

Shackelford County Appraisal District
Adopted Operating Budget
2019

Adopted by the Board of Directors on 8/13/2018

Shackelford County Appraisal District
2019 Adopted Operating Budget
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Shackelford County Appraisal District
 Adopted Budget - Statement of Revenues, Expenditures, and Change in Fund Balance
 Year Ended December 31, 2019

	2019 Adopted
Revenues	
Local funding	\$ 371,361
Other income	7,100
	378,461
Expenditures	
Appraisal	211,606
Assessing and collecting	95,652
Administrative	36,255
Building expense	23,348
Capital outlay	1,200
	368,061
Excess of revenues over (under) expenditures	10,400
Beginning fund balance (estimated)	71,744
Ending fund balance (estimated)	\$ 82,144

See accompanying notes to the adopted budget

Shackelford County Appraisal District
 Adopted Budget - Detail and Comparative Analysis
 Year Ended December 31, 2019

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2019 / 2018</u>	<u>2019 / 2017</u>
	Adopted Budget	Adopted Budget	Unaudited Actual	Budget Vs. Budget	Budget Vs. Actual
Revenues					
Local funding	\$ 371,361	\$ 365,444	\$ 360,308	\$ 5,917	\$ 11,053
Other income	7,100	6,000	10,587	1,100	(3,487)
	<u>378,461</u>	<u>371,444</u>	<u>370,895</u>	<u>7,017</u>	<u>7,566</u>
Expenditures					
Appraisal services	52,000	47,500	47,000	4,500	5,000
Appraisal review board	2,000	2,000	1,719	-	281
Audit	4,000	4,000	4,000	-	-
Appraising expense	500	3,000	2,060	(2,500)	(1,560)
Software and computer maintenance:	44,236	42,000	42,185	2,236	2,051
Consulting	3,000	8,000	15,300	(5,000)	(12,300)
Education and training	3,500	3,500	246	-	3,254
Employee expenditures	222,077	211,176	195,982	10,901	26,096
Insurance	2,500	2,126	2,306	374	194
Office expense	9,700	12,500	10,194	(2,800)	(494)
Building:					
Insurance - building	500	500	300	-	200
Repairs and maintenance	-	-	3,991	-	(3,991)
Debt service	13,800	13,800	13,760	-	40
Utilities	8,000	8,000	7,459	-	541
Property taxes	1,048	1,800	1,048	(752)	-
Capital outlay	1,200	1,200	6,609	-	(5,409)
	<u>368,061</u>	<u>361,102</u>	<u>354,159</u>	<u>6,959</u>	<u>13,902</u>
Excess of revenues over (under) expenditures	10,400	10,342	16,736	58	(6,336)
Beginning fund balance	71,744	61,402	44,666	27,078	27,078
Ending fund balance	<u>\$ 82,144</u>	<u>\$ 71,744</u>	<u>\$ 61,402</u>	<u>\$ 27,136</u>	<u>\$ 20,742</u>

See accompanying notes to the adopted budget

Shackelford County Appraisal District
Notes to the Adopted Budget
Year Ended December 31, 2019

Note 1: Revenues

The Shackelford County Appraisal District (hereafter referred to as "the District") generates revenues from both governmental and business like activities in order to operate as the jurisdictional appraisal district and central tax office. Governmental activities are made up of revenues received in the form of local funding from authorized taxing units of which the District appraises and assesses property within the District's jurisdiction, as well as other fees collected in association with governmental activities. Business like activities consist of revenues generated from the leasing of District owned vacant office space to other organizations. For budgeting purposes, any revenues other than local funding are classified as "other income". Below is a reconciliation of revenues by activity type and budget classification to total revenues.

Reconciliation of revenues by activity type			
	Budgeted 2019	Budgeted 2018	Actual 2017
<u>Governmental activities:</u>			
Local funding	\$ 371,361	\$ 365,444	\$ 360,308
Interest income	1,000	100	2,589
Miscellaneous income	700	500	823
	373,061	366,044	363,720
<u>Business like activities:</u>			
Rents received - Budgeted & actual	5,400	5,400	7,175
Total revenues	\$ 378,461	\$ 371,444	\$ 370,895

Reconciliation of budget class			
	Budgeted 2019	Budgeted 2018	Actual 2017
Local funding	\$ 371,361	\$ 365,444	\$ 360,308
Other income	7,100	6,000	10,587
Budgeted & actual	\$ 378,461	\$ 371,444	\$ 370,895

Note 2: Local Funding

The local funding required by the District to operate (local funding need) is calculated considering total expenditures, less any other revenues, and excluding any restricted revenues from other sources that are designated for specific purpose funds. The following is the calculation for 2019 local funding.

Total estimated expenditures	\$ 368,061
Reserve for litigation fund	5,000
Less: other revenues not otherwise committed	(1,700)
	\$ 371,361

Shackelford County Appraisal District
Notes to the Adopted Budget
Year Ended December 31, 2019

Note 2: Local Funding - continued

The individual taxing unit's contribution to the local funding need is proportionate to the tax unit's tax levy compared to the total of all tax levies in the District's appraising jurisdiction. The local funding rate for each tax unit is allocated based on the taxing unit's percentage of total taxes levied in the District's jurisdiction during the second prior year (allocation rate). The amount of local funding shared by the tax unit is computed by multiplying the allocation rate by the tax unit's first prior year tax levy, of which is being collected in the current budget year (cost share). Below is the calculation of this process applicable to the current year budget.

	2019	2018	Increase
	Cost Share	Cost Share	(Decrease)
Shackelford County	\$ 100,579	\$ 105,184	\$ (4,605)
Shackelford County Hospital District	34,919	36,562	(1,643)
City of Albany	16,146	16,590	(444)
Albany ISD	107,415	82,963	24,452
City of Moran	861	909	(48)
Moran ISD	15,363	14,308	1,055
Clyde CISD	89,324	101,798	(12,474)
Lueders-Avoca ISD	6,754	7,130	(376)
	<u>\$ 371,361</u>	<u>\$ 365,444</u>	<u>\$ 5,917</u>

	2019	2018	Increase
	Allo. Rate	Allo. Rate	(Decrease)
Shackelford County	% 27.08	% 28.78	% (1.70)
Shackelford County Hospital District	9.40	10.00	(0.60)
City of Albany	4.35	4.54	(0.19)
Albany ISD	28.92	22.70	6.22
City of Moran	0.23	0.25	(0.02)
Moran ISD	4.14	3.92	0.22
Clyde CISD	24.05	27.86	(3.80)
Lueders-Avoca ISD	% 1.82	% 1.95	% (0.13)

Changes in the cost share per tax unit are substantial for 2019 as a result of Albany ISD's chapter 313 school value limitation agreement term ending during the 2017 tax levy. This event increases the tax levy for Albany ISD and in return increases their local funding burden while alleviating the local funding burden on the other taxing units, of which their tax levies experienced less volatility. As other taxing units end their 313, or abatement agreements, the local funding burden will become less volatile year-to-year.

Shackelford County Appraisal District
Notes to the Adopted Budget
Year Ended December 31, 2019

Note 3: Other Income

Other revenues consist of interest, miscellaneous, and office rent income. Interest is earned on deposits associated with the Central Tax Office, a fiduciary fund of the District, as well as deposits associated with the District's operations. Rent income is earned from leasing out the unused office space located at the District's office location. However, through actions taken by the Board of Directors rental income has been designated as 'committed', and therefore is restricted for use in the upkeep of the office facility. Any unused committed funds are retained and accumulated in the 'building contingency fund', until they are needed. Use of these committed funds for ordinary budget items is only permissible through action from the Board of Directors. Below is a breakdown of other income as budgeted for 2019.

Interest income	\$	1,000
Miscellaneous income		700
Rent income (committed revenues)		5,400
	\$	7,100

Note 4: Expenditures

The District incurs operating expenditures through both governmental and business like activities, although almost all expenditures are related to governmental activities. Expenditures related to governmental activities are related to the appraising and assessing/collecting of real property taxes and compliance with state regulator requirements. Expenditures related to business like activities are related to the leasing of District owned vacant office space.

Note 5: Appraisal Services

The District contracts with Capitol Appraisal Group, LLC for appraisal services on mineral, industrial and utility properties that require specialized valuation techniques. From as late as 2018, the District performed their own appraisals of the industrial windfarms, however, with abatements and 313 agreements ended or ending, the windfarm industry is becoming increasingly more difficult to negotiate values with for a district with limited resources available. Therefore, the District is proposing to include this area in the Capitol Appraisal Group's contract for 2019, thus increasing the expected cost of appraisal services by \$4,500.

	Budgeted 2019	Budgeted 2018	Actual 2017
Appraisal Services - Budgeted & actual	\$ 52,000	\$ 47,500	\$ 47,000

Shackelford County Appraisal District
Notes to the Adopted Budget
Year Ended December 31, 2019

Note 6: Appraisal Review Board

The Appraisal Review Board (ARB) is a required panel that reviews taxpayer appeals during the protest period. The ARB members are required by state law to attend training and to have legal representation. ARB members are compensated at a rate of \$100 per day of service to the board, and are entitled to be reimbursed for expenditures associated with out-of-town travel for ARB purposes. The extent of compensation costs to be expected depends on the number of taxpayers that request to go before the ARB and seek judgment.

Note 7: Audit

An annual audit of the District's financial statements is required in accordance with state law. An audit must be completed by the 150th day following the fiscal year end, and must be 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.

Note 8: Appraising Expense

Employees of the District are reimbursed for travel while performing appraisal services for the District in their own vehicle. Mileage is reimbursed at the standard government rate as published by the IRS, and thus is estimated based on the miles needed to travel the reappraisal area.

Note 9: Software and Computer Maintenance (IT Expense)

The District contracts with True Automation to provide license and support for PACS software, used to compute annual tax levies and appraise individual properties as well as the collection of tax levies. BIS Consulting provides mapping of property lines and aerial overlays as well as IT services through a contract. Lesser software licenses are payable to Intuit for QuickBooks. Below is the amount Budgeted for 2019 compared to the approved 2018 budget, as well the actual 2017 expenditure.

	Service Type		
	Budgeted 2019	Budgeted 2018	Actual 2017
Appraisal and collection software licenses	\$ 29,678	\$ 27,500	\$ 27,618
IT maintenance and mapping services	13,558	13,300	13,579
Other software and licenses	1,000	1,200	988
	<u>\$ 44,236</u>	<u>\$ 42,000</u>	<u>\$ 42,185</u>

Shackelford County Appraisal District
Notes to the Adopted Budget
Year Ended December 31, 2019

Note 10: Consulting

State law requires that a chief appraiser be a Registered Professional Appraiser under the provisions of the Texas Department of Licensing and Regulation and a Registered Tax Assessor to conduct collection matters. Previously the District did not have such a person, and it was necessary for the District to have a consultant to meet this requirement. The Chief Appraiser candidate will be licensed in August of 2019, and therefore, will take over all of the responsibilities delegated to the prior consultant. However, the Chief Appraiser Candidate may need guidance from the former Interim Chief Appraiser, and therefore, proposes to retain Western Valuation, LLC as a consultant for \$250/month. As a result, the budgeted cost for consulting is \$3,000 for 2019.

	Budgeted 2019	Budgeted 2018	Actual 2017
Consulting	\$ 3,000	\$ 8,000	\$ 15,300

Note 11: Education and Training

State law requires the District to be under the supervision of licensed chief appraiser. The Chief Appraiser candidate will have a license in August of 2019, however, there is an additional requirement that the newly licensed candidate attend the Chief Appraiser's Institute within 1 year of receiving an RPA. This will complete the educational need for the Chief Appraiser candidate with exception to required education credits periodically obtained to stay in good standing with the TDLR (Texas Department of Licensing and Registration).

As part of succession and contingency planning by the District, the board of directors approved for other employees of the District to begin the certification process in order to limit the risk of increased budgetary needs to meet regulatory requirements in the future. The expenses related to certification are expected to decrease as the now assistant chief appraiser is nearing the licensing stage in 2019, however, the now Assistant Chief Appraiser candidate will need to continue working towards an RPA.

In addition, employees need additional training to stay current with software and law updates, which are typically available at appraisal district related conferences in metropolitan areas. Conventions and training seminars ensure that the District's employees are up to date on appraisal and collection practices.

	Budgeted 2019	Budgeted 2018	Actual 2017
Education and Training	\$ 3,500	\$ 3,500	\$ 246

Shackelford County Appraisal District
Notes to the Adopted Budget
Year Ended December 31, 2019

Note 12: Employee Expense

The District evaluates employee salaries annually based on, but not limited to, related labor market trends in demand, supply and competition, employee merit, responsibility, reliability and job performance, employee education level and skill set, regulatory requirements, the District's budgetary constraints, and economic factors affecting the District's jurisdiction. District employees are evaluated individually based on, but not limited to, the criteria previously mentioned, and are not evaluated based on a standard pay scale.

In 2019, the Chief Appraiser candidate will be eligible to take over responsibilities from the interim Chief Appraiser. With the exit of the interim, sole responsibility will be on the District's staff, and therefore, it is being Budgeted to expand the responsibilities of certain staff members and compensate them accordingly.

The District currently contributes 250% in matching employee contributions to retirement as an additional incentive for employee retainage, through TCDRS (*Texas County & District Retirement System*) . Exceptional retirement contributions are made affordable to the District through the exemption from the social security tax. As a condition for the exemption, employees must contribute 7% to retirement, of which is roughly equal to the social security portion of FICA (*Federal Insurance Contributions Act*). Employees must work for the District or another qualifying organization for 10 years in order to vest the District's matching contribution. Actuarial calculations determine the present contribution rate required of the District to meet its obligations. TCDRS estimates that the District's contribution rate will increase to 14.02% from 13.67% for 2019.

In response to the requirement for small businesses to comply with the Affordable Care Act, beginning in 2017, the District approved health insurance coverage for employees beginning in October 2015 (the insurance plan year). Health insurance expense is classified, for budgeting purposes, as part of employee expenditures instead of insurance expense because the need arises as a result and is contingent upon employees. For 2019 the District is estimating a 15% increase in cost.

Below is a comparative analysis and breakdown of employee expenditure categories.

	Budgeted 2019	Budgeted 2018	Actual 2017	2019 / 2018 Differences
Salaries	\$ 167,750	\$ 161,250	\$ 146,915	\$ 6,500
Retirement contributions	23,519	21,858	19,248	1,661
Payroll taxes	3,032	2,660	3,731	372
Insurance & allowances	27,776	25,408	25,088	2,368
	<u>\$ 222,077</u>	<u>\$ 211,176</u>	<u>\$ 194,982</u>	<u>\$ 10,901</u>

Further detail on employee expenditures by position can be seen in the supplemental information.

Shackelford County Appraisal District
Notes to the Adopted Budget
Year Ended December 31, 2019

Note 13: Office Expenditures

Office expenditures consist of various items considered necessary to operate the District's office. The budget reflects small decreases when compared to the prior year. Aside from basic office supplies, this includes general liability insurance, postage and mailing services, as well as various fees associated with licenses and dues, legal fees, county document fees, and etc. The District purchases as much locally as is possible. Below is a breakdown of the contents of office expenditures, less liability insurance as Budgeted for 2019.

Office supplies and administrative expenses	\$	2,500
Postage/mailing		5,500
Licenses, fees, and dues		1,700
	\$	9,700

Note 14: Building Expense

Building expense consists of the costs associated with the maintenance and cost of servicing the debt obligations of the office and rental properties owned by the District. In 2015, the District approved the creation of a contingency fund for which rent income would be 'Committed', to protect the District against major repairs and damages or other property related contingencies that might exceed Budgeted expenses. Through this committed fund, the board of directors may also approve the use of funds for general operating purposes if all other options are exhausted. Because funds are committed for repairs, if necessary, the District does not budget repairs.

Note 15: Capital Outlay

The District budgets for larger capital expenditures when they are necessary for the continuation of operations or the improvement of operations. Purchases of less than \$5,000 are not capitalized regardless of their useful life in accordance with the District's policy. The District previously put a plan into place to begin replacing computer systems periodically starting in 2018. The schedule below shows the amount Budgeted for 2019 compared to the approved 2018 budget, as well as the actual 2017 expenditure.

	Budgeted 2019	Budgeted 2018	Actual 2017
Capital outlay	\$ 1,200	\$ 1,200	\$ 6,609

Shackelford County Appraisal District
Notes to the Adopted Budget
Year Ended December 31, 2019

Note 16: Litigation Contingency

The District's auditor has recommended that a litigation contingency fund be set up to combat any unexpected appraisal litigation costs in the future. Litigation expenses can range from \$10,000 to \$100,000 depending on the type of assets. This would lessen the risk of increasing local funding need to taxing units in the middle of the budget year. Given the current fund balance, the District is proposing \$5,000 of local funding be committed each year until an appropriate level of fund balance as compared to the whole annual budget is reached (approximately 20% of annual expenditures). These funds will be committed to the litigation contingency fund and only usable with board action. The expected future contributions to this fund as of this report date are as follows.

	<u>Average</u>	<u>Budgeted 2018</u>	<u>Unaudited 2017</u>	<u>Audited 2016</u>
Average annual expenditures	360,093	361,102	354,159	365,019
	X 20%			
Target balance	<u>72,019</u>			
Beginning fund balance	(71,744)			
Less: building fund	27,900			
Contributions schedule:				
2019	(5,000)			
2020	(5,000)			
2021	(5,000)			
2022	(5,000)			
2023	(5,000)			
2024	(3,175)			
	<u>(72,019)</u>			

Shackelford County Appraisal District
Notes to the Adopted Budget
Year Ended December 31, 2019

Note 17: Fund Balance

Fund balances are divided into general and committed classifications. Committed funds consist of the building contingency fund and the litigation contingency fund. All other funds are considered unassigned and go to the general fund. Committed revenues include litigation contingency expense taken from local funding and building contingency revenues taken from rents received. See the schedules below for further detail.

	General Fund (Unassigned)		
	Estimated 2019	Estimated 2018	Actual 2017
Beginning fund balance	\$ 38,844	\$ 38,902	\$ 29,341
Unassigned funds added (used)	-	(58)	9,561
	\$ 38,844	\$ 38,844	\$ 38,902

	Committed Fund - Building		
	Estimated 2019	Estimated 2018	Actual 2017
Beginning fund balance	\$ 27,900	\$ 22,500	\$ 15,325
Committed funds added (used)	5,400	5,400	7,175
	\$ 33,300	\$ 27,900	\$ 22,500

	Committed Fund - Litigation		
	Estimated 2019	Estimated 2018	Actual 2017
Beginning fund balance	\$ 5,000	\$ -	\$ -
Committed funds added (used)	5,000	5,000	-
	\$ 10,000	\$ 5,000	\$ -

	Total Fund Balance		
	Estimated 2019	Estimated 2018	Actual 2017
Beginning	\$ 71,744	\$ 61,402	\$ 44,666
Net funds added (used)	10,400	10,342	16,736
	82,144	71,744	61,402

Required Supplementary Information

Shackelford County Appraisal District
 Supplementary Information - Detail of the Actual and Budgeted Employee Expenditures
 Year Ended December 31, 2019

Salary Expenditures					
Position	2017	2018	2019	Budget Change	
	Actual	Budgeted	Budgeted	\$	%
Chief Appraiser	56,000	60,000	60,000	-	0.00%
Assistant Chief Appraiser	30,000	35,000	40,000	5,000	14.29%
Collections/Office Manager	34,250	34,250	34,250	-	0.00%
Appraisal/Collections Clerk	26,665	32,000	33,500	1,500	4.69%
	146,915	161,250	167,750	6,500	4.03%
Retirement Expenditures					
Position	2017	2018	2019	Budget Change	
	Actual	Budgeted	Budgeted	\$	%
Chief Appraiser	7,112	8,133	8,412	279	3.43%
Assistant Chief Appraiser	3,755	4,744	5,608	864	18.21%
Collections/Office Manager	5,047	4,643	4,802	159	3.42%
Appraisal/Collections Clerk	3,333	4,338	4,697	359	8.27%
	19,248	21,858	23,519	1,661	7.60%
Payroll Tax Expenditures					
Position	2017	2018	2019	Budget Change	
	Actual	Budgeted	Budgeted	\$	%
Chief Appraiser	1,422	958	1,020	62	6.47%
Assistant Chief Appraiser	762	558	730	172	30.82%
Collections/Office Manager	870	634	647	13	1.99%
Appraisal/Collections Clerk	677	510	636	126	24.66%
	3,731	2,660	3,032	372	14.00%
Health Insurance/Allowance Expenditures					
Position	2017	2018	2019	Budget Change	
	Actual	Budgeted	Budgeted	\$	%
Chief Appraiser	6,446	6,636	7,342	706	10.64%
Assistant Chief Appraiser	6,446	6,636	7,342	706	10.64%
Collections/Office Manager	5,750	5,500	5,750	250	4.55%
Appraisal/Collections Clerk	6,446	6,636	7,342	706	10.64%
	25,088	25,408	27,776	2,368	9.32%
Total Employee Expenditures	194,982	211,176	222,077	10,901	5.16%

* 2017 actual amounts are unaudited as of the date of this report.

Non-required Supplementary Information

Shackelford County Appraisal District
 Supplementary Information - Budget Expenditure Allocation by Tax Unit
 Year Ended December 31, 2019

	City of Albany	Albany ISD	Clyde CISD	Lueders- Avoca ISD	City of Moran
Appraisal services	\$ 2,261	\$ 15,040	\$ 12,509	\$ 946	\$ 121
Appraisal review board	87	578	481	36	5
Audit	174	1,157	962	73	9
Appraising expense	22	145	120	10	1
Software and computer maintenance:	1,923	12,795	10,640	805	103
Consulting	130	868	722	55	7
Education and training	152	1,012	842	64	8
Employee expenditures	9,655	64,235	53,417	4,039	515
Insurance	109	723	601	45	6
Office expense	422	2,806	2,333	176	22
Building:					
Insurance - building	22	145	120	9	1
Repairs & maintenance	-	-	-	-	-
Debt service	600	3,992	3,319	251	33
Utilities	348	2,314	1,924	145	19
Property taxes	46	303	252	19	2
Capital outlay	52	347	289	22	3
Litigation contingency fund	217	1,446	1,203	91	12
Other governmental revenues	(74)	(492)	(409)	(31)	(4)
<i>Rounding</i>	-	1	(1)	(1)	(2)
Cost Share	\$ <u>16,146</u>	\$ <u>107,415</u>	\$ <u>89,324</u>	\$ <u>6,754</u>	\$ <u>861</u>

<u>Moran ISD</u>	<u>Shackelford County</u>	<u>Shackelford County HD</u>	<u>Rounding</u>	<u>Total</u>
\$ 2,151	\$ 14,084	\$ 4,890	\$ (2)	\$ 52,000
83	542	188	-	2,000
165	1,083	376	1	4,000
21	135	47	(1)	500
1,830	11,981	4,159	-	44,236
124	813	282	(1)	3,000
145	948	329	-	3,500
9,188	60,147	20,882	(1)	222,077
103	677	235	1	2,500
401	2,627	912	1	9,700
21	135	46	1	500
-	-	-	-	-
571	3,738	1,298	(2)	13,800
331	2,167	752	-	8,000
43	285	99	(1)	1,048
50	325	113	(1)	1,200
207	1,354	470	-	5,000
(70)	(460)	(160)	-	(1,700)
(1)	(2)	1	5	-
<u>\$ 15,363</u>	<u>\$ 100,579</u>	<u>\$ 34,919</u>	<u>\$ -</u>	<u>\$ 371,361</u>