

**BOSQUE COUNTY
CENTRAL APPRAISAL DISTRICT**

ANNUAL FINANCIAL REPORT

DECEMBER 31, 2020

BOSQUE COUNTY CENTRAL APPRAISAL DISTRICT

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
of Bosque County Central Appraisal District
Meridian, Texas

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

Bosque County Central 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 Bosque County Central 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, the schedule of changes in net pension liability and related ratios, and the schedule of 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 November 18, 2021, on our consideration of the Bosque County Central 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 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 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 Bosque County Central Appraisal District's internal control over financial reporting and compliance.

Pattillo, Brown & Hill, L.L.P.

Waco, Texas
November 18, 2021

MANAGEMENT'S DISCUSSION AND ANALYSIS

2020 FINANCIAL AUDIT

In this section of the Annual Financial and Compliance Report, we, the managers of Bosque County Central Appraisal District (the "District"), discuss and analyze the District's financial performance for the fiscal year ended December 31, 2020. Please read it in conjunction with the independent auditor's report on page 1 and the District's basic financial statements which begin on page 6.

FINANCIAL HIGHLIGHTS

On December 31, 2020, the assets of the District exceeded its liabilities by \$487,862. Of this amount, \$478,744 was unrestricted net position which could be used to meet the District's ongoing obligations. The District's total net position increased \$53,823 over the prior year.

The resources available for appropriations were \$8,116 more than budgeted for the General Fund.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The District's funds are governmental types. Governmental fund financial statements focus on current sources and uses of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Fiduciary funds are used to account for resources held for the benefit of parties outside the District. Fiduciary funds are not reflected in the government-wide financial statement because the resources of these funds are not available to support the District's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The notes provide additional information that is essential to a full understanding of the data provided in the financial statements. Additional information such as accounting policies, the retirement system, sources of revenue, activity in property and equipment, long-term debt activity and risk management are included in the notes to the financial statements.

On page 18 of this report a Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual is presented to demonstrate compliance with the annual appropriated budget.

Financial Analysis

Our analysis focuses on the net position and changes in net position of the District's governmental fund activities.

DISTRICT'S NET POSITION

	<u>2020</u>	<u>2019</u>
Assets		
Current and other assets	\$ 669,088	\$ 598,180
Net pension asset	34,626	-
Capital assets	<u>9,118</u>	<u>14,615</u>
Total assets	<u>712,832</u>	<u>612,795</u>
Total deferred outflows of resources	<u>53,216</u>	<u>160,960</u>
Liabilities		
Accounts Payable	22,167	3,439
Accrued Liabilities	4,987	4,650
Net Pension Liability	-	88,664
Total liabilities	<u>27,154</u>	<u>96,753</u>
Total deferred inflows of resources	<u>251,032</u>	<u>242,963</u>
Net position:		
Net investment in capital assets	9,118	14,615
Unrestricted	<u>478,744</u>	<u>419,424</u>
Total net position	<u>\$ 487,862</u>	<u>\$ 434,039</u>

DISTRICT'S CHANGE IN NET POSITION

	<u>2020</u>	<u>2019</u>
Revenues:		
Program:		
Charges for services	\$ <u>588,954</u>	\$ <u>576,916</u>
Total program	<u>588,954</u>	<u>576,916</u>
General:		
Other revenue	<u>8,116</u>	<u>7,264</u>
Total general	<u>8,116</u>	<u>7,264</u>
Total revenues	<u>597,070</u>	<u>584,180</u>
Expenses:		
Tax appraisal - operations	<u>543,247</u>	<u>500,245</u>
Total expenses	<u>543,247</u>	<u>500,245</u>
Change in net position	53,823	83,935
Net position, beginning	<u>434,039</u>	<u>350,104</u>
Net position, ending	<u>\$ 487,862</u>	<u>\$ 434,039</u>

Capital Assets and Debt Administration

Capital Assets: At the end of 2020, the District had \$9,118 (net of accumulated depreciation) invested in a broad range of capital assets, including facilities and equipment for administration and maintenance. More detailed information about the District's capital assets is presented in Note 7 to the financial statements.

	<u>2019</u>	<u>Additions</u>	<u>Deletions</u>	<u>2020</u>
Office equipment	\$ 20,189	\$ -	\$ -	\$ 20,189
Computer and mapping systems and equipment	<u>114,514</u>	<u>1,063</u>	<u>-</u>	<u>115,577</u>
Total capital assets	134,703	1,063	-	135,766
Less accumulated depreciation	<u>(120,088)</u>	<u>(6,560)</u>	<u>-</u>	<u>(126,648)</u>
Total capital assets, net	<u>\$ 14,615</u>	<u>\$(5,497)</u>	<u>\$ -</u>	<u>\$ 9,118</u>

Long-term Debt: The District did not have any long-term debt during the year or at year end.

Economic Factors and Next Year's Budgets and Rates

The District's appointed officials considered many factors when setting the fiscal year 2021 budget. The major factor was the economy and cost increases in health care insurance, utilities, software maintenance, and postage. Increases in costs for a new website which would include county and property maps was considered and factored into the budget because of the beneficial interest to the public. These indicators were taken into account when adopting the General Fund budget for 2021.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide citizens, taxpayers, customers, and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional information, contact the District's business office at Bosque County Central Appraisal District, P.O. Box 393, Meridian, Texas, 76665.

BASIC FINANCIAL STATEMENTS

BOSQUE COUNTY CENTRAL APPRAISAL DISTRICT

STATEMENT OF NET POSITION AND GOVERNMENTAL FUND BALANCE SHEET

DECEMBER 31, 2020

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
ASSETS			
Cash and cash equivalents	\$ 668,238	\$ -	\$ 668,238
Prepays	850	-	850
Net pension asset	-	34,626	34,626
Capital assets (net)	-	9,118	9,118
	<u>669,088</u>	<u>43,744</u>	<u>712,832</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflow related to pensions	-	53,216	53,216
Total deferred outflows of resources	-	53,216	53,216
LIABILITIES			
Accounts payable	22,167	-	22,167
Accrued liabilities	4,987	-	4,987
Total liabilities	27,154	-	27,154
DEFERRED INFLOWS OF RESOURCES			
Unearned revenue - property taxes	154,397	-	154,397
Deferred inflow related to pensions	-	96,635	96,635
Total deferred inflows of resources	154,397	96,635	251,032
FUND BALANCE/NET POSITION			
Fund balance:			
Unassigned	487,537	(487,537)	-
Total fund balance	487,537	(487,537)	-
Total liabilities, deferred inflows of resources, and fund balances	\$ <u>669,088</u>		
Net position:			
Net investment in capital assets		9,118	9,118
Unrestricted		478,744	478,744
Total net position		\$ <u>487,862</u>	\$ <u>487,862</u>

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

BOSQUE COUNTY CENTRAL APPRAISAL DISTRICT

**STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUND REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE**

GOVERNMENTAL FUNDS

FOR THE YEAR ENDED DECEMBER 31, 2020

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
EXPENDITURES/EXPENSES			
Current:			
Tax appraisal - operations	\$ <u>552,382</u>	\$(<u>9,135</u>)	\$ <u>543,247</u>
Total expenditures	<u>552,382</u>	<u>(9,135)</u>	<u>543,247</u>
PROGRAM REVENUES			
Charges for services	<u>588,954</u>	<u>-</u>	<u>588,954</u>
Total program revenues	<u>588,954</u>	<u>-</u>	<u>588,954</u>
GENERAL REVENUES			
Other revenue	<u>8,116</u>	<u>-</u>	<u>8,116</u>
Total general revenues	<u>8,116</u>	<u>-</u>	<u>8,116</u>
NET CHANGE IN FUND BALANCE	<u>44,688</u>	<u>(44,688)</u>	<u>-</u>
CHANGE IN NET POSITION	-	53,823	53,823
FUND BALANCE/NET POSITION, BEGINNING	<u>442,849</u>	<u>(8,810)</u>	<u>434,039</u>
FUND BALANCE/NET POSITION, ENDING	\$ <u>487,537</u>	\$ <u>325</u>	\$ <u>487,862</u>

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

BOSQUE COUNTY CENTRAL APPRAISAL DISTRICT

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Board of Directors (the "Board"), a six (6) member group, is the level of government which has governance responsibilities to determine the Bosque County Central Appraisal District's (the "District") goals and serves as the decision making body for the operations of the District. The Board received funding from the various taxing entities which it serves. Because the Board of Directors are elected by the taxing entities which it serves, the District has the authority to make decisions, appoint administrators and managers, and significantly influence operations; and has the primary accountability for fiscal matters; the District is not included in any other governmental reporting entity.

In accordance with accounting principles generally accepted in the United States of America ("GAAP"), the District's financial statements include all funds, account groups, agencies, boards, commissions and other organizations over which the Board is financially accountable. In addition, component units which may be included are organizations for which the nature and the significance of their operational or financial relationship with the District is such that exclusion would cause the District's financial statements to be misleading or incomplete. As a result of applying the entity definition criteria noted above, no organizations (component units) have been included or excluded from the District's financial statements.

In 1979, Central Tax Appraisal Districts were voted into existence by the Texas Legislature. Effective August 14, 1981, House Bill 30 made revisions to the Property Tax Code that governs the operations of Central Tax Appraisal Districts.

The management of Bosque County Central Appraisal District is responsible for the accuracy and internal consistency of the preparation of the financial statements and notes contained in this annual report.

Government-wide and Fund Financial Statements

The District has implemented the financial reporting model as required by the provision of GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Federal Governments*.

The statement of net position and the statement of activities are government-wide financial statements. They report information on all of the District's non-fiduciary activities with most of the interfund activities removed. *Governmental activities* include programs supported primarily by entity payments and other intergovernmental revenues.

The statement of activities demonstrates how other people or entities that participate in programs the District operates have shared in the payment of the direct costs. The "charges for services" column includes payments made by parties that directly benefit from services provided by the District.

The fund financial statements provide reports on the financial condition and results of operations for the governmental fund. Government-wide financial statements exclude fiduciary funds and component units that are fiduciary in nature.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements use 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.

Governmental fund financial statements use the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets, current liabilities and fund balances are included on the balance sheet. Operating statements of these funds present net increases and decreases in current assets (i.e., revenues and other financial sources and expenditures and other financing uses).

The modified accrual basis of accounting recognizes revenues in the accounting period in which they become both measurable and available, and it recognizes expenditures in the accounting period in which the fund liability is incurred, if measurable, except for un-matured interest and principal on long-term debt, which is recognized when due.

Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available.

The District reports the following fund:

General Fund

The General Fund is the District’s primary operating fund. It accounts for all financial resources except those required to be accounted for in another fund.

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

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

Cash and Investments

Cash consists of demand deposit accounts. The District currently has no investments.

Capital Assets

Capital assets, which include land, infrastructure, buildings and improvements, machinery and equipment, are reported in the applicable governmental activities columns 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. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Buildings and improvements, and computers and equipment of the District are depreciated using the straight-line method over the following estimated useful lives:

<u>Asset</u>	<u>Years</u>
Computers and equipment	5-10

Fund Balance Classification

Governmental fund equity is classified as fund balance. 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 purpose for which the amounts in the respective governmental funds can be spent. The District adopted Governmental Accounting Standards Board (GASB) statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, effective January 1, 2011. The classifications used in 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 formal action of the District. These amounts cannot be used for any other purpose unless the District removes or changes the specified use by taking the same type of action (ordinance or resolution) that was employed when the funds were initially committed. This classification also includes contractual requirements. As of December 31, 2020, there were no committed funds.
- **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 District through the budgetary process. This classification also includes the remaining positive fund balance for all governmental funds except the General Fund. As of December 31, 2020, there were no assigned funds.
- **Unassigned:** This classification includes the residual fund balance for the General Fund.

Net Position

Net position represents the difference between assets, deferred outflows (inflows) of resources 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 legislation adopted by the District or through external restrictions imposed by creditors or laws or regulations of other governments.

Deferred Outflows/Inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and as 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:

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

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 as so will not be recognized as an inflow of resources (revenue) until that time. The District has only one type of item that qualifies for reporting in this category. The difference in expected and actual pension experience is deferred and recognized over the estimated average remaining lives of all members determined as of the measurement date.

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 TCDRS's Fiduciary Net Position have been determined on the same basis as they are reported by TCDRS. 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.

Other Accounting Policies

The District does not allow employees to accumulate unused vacation leave therefore the District had no potential liability for accrued compensated absences as of December 31, 2020.

Program revenues consist of taxes levied and remitted by entities within the District's jurisdiction.

Use of Estimates

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

2. BUDGETARY DATA

The Board adopted an "appropriated budget" for the General Fund. The District is required to present the adopted and final amended budgeted revenues and expenditures for this fund. The District compares the final amended budget to actual revenues and expenditures. The General Fund Budget report appears on page 18.

3. LEASES

The District leases office space for \$850 per month on a five-year lease that began February 1, 2018. The district's commitment under the operating lease agreement is as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2021	\$ 10,200
2022	10,200
2023	<u>850</u>
Total	<u>\$ 21,250</u>

Lease expense for the year ending December 31, 2020 was \$10,200.

4. 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 Federal Deposit Insurance Corporation (FDIC) insurance and pledged governmental securities.

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

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

5. DUE TO ENTITIES

During 1989, the Texas Legislature passed legislation, which requires all appraisal districts in Texas to refund excess fund balances (except restricted fund balances) to the entities at the year end. As of December 31, 2020, the District issued refunds in the amount of \$0 for the year 2019.

6. DEFINED BENEFIT PENSION PLAN

Plan Description

The District participates in a nontraditional defined benefit pension plan in the statewide TCDRS. The Board of Trustees of TCDRS is responsible for the administration of the statewide agent, multiple-employer, public employee retirement system consisting of nontraditional defined benefit pension plans. TCDRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at www.tcdrs.org.

All full and part-time non-temporary employees participate in the plan, regardless of the number of hours they work in a year. Employees in a temporary position are not eligible for membership.

Benefits Provided

TCDRS provides retirement, disability and death benefits for all eligible employees. Benefit provisions are adopted by the governing body of the District, within the options available in the state statutes governing TCDRS. 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 80 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	5
Inactive employees entitled to but not yet receiving benefits	8
Active employees	<u>8</u>
	<u><u>21</u></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 rates for the District were 9.52% and 9% in calendar years 2020 and 2019, respectively. The District's contributions to TCDRS for the year ended December 31, 2020, were \$23,438, and were equal to the required contributions.

Net Pension Liability

The District's Net Pension Liability (NPL) was measured as of December 31, 2019, and the Total Pension Liability (TPL) used to calculate the NPL was determined by an actuarial valuation as of that date.

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	0.0% per year
Investment Rate of Return	8.0%, net of admin. And investment expenses, 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 COLA's 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 Healthy 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.

All actuarial assumptions that determined the TPL as of December 31, 2019, were based on the results of an actuarial experience study for the period January 1, 2013 – December 31, 2016, except where required to be different by GASB 68.

The long-term expected rate of return on pension plan investments is 8.1%. 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 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 of return for each major asset class are summarized in the following table:

Asset Class	Benchmark	Target Allocation ⁽¹⁾	Geometric Real Rate of Return (Expected minus Inflation) ⁽²⁾
US Equities	Dow Jones U.S. Total Stock Market Index	14.50%	5.20%
Private Equity	Cambridge Associates Global Private Equity & Venture Capital Index ⁽³⁾	20.00%	8.20%
Global Equities	MSCI World (net) Index	2.50%	5.50%
Int'l Equities - Developed Markets	MSCI World Ex USA (net) Index	7.00%	5.20%
Int'l Equities - Emerging Markets	MSCI Emerging Markets (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 ⁽⁴⁾	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 ⁽⁵⁾	6.00%	5.50%
Hedge Funds	Hedge Fund Research, Inc. (HFRI) Fund of Funds Composite Index	8.00%	2.30%

(1) Target asset allocation adopted at the June 2020 TCDRS Board meeting.

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

(3) Includes vintage years 2006-present of Quarter Pooled Horizon IRRs.

(4) Includes vintage years 2005-present of Quarter Pooled Horizon IRRs.

(5) Includes vintage years 2007-present of Quarter Pooled Horizon IRRs.

Discount Rate

The discount rate used to measure the TPL was 8.1%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in the statute. Based on that assumption, the pension plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all period of projected benefit payments to determine the TPL.

Changes in the Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a) - (b)
Balance at 12/31/2018	\$ 1,618,280	\$ 1,529,616	\$ 88,664
Changes for the year:			
Service cost	38,083	-	38,083
Interest on total pension liability ⁽¹⁾	130,203	-	130,203
Effect of plan changes ⁽²⁾	-	-	-
Effect of economic/demographic gains or losses	(4,826)	-	(4,826)
Effect of assumptions changes or inputs	-	-	-
Refund of contributions	(6,555)	(6,555)	-
Benefit payments	(93,232)	(93,232)	-
Administrative expenses	-	(1,308)	1,308
Member contributions	-	16,912	(16,912)
Net investment income	-	251,256	(251,256)
Employer contributions	-	21,744	(21,744)
Other ⁽³⁾	-	(1,854)	1,854
Balance at 12/31/2019	<u>\$ 1,681,953</u>	<u>\$ 1,716,579</u>	<u>\$ (34,626)</u>

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

⁽²⁾ No plan changes valued.

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

Sensitivity Analysis

The following presents the NPL of the District, calculated using the discount rate of 8.1%, as well as what the District's net pension liability/(asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (7.1%) or 1-percentage-higher (9.1%) than the current rate:

	1% Decrease	Current	1% Increase
	7.1%	Discount Rate 8.1%	9.1%
Total pension liability	\$ 1,864,438	\$ 1,681,953	\$ 1,525,526
Fiduciary net position	<u>1,716,579</u>	<u>1,716,579</u>	<u>1,716,579</u>
Net pension liability/(asset)	<u>\$ 147,859</u>	<u>\$ (34,626)</u>	<u>\$ (191,053)</u>

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.

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

For the year ended December 31, 2020, the District recognized pension expense of \$8,505. At December 31, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$ 24,485	\$ 51,996
Changes in actuarial assumptions	5,292	-
Difference between projected and actual investment earnings	-	44,637
Contributions subsequent to the measurement date	<u>23,438</u>	<u>-</u>
Total	<u>\$ 53,215</u>	<u>\$ 96,633</u>

\$23,438 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, 2020. Other amounts reported as deferred outflows of resources related to pensions will be recognized in pension expenses as follows:

<u>Year Ended December 31,</u>	
2021	\$(49,676)
2022	(5,781)
2023	11,666
2024	(24,179)
2025	1,801
Thereafter	(687)

7. CAPITAL ASSETS

Capital Asset activity for the District was as follows:

	<u>December 31, 2019</u>	<u>Additions</u>	<u>Disposals</u>	<u>December 31, 2020</u>
Office equipment	\$ 6,571	\$ -	\$ -	\$ 6,571
Equipment	13,618	-	-	13,618
Computers and mapping system	107,555	1,063	-	108,618
Maps and other equipment	<u>6,959</u>	<u>-</u>	<u>-</u>	<u>6,959</u>
Total capital assets	134,703	1,063	-	135,766
Less accumulated depreciation	<u>(120,088)</u>	<u>(6,560)</u>	<u>-</u>	<u>(126,648)</u>
Total net capital assets	<u>\$ 14,615</u>	<u>\$(5,497)</u>	<u>\$ -</u>	<u>\$ 9,118</u>

Depreciation expense for the year ended December 31, 2020 was \$6,560.

8. ASSESSMENTS TO TAXING AUTHORITIES

Assessments to each taxing authority for its proportionate share of the District’s budget are based on a ratio calculation made by the District prior to January 1 of each new calendar year. This ratio reflects the total tax levy of each taxing unit as a fraction of the total taxes levied within the entire District. These ratios are then applied to the approved budget of the District and billed to the taxing authorities on a quarterly basis. A summary of the assessments for the year ended December 31, 2020 is as follows:

<u>Taxing Authority</u>	<u>Tax Levy in Thousands</u>	<u>Percent</u>	<u>Assessment</u>
Bosque County	\$ 8,623	26.83%	\$ 158,036
Bosque Cty Hosp. Dist.	2,491	7.75%	45,643
Emergency Serv. Dist. #1	750	2.34%	13,755
Middle Trinity GCD	164	0.51%	3,000
Clifton ISD	7,869	24.49%	144,215
Cranfills Gap ISD	802	2.50%	14,694
Iredell ISD	1,255	3.90%	22,999
Kopperl ISD	1,718	5.34%	31,477
Meridian ISD	2,416	7.52%	44,284
Morgan ISD	663	2.06%	12,149
Valley Mills ISD	2,364	7.35%	43,316
Walnut Springs ISD	1,046	3.25%	19,164
Hico ISD	92	0.29%	1,697
China Spring ISD	261	0.81%	4,782
Jonesboro ISD	8	0.03%	151
City of Clifton	861	2.68%	15,773
City of Cranfills Gap	33	0.10%	604
City of Iredell	48	0.15%	873
City of Meridian	321	1.00%	5,883
City of Morgan	38	0.12%	691
City of Valley Mills	211	0.66%	3,871
City of Walnut Springs	103	0.32%	1,897
	<u>\$ 32,137</u>	<u>100.00%</u>	<u>\$ 588,954</u>

9. PROPERTY TAXES

Property taxes are collected and remitted to the District by the 22 entities. Taxes are levied annually October 1 and are due by December 31.

**REQUIRED
SUPPLEMENTARY INFORMATION**

BOSQUE COUNTY CENTRAL APPRAISAL DISTRICT

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

FOR THE YEAR ENDED DECEMBER 31, 2020

	General Fund			
	Original Budget	Final Budget	Actual	Variance Positive or (Negative)
REVENUES				
Entity payment	\$ 588,954	\$ 588,954	\$ 588,954	\$ -
Other	-	-	8,116	8,116
Total revenues	<u>588,954</u>	<u>588,954</u>	<u>597,070</u>	<u>8,116</u>
EXPENDITURES				
Salaries	284,576	244,576	244,589	(13)
Employee benefits	93,218	70,218	70,111	107
Auto expenses	20,000	13,552	12,092	1,460
Membership dues	2,500	1,655	1,655	-
Education and seminars	8,000	8,193	8,193	-
Office rent	10,200	10,200	10,200	-
Postage and supplies	9,000	9,000	9,000	-
Utilities	12,800	10,655	10,623	32
Janitorial services and interior building maintenance	6,060	8,655	8,610	45
Office supplies	8,450	16,000	15,756	244
Appraisal services	25,000	46,000	46,000	-
Maintenance contracts	47,400	61,950	61,922	28
Insurance	3,700	3,100	3,069	31
Legal fees	20,000	6,490	6,482	8
Accounting fees	7,250	6,500	6,500	-
Records management and retention	2,700	2,435	2,435	-
Contingencies	1,500	1,224	1,222	2
Dues and subscriptions	4,000	6,490	6,484	6
Equipment leases	3,000	1,961	1,961	-
Printing notices	-	4,100	4,099	1
Contract labor	2,400	2,400	2,400	-
Reserve expense	-	36,000	-	36,000
Furniture and equipment replacement	7,000	9,300	9,311	(11)
Board and related cost	10,200	8,300	9,668	(1,368)
Total expenditures	<u>588,954</u>	<u>588,954</u>	<u>552,382</u>	<u>36,572</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	-	-	44,688	44,688
FUND BALANCE, BEGINNING	<u>442,849</u>	<u>442,849</u>	<u>442,849</u>	-
FUND BALANCE, ENDING	<u>\$ 442,849</u>	<u>\$ 442,849</u>	<u>\$ 487,537</u>	<u>\$ 44,688</u>

BOSQUE COUNTY CENTRAL APPRAISAL DISTRICT

**SCHEDULE OF CHANGES IN NET PENSION LIABILITY
AND RELATED RATIOS**

FOR THE YEAR ENDED DECEMBER 31, 2020

Plan Year Ended December 31	2014	2015	2016	2017	2018	2019
Total Pension Liability						
Service Cost	\$ 30,814	\$ 41,265	\$ 39,538	\$ 38,349	\$ 34,479	\$ 38,083
Interest on total pension liability	114,343	120,781	105,749	114,536	122,775	130,203
Effect of plan changes	-	(2,013)	-	-	-	-
Effect of assumption changes or inputs	-	12,445	-	6,433	-	-
Effect of economic/demographic (gains) or losses	15,675	(287,163)	7,073	19,330	17,448	(4,826)
Benefit payments/refunds of contributions	(106,936)	(75,618)	(53,825)	(72,237)	(73,919)	(99,787)
Net change in total pension liability	53,896	(190,303)	98,535	106,411	100,783	63,673
Total pension liability - beginning	<u>1,448,958</u>	<u>1,502,854</u>	<u>1,312,551</u>	<u>1,411,086</u>	<u>1,517,497</u>	<u>1,618,280</u>
Total pension liability - ending (a)	<u>\$ 1,502,854</u>	<u>\$ 1,312,551</u>	<u>\$ 1,411,086</u>	<u>\$ 1,517,497</u>	<u>\$ 1,618,280</u>	<u>\$ 1,681,953</u>
Plan Fiduciary Net Position						
Employer contributions	\$ 31,187	\$ 30,091	\$ 26,127	\$ 22,253	\$ 23,768	\$ 21,744
Member contributions	17,379	19,114	18,307	17,308	18,486	16,912
Investment income net of investment expenses	101,848	(7,285)	98,451	206,843	(30,037)	251,256
Benefit payments/refunds of contributions	(106,936)	(75,618)	(53,825)	(72,237)	(73,919)	(99,787)
Administrative expenses	(1,184)	(1,039)	(1,069)	(1,060)	(1,229)	(1,308)
Other	<u>7,376</u>	<u>(188,711)</u>	<u>(8,501)</u>	<u>(448)</u>	<u>(783)</u>	<u>(1,854)</u>
Net change in plan fiduciary net position	49,670	(223,448)	79,490	172,659	(63,714)	186,963
Plan fiduciary net position - beginning	<u>1,514,959</u>	<u>1,564,629</u>	<u>1,341,181</u>	<u>1,420,671</u>	<u>1,593,330</u>	<u>1,529,616</u>
Plan fiduciary net position - ending (b)	<u>1,564,629</u>	<u>1,341,181</u>	<u>1,420,671</u>	<u>1,593,330</u>	<u>1,529,616</u>	<u>1,716,579</u>
Net pension liability - ending (a) - (b)	<u>\$(61,775)</u>	<u>\$(28,630)</u>	<u>\$(9,585)</u>	<u>\$(75,833)</u>	<u>\$ 88,664</u>	<u>\$(34,626)</u>
Fiduciary net position as a percentage of total pension liability	104.11%	102.18%	100.68%	105.00%	94.52%	102.06%
Pensionable covered payroll	\$ 248,269	\$ 273,060	\$ 261,528	\$ 247,257	\$ 264,086	\$ 241,598
Net pension liability as a percentage of covered payroll	-24.88%	-10.48%	-3.66%	-30.67%	33.57%	-14.33%

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

BOSQUE COUNTY CENTRAL APPRAISAL DISTRICT

SCHUEDLE OF EMPLOYER CONTRIBUTIONS

FOR THE YEAR ENDED DECEMBER 31, 2020

Fiscal Year Ended December 31	Actuarially Determined Contribution	Actual Employer Contribution	Contribution Deficiency (Excess)	Pensionable Covered Payroll	Actual Contribution as a % of Covered Payroll
2010	\$ 23,684	\$ 23,684	\$ -	\$ 246,960	9.6%
2011	23,692	23,692	-	252,572	9.4%
2012	19,279	19,279	-	190,382	10.1%
2013	24,644	24,644	-	226,321	10.9%
2014	31,187	31,187	-	248,269	12.6%
2015	30,091	30,091	-	273,060	11.0%
2016	26,127	26,127	-	261,528	10.0%
2017	15,998	22,253	(6,255)	247,257	9.0%
2018	18,909	23,768	(4,859)	264,086	9.0%
2019	19,014	21,744	(2,730)	241,598	9.0%

BOSQUE COUNTY CENTRAL APPRAISAL DISTRICT

NOTES TO SCHEDULE OF EMPLOYER CONTRIBUTIONS

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.
Actuarial Cost Method	Entry age
Amortization Method	Level percentage of payroll, closed
Remaining Amortization Period	18.0 years (based on contribution rate calculated in 12/31/2019 valuation)
Asset Valuation Method	5-year smoothed market
Inflation	2.75%
Salary Increases	Varies by age and service. 4.9% average over career including inflation.
Investment Rate of Return	8.00%, net of administrative and investment expenses, including inflation
Retirement Age	Members whoe are eligible for service retirement are assumed to commence receiving benefit payments based on age. The average age at service retirement for recent retirees is 61.
Mortality	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.
Changes in Assumptions and Methods Reflected in the Schedule of Employer Contributions*	2015: New inflation, mortality and other assumptions were reflected. 2017: New mortality assumptions were reflected.
Changes in Plan Provisions Reflected in the Schedule of Employer Contributions*	2015: No changes in plan provisions were reflected in the Schedule. 2016: No changes in plan provisions were reflected in the Schedule. 2017: New Annuity Purchase Rates were reflected for benefits earned after 2017. 2018: No changes in plan provisions were reflected in the Schedule. 2019: No changes in plan provisions were reflected in the Schedule.

* Only changes that affect the benefit amount and that are effective 2015 and later are shown in the Notes to Schedule.

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

To the Board of Directors
of Bosque County Central Appraisal District
Meridian, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and the major fund of the Bosque County Central Appraisal District, as of and for the year ended December 31, 2020 and the related notes to the financial statements, which collectively comprise Bosque County Central Appraisal District's basic financial statements, and have issued our report thereon dated November 18, 2021.

Internal Control Over Financial Reporting

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

Pattillo, Brown & Hill, L.L.P.

Waco, Texas
November 18, 2021