 2020 budget for the following purposes,

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE  
McLENNAN COUNTY APPRAISAL DISTRICT THAT:

That the excess funds resulting from the 2020 budget of the McLennan County Appraisal District is hereby appropriated for following purposes in the amounts listed:

1. Capital Improvement Fund – amount of \$ \_\_\_\_\_
2. Litigation Fund – amount of \$ \_\_\_\_\_
3. Technology and Professional Services – amount of \$ \_\_\_\_\_

Resulting in an Entity Refund- amount of \$ \_\_\_\_\_

RESOLVED THIS 25<sup>th</sup> DAY OF MAY, 2021.

\_\_\_\_\_  
John Kinnaird, Chairman, Board of Directors

ATTEST:

\_\_\_\_\_  
Allen Sykes, Secretary, Board of Directors

## Special Note Regarding 2022 Plan Assessments

TCDRS' long-term outlook anticipates that rates and returns will remain below historical norms. The forecasts show decreased returns across all asset classes. Soundness requires synchronizing assumptions with expectations. Thus, the TCDRS board reduced the investment return assumption to 7.5%. A reduction in the assumption was consistent with the recommendation of Milliman, our consulting actuaries. The investment return assumption is important as it determines how much benefit funding is expected to come from investments versus employer contributions. In addition, the inflation assumption has also been decreased to 2.5% which impacts wage growth and payroll growth.

These assumptions are reflected in this valuation and most employers will see increases in their required contribution rates for 2022. Supporting employers through this transition is TCDRS' most important investment. The board has used a portion of system reserves and re-amortized liabilities to help mitigate the increases. In addition, one of TCDRS' strengths is that employers have the ability to annually adjust benefits based on local needs and budgets. If employers need to reduce costs, TCDRS staff is available to help you understand your options.





**Plan Assessment for Plan Year 2022**  
**McLennan County Appraisal District – 491**  
**Participation Date – 10/1/1981**

It's that time of year again — time to look at your TCDRS retirement plan and decide whether or not your benefits are adequate and affordable. This plan assessment will give you an overview of the benefits you provide as well as how much it will cost to provide these benefits in the upcoming plan year.

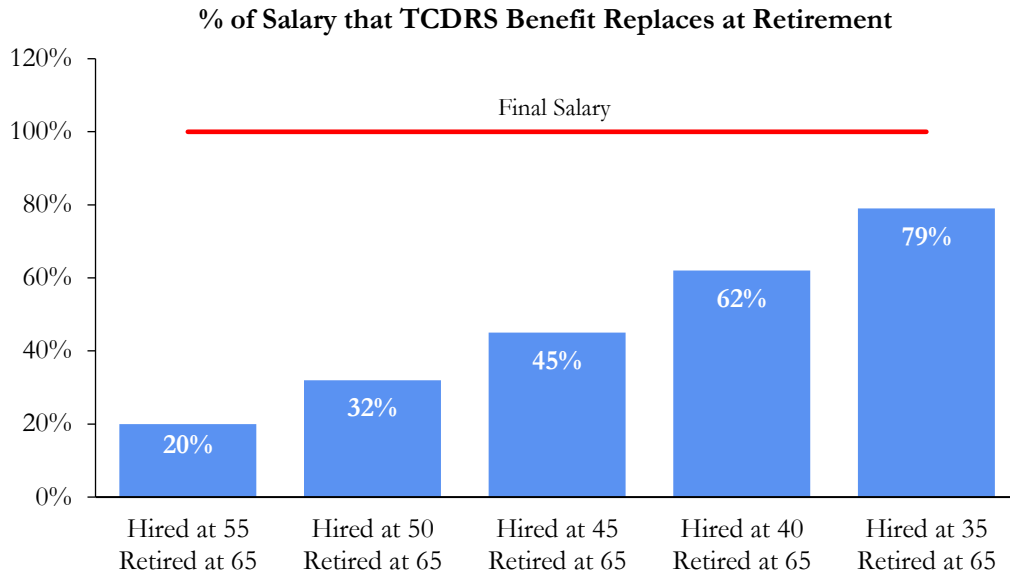
	<b>2022 Plan</b>
<b>Basic Plan Options</b>	
Employee Deposit Rate	7%
Employer Matching	175%
Prior Service Credit	No Employees Eligible
<b>Retirement Eligibility</b>	
Age 60 (Vesting)	10 years of service
Rule of	75 years total age + service
At Any Age	30 years of service
<b>Optional Benefits</b>	
Partial Lump Sum	Yes
Group Term Life	None
<b>Retirement Plan Funding</b>	
Total Normal Cost Rate	14.16%
Employee Deposit Rate	<u>-7.00%</u>
Employer-Paid Normal Cost Rate	7.16%
UAAL / (OAAL) Rate	<u>5.39%</u>
Required Rate	12.55%
Elected Rate	13.00%
<b>Total Contribution Rate</b>	
Retirement Plan Rate	13.00%
(greater of required and elected rate)	
Group Term Life Rate	<u>N/A</u>
Total Contribution Rate	13.00%
<b>Valuation Results (Dec. 31, 2020)</b>	
Actuarial Accrued Liability	\$14,445,592
Actuarial Value of Assets	<u>\$13,100,925</u>
Unfunded / (Overfunded) AAL	\$1,344,667
Funded Ratio	90.7%

**Notes:**

Last COLA: 2008

## What You Are Providing

The TCDRS benefit is based on employee deposits, which earn 7% compound interest each year, and employer matching at retirement. The following chart shows the estimated TCDRS benefit as a percentage of final salary prior to retirement for a new hire:

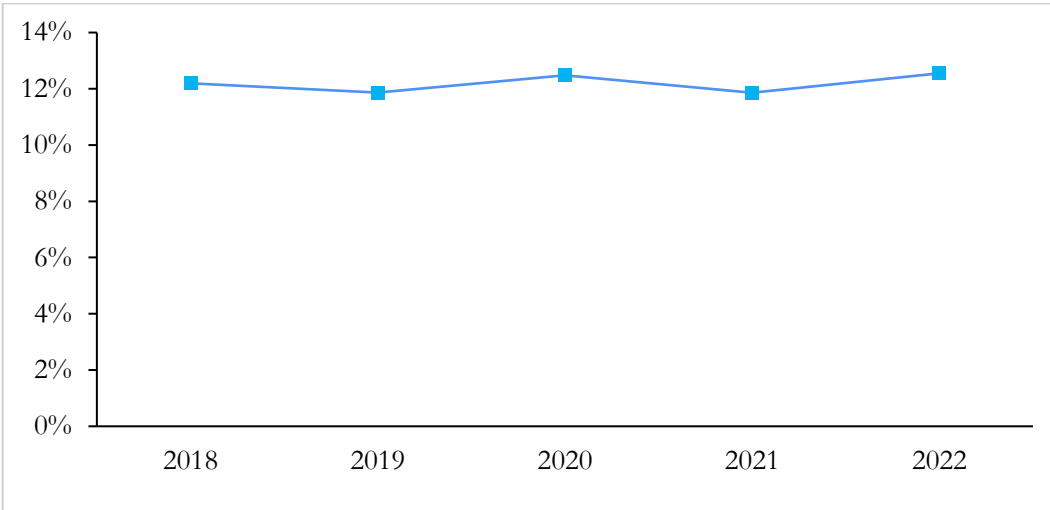


### Assumptions

- Employees are new hires and will work for you until retirement.
- Your current plan provisions will remain in effect through an employee's retirement.
- Current laws governing TCDRS will continue as they are.
- Graded salary scales give bigger raises early in careers, with smaller raises later in careers (see Summary Valuation Report at [TCDRS.org/Employer](https://www.tcdrs.org/Employer)).
- Based on Single Life benefit.

## Reasons for Rate Change

Below is a record of your required rate history for your retirement plan over the last five years.



Reasons for Rate Change	2018-2019	2019-2020	2020-2021	2021-2022
Beginning Rate	12.19%	11.87%	12.48%	11.86%
Plan Changes Adopted	0.00%	0.00%	0.00%	N/A
Investment Return	-0.06%	0.92%	-0.09%	-0.07%
Elected Rate/Lump Sum	-0.35%	-0.35%	-0.31%	-0.10%
Demographic/Other Changes	-0.25%	0.04%	-0.22%	-0.33%
Assumptions/Methods <sup>(1)</sup>	<u>0.34%</u>	<u>0.00%</u>	<u>0.00%</u>	<u>1.19%</u>
Ending Rate	11.87%	12.48%	11.86%	12.55%
<b>Valuation Year</b>	2017	2018	2019	2020
<b>Funded Ratio</b>	91.3%	90.3%	92.8%	90.7%

1. 2021-2022: Includes reductions to the investment return and inflation assumptions, and method adjustments designed to mitigate the impact of the reductions.

A complete Summary Valuation Report for the Dec. 31, 2020 valuation will be available mid-May at [TCDRS.org/Employer](https://TCDRS.org/Employer).

## Next Steps

If you are interested in making plan changes, please contact your Employer Services Representative at 800-651-3848. Your benefit selections are due by Dec. 15, 2021.

# Cybersecurity Awareness

[← Back to Training](#)

Groups: All Users

## Campaign Content

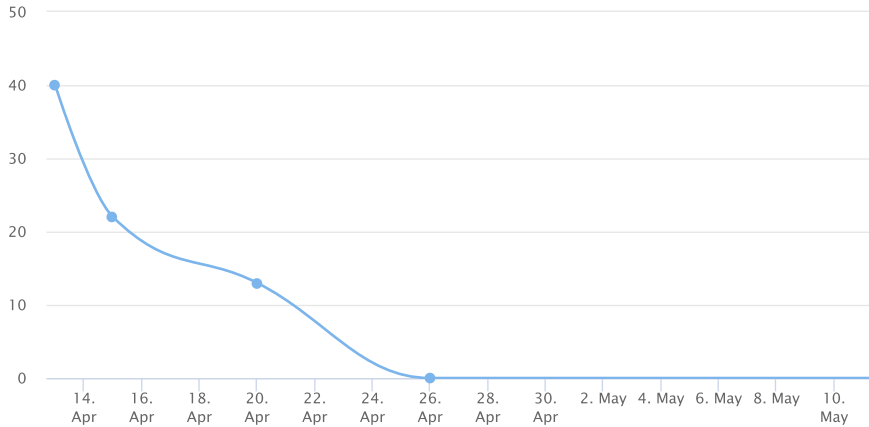
 KnowBe4 Cybersecurity Awareness Training for Texas

100% Completed



### User Completion Activity

Number of Users who have not completed their assignments



## Campaign Summary



Status **Completed**

Start Date **04/13/2021, 9:00 AM**

End Date **05/13/2021, 11:59 PM**

Users **40**

Auto-Enroll **Yes**

### Scheduled Notifications

- Remind Users 5 days before due date
- Send welcome notification to Users on enrollment

# McLennan County Appraisal District

## House Bill 3834 Certification for Local Governments

According to Section 2054.5191, Government Code, the governing body of a local government, shall:

- verify and report on the completion of a cybersecurity training program by employees of the local government, and
- require periodic audits to ensure compliance with this section.

By signing below, you indicate that you agree with the following statements:

- I certify that the local government is in compliance with the employee security awareness training requirements of Section 2054.5191, Government Code.
- I certify that the local government is in compliance with the audit requirements of Section 2054.5191, Government Code.

_____ Signature	_____ Date
John Kinnaird Printed Name	Chairman Title

_____ Signature	_____ Date
Allen Sykes Printed Name	Secretary Title

_____ Signature	_____ Date
Tom Pagel Printed Name	Director Title

_____ Signature	_____ Date
Ben Perry Printed Name	Director Title

_____ Signature	_____ Date
Mildred Watkins Printed Name	Director Title

_____ Signature	_____ Date
_____ Printed Name	_____ Title

**MCLENNAN COUNTY APPRAISAL DISTRICT  
Profit Loss Budget Yearly Comparison**

	Final Budget			Approved	Estimated		Forecast				
	2018	2019	2020	2021	2022		2023	2024	2025	2026	2027
Litigation			300,000	300,000	300,000		300,000	300,000	300,000	300,000	
Capital Improvements			80,663	80,663	80,663		80,663	80,663	80,663	80,663	
Technology and Professional Services			700,576	700,576	570,576		470,576	370,576	270,576	170,576	
<b>Income</b>											
4020 · Revenue from Taxing Entities	4,626,143	4,451,232	4,358,411	4,347,817	4,321,135	-1%	4,321,254	4,342,111	4,419,753	4,494,232	4,569,932
4025 · Surplus from Prior Year					130,000		100,000	100,000	100,000	100,000	100,000
4030 · Interest on Investments	150	150									
4032 · Interest from CD's											
4033 · Interest from MM*Met Life											
4035 · Interest - Bank Accts			-	15,000	15,000		15,000	15,000	15,000	15,000	15,000
4040 · Miscellaneous Revenue	4,000	4,000	16,082	2,000	2,000	0%	4,000	4,000	4,000	4,000	4,000
4045 · BPP RENDITION PENALTY REVENUE	10,000	10,000	8,354	8,000	8,000	0%	10,000	10,000	10,000	10,000	10,000
<b>Total Income</b>	<b>4,640,293</b>	<b>4,465,382</b>	<b>4,382,846</b>	<b>4,372,817</b>	<b>4,476,135</b>	<b>2%</b>	<b>4,450,254</b>	<b>4,471,111</b>	<b>4,548,753</b>	<b>4,623,232</b>	<b>4,698,932</b>
<b>Gross Profit</b>	<b>4,640,293</b>	<b>4,465,382</b>	<b>4,382,846</b>	<b>4,372,817</b>	<b>4,476,135</b>	<b>2%</b>	<b>4,450,254</b>	<b>4,471,111</b>	<b>4,548,753</b>	<b>4,623,232</b>	<b>4,698,932</b>
<b>Expense</b>											
<b>5000 · Salaries</b>											
5001 · Administration	358,509	293,475	242,376.93	301,775	290,268	-4%	297,525	304,963	312,587	320,402	328,412
5002 · Appraisal	963,048	953,020	947,335.67	997,242	980,128	-2%	1,004,631	1,029,747	1,055,490	1,081,877	1,108,924
5003 · Mapping	160,413	267,585	256,821.53	271,300	244,602	-10%	250,717	256,985	263,410	269,995	276,745
5004 · Clerical	444,850	396,102	310,859.31	405,952	452,158	11%	463,462	475,049	486,925	499,098	511,575
5006 · Part Time				48,000		-100%	-	-	-	-	-
5008 · Auto and Phone Allowance	137,020	137,020	124,006	137,020	137,020	0%	137,020	137,020	137,020	137,020	137,020
<b>Total 5000 · Salaries</b>	<b>2,063,840</b>	<b>2,047,202</b>	<b>1,881,400</b>	<b>2,161,289</b>	<b>2,104,176</b>	<b>-3%</b>	<b>2,153,355</b>	<b>2,203,764</b>	<b>2,255,432</b>	<b>2,308,393</b>	<b>2,362,677</b>
<b>5100 · Benefits</b>											
5105 · FICA Tax Expense	158,425	153,900	144,638	162,100	161,400	0%	172,268	176,301	180,435	184,671	189,014
5110 · Health Insurance											
5110-1 · PB&H-Deductible	34,000	33,700	7,902	35,100	35,100	0%	35,100	35,100	35,100	35,100	35,100
5110 · Health Insurance - Other	234,000	227,900	203,088	239,000	250,900	5%	255,918	261,036	266,257	271,582	277,014
<b>Total 5110 · Health Insurance</b>	<b>268,000.00</b>	<b>261,600</b>	<b>210,990</b>	<b>274,100</b>	<b>286,000</b>	<b>4%</b>	<b>291,018</b>	<b>296,136</b>	<b>301,357</b>	<b>306,682</b>	<b>312,114</b>
5113 · Disability Long Term Insurance	6,000	6,100	6,857	7,200	7,200	0%	7,200	7,200	7,200	7,200	7,200
5115 · Life Insurance	8,850	8,600	8,521	9,100	9,000	-1%	9,000	9,000	9,000	9,000	9,000
5117 Cobra			(1,480)								
5120 · Longevity	14,832	13,500	14,352	15,100	15,300	1%	16,000	16,000	16,000	16,000	16,000
5125 · Pension	269,944	262,200	256,577	276,700	275,600	0%	279,936	286,489	293,206	300,091	307,148
5126 · Pension UAAL-TCDRS	30,000	30,100	30,000	-	-		-	-	-	-	-
5130 · Unemployment Compensation	9,200	9,200	7,677	7,400	8,000	8%	9,200	9,200	9,200	9,200	9,200
5135 · Workers Compensation-TML	16,800	16,500	8,644	17,300	17,000	-2%	17,000	17,000	17,000	17,000	17,000
<b>Total 5100 · Benefits</b>	<b>782,051</b>	<b>761,700</b>	<b>686,775</b>	<b>769,000</b>	<b>779,500</b>	<b>1%</b>	<b>801,623</b>	<b>817,327</b>	<b>833,398</b>	<b>849,845</b>	<b>866,676</b>
<b>5200 · Professional Services</b>											
5201 · Appraisal Review Board	80,000	119,200	141,840.82	120,000	140,000	17%	100,000	100,000	100,000	100,000	100,000
5205 · Appraisal Services	30,000	30,000	99,338.00	66,000	114,000	73%	114,000	114,000	114,000	114,000	114,000
5210 · Audit-PB&H	6,500	6,850	7,000.00	6,700	7,200	7%	6,700	6,700	6,700	6,700	6,700
5215 · Board of Directors	1,200	1,200	736.18	1,200	1,200	0%	1,200	1,200	1,200	1,200	1,200
5218 · Computer Services	10,000	20,000	4,804.00	4,500	4,500	0%	4,500	4,500	4,500	4,500	4,500
5220 · Consulting Services											
5220-1 · Accounting	-	11,700	6,550.00	13,110	13,110	0%	13,110	13,110	13,110	13,110	13,110
5220-2 · Misc Consulting			51,045.81								
5220 · Homestead Audit Service	110,600.00	112,300.00		0.00	25,000.00		25,000	25,000	25,000	25,000	25,000
<b>Total 5220 · Consulting Services</b>	<b>110,600.00</b>	<b>124,000.00</b>	<b>57,595.81</b>	<b>13,110.00</b>	<b>38,110.00</b>	<b>191%</b>	<b>38,110.00</b>	<b>38,110.00</b>	<b>38,110.00</b>	<b>38,110.00</b>	<b>38,110.00</b>
5229 · Arbitration	3,000	19,000	8,719	15,000	15,000	0%	15,000	15,000	15,000	15,000	15,000

**MCLENNAN COUNTY APPRAISAL DISTRICT  
Profit Loss Budget Yearly Comparison**

	Final Budget			Approved	Estimated	Forecast				
	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
<b>5230 · Legal Services</b>										
5230-1 · Retainer-MVBA	24,000	24,000	24,700	22,800	22,800	0%	22,800	22,800	22,800	22,800
5230-2 · Court Cost-MVBA	450,000	155,000	139,776	180,000	170,000	-6%	170,000	170,000	170,000	170,000
5230-3 · Misc Legal Services	20,000	20,000	20,115	10,000	10,000	0%	10,000	10,000	10,000	10,000
5230-4 · ARB Legal Counsel-RAY ARMSTRONG	5,000	5,000	5,893	3,000	5,000	67%	5,000	5,000	5,000	5,000
<b>Total 5230 · Legal Services</b>	<b>499,000</b>	<b>204,000</b>	<b>190,484</b>	<b>215,800</b>	<b>207,800</b>	<b>-4%</b>	<b>207,800</b>	<b>207,800</b>	<b>207,800</b>	<b>207,800</b>
5234 · Payroll Service Fee	4,869	4,869	5,209	4,869	5,300	9%	4,869	4,869	4,869	4,870
5235 · Personal Property Lists	2,500	2,800	2,832	2,800	2,875	3%	2,875	2,875	2,875	2,875
5239 · Shredding Service	500	500	746	1,500	1,500	0%	500	500	500	500
5240 · Temp Service	75,000	60,000	10,559	25,000	15,000	-40%	15,000	15,000	15,000	15,000
<b>Total 5200 · Professional Services</b>	<b>823,169</b>	<b>592,419</b>	<b>529,863</b>	<b>476,479</b>	<b>552,485</b>	<b>16%</b>	<b>510,554</b>	<b>510,554</b>	<b>510,554</b>	<b>510,555</b>
<b>5300 · Office Operation Expenses</b>										
5301 · Dues and Memberships	6,000	6,000	6,237	8,000	8,000	0%	8,000	8,000	8,000	8,000
5305 · Forms and Printing										
5305-1 · Notices	24,200	28,000	29,819	28,000	30,000	7%	30,000	30,000	30,000	30,000
5305-2 · Renditions	8,250	7,500	4,865	5,500	5,500	0%	5,500	5,500	5,500	5,500
5305-3 · Misc	4,400	5,000	1,644	4,400	4,400	0%	4,400	4,400	4,400	4,400
<b>Total 5305 · Forms and Printing</b>	<b>36,850</b>	<b>40,500</b>	<b>36,327</b>	<b>37,900</b>	<b>39,900</b>	<b>5%</b>	<b>39,900</b>	<b>39,900</b>	<b>39,900</b>	<b>39,900</b>
5310 · Insurance on Bldg-TML	7,300	7,700	7,916.44	8,500	8,000	-6%	8,000	8,000	8,000	8,000
5315 · Legal Publications-Waco Tribune	6,000	8,000	9,069.32	8,000	9,100	14%	9,100	9,100	9,100	9,100
5317 · Mileage Reimbursement	1,000	1,000	185.48	300	300	0%	300	300	300	300
5320 · Office Equipment Rental										
5320-1 · Postage Machine-Neopost	6,700	5,000	5,904.07	5,000	6,000	20%	6,000	6,000	6,000	6,000
5320-2 · Copiers-CTWP	12,000	10,000	11,343.32	10,000	12,000	20%	10,000	10,000	10,000	10,000
<b>Total 5320 · Office Equipment Rental</b>	<b>18,700</b>	<b>15,000</b>	<b>17,247</b>	<b>15,000</b>	<b>18,000</b>	<b>20%</b>	<b>16,000</b>	<b>16,000</b>	<b>16,000</b>	<b>16,000</b>
5330 · Postage and Freight										
5330-1 · Postage	94,500	95,000	119,929	148,100	125,000	-16%	127,500	130,050	132,651	135,304
5330-2 · Freight	900	1,500	563	1,000	750	-25%	750	750	750	750
<b>Total 5330 · Postage and Freight</b>	<b>95,400</b>	<b>96,500</b>	<b>120,491</b>	<b>149,100</b>	<b>125,750</b>	<b>-16%</b>	<b>128,250</b>	<b>130,800</b>	<b>133,401</b>	<b>136,054</b>
5335 · Small Equipment and Furniture	2,000	2,000	7,235.12	1,500	1,500	0%	1,500	1,500	1,500	1,500
5336 · Small Software	3,000	3,000	0.00	1,500	1,500	0%	1,500	1,500	1,500	1,500
5340 · Subscriptions and Books	20,000	44,000	43,332.39	88,200	41,772	-53%	43,861	46,054	48,356	50,774
5345 · Supplies										
5345-1 · Office Supplies	24,000	24,000	26,240.29	24,000	26,000	8%	26,000	26,000	26,000	26,000
<b>Total 5345 · Supplies</b>	<b>24,000</b>	<b>24,000</b>	<b>26,240</b>	<b>24,000</b>	<b>26,000</b>	<b>8%</b>	<b>26,000</b>	<b>26,000</b>	<b>26,000</b>	<b>26,000</b>
5350 · Training and Education	17,000	17,000	13,427.71	25,000	25,000	0%	20,000	20,000	20,000	20,000
5355 · Travel	15,000	15,000	15,530.06	15,000	15,000	0%	15,000	15,000	15,000	15,000
5360 · Utilities										
5360-1 · Phone and Internet	20,000	14,000	17,569.51	13,500	17,600	30%	17,600	17,600	17,600	17,600
5360-2 · Electric-Hudson	27,000	23,000	21,719.76	21,000	21,000	0%	24,000	24,000	24,000	24,000
5360-4 · Water and Sewer-City of Waco	4,800	4,000	3,241.14	4,000	3,500	-13%	4,000	4,000	4,000	4,000
<b>Total 5360 · Utilities</b>	<b>51,800</b>	<b>41,000</b>	<b>42,530</b>	<b>38,500</b>	<b>42,100</b>	<b>9%</b>	<b>45,600</b>	<b>45,600</b>	<b>45,600</b>	<b>45,600</b>
5365 · Misc Expenses	1,351	1,000	-	1,000	1,000	0%	1,000	1,000	1,000	1,000
5366 · Bank Service Fee										
<b>Total 5300 · Office Operation Expenses</b>	<b>305,401</b>	<b>321,700</b>	<b>345,770</b>	<b>421,500</b>	<b>362,922</b>	<b>-14%</b>	<b>364,011</b>	<b>368,754</b>	<b>373,657</b>	<b>378,728</b>

**MCLENNAN COUNTY APPRAISAL DISTRICT  
Profit Loss Budget Yearly Comparison**

	Final Budget			Approved	Estimated	Forecast				
	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
<b>5400 · Maintenance Expenses</b>										
<b>5401 · Building</b>	10,000									
5401 Building Other		16,000	18,111	15,000	15,000	0%	15,000	15,000	15,000	15,000
5401-1 Janitorial Service		20,000	15,804	15,840	15,840	0%	16,500	16,500	16,500	15,840
<b>Total 5401 · Building</b>		36,000	33,915	30,840	30,840	0%	31,500	31,500	31,500	30,840
5402 · Elevator	5,000	5,000	-	1,000	1,000	0%	2,000	2,000	2,000	2,000
5222 · Lawn Service		3,000	4,130	4,000	4,200	5%	4,200	4,200	4,200	4,200
5405 · Computer Equipment-Hardware	6,000	6,000	26,173	2,000	2,000	0%	3,000	3,000	3,000	3,000
5410 · Small Equipment and Furniture	3,000	3,000	2,842	2,000	2,000	0%	2,000	2,000	2,000	2,000
<b>5415 · Software Maintenance</b>										
5415-1 · True Automation-Harris	104,421	274,000	167,747	168,902	182,000	8%	194,000	194,000	194,000	194,000
5415-5 · Software Service	6,000	6,000	7,215	4,000	4,000	0%	4,000	4,000	4,000	4,000
5415-6 · ESRI	10,000	10,000	9,974	9,900	9,900	0%	9,900	9,900	9,900	9,900
<b>Total 5415 · Software Maintenance</b>	120,421	290,000	184,936	182,802	195,900	7%	207,900	207,900	207,900	207,900
<b>Total 5400 · Maintenance Expenses</b>	146,221	343,000	251,996	222,642	235,940	6%	250,600	250,600	250,600	249,940
<b>Total Expense</b>	4,143,082	4,066,021	3,695,804	4,050,910	4,035,023	0%	4,080,142	4,150,998	4,223,641	4,298,120
<b>Net Ordinary Income</b>	494,612	399,361	687,043	321,907	441,112	37%	370,112	320,113	325,112	325,112
<b>5500 · Capital Outlay</b>										
5501 · Building Improvements	5,000	5,000	-	5,000	5,000	0%	55,000	5,000	5,000	5,000
5502 · Small Equipment	5,000	5,000	30	2,500	2,500	0%	1,500	1,500	1,500	1,500
5505 · Large Equipment	60,000	50,000	-	10,000	130,000	1200%	10,000	10,000	15,000	15,000
5510 · Large Furniture	1,000	1,000	-	1,000	1,000	0%	1,000	1,000	1,000	1,000
5525 · Aerial Photography-Pictometry	196,000	196,000	167,729	75,000	75,000	0%	75,000	75,000	75,000	75,000
<b>Total 5500 · Capital Outlay</b>	267,000	257,000	167,760	93,500	213,500	128%	142,500	92,500	97,500	97,500
<b>5600 · Debt Service Expense</b>										
5601 · Debt Svc Interest-Bldg-Cap 1	50,256.00	46,735.63	43,055.28	39,452.00	35,185.00	-11%	30,979.00	26,582.00	21,984.00	17,177.00
5605 · Debt Svc Principal-Bldg-Cap 1	77,356.00	80,875.75	84,556.10	88,955.00	92,427.00	4%	96,633.00	101,031.00	105,628.00	110,435.00
<b>Total 5600 · Debt Service Expense</b>	127,612	127,611	127,611	128,407	127,612	-1%	127,612	127,613	127,612	127,612
<b>6000 · Contingency Fund</b>										
6010 · General Contingency Fund	100,000	14,750	-	100,000	100,000	0%	100,000	100,000	100,000	100,000
<b>Total 6000 · Contingency Fund</b>	100,000	14,750	-	100,000	100,000	0%	100,000	100,000	100,000	100,000
<b>Total Other Expense</b>	494,612	399,361	295,371	321,907	441,112	37%	370,112	320,113	325,112	325,112
<b>Net Other Income</b>	-494,612	-399,361	-295,371	-321,907	-441,112	37%	-370,112	-320,113	-325,112	-325,112
<b>Net Income</b>	-	-	391,672	-	-	-	-	-	-	-

Storage Device      MAI Appraiser      Servers      Site Improvements      PC 5 yr warranty 2024  
 Photo project Yr3/3      TREPP data  
 Remote backup      Industrial Appraisal  
 Emergency Exit      Postage  
                                  Technology



**Sec. 6.06. Appraisal District Budget and Financing.**

(a) Each year the chief appraiser shall prepare a proposed budget for the operations of the district for the following tax year and shall submit copies to each taxing unit participating in the district and to the district board of directors before June 15 (on June 14<sup>th</sup>). He shall include in the budget a list showing each proposed position, the proposed salary for the

position, all benefits proposed for the position, each proposed capital expenditure, and an estimate of the amount of the budget that will be allocated to each taxing unit. Each taxing unit entitled to vote on the appointment of board members shall maintain a copy of the proposed budget for public inspection at its principal administrative office.

(b) The board of directors shall hold a public hearing to consider the budget. The secretary of the board shall deliver to the presiding officer of the governing body of each taxing unit participating in the district not later than the 10th day before the date of the hearing a written notice of the date, time, and place fixed for the hearing. The board shall complete its hearings, make any amendments to the proposed budget it desires, and finally approve 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 a budget and file them with the secretary of the board within 30 days after its adoption, the budget does not take effect, and the board shall adopt a new budget within 30 days of the disapproval.

(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.

# Chief Appraiser Updates

May 25, 2021

## APPRAISAL:

- Residential Notices mailed April 5<sup>th</sup>; 95,000 properties
- Commercial Notices May 3<sup>rd</sup>; 9,500
- BPP and holdouts May 28<sup>th</sup>; 21,000

## ARB:

- 12,000 protests filed so far
- ARB hearings began May 20<sup>th</sup>
- Informal hearings by appointment
- 

Residential Protests	
Year	Count
2018	12237
2019	11186
2020	7641
2021	10434

## ARBITRATION:

- 100 Submitted; 47 Commercial & 53 Residential
- 1 Rejected by Comptroller, 1-Won, 1-Loss, 67-Settled

## LAWSUITS:

- 101 pending suits, 7 resolved
- Most Settlements will be postponed until August

## TRAINING AND EDUCATION:

- 

## BUILDING/FACILITIES:

- AC coil replacement, Units are 15 years old

## MISCELLANEOUS:

-