



Financial Statements
December 31, 2020

Milam Appraisal District

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Independent Auditor's Report

To the Board of Directors of
Milam Appraisal District
Cameron, Texas

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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.

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 Milam Appraisal District as of December 31, 2020, and the respective changes in financial position and the respective budgetary comparison for the general fund 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 and pension and OPEB information on pages 3-8 and 33-38 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.



Abilene, Texas
May 25, 2021

As management of Milam Appraisal District (the District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended December 31, 2020.

FINANCIAL HIGHLIGHTS

Government-Wide

- The District's net position on a government-wide basis totaled \$398,145 at December 31, 2020, a decrease of \$4,410 or 1.1% over December 31, 2019. Approximately 45.7% of this balance is invested in capital assets.

General Fund

- At the end of the current fiscal year, total fund balance for the General Fund was \$225,726; \$3,494 and \$56,095 of which is nonspendable and assigned, respectively, for various purposes approved by the Board, leaving \$166,137 as unassigned.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains required information in addition to the basic financial statements themselves.

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

The Statement of Net Position presents information on all of the District's assets and deferred outflows of resources and liabilities and deferred inflows of resources, with the difference reported as net position. Net position is equivalent to the equity section of a private-sector balance sheet.

The Statement of Activities presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., depreciation, accrued vacation leave).

The government-wide financial statements of the District are principally funded by monies provided from local taxing entities (governmental activities). The District does not have any business-type activities.

The government wide financial statements can be found on pages 9 through 12 of this report.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance related legal requirements. The District utilizes only governmental funds.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on how money flows into and out of those funds and the balances remaining at year-end that are available for spending. These funds are reported using an accounting method called modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of the general fund is narrower than that of the government-wide financial statements, it is useful to compare the information presented in the general fund with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financial decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balance provide a reconciliation to facilitate this comparison between the governmental funds and governmental activities. The governmental fund financial statements can be found on pages 9 through 13 of this report.

The District has one individual governmental fund, which is considered a major fund.

The District adopts an annual budget for its General Fund. A budgetary comparison schedule has been provided for the General Fund to demonstrate compliance with this budget. The budgetary comparison schedule can be found on page 13 of this report.

Notes to the financial statements. The notes provide additional information that is essential for a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 14 through 32 of this report.

Required supplementary information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information that is required by Governmental Accounting Standards Board to be a part of the District's basic financial statements. Required supplementary information can be found on pages 33 through 38 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

A significant portion of the District's net position reflects its investment in capital assets (e.g., land, buildings, furniture, and equipment). The District uses these capital assets to provide services to the taxing entities we serve; consequently, these assets are not available for future spending.

Additionally, a portion of the District's net position represents unrestricted financial resources available for future operations.

**Milam Appraisal District
 Summary of Statement of Net Position**

	Governmental Activities	
	2020	2019
Current and other assets	\$ 410,011	\$ 435,790
Capital assets, net	182,043	157,031
Net pension asset	33,806	16,368
Total assets	625,860	609,189
Deferred outflows of resources	35,391	39,539
Current liabilities	184,285	203,633
Noncurrent liabilities	51,525	14,970
Total liabilities	235,810	218,603
Deferred inflows of resources	27,296	27,570
Net Position		
Investment in capital assets	182,043	157,031
Unrestricted	216,102	245,524
Total net position	\$ 398,145	\$ 402,555

GOVERNMENTAL ACTIVITIES

Revenues for the District's governmental activities were \$875,964 while total expenses were \$880,374. The change in net position was a decrease of \$4,410. This is a \$9,084 decrease from the prior year change in net position. The change is due to increases in assessments from taxing authorities in 2020 compared with 2019 offset by higher expenses.

**Milam Appraisal District
Changes in Net Position**
For the Fiscal Year Ended December 31

	Governmental Activities	
	2020	2019
Revenues		
Assessments from taxing authorities	\$ 921,608	\$ 860,247
Refund to taxing authorities	(52,804)	-
Rendition income	2,889	3,076
Miscellaneous income	4,271	7,580
Total revenues	875,964	870,903
Expenses		
Personnel services	508,957	519,784
Contractual services	241,314	222,274
Materials and supplies	26,254	24,231
Operating expenses	78,523	73,783
Other services	2,793	-
Depreciation	22,533	26,157
Total expenses	880,374	866,229
Change in net position	(4,410)	4,674
Net position, beginning	402,555	397,881
Net position, ending	\$ 398,145	\$ 402,555

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

As previously noted, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The District's governmental fund is discussed below:

Governmental fund. The focus of the District's governmental fund is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. The general fund is the chief operating fund of the District. At the end of the fiscal year, the District's general fund (as presented in the governmental fund balance sheet on page 9) reported an ending fund balance of \$225,726.

General Fund Budgetary Highlights

There were no differences between the original budget and the final amended budget. Differences between budgeted and actual amounts (as determined on the budget-basis of accounting) are as follows:

- Revenues – Additional revenues were collected that were not budgeted, including rendition penalties, front counter receipts, and CD interest. Total unbudgeted revenue was \$7,160.
- Refunds to taxing authorities – Refunds to taxing authorities were not budgeted and actual totaled \$52,804.
- Personnel – One salary was paid for by the 2017 surplus. Health insurance premiums were lower than expected. Total savings was \$63,835.
- Contractual services – Contractual services was lower than budget by \$28,146.
- Materials and supplies – Materials and supplies exceeded budget by \$5,254.
- Other services – Less was spent on education due to scheduling conflicts. The District saw savings in utility costs due to new contracts. Total savings was \$11,507.
- Capital outlay – Capital outlay was lower than budget by \$16,557.

CAPITAL ASSETS AND LONG-TERM OBLIGATION

Capital assets. The District's net investment in capital assets for its governmental activities as of December 31, 2020 amounts to \$182,043 (net of accumulated depreciation). This represents an increase of \$25,012 from the prior fiscal year. Various equipment was purchased, security upgrades and two copy machines were purchased. The total investment in capital assets includes land, buildings and improvements, equipment, computers and furniture. Additional information on the District's capital assets can be found in Note 7 (p. 19) in the notes to the financial statements.

Capital Assets Schedule (net of depreciation)

	Governmental Activities	
	2020	2019
Land	\$ 14,400	\$ 14,400
Building	118,908	118,908
Building Improvements	167,228	163,528
Furniture	10,926	9,926
Equipment/Computers	348,551	305,706
Total capital assets	660,013	612,468
Less accumulated depreciation	477,970	455,437
Total capital assets, net	\$ 182,043	\$ 157,031

Long-term obligations. At the end of the current fiscal year, the District had a long-term obligation for compensated absences in the amount of \$9,520. The District incurred a capital lease for \$33,895 for the purchase of two copy machines. Additional information on the District's long-term obligation can be found in Note 8 (page 20) in the notes to the financial statements.

REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of the District's finances and accountability. If you have any questions concerning this report, or if you need any additional information, please contact the Milam Appraisal District, Business Manager, Danice Beathard, P.O. Box 769, Cameron, Texas, 76520.

Milam Appraisal District
Statement of Net Position and Governmental Fund Balance Sheet
December 31, 2020

	General Fund	Adjustments (Note A)	Statement of Net Position
Assets			
Cash and cash equivalents	\$ 319,113	\$ -	\$ 319,113
Investments	87,404	-	87,404
Prepaid assets	3,494	-	3,494
Capital assets, net	-	182,043	182,043
Net pension asset	-	33,806	33,806
Total assets	<u>410,011</u>	<u>215,849</u>	<u>625,860</u>
Deferred outflows of resources			
Deferred outflows - OPEB	-	3,026	3,026
Deferred outflows - pension	-	32,365	32,365
Total deferred outflows of resources	<u>-</u>	<u>35,391</u>	<u>35,391</u>
Total assets and deferred outflows of resources	<u>\$ 410,011</u>	<u>251,240</u>	<u>661,251</u>
Liabilities			
Unearned revenue	\$ 172,526	-	172,526
Accrued payroll	11,759	-	11,759
Noncurrent liabilities			
Due within one year	-	6,779	6,779
Due in more than one year	-	44,746	44,746
Total liabilities	<u>184,285</u>	<u>51,525</u>	<u>235,810</u>
Deferred inflows of resources			
Deferred inflows - OPEB	-	673	673
Deferred inflows - pension	-	26,623	26,623
Total deferred inflows of resources	<u>-</u>	<u>27,296</u>	<u>27,296</u>
Fund balance/net position			
Fund balances			
Nonspendable	3,494	(3,494)	-
Assigned for			
Reserve for contingency	56,095	(56,095)	-
Unassigned	166,137	(166,137)	-
Total fund balances	<u>225,726</u>	<u>(225,726)</u>	<u>-</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 410,011</u>		
Net Position			
Investment in capital assets		182,043	182,043
Unrestricted		216,102	216,102
Total net position		<u>\$ 398,145</u>	<u>\$ 398,145</u>

Total Fund Balances - Governmental Fund Balance Sheet	\$ 225,726
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. At the end of the year, the cost of these assets was \$660,013 and the accumulated depreciation was \$477,970. The net effect of including capital assets (net of depreciation) in the governmental activities is an increase to net position.	182,043
Accrued liabilities for compensated absences for vacation and compensatory leave are not due and payable in the current period and therefore have not been included in the fund financial statements. The net effect of including the accrual for compensated absences in the governmental activities is a decrease to net position.	(9,520)
Capital leases payable in governmental activities are not due and payable in the current period and therefore are not reported as liabilities in the governmental fund. The net effect of including capital leases payable in the governmental activities is a decrease to net position.	(33,895)
The District recognized a net pension asset in the amount of \$33,806, deferred outflows of resources of \$32,365 and deferred inflows of resources of \$26,623. The net effect of these is to increase net position.	39,548
The District recognized an OPEB liability in the amount of \$8,110, deferred outflows of resources of \$3,026 and deferred inflows of resources of \$673. The net effect of these is to decrease net position.	<u>(5,757)</u>
Total Net Position - Statement of Net Position	<u><u>\$ 398,145</u></u>

Milam Appraisal District

Statement of Activities and Governmental Fund Revenues, Expenditures, and Changes in Fund Balance
Year Ended December 31, 2020

	General Fund	Adjustments (Note B)	Statement of Activities
Revenues			
Assessments from taxing authorities	\$ 921,608	\$ -	\$ 921,608
Refund to taxing authorities	(52,804)	-	(52,804)
Rendition income	2,889	-	2,889
Miscellaneous income	4,271	-	4,271
	875,964	-	875,964
Expenditures			
Current			
Personnel services	519,861	(10,904)	508,957
Contractual services	241,314	-	241,314
Materials and supplies	26,254	-	26,254
Other services	78,523	-	78,523
Capital outlay	50,338	(47,545)	2,793
Depreciation	-	22,533	22,533
	916,290	(35,916)	880,374
Other financing source			
Capital lease issued	33,895	(33,895)	-
Total other financing source	33,895	(33,895)	-
Change in fund balance/net position	(6,431)	2,021	(4,410)
Fund balance/net position			
Fund balance/Net position, beginning of year	232,157	170,398	402,555
Fund balance/Net position, end of year	\$ 225,726	\$ 172,419	\$ 398,145

Milam Appraisal District

Note B – Adjustments to the Statement of Governmental Fund Revenues, Expenditures, and Changes in Fund Balance
 Year Ended December 31, 2020

Net Change in Fund Balance - Governmental Fund	\$ (6,431)
Amounts reported for governmental activities in the statement of activities are different because:	
Current year capital outlays are expenditures in the fund financial statements but are shown as increases in capital assets in the government-wide financial statements.	47,545
Liabilities for compensated absences for vacation leave are not shown in the fund financial statements. The net effect of the current year's net decrease in the liabilities is to increase net position.	265
Depreciation is not recognized as an expenditure in governmental funds since it does not require the use of current financial resources. The effect of recording current year depreciation is to decrease net position.	(22,533)
Capital lease proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position.	(33,895)
Certain expenditures for the OPEB that are recorded to the fund financial statements must be recorded as deferred outflows of resources. Contributions made after the measurement date caused the change in net position to increase in the amount of \$78. The District's share of the unrecognized deferred inflows and outflows for TCDRS as of the measurement date must be amortized and the District's OPEB expense must be recognized. These cause the changes in net position to decrease in the amount of \$1,006. The net effect is a decrease in net position.	(928)
Certain expenditures for the pension that are recorded to the fund financial statements must be recorded as deferred outflows of resources. Contributions made after the measurement date caused the change in net position to increase in the amount of \$23,370. The District's share of the unrecognized deferred inflows and outflows for TCDRS as of the measurement date must be amortized and the District's pension expense must be recognized. These cause the changes in net position to decrease in the amount of \$11,803. The net effect is an increase in net position.	<u>11,567</u>
Change in Net Position - Statement of Activities	<u><u>\$ (4,410)</u></u>

Milam Appraisal District

Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund
Year Ended December 31, 2020

	Original Budget	Final Budget	Actual amounts Budget basis	Budget to GAAP Differences Over (Under)	Actual amounts GAAP basis
Revenues					
Assessments from taxing authorit	\$ 921,608	\$ 921,608	\$ 921,608	\$ -	\$ 921,608
Refund to taxing authorities	-	-	-	(52,804)	(52,804)
Rendition income	-	-	2,889	-	2,889
Miscellaneous income	-	-	4,271	-	4,271
Total revenues	921,608	921,608	928,768	(52,804)	875,964
Expenditures					
Current					
Personnel services	578,118	578,118	514,283	5,578	519,861
Contractual services	220,460	220,460	192,314	49,000	241,314
Materials and supplies	21,000	21,000	26,254	-	26,254
Other services	81,030	81,030	69,523	9,000	78,523
Capital outlay					
Office equipment	21,000	21,000	4,443	45,895	50,338
Total expenditures	921,608	921,608	806,817	109,473	916,290
Other financing source					
Capital lease issued	-	-	-	33,895	33,895
Total other financing source	-	-	-	33,895	33,895
Change in fund balance	\$ -	\$ -	\$ 121,951	\$ (128,382)	(6,431)
Fund balance					
Beginning of year					<u>232,157</u>
End of year					<u>\$ 225,726</u>

Explanation of budget to GAAP differences:

Budget basis expenditures reported above are those that are intended to be financed through the current operating budget.

Certain expenditures were budgeted to be paid for out of prior year surpluses, which for GAAP purposes represents fund balance. Thus, expenditures funded out of "reserves", or prior year surpluses, are reported as GAAP expenditures only.

Note 1 - Reporting Entity

Milam Appraisal District (the District) was organized, created and established pursuant to rules established by the Texas Property Code (the Code) Section 6.01. The Code established an appraisal district in each county of the State of Texas. The District is responsible for appraising property in the District for ad valorem tax purposes of each taxing unit that imposes ad valorem taxes on property in the District.

The District is a political subdivision of the State of Texas and is considered a primary government. The financial statements of the District consist only of the funds of the District. The District has no oversight responsibility for any other governmental entity since no other entities are considered to be controlled by or dependent on the District. Control or dependence is determined on the basis of budget adoption, taxing authority, funding, and appointment of the respective governing board. Additionally, as the District is considered a primary government for financial reporting purposes, its activities are not considered a part of any other governmental or other type of reporting entity.

Note 2 - 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 activities of the primary government.

Note 3 - 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. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of timing of related cash flows.

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

Interest income is considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when the District receives cash.

The District reports the following governmental fund:

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

Note 4 - Assets, Liabilities and Net Position/Fund Balance

Deposits and Investments

The District’s cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the District to invest in certificates of deposit, fully collateralized repurchase agreements, public funds investment pools, obligations of the United States or its agencies, direct obligations of the State of Texas or its agencies, prime domestic bankers acceptances, commercial paper, SEC registered no-load money market mutual funds, other obligations which are unconditionally guaranteed or insured by the State of Texas or the United States or its agencies and instrumentalities, and obligations of states, agencies, counties, cities and other political subdivisions having been rated as to investment quality by a nationally recognized investment rating firm and having received a rating of not less than “A” or its equivalent.

The Board of Directors of the District authorize the District to invest, with certain stipulations, in fully collateralized time deposits, certificates of deposit, money market accounts, interest-bearing checking accounts or “NOW” accounts, and United States Treasury securities. At December 31, 2020, the District had \$441,382 invested in interest-bearing checking or savings accounts and certificates of deposit. During the year ended December 31, 2020, the District did not own any types of securities other than those permitted by statute.

Capital Assets

Capital assets, which include property, plant and equipment, are reported in the statement of net position. The District defines capital assets as assets with an initial, individual cost of \$1,000 or an estimated useful life in excess of four years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated assets are recorded at acquisition value. 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 of the District are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Office building/building improvements	30
Office furniture/equipment and computers	5-7

Long-Term Obligations

In the government-wide financial statements, long-term obligations such as accrued compensated absences for vacation leave and compensatory time and capital leases payable are reported as liabilities in the statement of net position.

Compensated Absences

In addition to other benefits provided, the District compensates eligible employees for vacation and sick leave. Vacation time is accrued bi-weekly based upon the term of employment. This vacation time can be carried over to subsequent years with a maximum accrual of 80 hours if tenure is less than 10 years, 120 hours for tenure over 10 years but less than 20 years and 160 hours for tenure over 20 years. In emergency cases the Chief Appraiser may approve accumulation of more than the maximum allowed hours. Sick leave is also accrued bi-weekly with a maximum accumulation of 320 hours. This time can be carried over to subsequent years. Sick leave is not paid upon termination.

Compensated absences are reported as expenditures and a fund liability of the general fund only if they have matured, for example as a result of employee resignations and retirements. Compensated absences are accrued as a long-term liability on the statement of net position when incurred.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and deferred outflows of resources and liabilities and deferred inflows of resources and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

Deferred Outflows

In addition to assets, the statement of net position will 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) until then. The District has deferred outflows of resources related to its pension and its OPEB plan.

Deferred Inflows

In addition to liabilities, the statement of net position will 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 deferred inflows of resources related to its pension and its OPEB plan.

Pensions

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

Other Post-Employment Benefits (OPEB)

The fiduciary net position of the Texas County & District Retirement System Group Term Life Program (GTLP) has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. This includes for purposes of measuring the total OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, OPEB expense, and information about assets, liabilities and additions to/deductions from GTLP's fiduciary net position. Benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms.

Assessments from Taxing Authorities

The District is primarily supported by assessments from the taxing entities in the District. These assessments are calculated using each entity's percentage of the District's operating budget based on each entity's total appraised levy within the District.

Note 5 - Stewardship, Compliance and Accountability

Budgetary Information

A budget is adopted for the general fund on a budget basis which differs from generally accepted accounting principles in that expenditures to be paid for out of prior years' surpluses are not budgeted. The operating budget was formally adopted by the Board of Directors ("the Board") at a public meeting prior to the start of the fiscal year in accordance with the Texas Property Tax Code Sections 6.06(a) and 6.06(b). The formally adopted budget may be legally amended by the Board with approval of the taxing entities in accordance with the Texas Property Tax Code Section 6.06(c). Budget transfers between expenditure line items require approval by the Board. Budgetary preparation and control is exercised at the fund level. Actual expenditures may not legally exceed appropriations at the fund level.

Note 6 - Detailed Notes on All Funds

Deposits and Investments

Custodial Credit Risk for Deposits: State law requires governmental entities to contract with financial institutions in which funds will be deposited to secure those deposits with insurance or pledged securities with a fair value equaling or exceeding the amount on deposit at the end of each business day. The pledged securities must be in the name of the governmental entity and held by the entity or its agent. The District's deposits at December 31, 2020, were fully secured by federal deposit insurance coverage as well as pledged securities. As such, the District has no custodial credit risk for deposits.

Compliance with the Public Funds Investment Act: The Public Funds Investment Act (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports and establishment of appropriate policies. Among other things, it requires the District to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, (9) and bid solicitation preferences for certificates of deposit.

The District is not exposed to custodial credit risk of investments, interest rate risk, or concentration risk as the District currently only invests in a fully collateralized NOW account and a certificate of deposit. To match anticipated cash flow requirements, the maximum weighted average maturity of the overall portfolio may not exceed three months. The Investment Officer may not invest more than 20% of the portfolio for a period greater than three months.

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The District does not have any investments subject to recurring fair value measurements at December 31, 2020, as the District's investment in certificates of deposit is reported at amortized cost.

A summary of investments at December 31, 2020, is as follows:

General Fund	Reported Value
Certificate of Deposit	\$ 87,404
Total	\$ 87,404

Interest rate risk

The District's policy does not address interest rate risk. At year end the District was not exposed to interest rate risk.

Credit risk - investments

State law limits investments in local government investment pools to those rated no lower than AAA or an equivalent rating by at least one nationally recognized rating service. The District's policy does not specifically address credit risk of investments.

Concentration of credit risk

The District's policy does not limit investments in any one issuer.

Note 7 - Capital Assets

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

	Balance January 1, 2020	Additions	Retirements	Balance December 31, 2020
<u>Governmental Activities:</u>				
Capital assets, not being depreciated				
Land	\$ 14,400	\$ -	\$ -	\$ 14,400
Total capital assets, not being depreciated	14,400	-	-	14,400
Capital assets, being depreciated				
Office building	118,908	-	-	118,908
Building improvements	163,528	3,700	-	167,228
Office furniture	9,926	1,000	-	10,926
Office equipment/computers	305,706	42,845	-	348,551
Total capital assets, being depreciated	598,068	47,545	-	645,613
Accumulated depreciation				
Office building	(118,908)	-	-	(118,908)
Building improvements	(57,287)	(5,946)	-	(63,233)
Office furniture	(7,842)	(528)	-	(8,370)
Office equipment/computers	(271,400)	(16,059)	-	(287,459)
Total accumulated depreciation	(455,437)	(22,533)	-	(477,970)
Total capital assets, being depreciated, net	142,631	25,012	-	167,643
Governmental activities capital assets, net	<u>\$ 157,031</u>	<u>\$ 25,012</u>	<u>\$ -</u>	<u>\$ 182,043</u>

The District recognized depreciation expense of \$22,533 in the statement of activities.

Note 8 - Long-Term Obligation

In 2020, the District obtained a lease for the purchase of two copier machines. The District is making monthly payments on the lease which carry no interest rate. The copiers' lease matures in 2025.

The changes in long-term obligations for the year ended December 31, 2020 were as follows:

	Balance January 1, 2020	Additions	Retirements	Balance December 31, 2020	Due Within One Year
Compensated absences	\$ 9,785	\$ 4,155	\$ 4,420	\$ 9,520	\$ -
Capital lease payable	-	33,895	-	33,895	6,779
Total	\$ 9,785	\$ 38,050	\$ 4,420	\$ 43,415	\$ 6,779

Assets acquired through capital leases as of December 31, 2020 were as follows:

<u>Assets</u>	
Office equipment	\$ 33,895
Less accumulated depreciation	-
Total	\$ 33,895

The future minimum lease obligations and the net present value of the minimum lease payments as of December 31, 2020 were as follows:

<u>December 31</u>	
2021	\$ 6,779
2022	6,779
2023	6,779
2024	6,779
2025	6,779
Total minimum lease payments	\$ 33,895

Note 9 - Unearned Revenue

The District assesses appraisal fees for the first quarter of the following year, prior to year-end. At December 31, 2020, the District had recorded unearned revenue of \$172,526 for appraisal assessments for 2021.

Note 10 - Fund Balance

The fund financial statements present fund balances classified in a hierarchy based on the strength of the constraints governing how these balances can be spent. These classifications are listed below in descending order of restrictiveness:

Nonspendable fund balance includes fund balance that cannot be spent either because it is not in spendable form or because of legal or contractual constraints. At December 31, 2020, the District had nonspendable fund balance of \$3,494 for prepaid expenditures.

Restricted fund balance includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation. At December 31, 2020, the District had no restricted fund balances.

Committed fund balance is established and modified by a resolution from the District's Board and can be used only for the specific purposes determined by the Board's resolution. The Board is the District's highest level of decision-making authority. At December 31, 2020, the District had no committed fund balances.

Assigned fund balance is intended to be used by the District for specific purposes but does not meet the criteria to be classified as restricted or committed. The Board of Directors collectively is authorized to make assignments. At December 31, 2020, the District had assigned fund balance of \$56,095 for a contingency reserve.

Unassigned fund balance is the residual classification for the District's general fund and includes all spendable amounts not contained in the other classifications.

The District uses restricted amounts first when both restricted and unrestricted fund balance are available. Additionally, the District would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

Note 11 - Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District's risk management program encompasses obtaining workers compensation and property and liability insurance through Texas Municipal League (TML) Intergovernmental Risk Pool, a public entity risk pool for the benefit of governmental units located within the state. TML Intergovernmental Risk Pool ("Pool") is considered a self-sustaining risk pool that provides coverage for its members. The District's contributions to the Pool are limited to the amount of premiums as calculated at the beginning of each fund year. Premiums reflect the claims experience to date of the District. The Pool's liability is limited to the coverage that the District elects as stated in the Pool's Declarations of Coverage for that fund year. The District has not had any significant reduction in insurance coverage and the amounts of insurance settlements have not exceeded insurance coverage for any of the last three years.

Note 12 - Pension Plan

Plan Description

The District provides retirement, disability, and death benefits for all of its full-time employees through a nontraditional defined benefit pension plan in the state-wide Texas County and District Retirement System (TCDRS). The Board of Trustees of TCDRS is responsible for the administration of the state-wide agent multiple-employer public employee retirement system consisting of approximately 800 nontraditional defined benefit pension plans. TCDRS in the aggregate issues a comprehensive annual financial report (CAFR) on a calendar year basis. The CAFR is available upon written request from the Texas County & District Retirement System at Barton Oaks Plaza IV, Ste. 500, 901 S. MoPac Expy., Austin, TX 78746, or at <https://www.tcdrs.org>.

Benefits Provided

The plan provisions are adopted by the governing body of the District, within the options available in the Texas state statutes governing TCDRS (TCDRS Act). Members can retire at ages 60 and above with 8 or more years of service or with 30 years of service regardless of age or when the sum of their age and years of service equals 80 or more. Members are vested after 8 years 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 deposits to the plan, with interest, and employer-financed monetary credits. The level of these monetary credits is adopted by the governing body of the employer within the actuarial constraints imposed by the TCDRS Act so that the resulting benefits can be expected to be adequately financed by the employer's commitment to contribute. At retirement, death, or disability, the benefit is calculated by converting the sum of the employee's accumulated deposits and the employer-financed monetary credits to a monthly annuity using annuity purchase rates prescribed by the TCDRS Act. There are no automatic post-employment benefit changes, including automatic COLAs. Ad hoc post-employment benefit changes, including ad hoc COLAs, can be granted by the District's Board within certain guidelines.

Membership

District membership in the TCDRS plan at December 31, 2019 consisted of the following:

Inactive Employees' Accounts	
Receiving Benefits	1
Entitled to but not yet receiving benefits	2
	<hr/>
Total	3
Active Employees' Accounts	10
	<hr/>
Total	10

Contributions

The District has elected the annually determined contribution rate (Variable-Rate) plan provisions of the TCDRS Act. The plan is funded by monthly contributions from both employee members and the District based on the covered payroll of employee members. Under the TCDRS Act, the contribution rate of the District is actuarially determined annually. The employee contribution rate and the employer contribution rate may be changed by the governing body of the District within the options available in the TCDRS Act.

	Contribution Rates	
	2019	2020
Member	4.0%	4.0%
Employer	5.92%	5.92%
Employer Contributions	\$ 22,827	\$ 23,370
Member Contributions	15,424	15,790

Actuarial Assumptions

The total pension liability in the December 31, 2019 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	December 31, 2019
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percentage of payroll, closed
Remaining Amortization Period	0.9 years
Asset Valuation Method	5 year smoothed market
Discount Rate *	8.10%
Long-term expected Investment Rate of Return *	8.10%
Salary Increases*	4.90%, average
Payroll Growth Rate	0.00%
<i>* Includes Inflation of 2.75%</i>	

The plan does not have an automatic cost-of-living adjustment and one is not considered to be substantively automatic under GASB No. 68. Therefore, no assumption for future cost-of-living adjustments is included in the GASB calculation or in the funding valuation. Each year, the plan may elect an ad-hoc COLA for its retirees.

Mortality rates for depositing members were based on 90% of the RP-2014 Active Employee Mortality Table for males and females as appropriate, with adjustments, projected with 110% of the MP-2014 Ultimate Scale after 2014. Service retirees, beneficiaries, and non-depositing members were based on 130% of the RP-2014 Healthy Annuitant Mortality Table for males and 110% of the RP-2014 Healthy Annuitant Mortality Table for females as appropriate, with adjustments, projected with 110% of the MP-2014 Ultimate Scale after 2014. Disabled retirees were based on 130% of the RP-2014 Disabled Annuitant Mortality Table for males and 115% of the MP-2014 Disabled Annuitant Mortality Table for females as appropriate, with adjustments, projected with 110% of the MP-2014 Ultimate Scale after 2014.

The actuarial assumptions were developed from an actuarial experience investigation of TCDRS over the years 2013 - 2016. Assumptions were recommended by Milliman, Inc., adopted by the TCDRS Board of Trustees in 2017 and first used in the December 31, 2017 actuarial valuation.

There were no changes in methods or actuarial assumptions reflected in the December 31, 2019 actuarial valuation.

Refer to the most recent CAFR issued by TCDRS for a complete discussion of all assumptions.

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.

In order to determine the discount rate to be used, the actuary used an alternative method to determine the sufficiency of the fiduciary net position in all future years. This alternative method reflects the funding requirements under the funding policy and the legal requirements under the TCDRS Act:

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

Based on the above, the projected fiduciary net position is determined to be sufficient compared to projected benefit payments. Based on the expected level of cash flows and investment returns to the system, the fiduciary net position as a percentage of total pension liability is projected to increase from its current level in future years.

Since the projected fiduciary net position is projected to be sufficient to pay projected benefit payments in all future years, the discount rate for purposes of calculating the total pension liability and net pension liability is equal to the long-term assumed rate of return on investments. This long-term assumed rate of return should be net of investment expenses, but gross of administrative expenses. Therefore, the actuary has used a discount rate of 8.10%. This rate reflects the long-term assumed rate of return on assets for funding purposes of 8.0%, net of all expenses, increased by 0.10% to be gross of administrative expenses.

The long-term expected rate of return on TCDRS assets is determined by adding expected inflation to expected long-term real returns and reflecting expected volatility and correlation. The capital market assumptions and information shown below are provided by TCDRS' investment consultant, Cliffwater LLC. The numbers shown are based on April 2020 information for a 10-year time horizon.

Note that the valuation assumption for long-term expected return is re-assessed at a minimum of every four years and is based on a 30-year time horizon; the most recent analysis was performed in 2017 based on the period January 1, 2013 – December 31, 2016. Best estimates of geometric real rates of return for each major asset class included in the target asset allocation are summarized below:

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%
International Equities - Developed Markets	MSCI World Ex USA (net)	7.00%	5.20%
International 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 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 Horizons IRRs.

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

At December 31, 2020, the District reported a net pension asset of \$33,806 for its share of the TCDRS's net pension liability measured at December 31, 2019. For the year ended December 31, 2020, the District recognized pension expense of \$11,803.

There were no changes of assumptions, methods or benefit terms that affected the measurement of the total pension liability during the measurement period.

Changes in the net pension asset for the measurement year ended December 31, 2019 are as follows:

<u>Changes in Net Pension Liability / (Asset)</u>	<u>Increase (Decrease)</u>		
	<u>Total Pension Liability (a)</u>	<u>Fiduciary Net Position (b)</u>	<u>Net Pension Liability / (Asset) (a) - (b)</u>
Balances at December 31, 2018	\$ 143,536	\$ 159,904	\$ (16,368)
Changes for the year			
Service cost	30,361	-	30,361
Interest on total pension liability [1]	14,061	-	14,061
Effect of plan changes [2]	-	-	-
Effect of economic/demographic gains or losses	3,761	-	3,761
Effect of assumptions changes or inputs	-	-	-
Refund of contributions	-	-	-
Benefit payments	(617)	(617)	-
Administrative expenses	-	(171)	171
Member contributions	-	15,424	(15,424)
Net investment income	-	26,221	(26,221)
Employer contributions	-	22,827	(22,827)
Other [3]	-	1,320	(1,320)
Balances as of December 31, 2019	<u>\$ 191,102</u>	<u>\$ 224,908</u>	<u>\$ (33,806)</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.

Discount Rate Sensitivity Analysis

The following presents the net pension liability (asset) of the District, calculated using the discount rate of 8.10%, as well as what the District's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (7.10%) or 1 percentage point higher (9.10%) than the current rate.

	1% Decrease (7.10%)	Current Discount Rate (8.10%)	1% Increase (9.10%)
Total pension liability	\$ 231,513	\$ 191,102	\$ 158,912
Fiduciary net position	224,908	224,908	224,908
Net pension (asset) liability	\$ 6,605	\$ (33,806)	\$ (65,996)

At December 31, 2020, the District reported its share of the TCDRS's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Inflows of Resources	Deferred Outflows of Resources
Differences between expected and actual economic experience	\$ 23,862	\$ 8,292
Changes in actuarial assumptions	-	703
Net difference between projected and actual investment earnings	2,761	-
Contributions paid to TCDRS subsequent to the measurement date	-	23,370
Total	\$ 26,623	\$ 32,365

\$23,370 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2021. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense in the District's fiscal years as follows:

Year Ended December 31	Pension Expense
2021	\$ (2,108)
2022	(2,402)
2023	(1,480)
2024	(4,203)
2025	(1,858)
Thereafter	(5,577)
	\$ (17,628)

Note 13 - Other Post-Employment Benefits

Plan Description

The District participates in the retiree Group Term Life (GTL) program for the Texas County & District Retirement System (TCDRS), which is a statewide, agent multiple-employer, public employee retirement system. The fund for this benefit is a separate trust administered by the board of TCDRS. The fund receives monthly participating employers' premiums and pays benefits when due. The obligations of the program are payable only from this fund, and are not an obligation of, or a claim against, the TCDRS Pension Trust Fund. The fund's assets are pooled with those of the Pension Trust Fund under provisions of the TCDRS Act and annually receive an allocation of income based on the fund value. No assets are accumulated in a trust that meets the criteria in GASB 74, paragraph 4, for the OPEB plan. This optional program provides group term life insurance coverage to currently employed members, and if elected by employers, to retirees.

Benefits Provided

Benefits are provided under the authority of the TCDRS Act and may be amended by the Texas State Legislature. Current employees of participating employers are insured for an amount equivalent to the employee's current annual compensation. Employers may also choose to cover retirees. Retirees are insured for \$5,000. Life insurance proceeds are payable as a lump sum. The coverage provided to retirees is a postemployment benefit other than pension benefits.

Membership

District membership in the GTL plan at December 31, 2019 consisted of the following:

Inactive Employees Accounts	
Receiving benefits	1
Entitled to but not yet receiving benefits	1
	<hr/>
	2
Active employees	10

Contributions

The District contributes to the GTL program at a contractually required rate. An annual actuarial valuation is performed, and the contractual rate is equal to the cost of providing one-year term life insurance. The premium rate is expressed as a percentage of the covered payroll of members employed by the participating employer. There is a one-year delay between the actuarial valuation that serves as the basis for the employer contribution rate and the calendar year when the rate goes into effect.

The GTL program is voluntary, and employers can cease participation at any time. Therefore, the funding policy of the program is to ensure that adequate resources are available to meet all insurance benefit payments for the upcoming year. It is not the intent of the funding policy to pre-fund retiree term life insurance during employees' entire careers. The District's contribution, which equaled the required contribution, were as follows for the years ended December 31:

	2019	2020
Employer rate	0.02%	0.02%
Employer contributions	\$ 77	\$ 78

Actuarial Assumptions

The total OPEB liability in the December 31, 2019 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	December 31, 2019
Actuarial Cost Method	Entry Age Normal
Amortization Method	Straight-line
Remaining Amortization Period	Expected working life
Asset Valuation Method	Does not apply
Discount Rate *	2.74%
Inflation Rate	Does not apply
Long-term expected Investment Rate of Return	Does not apply
Salary Increases	Does not apply
Payroll Growth Rate	Does not apply

* 20 Year Bond GO Index published by bondbuyer.com as of December 31, 2019.

The plan does not have an automatic cost-of-living adjustment. Therefore, no assumption for future cost-of-living adjustments is included in the GASB calculation or in the funding valuation. Each year, the plan may elect an ad hoc COLA for its retirees.

Mortality rates for depositing members were based on 90% of the RP-2014 Active Employee Mortality Table for males and females as appropriate, with adjustments, projected with 110% of the MP-2014 Ultimate Scale after 2014. Service retirees, beneficiaries, and non-depositing members were based on 130% of the RP-2014 Healthy Annuitant Mortality Table for males and 110% of the RP-2014 Healthy Annuitant Mortality Table for females as appropriate, with adjustments, projected with 110% of the MP-2014 Ultimate Scale after 2014. Disabled retirees were based on 130% of the RP-2014 Disabled Annuitant Mortality Table for males and 115% of the MP-2014 Disabled Annuitant Mortality Table for females as appropriate, with adjustments, projected with 110% of the MP-2014 Ultimate Scale after 2014.

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.

The actuarial assumptions and methods that determined the total OPEB liability as of December 31, 2019 were based on the results of an actuarial experience study for the period January 1, 2013 – December 31, 2016.

Discount Rate

The GTL program is treated as an unfunded OPEB plan because the GTL trust covers both actives and retirees and the assets are not segregated for these groups. A discount rate of 2.74% based on the 20 Year Bond GO Index published by bondbuyer.com is used as of the measurement date of December 31, 2019.

OPEB Liability, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At December 31, 2020, the District reported a total OPEB liability of \$8,110 measured at December 31, 2019. For the year ended December 31, 2020, the District recognized OPEB expense of \$1,006.

Changes in the total OPEB liability for the measurement year ended December 31, 2019 are as follows:

<u>Changes in Total OPEB Liability</u>	<u>Total OPEB Liability</u>
Balances as of December 31, 2018	\$ 5,185
Changes for the year	
Service Cost	533
Interest on total OPEB liability (1)	233
Changes of benefit terms (2)	-
Effect of economic/demographic experience	66
Effect of assumptions changes or inputs (3)	2,170
Benefit payments	(77)
Other	-
	<u>2,925</u>
Net changes	<u>2,925</u>
Balance as of December 31, 2019	<u>\$ 8,110</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) Reflects change in discount rate and the new assumptions adopted based on the January 1, 2013 – 31, 2016 Investigation of Experience.

Discount Rate Sensitivity Analysis

The following presents the total OPEB liability of the District, calculated using the discount rate of 4.10%, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (1.74%) or 1 percentage point higher (3.74%) than the current rate.

	1% Decrease (1.74%)	Discount Rate (2.74%)	1% Increase (3.74%)
Total OPEB Liability	\$ 10,431	\$ 8,110	\$ 6,429

At December 31, 2020, the District reported its deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Inflows of Resources	Deferred Outflows of Resources
Differences between expected and actual experience	\$ -	\$ 758
Changes in assumptions	673	2,190
Contributions paid to TCDRS subsequent to the measurement date	-	78
Total	\$ 673	\$ 3,026

\$78 reported as deferred outflows of resources related to OPEB resulting from contribution subsequent to the measurement date will be recognized as a reduction of the total OPEB liability for the year ended December 31, 2021. The other net amounts of the employer's balances of deferred outflows and inflows of resources related to OPEB, excluding contributions made subsequent to the measurement date, will be recognized in OPEB expense as follows:

Year Ended December 31	OPEB Expense
2021	\$ 241
2022	241
2023	241
2024	241
2025	241
Thereafter	1,070
	\$ 2,275

Note 14 - Contingencies

In the normal course of operations, the District is named as a defendant in various lawsuits regarding appraised values. The District's exposure is limited to attorney fees for the parties contesting their appraised taxable values.

Note 15 - Operating Leases

The District has an operating lease for equipment. Total lease expense for 2020 was \$947. Future minimum lease payments are as follows:

<u>Year</u>	
2021	\$ 1,389
2022	1,389
2023	1,389
2024	<u>695</u>
	<u>\$ 4,862</u>

Note 16 - Commitments

The District has contracted with a company for 2021 to provide the District with valuations of oil, gas, and certain other industrial properties for \$55,800.



Required Supplementary Information
December 31, 2020

Milam Appraisal District

	Year Ended December 31, 2019	Year Ended December 31, 2018	Year Ended December 31, 2017	Year Ended December 31, 2016	Year Ended December 31, 2015	Year Ended December 31, 2014
Total Pension Liability						
Service cost	\$ 30,361	\$ 26,539	\$ 24,595	\$ 29,363	\$ 23,140	\$ 45,935
Interest on total pension liability	14,061	10,432	7,561	4,244	4,737	1,824
Effect of plan changes	-	-	-	-	(2,169)	-
Effect of assumption changes or inputs	-	-	281	-	822	-
Effect of economic/demographic (gains) or losses	3,761	4,627	1,689	(2,352)	(36,129)	44
Change of assumptions	-	-	-	-	-	-
Benefit payments/refunds of contributions	(617)	(617)	(617)	(412)	-	-
Net change in total pension liability	47,566	40,981	33,508	30,843	(9,599)	47,803
Total pension liability, beginning	143,536	102,555	69,047	38,204	47,803	-
Total pension liability, ending (a)	<u>\$ 191,102</u>	<u>\$ 143,536</u>	<u>\$ 102,555</u>	<u>\$ 69,047</u>	<u>\$ 38,204</u>	<u>\$ 47,803</u>
Fiduciary Net Position						
Contributions - Employer	\$ 22,827	\$ 21,026	\$ 19,390	\$ 17,787	\$ 26,274	\$ 4,941
Contributions - Member	15,424	14,207	12,423	12,141	13,179	3,379
Investment income net of investment expenses	26,221	(1,967)	12,514	3,611	(502)	33
Benefit payments/refunds of contributions	(617)	(617)	(617)	(412)	-	-
Administrative expenses	(171)	(128)	(84)	(39)	(21)	(3)
Other	1,320	1,043	417	1,932	(2)	-
Net change in fiduciary net position	65,004	33,564	44,043	35,020	38,928	8,349
Fiduciary net position, beginning	159,904	126,340	82,297	47,277	8,349	-
Fiduciary net position, ending (b)	<u>\$ 224,908</u>	<u>\$ 159,904</u>	<u>\$ 126,340</u>	<u>\$ 82,297</u>	<u>\$ 47,277</u>	<u>\$ 8,349</u>

Net pension liability /						
(asset), ending = (a) - (b)	<u>\$ (33,806)</u>	<u>\$ (16,368)</u>	<u>\$ (23,785)</u>	<u>\$ (13,250)</u>	<u>\$ (9,073)</u>	<u>\$ 39,454</u>
Fiduciary net position as a percentage of total pension liability	117.69%	111.40%	123.19%	119.19%	123.75%	17.47%
Covered payroll	\$ 385,583	\$ 355,172	\$ 310,575	\$ 303,528	\$ 329,468	\$ 337,874
Net pension liability/(asset) as a percentage of covered payroll	-8.77%	-4.61%	-7.66%	-4.37%	-2.75%	11.68%

Milam Appraisal District
 Schedule of Employer Contributions – Texas County & District Retirement System
 December 31, 2020

Year Ending December 31,	Actuarially Determined Contribution	Actual Employer Contribution	Contribution Deficiency (Excess)	Pensionable Covered Payroll	Actual Contribution as a Percentage of Covered Payroll
2011	\$ -	\$ -	\$ -	\$ -	\$ -
2012	-	-	-	-	-
2013	-	-	-	-	-
2014	4,367	4,941	(574)	84,469	5.85%
2015	17,033	26,274	(9,241)	329,468	7.97%
2016	14,084	17,787	(3,703)	303,528	5.86%
2017	13,634	19,390	(5,756)	310,575	6.24%
2018	14,988	21,026	(6,038)	355,172	5.92%
2019	15,385	22,827	(7,442)	385,583	5.92%
2020	14,962	23,370	(8,408)	394,764	5.92%

Schedule of Changes in Total OPEB Liability and Related Ratios – Texas County & District Retirement System
Year Ended December 31, 2020

	Year Ended December 31, 2019	Year Ended December 31, 2018	Year Ended December 31, 2017
Total OPEB Liability			
Service cost	\$ 533	\$ 563	\$ 460
Interest on total OPEB liability	233	198	148
Effect of plan changes	-	-	-
Effect of assumption changes or inputs	66	(823)	298
Effect of economic/demographic (gains) or losses	2,170	90	858
Benefit payments/refunds of contributions	(77)	(71)	-
Net change in total OPEB liability	2,925	(43)	1,764
Total OPEB liability, beginning	5,185	5,228	3,464
Total OPEB liability, ending	<u>\$ 8,110</u>	<u>\$ 5,185</u>	<u>\$ 5,228</u>
Covered payroll	\$ 385,953	\$ 355,172	\$ 310,575
Total OPEB liability as a percentage of covered payroll	2.10%	1.46%	1.68%

Note: No assets are accumulated in a trust that meets the criteria in GASB 74, paragraph 4 for the OPEB plan.

GASB Statement No. 75 requires ten years of information to be presented in this table. However, until ten years of data is available, the District will present information only for those years for which information is available.

Note A: Net Pension Liability- Texas County & District Retirement System

Assumptions

The following methods and assumptions were used to determine contribution rates:

Valuation date	Actuarially determined contribution rates are calculated as of 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	0.9 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 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.
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 plan provisions	No changes in plan provisions were reflected in the Schedule.

Note B: Total OPEB Liability- Texas County & District Retirement System

Assumptions

The following methods and assumptions were used to determine contribution rates:

Valuation date	Actuarially determined contribution rates are calculated as of December 31, two years prior to the end of the fiscal year in which contributions are reported.
Actuarial cost method	Entry age normal
Amortization method	Straight-line amortization
Remaining amortization period	Expected working life
Discount rate	2.74%; 20 Year Bond GO Index published by bondbuyer.com as of December 31, 2019
Retirement Age	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.
Mortality	Mortality rates for depositing members were based on 90% of the RP-2014 Active Employee Mortality Table for males and females as appropriate, with adjustments, projected with 110% of the MP-2014 Ultimate Scale after 2014. Service retirees, beneficiaries, and non-depositing members were based on 130% of the RP-2014 Healthy Annuitant Mortality Table for males and 110% of the RP-2014 Healthy Annuitant Mortality Table for females as appropriate, with adjustments, projected with 110% of the MP-2014 Ultimate Scale after 2014. Disabled retirees were based on 130% of the RP-2014 Disabled Annuitant Mortality Table for males and 115% of the MP-2014 Disabled Annuitant Mortality Table for females as appropriate, with adjustments, projected with 110% of the MP-2014 Ultimate Scale after 2014.
Change in discount rate	The discount rate was changed from 4.10% to 2.74%.