

**LIBERTY COUNTY
CENTRAL APPRAISAL DISTRICT
FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015**

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FOR THE YEAR ENDED DECEMBER 31, 2015**

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FINANCIAL SECTION

SWAIM, BRENTS & ASSOCIATES, P.C.
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Independent Auditor's Report

Board of Directors
Liberty County Central Appraisal District
Liberty, Texas

We have audited the accompanying financial statements of the governmental activities and the general fund of Liberty County Central Appraisal District (the District) as of and for the year ended December 31, 2015, 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 from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and the general fund of Liberty County Central Appraisal District as of December 31, 2015, and the respective changes in financial position for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As discussed in Note 11 to the financial statements, effective January 1, 2015, the District adopted new accounting guidance, GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison and pension plan information on pages 3 through 8 and 25 through 27 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Liberty County Central Appraisal District's basic financial statements. The supplementary information section in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Swaim, Brents & Associates, P.C.

Swaim, Brents & Associates, P.C.
Liberty, Texas
March 23, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of Liberty County Central Appraisal District's (the District) annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year ended December 31, 2015. Please read it in conjunction with the District's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

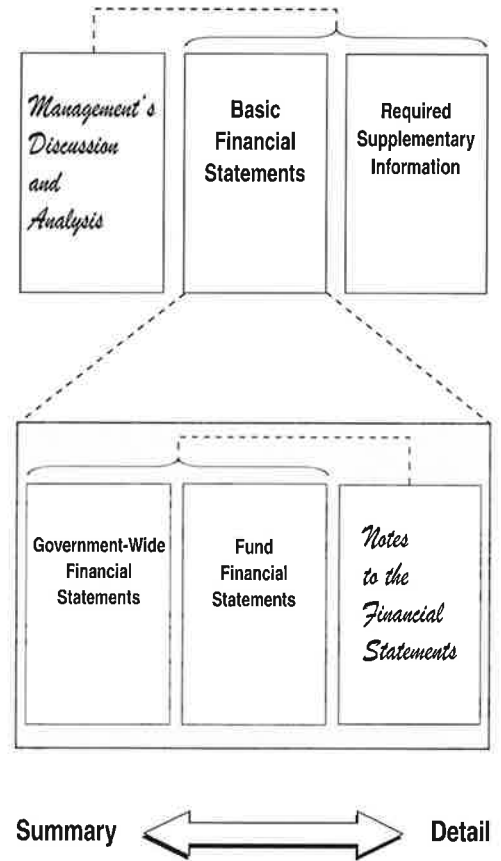
- The District's total combined net position was \$750.8 thousand at December 31, 2015, compared to \$678.9 thousand at December 31, 2014.
- During the year, the District's total expenses of \$2.4 million were more than offset by \$2.7 million in intergovernmental revenues and fees. Revenues exceeded the 2014 levels by \$19.0 thousand (1%) primarily due to intergovernmental revenue budgeted and assessed to the taxing entities.
- The general fund reported a fund balance of \$134.5 thousand at December 31, 2015. The fund balance is restricted to be credited to the taxing entities for the 2015 budget surplus (\$134.5 thousand). This compared to \$218.5 thousand restricted at December 31, 2014. The 2014 surplus was used in part for a voluntary principal reduction on the building loan of \$109.4 thousand. The remainder was credited to the taxing entities in 2015.
- Effective for fiscal year 2015, the District implemented a change in accounting principle related to pensions. As a result, the District recognized the net pension liability and a corresponding increase in net position of \$19.6 thousand at the beginning of the year.

OVERVIEW OF THE FINANCIAL STATEMENTS

In accordance with GASB Statement No. 34 – *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, the basic financial statements include both government-wide and fund financial statements. GASB Statement No. 34 provides that for special-purpose governments engaged in a single government program, the fund financial statements and the government-wide statements may be combined. The District has elected to present financial statements under this combined method. Additionally, the District implemented GASB Statement No. 63 – *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position*. The statement amends the net asset reporting requirements of GASB Statement No. 34 by incorporating deferred inflows and outflows of resources into the required components of the residual measure and renaming that measure as net position. The basic financial statements of the District include (a) Management's Discussion and Analysis, (b) Government-wide Financial Statements combined with Fund Financial Statements, (c) Notes to Financial Statements; and (d) Required Supplementary Information. The basis of presentation and the basis of accounting for the government-wide and fund financial statements utilized in the combined statements is discussed below:

- The *government-wide financial statements* provide both *long-term* and *short-term* information about the District's overall financial status.
- The *fund financial statements* focus on *individual parts* of the government, reporting the District's operations in more detail than the government-wide statements.
- The *governmental funds* statements tell how *general government* services were financed in the *short term* as well as what remains for future spending.

Figure A-1, Required Components of the District's Annual Financial Report



The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that further explains and supports the information in the financial statements. Figure A-1 shows how the required parts of this annual report are arranged and related to one another.

Figure A-2. Major Features of the District's Government-wide and Fund Financial Statements

Figure A-2 summarizes the major features of a typical government's financial statements. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

Government-wide Statements

The government-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the government's assets, liabilities, and deferred items. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

| Types of Statements | Government-wide | Governmental Funds |
|---|--|--|
| <i>Scope</i> | Entire District's government (except fiduciary funds) and the District's component units | The activities of the District that are not proprietary or Fiduciary |
| <i>Required financial Statements</i> | <ul style="list-style-type: none"> Statement of net position Statement of activities | <ul style="list-style-type: none"> Balance sheet Statement of revenues, expenditures & changes in fund balances |
| <i>Accounting basis and measurement focus</i> | Accrual accounting and economic resources focus | Modified accrual accounting and current financial resources focus |
| <i>Type of asset/liability information</i> | All assets, liabilities, and deferred resources, both financial and capital, short-term and long-term | Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included |
| <i>Type of inflow/outflow information</i> | All revenues and expenses during year, regardless of when cash is received or paid | Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter |

The two government-wide statements report the District's net position and how they have changed. Net position—the difference between the District's assets, and liabilities, and deferred items is one way to measure the District's financial health or *position*.

- Over time, increases or decreases in the District's net position are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the District, one needs to consider additional factors. The District's costs are allocated to the taxing entities that utilize the appraisal services. Any funding received in excess of expenditures is credited back to the taxing entities.

The government-wide financial statements of the District include the *Governmental activities*. The District's basic services are included here, such as appraisal services and interest on long-term debt. Intergovernmental revenues finance most of these activities.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's most significant *funds*—not the District as a whole. Funds are accounting devices that the District uses to keep track of specific sources of funding and spending for particular purposes.

- Some funds are required by State law and by bond covenants.
- The Board of Directors establishes other funds to control and manage money for particular purposes.

The District has the following kinds of funds:

- *Governmental Funds*—The District's basic services are included in governmental funds, which focus on (1) *cash and other financial assets* that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed *short-term* view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statement, or on the subsequent page, that explain the relationship (or differences) between them.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net Position. The District's combined net position was \$750.8 thousand at December 31, 2015 compared to \$678.9 thousand at December 31, 2014. (See Table A-1).

Table A-1
District's Net Position
(In thousands of dollars)

| | Governmental Activities | | Business-type Activities | | Total | | Total Percentage Change |
|--------------------------------------|-------------------------|----------------|--------------------------|------------|----------------|----------------|-------------------------|
| | 2015 | 2014 | 2015 | 2014 | 2015 | 2014 | 2015-2014 |
| Assets: | | | | | | | |
| Cash | \$808.9 | \$924.5 | (1) | (1) | \$808.9 | \$924.5 | -13% |
| Assessments Receivable | - | 2.3 | (1) | (1) | - | 2.3 | -100% |
| Prepaid Assets | 36.3 | 35.8 | (1) | (1) | 36.3 | 35.8 | 1% |
| Land | 27.8 | 27.8 | (1) | (1) | 27.8 | 27.8 | 0% |
| Capital Lease Assets in Development | - | 51.7 | (1) | (1) | - | 51.7 | -100% |
| Other Capital Assets, Net | 752.1 | 740.3 | (1) | (1) | 752.1 | 740.3 | 2% |
| Total Assets | 1,625.1 | 1,782.4 | (1) | (1) | 1,625.1 | 1,782.4 | -9% |
| Deferred Outflows of Resources | 239.4 | - | (1) | (1) | 239.4 | - | 100% |
| Liabilities: | | | | | | | |
| Accounts Payable | 7.0 | 59.9 | (1) | (1) | 7.0 | 59.9 | -88% |
| Payroll Taxes Payable | - | 0.1 | (1) | (1) | - | 0.1 | -100% |
| Accrued Interest Payable | 0.4 | 0.6 | (1) | (1) | 0.4 | 0.6 | -33% |
| Long-Term Liabilities: | | | | | | | |
| Due Within One Year | 107.4 | 122.9 | (1) | (1) | 107.4 | 122.9 | -13% |
| Due in More Than One Year | 108.9 | 274.3 | (1) | (1) | 108.9 | 274.3 | -60% |
| Net Pension Liability | 222.6 | - | (1) | (1) | 222.6 | - | 100% |
| Total Liabilities | 446.3 | 457.8 | (1) | (1) | 446.3 | 457.8 | -3% |
| Deferred Inflows of Resources: | | | | | | | |
| Deferred Income | 667.4 | 645.7 | (1) | (1) | 667.4 | 645.7 | 3% |
| Net Position: | | | | | | | |
| Net Investment in Capital Assets | 618.0 | 471.5 | (1) | (1) | 618.0 | 471.5 | 31% |
| Restricted for Prepaid Assets | 36.3 | 35.8 | (1) | (1) | 36.3 | 35.8 | 1% |
| Restricted for Budget Surplus Refund | 134.5 | 218.8 | (1) | (1) | 134.5 | 218.8 | -39% |
| Restricted for Capital Lease Assets | - | 2.3 | (1) | (1) | - | 2.3 | -100% |
| Unrestricted (Deficit) | (38.0) | (49.5) | (1) | (1) | (38.0) | (49.5) | -24% |
| Total Net Position | \$750.8 | \$678.9 | (1) | (1) | \$750.8 | \$678.9 | 11% |

(1) The District does not have any Business-type activities.

As of December 31, 2015, the District had invested \$618.0 thousand in capital assets. Restricted net position included \$36.3 thousand restricted for prepaid assets, and \$134.5 thousand restricted for budget surplus refunds to the participating taxing entities. This restricted net position was offset by a \$38.0 thousand deficit in unrestricted net position. The deficit occurs primarily because the compensated absences payable is funded by the taxing entities utilizing the appraisal services when paid. This compared to \$471.5 thousand invested in capital assets, \$35.8 thousand restricted for prepaid assets, \$2.3 thousand restricted for development of capital lease assets, \$218.8 thousand restricted for budget surplus refunds, and \$49.5 thousand deficit in unrestricted net position at December 31, 2014.

Changes in Net Position. For the year ended December 31, 2015, the District's total revenues were \$2.7 million. A significant portion, 99 percent, of the District's revenue comes from intergovernmental revenues. These revenues are from the governmental entities serviced by the appraisal district. (See Figure A-3.) The other sources of revenue are fees and interest income, which together accounted for 1% of revenues. The total cost of the District's program services was \$2.4 million; 73 percent of these costs are for salaries and employee benefits, 13 percent are for operating expenses, 6 percent are for computer expenses, 4 percent are for contract services, 2 percent are for depreciation of assets, 1 percent are for interest on debt, while the remaining 1 percent are for insurance costs. This compares to total revenues of \$2.7 million and total expenses of \$2.3 million for the year ended December 31, 2014. The components of the District's revenue as well as expenses for 2015 are proportional to the amounts in 2014.

Figure A-3 Source of District Revenues

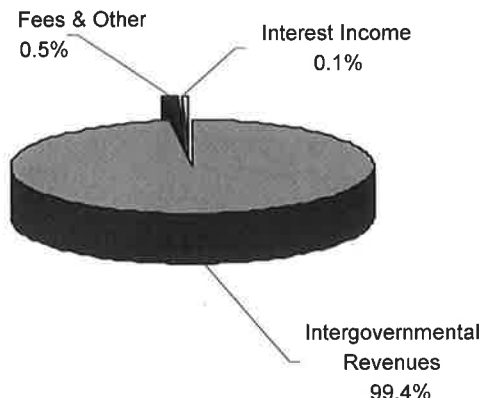


Table A-2
Changes in the District's Net Position
(In thousands of dollars)

| | Governmental Activities | | Business-type Activities | | Total | | Total Percentage Change 2015-2014 |
|--|-------------------------|----------------|--------------------------|------|----------------|----------------|-----------------------------------|
| | 2015 | 2014 | 2015 | 2014 | 2015 | 2014 | |
| Program Revenues: | | | | | | | |
| Intergovernmental Revenues | \$2,589.8 | \$2,561.9 | (1) | (1) | \$2,589.8 | \$2,561.9 | 1% |
| Intergovernmental Revenues - | | | | | | | |
| Debt Contribution | 109.4 | 114.3 | (1) | (1) | 109.4 | 114.3 | -4% |
| Fees and Other | 14.1 | 17.9 | (1) | (1) | 14.1 | 17.9 | -21% |
| General Revenues: | | | | | | | |
| Interest Income | 2.4 | 2.6 | (1) | (1) | 2.4 | 2.6 | -8% |
| Total Revenues | <u>2,715.7</u> | <u>2,696.7</u> | (1) | (1) | <u>2,715.7</u> | <u>2,696.7</u> | 1% |
| Expenses for Appraisal Services: | | | | | | | |
| Salaries | 1,375.7 | 1,313.5 | (1) | (1) | 1,375.7 | 1,313.5 | 5% |
| Employee Benefits | 428.8 | 398.8 | (1) | (1) | 428.8 | 398.8 | 8% |
| Insurance | 11.9 | 18.0 | (1) | (1) | 11.9 | 18.0 | -34% |
| Operating Expenses | 329.6 | 299.8 | (1) | (1) | 329.6 | 299.8 | 10% |
| Computer | 133.3 | 135.6 | (1) | (1) | 133.3 | 135.6 | -2% |
| Contract Services | 97.5 | 97.5 | (1) | (1) | 97.5 | 97.5 | 0% |
| Depreciation | 58.5 | 49.3 | (1) | (1) | 58.5 | 49.3 | 19% |
| Interest Expense | 9.3 | 15.1 | (1) | (1) | 9.3 | 15.1 | -38% |
| Total Expenses | <u>2,444.6</u> | <u>2,327.6</u> | (1) | (1) | <u>2,444.6</u> | <u>2,327.6</u> | 5% |
| Change in Net Position | 271.1 | 369.1 | (1) | (1) | 271.1 | 369.1 | -27% |
| Net Position – Beginning of Year | 678.9 | 538.5 | (1) | (1) | 678.9 | 538.5 | 26% |
| Cumulative Effect of Change in Accounting Principle (2) | 19.6 | - | | | 19.6 | - | 100% |
| Budget Surplus Credited Back | <u>(218.8)</u> | <u>(228.7)</u> | (1) | (1) | <u>(218.8)</u> | <u>(228.7)</u> | -4% |
| Net Position – End of Year | <u>\$750.8</u> | <u>\$678.9</u> | (1) | (1) | <u>\$750.8</u> | <u>\$678.9</u> | 11% |

(1) The District does not have any Business-type activities.

(2) Change in accounting for pension costs in accordance with GASB Statement No. 68.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

For the year ended December 31, 2015, the District's total revenues from governmental fund types totaled \$2.7 million. Virtually all of the District's revenue comes from intergovernmental revenues. The other sources of revenue are fees and miscellaneous income (\$14.1 thousand) and interest income (\$2.4 thousand). The total expenditures from the governmental fund types were \$2.6 million. The District's expenditures incurred to provide appraisal services included \$1.8 million for salaries and employee benefits, \$0.3 million for operating expenses, \$0.1 million for computer expenses, \$0.1 million for contract services, and \$0.2 million for debt service. Debt service included a voluntary principal payment of \$109.4 thousand funded from the 2014 budget surplus. This compared to total revenues from governmental fund types of \$2.7 million and total expenditures from the governmental fund types of \$2.5 million for the year ended December 31, 2014.

General Fund Budgetary Highlights

The District did not revise its budget during the year. Actual revenue amounts were \$12.0 thousand more than budgeted amounts due to higher than expected fees and interest income. Total expenditures were \$122.5 thousand lower than expected primarily due to lower than expected costs for personnel, operating expenses, and insurance that were partially offset by higher capital outlay.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2015, the District had invested \$1.5 million in capital assets, including land, a building and office equipment consistent with 2014. (See Table A-4.)

Table A-4
District's Capital Assets
(In thousands of dollars)

| | Governmental Activities | | Business-type Activities | | Total | | Percentage Change 2015-2014 |
|-------------------------------------|----------------------------|----------------|-----------------------------|------|----------------|----------------|-----------------------------------|
| | 2015 | 2014 | 2015 | 2014 | 2015 | 2014 | |
| Land | \$27.8 | \$27.8 | (1) | (1) | \$27.8 | \$27.8 | 0% |
| Capital Lease Assets in Development | - | 51.7 | (1) | (1) | - | 51.7 | -100% |
| Buildings and Improvements | 881.6 | 874.7 | (1) | (1) | 881.6 | 874.7 | 1% |
| Office Furniture, Fixtures & Equip | 303.4 | 325.7 | (1) | (1) | 303.4 | 325.7 | -7% |
| Software | 141.7 | 141.7 | (1) | (1) | 141.7 | 141.7 | 0% |
| Assets Held Under Capital Lease | 173.8 | 119.9 | (1) | (1) | 173.8 | 119.9 | 45% |
| Totals at Historical Cost | <u>1,528.3</u> | <u>1,541.5</u> | (1) | (1) | <u>1,528.3</u> | <u>1,541.5</u> | -1% |
| Total Accumulated Depreciation | <u>748.4</u> | <u>721.7</u> | (1) | (1) | <u>748.4</u> | <u>721.7</u> | 4% |
| Net Capital Assets | <u>\$779.9</u> | <u>\$819.8</u> | (1) | (1) | <u>\$779.9</u> | <u>\$819.8</u> | -5% |

(1) The District does not have any Business-type activities.

Long-Term Liabilities

The District had \$216.3 thousand in long-term liabilities outstanding at December 31, 2015, compared to \$397.2 thousand outstanding at December 31, 2014. (See Table A-5) The District's debt is currently unrated. More detailed information about the District's debt is presented in the notes to the financial statements.

Table A-5
District's Long-Term Liabilities
(In thousands of dollars)

| | Governmental Activities | | Business-type Activities | | Total | | Total Percentage Change 2015-2014 |
|-----------------------------|----------------------------|----------------|-----------------------------|-------------|----------------|----------------|--|
| | <u>2015</u> | <u>2014</u> | <u>2015</u> | <u>2014</u> | <u>2015</u> | <u>2014</u> | |
| Capital Leases Payable | \$44.0 | \$81.1 | (1) | (1) | \$44.0 | \$81.1 | -46% |
| Loans Payable - Building | 117.9 | 266.7 | (1) | (1) | 117.9 | 266.7 | -56% |
| Compensated Absences | 54.4 | 49.4 | (1) | (1) | 54.4 | 49.4 | 10% |
| Total Long-term Liabilities | <u>\$216.3</u> | <u>\$397.2</u> | (1) | (1) | <u>\$216.3</u> | <u>\$397.2</u> | -46% |

(1) The District does not have any Business-type activities.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS

- General operating fund spending in the 2016 budget increases to \$2.7 million in estimated revenues and expenditures. Expenditures for salaries and employee benefits are expected to increase \$63.1 thousand over 2015 budgeted amounts while other operating expenses are expected to increase \$73.0 thousand. Debt service costs are expected to decrease \$31.7 thousand from the prior year budget.
- Revenues needed to cover expenditures are allocated among the participating taxing entities.

These indicators were taken into account when adopting the general fund budget for 2016. The general fund budget is a balanced budget. The District has added no major new programs or initiatives to the 2016 budget. Any budget surplus is required to be refunded or credited to the participating taxing entities, thus the District's general operating fund balance is not expected to change by the close of 2016.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District's Financial Department.

BASIC FINANCIAL STATEMENTS

LIBERTY COUNTY CENTRAL APPRAISAL DISTRICT
Statement of Net Position and
Governmental Fund Balance Sheet
December 31, 2015

| | General Fund | Adjustments | Statement of Net Position |
|--|------------------|------------------|---------------------------------|
| ASSETS | | | |
| Cash | \$808,878 | - | \$808,878 |
| Prepaid Assets | - | \$36,256 | 36,256 |
| Land | - | 27,780 | 27,780 |
| Other Capital Assets, Net of Accumulated Depreciation: | | | |
| Building and Improvements | - | 650,986 | 650,986 |
| Furniture and Fixtures | - | 17,823 | 17,823 |
| Assets Held Under Capital Lease | - | 83,379 | 83,379 |
| Total Assets | <u>808,878</u> | <u>816,224</u> | <u>1,625,102</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | | |
| | - | 239,413 | 239,413 |
| Total Assets and Deferred Outflows of Resources | <u>\$808,878</u> | | |
| LIABILITIES | | | |
| Accounts Payable | \$7,003 | - | 7,003 |
| Payroll Taxes Payable | 1 | - | 1 |
| Accrued Interest Payable | - | 417 | 417 |
| Long-term Liabilities - Due Within One Year: | | | |
| Capital Lease Payable | - | 10,515 | 10,515 |
| Notes Payable | - | 42,476 | 42,476 |
| Compensated Absences Payable | - | 54,380 | 54,380 |
| Long-term Liabilities - Due in More than One Year | | | |
| Capital Lease Payable | - | 33,526 | 33,526 |
| Notes Payable | - | 75,437 | 75,437 |
| Net Pension Liability (Note 8) | - | 222,553 | 222,553 |
| Total Liabilities | <u>7,004</u> | <u>439,304</u> | <u>446,308</u> |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Deferred Income – Intergovernmental Revenues | 667,376 | - | 667,376 |
| FUND BALANCE | | | |
| Restricted Fund Balance | 134,498 | (134,498) | - |
| Total Fund Balance | <u>134,498</u> | <u>(134,498)</u> | <u>-</u> |
| Total Liabilities, Deferred Inflows of Resources and Fund Balance | <u>\$808,878</u> | | |
| Net Position: | | | |
| Net Investment in Capital Assets | | 618,014 | 618,014 |
| Restricted for Prepaid Assets | | 36,256 | 36,256 |
| Restricted for Budget Surplus Refund | | 134,498 | 134,498 |
| Unrestricted (Deficit) | | (37,937) | (37,937) |
| Total Net Position | | <u>\$750,831</u> | <u>\$750,831</u> |

The accompanying notes are an integral part of this statement.

**NOTE A – ADJUSTMENTS FROM GOVERNMENTAL FUND
BALANCE TO NET POSITION OF GOVERNMENTAL ACTIVITIES:**

| | |
|--|------------------|
| Total Governmental Fund Balances | \$134,498 |
| Amounts reported for governmental activities in the Statement of Net Position (SNP) are different because: | |
| Net Pension Liability is not reported in the funds. | (222,553) |
| Deferred outflows of resources related to pensions is not reported in the funds. | 239,413 |
| Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. | 779,968 |
| Prepaid assets are deferred until utilized in the SNP, but are current period expenditures in the funds. | 36,256 |
| Payables for compensated absences which are not due in the current period are not reported in the funds. | (54,380) |
| Interest on long-term debt is accrued as a liability on the SNP, but is not recognized in the funds until due. | (417) |
| Payables for debt principal which are not due in the current period are not reported in the funds. | (161,954) |
| Net Position of Governmental Activities | <u>\$750,831</u> |

LIBERTY COUNTY CENTRAL APPRAISAL DISTRICT
Statement of Activities and
Governmental Fund Revenues, Expenditures, and
Changes in Fund Balance
For the Year Ended December 31, 2015

| | <u>General Fund</u> | <u>Adjustments (Note B)</u> | <u>Statement of Activities</u> |
|--|-------------------------|---------------------------------|------------------------------------|
| Expenditures/Expenses: | | | |
| Appraisal Services: | | | |
| Salaries | \$1,370,730 | \$4,920 | \$1,375,650 |
| Employee Benefits | 426,676 | 2,139 | 428,815 |
| Insurance | 11,751 | 176 | 11,927 |
| Operating Expenses | 329,649 | (13) | 329,636 |
| Computer | 133,341 | - | 133,341 |
| Contract Services | 97,480 | - | 97,480 |
| Capital Outlay | 16,303 | (16,303) | - |
| Depreciation | - | 58,451 | 58,451 |
| Debt Service: | | | |
| Principal | 76,461 | (76,461) | - |
| Principal – Voluntary Payment | 109,410 | (109,410) | - |
| Interest | 9,424 | (139) | 9,285 |
| Total Expenditures/Expenses | <u>2,581,225</u> | <u>(136,640)</u> | <u>2,444,585</u> |
| Program Revenues: | | | |
| Intergovernmental Revenues | 2,589,860 | - | 2,589,860 |
| Intergovernmental Revenues for Voluntary Debt Payment | 109,410 | - | 109,410 |
| Fees and Miscellaneous | 14,072 | - | 14,072 |
| Total Program Revenues | <u>2,713,342</u> | <u>-</u> | <u>2,713,342</u> |
| Net Program (Expense) Revenue | | | <u>268,757</u> |
| General Revenues: | | | |
| Interest Income | 2,381 | - | 2,381 |
| Total General Revenues | <u>2,381</u> | <u>-</u> | <u>2,381</u> |
| Excess of Revenues Over/(Under) Expenditures | 134,498 | (134,498) | - |
| Other Financing Sources/(Uses): | | | |
| Capital Outlay - Capital Lease Assets in Development | (2,265) | 2,265 | - |
| Total Other Financing Sources/(Uses) | <u>(2,265)</u> | <u>2,265</u> | <u>-</u> |
| Excess of Revenues and Other Sources over Expenditures | 132,233 | (132,233) | - |
| Change in Net Position | - | 271,138 | 271,138 |
| Fund Balance/Net Position: | | | |
| Beginning of the Year | 221,085 | 457,842 | 678,927 |
| Cumulative Effect of Change in Accounting Principle (Note 11) | - | 19,586 | 19,586 |
| Budget Surplus Credited to Taxing Entities for 2014 | (109,410) | - | (109,410) |
| Budget Surplus Credited to Taxing Entities for 2014 for Voluntary Debt Payment | (109,410) | - | (109,410) |
| End of the Year | <u>\$134,498</u> | <u>\$616,333</u> | <u>\$750,831</u> |

The accompanying notes are an integral part of this statement.

NOTE B – ADJUSTMENTS FROM CHANGE IN FUND BALANCE TO CHANGE IN NET POSITION:

| | |
|--|------------------|
| Excess of Revenues over Expenditures | \$132,233 |
| Amounts reported for governmental activities in the Statement of Activities (SOA) are different because: | |
| Compensated absences are expensed as paid in the funds but are accrued when earned the SOA. This is the change from the prior year. | (4,920) |
| Prepaid assets are deferred until utilized in the SOA, but are current period expenditures in the funds. This is the change from the prior year. | 424 |
| Capital outlays are not reported as expenses in the SOA. | 18,568 |
| The depreciation of capital assets used in governmental activities is not reported in the funds. | (58,451) |
| Repayment of debt principal is an expenditure in the funds but is not an expense in the SOA. | 185,871 |
| Interest on long-term debt is recognized as an expenditure in the funds when due, but is recognized as interest accrues in the SOA. | 139 |
| Changes in net pension obligation and changes in deferred outflows related to pensions are not reported as expenses in SOA. | <u>(2,726)</u> |
| Change in Net Position | <u>\$271,138</u> |

LIBERTY COUNTY CENTRAL APPRAISAL DISTRICT
Notes to Financial Statements
December 31, 2015

Note 1 - Summary of Significant Accounting Policies

The basic financial statements of Liberty County Central Appraisal District (the District) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

The following is a summary of the District's more significant accounting policies:

A. Reporting Entity

Liberty County Central Appraisal District (the District) was established in 1981 as a political subdivision of the State of Texas. The District is responsible for appraising property in the district for ad valorem tax purposes for each taxing unit that imposes ad valorem taxes on property in the district. A Board of five directors governs the District. Members of the Board are appointed by vote of the governing bodies of the incorporated cities and towns, school districts, and other entities that participate in the District.

The District's general purpose financial statements include the accounts of all District operations. The measure for including organizations as component units of the District was made by applying the criteria set forth in generally accepted accounting principles. The basic, but not the only, criterion for inclusion is the degree of oversight responsibility maintained by the Board of Directors. Examples of oversight responsibility include financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations and accountability for fiscal matters. Based on these criteria, no potential component unit has been excluded from these statements. As of December 31, 2015, the District does not have any component units and is not considered a component unit of any other entity.

B. Basis of Presentation and Basis of Accounting

In accordance with GASB Statement No. 34 – *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, the basic financial statements include both government-wide and fund financial statements. GASB Statement No. 34 provides that for special-purpose governments engaged in a single government program, the fund financial statements and the government-wide statements may be combined. The District has elected to present financial statements under this combined method. The basic financial statements of the District include (a) Management's Discussion and Analysis, (b) Government-wide Financial Statements combined with Fund Financial Statements, (c) Notes to Financial Statements; and (d) Required Supplementary Information.

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources or economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The basis of presentation and the basis of accounting for the government-wide and fund financial statements utilized in the combined statements is discussed below:

Government-wide Statements – The Statement of Net Position and the Statement of Activities include the financial activities of the overall government. Governmental activities of the District generally are financed through intergovernmental revenues, interest income and other non-exchange transactions.

The government-wide statements are prepared using the economic resources measurement focus and the accrual basis of accounting. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Therefore, governmental fund financial statements include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

LIBERTY COUNTY CENTRAL APPRAISAL DISTRICT
Notes to Financial Statements
December 31, 2015

Note 1 - Summary of Significant Accounting Policies (Continued)

The Statement of Activities presents a comparison between direct expenses and program revenues for each of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. The District does not allocate indirect expenses in the Statement of Activities. Program revenues include (a) intergovernmental revenues and (b) fees and charges paid by the recipients of goods or services offered by the District. Revenues that are not classified as program revenues are presented as general revenues.

Net position is the amount resulting from the consideration of other financial statement elements; that is, assets, plus deferred outflows of resources, less liabilities, less deferred inflows of resources, equals net position. Net position is reflected as several components, including net investment in capital assets, amounts restricted and amounts unrestricted. Net position should be reported as restricted when constraints placed on its use are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

Fund Financial Statements and Governmental Fund Types - Fund financial statements report detailed information about the District. Governmental funds are accounted for using modified accrual basis of accounting and the current financial resources measurement focus. Under this basis, revenues are recognized in the accounting period in which they become measurable and available. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Most expenditures are measurable and are recorded when the related fund liability is incurred. However, principal and interest on general long-term debt, which has not matured, are recognized when paid. Allocations of costs, such as depreciation and amortization, are not recognized in the governmental funds.

The District's fund included in this category is the general fund. This fund is the general operating fund of the District and is used to account for resources and functions traditionally associated with governments that are not required to be accounted for in another fund. The General Fund accounts for financial resources in use for general types of operations. This is a budgeted fund, and any fund balances are considered as resources available for use.

Combined Government-wide and Fund Financial Statements – The combined statements begin with the fund financial statements (prepared using the modified accrual basis of accounting) and include an adjustments column with brief explanations to identify items that will be included or excluded to reach a government-wide financial statement basis (prepared using the accrual basis of accounting).

C. Revenue Recognition

In accordance with Section 6.06(d) of the Texas Property Tax Code, the District is financed primarily through the allocation of anticipated budget costs to the taxing units participating in the District. Each taxing unit is allocated a portion of the budget equal to the proportion that property values assessed for that taxing unit (within the District's boundaries) bears to the sum of the total dollar amount of property values assessed in the District by each participating unit for that year. Each taxing unit's allocation is to be paid in four equal payments at the beginning of each calendar quarter.

D. Budgets

The annual budget for the General Fund is prepared in accordance with the basis of accounting utilized by that fund. The budget is adopted on an annual basis and revised as necessary with Board approval during the year.

E. Prepaid Assets

Certain payments to vendors reflect costs applicable to future accounting periods (such as liability insurance and software maintenance). These amounts are capitalized as prepaid assets and excluded from current period expenses.

LIBERTY COUNTY CENTRAL APPRAISAL DISTRICT
Notes to Financial Statements
December 31, 2015

Note 1 - Summary of Significant Accounting Policies (Continued)

F. Capital Assets

General capital assets are long-lived assets of the District as a whole. When purchased, such assets are recorded as expenditures in the governmental funds and capitalized. The valuation basis for general capital assets are historical cost, or where historical cost is not available, estimated historical cost based on replacement cost. The minimum capitalization threshold is any individual item with a total cost greater than \$1,000.

Capital assets are being depreciated using the straight-line method and depreciation expense for governmental assets is included in appraisal services as a direct expense. The following estimated useful lives are used for calculating depreciation expense:

| | <u>Depreciable Life</u> |
|-------------------------|-------------------------|
| Building & Improvements | 7-40 |
| Office Equipment | 3-7 |

G. Use of Estimates

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

H. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position includes a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an addition to net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

I. Fund Balances

Governmental Accounting Standards Board (GASB) Statement No. 54-*Fund Balance Reporting and Government Fund Type Definitions* establishes fund balance classifications based primarily on the extent to which the District is bound to honor constraints on the use of the resources reported in each governmental fund as well as establishes additional note disclosures regarding fund balance classification policies and procedures.

In the fund financial statements, governmental fund balances are classified as nonspendable, restricted, committed, assigned, or unassigned. Nonspendable fund balance cannot be spent because of its form. Restricted fund balance has limitations imposed by creditors, grantors, or contributors or by enabling legislation or constitutional provisions. Committed fund balance is a limitation imposed by the Board of Directors through approval of resolutions. Assigned fund balances is a limitation imposed by a designee of the Board of Directors. Unassigned fund balance in the General Fund is the net resources in excess of what can be properly classified in one of the above four categories. Negative unassigned fund balance in any other governmental funds represents excess expenditures incurred over the amounts restricted, committed, or assigned to those purposes.

LIBERTY COUNTY CENTRAL APPRAISAL DISTRICT
Notes to Financial Statements
December 31, 2015

Note 1 - Summary of Significant Accounting Policies (Continued)

When both restricted and unrestricted fund balances are available for use, it is the District's policy to use restricted fund balance first, then unrestricted fund balance. Furthermore, committed fund balances are reduced first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications can be used.

For the government-wide financial statements, net position are reported as restricted when constraints placed on net position are either: (1) Externally imposed by creditors (such as debt covenants), grantors, contributors, or laws or regulations of other governments or (2) imposed by law through constitutional provisions or enabling legislation.

J. Net Position

Net positions represent the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources on the government-wide financial statements. Net positions are classified in the following categories:

Net investment in capital assets – This amount consists of capital assets net of accumulated depreciation and reduced by outstanding debt that is attributed to the acquisition, construction, or improvement of the assets.

Restricted net position – This amount is restricted by creditors, grantors, contributors, or laws or regulations of other governments.

Unrestricted net position – This amount is the net position that does not meet the definition of "net investment in capital assets" or "restricted net position".

Note 2 - Compliance and Accountability

A. Finance-Related Legal and Contractual Provisions

In accordance with GASB Statement No. 38, "Certain Financial Statement Note Disclosures," violations of finance-related legal and contractual provisions, if any, are reported below, along with actions taken to address such violations:

| <u>Violation</u> | <u>Action Taken</u> |
|------------------|---------------------|
| None Reported | Not applicable |

B. Deficit Fund Balance or Fund Net Position of Individual Funds

Following are funds having deficit fund balances or fund net position at year-end, if any, along with remarks that address such deficits:

| <u>Fund Name</u> | <u>Deficit Amount</u> | <u>Remarks</u> |
|------------------|-----------------------|----------------|
| None | N/A | N/A |

Note 3 - Deposits and Investments

The District's funds are required to be deposited and invested under the terms of a depository contract. The depository bank deposits for safekeeping and trust with the District's agent bank approved pledged securities in an amount sufficient to protect District funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation (FDIC) insurance.

LIBERTY COUNTY CENTRAL APPRAISAL DISTRICT
Notes to Financial Statements
December 31, 2015

Note 3 - Deposits and Investments (Continued)

A. Cash Deposits

At December 31, 2015, the carrying amount of the District's deposits was \$808,878 and the combined bank balance was \$872,140. The District's cash deposits at December 31, 2015, and during the year ended December 31, 2015, were entirely covered by FDIC insurance or by pledged collateral held by the District's agent bank in the District's name.

B. Investments

The District is required by Government Code Chapter 2256, the Public Funds Investment Act, 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 Public Funds Investment Act (Act) requires an annual audit of investment practices. Audit procedures in this area conducted as a part of the audit of the basic financial statements disclosed that in the areas of investment practices, management reports and establishment of appropriate policies, the District adhered to the requirements of the Act. Additionally, investment practices of the District were in accordance with local policies.

The Act determines the types of investments that are allowable for the District. These include, with certain restrictions, (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas; (2) certificates of deposit, (3) certain municipal securities, (4) securities lending program, (5) repurchase agreements, (6) bankers acceptances, (7) mutual funds, (8) investment pools, (9) guaranteed investment contracts, and (10) commercial paper.

C. Analysis of Specific Deposit and Investment Risks

GASB Statement No. 40 requires a determination as to whether the District was exposed to the following specific investment risks at year-end and if so, the reporting of certain related disclosures:

1. Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The ratings of securities by nationally recognized rating agencies are designed to give an indication of credit risk. The District was not exposed to any credit risk at December 31, 2015.

2. Custodial Credit Risk

Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the District's name.

Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government, and are held by either the counterparty or the counterparty's trust department or agent but not in the District's name. At year-end, the District was not exposed to custodial credit risk.

3. Concentration of Credit Risk

This risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. At year-end, the District was not exposed to concentration of credit risk.

LIBERTY COUNTY CENTRAL APPRAISAL DISTRICT
Notes to Financial Statements
December 31, 2015

Note 3 - Deposits and Investments (Continued)

4. Interest Rate Risk

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

5. Foreign Currency Risk

This is the risk that exchange rates will adversely affect the fair value of an investment. At year-end, the District was not exposed to foreign currency risk.

Note 4 - Changes in General Fixed Assets

Governmental capital asset activity for the year ended December 31, 2015, was as follows:

| | Beginning Balances | Increases | Decreases and Other | Ending Balances |
|--|-----------------------|-------------------|------------------------|--------------------|
| <i>Capital Assets Not Being Depreciated:</i> | | | | |
| Land | \$27,780 | - | - | \$27,780 |
| Capital Lease Assets in Development | 51,735 | \$2,265 | \$(54,000) | - |
| Total Capital Assets Not Being Depreciated | <u>79,515</u> | <u>2,265</u> | <u>(54,000)</u> | <u>27,780</u> |
| <i>Capital Assets Being Depreciated:</i> | | | | |
| Building and Improvements | 874,717 | 6,893 | - | 881,610 |
| Furniture and Equipment | 325,720 | 9,410 | (31,731) | 303,399 |
| Software | 141,745 | - | - | 141,745 |
| Assets Held Under Capital Lease | 119,839 | - | 54,000 | 173,839 |
| Total Capital Assets Being Depreciated | <u>1,462,021</u> | <u>16,303</u> | <u>22,269</u> | <u>1,500,593</u> |
| Less Accumulated Depreciation for: | | | | |
| Building and Improvements | 205,256 | 25,368 | - | 230,624 |
| Furniture and Equipment | 309,058 | 8,249 | (31,731) | 285,576 |
| Software | 141,745 | - | - | 141,745 |
| Assets Held Under Capital Lease | 65,626 | 24,834 | - | 90,460 |
| Total Accumulated Depreciation | <u>721,685</u> | <u>58,451</u> | <u>(31,731)</u> | <u>748,405</u> |
| Total Capital Assets Being Depreciated, Net | <u>740,336</u> | <u>(42,148)</u> | <u>54,000</u> | <u>752,188</u> |
| Governmental Activities Capital Assets, Net | <u>\$819,851</u> | <u>\$(39,883)</u> | <u>\$-</u> | <u>\$779,968</u> |

Note 5 - Deferred Income

The participating taxing entities within the District pay their proportionate share of the costs of the District based on the budget estimates for the year. As of December 31, 2015, \$667,376 had been received by the District related to the 2016 budget requirements. Accordingly, these amounts have been reflected as deferred income in the financial statements.

LIBERTY COUNTY CENTRAL APPRAISAL DISTRICT
Notes to Financial Statements
December 31, 2015

Note 6 - Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2015, was as follows:

| | <u>Balance 12/31/14</u> | <u>Additions</u> | <u>Retirements</u> | <u>Balance 12/31/15</u> | <u>Amount Due in One Year</u> |
|--|-----------------------------|------------------|--------------------|-----------------------------|-----------------------------------|
| GOVERNMENTAL ACTIVITIES: | | | | | |
| Notes and Leases: | | | | | |
| Notes Payable - FLNB | \$266,755 | \$- | \$(148,842) | \$117,913 | \$42,476 |
| Capital Leases | 81,070 | - | (37,029) | 44,041 | 10,515 |
| Other Liabilities: | | | | | |
| Compensated Absences | <u>49,460</u> | <u>65,166</u> | <u>(60,246)</u> | <u>54,380</u> | <u>54,380</u> |
| Total Governmental Activities Long-term Liabilities | <u>\$397,285</u> | <u>\$65,166</u> | <u>\$(246,117)</u> | <u>\$216,334</u> | <u>\$107,371</u> |

Notes Payable

On February 28, 2003, the District purchased an office building for \$335,000. The District financed the purchase and remodeling of the building by entering into a note payable agreement with First Liberty National Bank for \$620,000 (subsequently amended on August 27, 2003 to \$810,000) with interest at a rate of 4%. The note is collateralized by the building and the land. The note is payable in equal monthly installments of \$3,868 through August 2019, however, with the previous voluntary additional principal payments, the note will be paid off in September 2018. During 2015, the taxing entities approved a voluntary additional principal payment on the debt of \$109,410. (See Note 7.)

Future annual debt service requirements for notes payable are as follows:

| | <u>Principal Total</u> | <u>Interest Total</u> | <u>Debt Service Total</u> |
|------|------------------------|-----------------------|---------------------------|
| 2016 | \$42,476 | \$3,943 | \$46,419 |
| 2017 | 44,206 | 2,213 | 46,419 |
| 2018 | <u>31,231</u> | <u>482</u> | <u>31,713</u> |
| | <u>\$117,913</u> | <u>\$6,638</u> | <u>\$124,551</u> |

Capital Leases

The District is obligated under leases that are accounted for as capital leases. The leased assets (computer system, phone system, ipad software and equipment) and the related obligations are accounted for in the Statement of Net Position. The capital lease obligations will be repaid through the general operating fund.

In January, 2011, the District entered into a capital lease agreement with Prosperity Bank for the purchase of a computer system and phone system for \$119,839. Under the terms of the capital lease, the District will make regular quarterly payments of \$6,908 at 3.89%. The capital lease was paid in full in January, 2016.

LIBERTY COUNTY CENTRAL APPRAISAL DISTRICT
Notes to Financial Statements
December 31, 2015

Note 6 - Long-Term Liabilities (Continued)

In October 2014, the District entered into a capital lease agreement with Prosperity Bank for the purchase of iPad software and equipment for \$54,000. Under the terms of the capital lease, the District will make regular quarterly payments of \$2,959 at 3.50% interest with the first payment on January 27, 2015 and the final payment on October 27, 2019.

Future commitments under these capital leases are as follows:

| | <u>Principal Total</u> | <u>Interest Total</u> | <u>Total</u> |
|------|------------------------|-----------------------|-----------------|
| 2016 | \$10,515 | \$1,427 | \$11,942 |
| 2017 | 10,787 | 1,048 | 11,835 |
| 2018 | 11,175 | 660 | 11,835 |
| 2019 | 11,564 | 258 | 11,822 |
| | <u>\$44,041</u> | <u>\$3,393</u> | <u>\$47,434</u> |

As of December 31, 2015, the assets held under the initial capital lease were \$173,839.

Compensated Absences

District employees are entitled to certain compensated absences based on the length of their employment. Sick leave does not vest or accumulate and is recorded as an expenditure when paid. No employee will be paid for unused sick leave upon separation of employment. Vacation time of up to 30 days may be carried from one year to the next year. Employees will be paid for unused vacation time up to 30 days upon separation of employment. Unused accrued vacation in excess of 30 days cannot be carried forward and will not be reimbursed. The liability for accumulated vacation benefits has been included in the government-wide statements.

Note 7 - Budget Surplus and Restricted Fund Balance

In accordance with the Texas Property Tax Code, Section 6.06(j), any annual budget surplus of the appraisal district must be credited or refunded to the participating taxing entities in the District on an annual basis. This amount is classified as restricted fund balance in the accompanying Governmental Fund Balance Sheet. In 2015, the District credited 50% of the surplus from 2014 back to the participating taxing entities totaling \$109,410. The remaining surplus was approved by the taxing entities to be used for a voluntary additional principal payment on debt. Likewise, for the 2015 surplus of \$134,498, 50% will be refunded to participating taxing entities in 2016 and the remaining surplus was approved by the taxing entities to be used for a voluntary additional principal payment on debt.

Note 8 - Pension Plan

Plan Description

The District provides retirement benefits for all of its full-time employees through a nontraditional defined benefit pension plan (Plan) in the statewide Texas County and District Retirement System (TCDRS). The Board of Trustees of TCDRS is responsible for the administration of the statewide agent multiple employer public employee retirement system consisting of separate 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 TCDRS Board of Trustees at P.O. Box 2034, Austin, Texas 78768-2034.

Benefits Provided

The plan provisions are adopted by the governing body of the employer, 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, with 30 years of service regardless of age, or when the sum of their age and years of service equals 75 or more. Members are vested after 8 years of service but must leave their accumulated deposits in the plan to receive any employer-financed benefit. Members who withdraw their personal deposits in a lump sum are not entitled to any amounts contributed by their employer.

LIBERTY COUNTY CENTRAL APPRAISAL DISTRICT
Notes to Financial Statements
December 31, 2015

Note 8 - Pension Plan (Continued)

Benefit amounts are determined by the sum of the employee's contributions to the plan, with interest, and employer-financed monetary credits. The level of these monetary credits is adopted by the governing body of the employer within the actuarial constraints imposed by the TCDRS Act so that the resulting benefits can be expected to be adequately financed by the employer's commitment to contribute. At retirement, death, or disability, the benefit is accumulated 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.

At December 31, 2014, the latest available valuation and measurement date, the following employees were covered by the plan:

| | |
|--|-----------|
| Active employees | 32 |
| Inactive employees or beneficiaries currently receiving benefits | 10 |
| Inactive employees entitled to but not yet receiving benefits | <u>27</u> |
| | <u>69</u> |

Contributions

The employer has elected the annually determined contribution rate (ADCR) plan provisions of the TCDRS Act. The plan is funded by monthly contributions from both employee members and the employer based on the covered payroll of employee members. Under the TCDRS Act, the contribution rate of the employer is actuarially determined annually. The employer contributed using the actuarially determined rate of 11.41% and 11.52% for the months of the accounting years in 2015, and 2014 respectively. The contribution rate payable by the employee members for 2015 and 2014 is the rate of 7% as adopted by the governing body of the employer. All eligible employees of the District are required to participate in TCDRS.

Net Pension Liability

The District's Net Pension Liability (NPL) was measured as of December 31, 2014, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

Actuarial Assumptions

| | |
|---------------------------|---|
| | <u>12/31/2014</u> |
| Inflation | 3.0 percent |
| Investment rate of return | 8.0 percent, net of Plan investment expense |

The annual salary increase rates assumed for individual members vary by length of service and by entry-age group. The annual rates consist of a general wage inflation component of 3.5% (made up of 3.0% inflation and 0.5% productivity increase assumptions) and a merit, promotion and longevity component that on average approximates 1.4% per year for a career employee.

The actuarial assumptions used in the December 31, 2014 valuation were based on the results of an actuarial experience study for the period January 1, 2009 – December 31, 2012. In addition, mortality rates were based on the RP-2000 Combined Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on projection Scale AA.

The long term expected rate of return on plan investments was determined using a building-block method in which best estimate ranges of expected future real rates (expected returns, net of Plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

LIBERTY COUNTY CENTRAL APPRAISAL DISTRICT
Notes to Financial Statements
December 31, 2015

Note 8 - Pension Plan (Continued)

| <u>Asset Class</u> | <u>Target Allocation</u> | <u>Long-term Expected Real Rate Of Return</u> |
|----------------------------------|--------------------------|---|
| Domestic Equities | 16.50% | 5.35% |
| Private Equity | 12.00% | 8.35% |
| Global Equities | 1.50% | 5.65% |
| International Equities-Developed | 11.00% | 5.35% |
| International Equities –Emerging | 9.00% | 6.35% |
| Investment – Grade Bonds | 3.00% | 0.55% |
| High-Yield Bonds | 3.00% | 3.75% |
| Opportunistic Credit | 5.00% | 5.54% |
| Direct Lending | 2.00% | 5.80% |
| Distressed Debt | 3.00% | 6.75% |
| REIT Equities | 2.00% | 4.00% |
| Commodities | 2.00% | -0.20% |
| Master Limited Partnerships | 2.00% | 5.30% |
| Private Real Estate Partnerships | 3.00% | 7.20% |
| Hedge Funds | 25.00% | 5.15% |
| Total | 100.00% | |

Discount Rate

The Discount Rate used to measure the Total Pension Liability was 8.1%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions from employers will be made at contractually required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on Plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

Changes in the District's Net Pension Liability

Changes in the District's net pension liability for the year ended December 31, 2014 were as follows:

| | Total Pension Liability (a) | Plan Fiduciary Net Position (b) | Net Pension Liability (a) – (b) |
|---|--------------------------------|------------------------------------|------------------------------------|
| Balances, December 31, 2013 | \$5,354,367 | \$5,222,098 | \$132,269 |
| Changes for the year: | | | |
| Service cost | 211,176 | - | 211,176 |
| Interest on total pension liability (1) | 435,302 | - | 435,302 |
| Effect of economic/demographic gains/losses | 18,831 | - | 18,831 |
| Effect of assumptions changes or inputs | - | - | - |
| Refund of contributions | (19,062) | (19,062) | - |
| Benefit payments | (151,865) | (151,865) | - |
| Administrative expenses | - | (4,180) | 4,180 |
| Member contributions | - | 92,273 | (92,273) |
| Net investment income | - | 347,100 | (347,100) |
| Employer contributions | - | 151,855 | (151,855) |
| Other charges (2) | - | (12,023) | 12,023 |
| Net Changes | 494,382 | 404,098 | 90,284 |
| Balances, December 31, 2014 | \$5,848,749 | \$5,626,196 | \$222,553 |

Changes in the District's net pension liability (asset) for the year ended December 31, 2014 were as follows:

- (1) Reflects the change in the liability due to the time value of money. TCDRS does not charge fees or interest.
- (2) Relates to allocation of system-wide items.

LIBERTY COUNTY CENTRAL APPRAISAL DISTRICT
Notes to Financial Statements
December 31, 2015

Note 8 - Pension Plan (Continued)

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

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

| | 1% Decrease in Discount Rate 7.10% | Current Discount Rate 8.10% | 1% Increase in Discount Rate 9.10% |
|-------------------------------|--|-----------------------------------|--|
| Total pension liability | \$6,670,863 | \$5,848,749 | \$5,174,567 |
| Fiduciary net position | <u>5,626,196</u> | <u>5,626,196</u> | <u>5,626,196</u> |
| Net pension liability/(asset) | <u>\$1,044,667</u> | <u>\$222,553</u> | <u>\$(451,629)</u> |

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

For the year ended December 31, 2015, the District recognized pension expense of \$160,579. At year-end, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|--------------------------------------|-------------------------------------|
| Differences between expected and actual experience | \$15,693 | \$- |
| Changes in assumptions | - | - |
| Net difference between projected and actual earnings | 65,867 | - |
| Contributions subsequent to the measurement date | <u>157,853</u> | - |
| Total | <u>\$239,413</u> | <u>\$-</u> |

Deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date of \$157,853 will be recognized as a reduction of the net pension liability (or increase in the net pension asset) for the year ended December 31, 2016. Other amounts currently reported as deferred outflows of resources related to pensions will be recognized in pension expense as follows:

| <u>Year ending December 31:</u> | <u>Deferred Outflows</u> |
|---------------------------------|------------------------------|
| 2016 | \$19,605 |
| 2017 | 19,605 |
| 2018 | 19,605 |
| 2019 | 19,605 |
| Thereafter | <u>3,140</u> |
| Total | <u>\$81,560</u> |

Note 9 - Postemployment Benefits Other Than Pensions

The District participates in a cost-sharing multiple-employer defined-benefit group-term life insurance plan operated by the Texas County & District Retirement System (TCDRS). This plan is referred to as the Optional Group Term Life Fund (OGTLF). This optional plan provides group term life insurance coverage to current eligible employees and, if elected by employers, to retired employees. The coverage provided to retired employees is a postemployment benefit other than pension benefits (OPEB). Retired employees are insured for \$5,000.

LIBERTY COUNTY CENTRAL APPRAISAL DISTRICT
Notes to Financial Statements
December 31, 2015

Note 9 - Postemployment Benefits Other Than Pensions (Continued)

The OGTLF is a separate trust administration by the TCDRS board of trustees. TCDRS issues a publicly available comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information for the OGTLF. This report may be obtained by writing to the Texas County & District Retirement System, P.O. Box 2034, Austin, TX 78768-2034, or by calling 800-823-7782. TCDRS' CAFR is also available at www.tcdrs.org.

Funding Policy - Each participating employer contributes to the OGTLF at a contractually required rate. An annual actuarial valuation is performed and the contractual rate is determined using the unit credit method for providing one-year term life insurance. Liberty County Central Appraisal District's contributions to the OGTLF for the years ended 2015, 2014, and 2013, were \$4,150, \$3,823, and \$5,160, respectively, which equaled the contractually required contributions each year.

Note 10 - Commitments, Contingencies and Risk Management

At December 31, 2015, the District had no significant litigation or other claims or assessments pending, or asserted against it, which would have a material, adverse effect on the District's financial position or future operations.

As part of the District's risk management policies, insurance coverage is obtained against loss from general liabilities of the District and its directors. The District's potential loss from claims or litigation would generally be limited to its deductibles.

Note 11 - Change in Accounting Principle

Effective January 1, 2015, the District adopted new accounting guidance under GASB Statement No. 68, Accounting and Financial Reporting for Pensions. In accordance with the statement, pension liabilities (or net pension assets) are recorded as liabilities (or assets) of the District. Changes in the pension liability are charged to pension expense each year. Additionally, certain pension related amounts are recorded as deferred inflows or outflows. As a result, the District has recorded an increase in net position of \$19,586 for the cumulative effect of the change in accounting principle which represents the net pension liability which was more than offset by deferred outflows on the effective date.

REQUIRED SUPPLEMENTARY INFORMATION

LIBERTY COUNTY CENTRAL APPRAISAL DISTRICT
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual - General Fund
For the Year Ended December 31, 2015

| | Original Budget | Final Budget | Actual | Variance Favorable (Unfavorable) |
|---|--------------------|------------------|------------------|--|
| REVENUES | | | | |
| Taxing Entities | \$2,554,860 | \$2,554,860 | \$2,554,860 | - |
| 911 Revenue | 35,000 | 35,000 | 35,000 | - |
| Interest | 500 | 500 | 2,381 | \$1,881 |
| Fees and Miscellaneous | 4,000 | 4,000 | 14,072 | 10,072 |
| Total Revenues | <u>2,594,360</u> | <u>2,594,360</u> | <u>2,606,313</u> | <u>11,953</u> |
| EXPENDITURES | | | | |
| Salaries | 1,370,060 | 1,370,060 | 1,370,730 | (670) |
| Employee Benefits | 477,800 | 477,800 | 426,676 | 51,124 |
| Insurance | 22,450 | 22,450 | 11,751 | 10,699 |
| Operating Expenses | 357,550 | 357,550 | 329,649 | 27,901 |
| Computer | 147,500 | 147,500 | 133,341 | 14,159 |
| Contract Services | 104,000 | 104,000 | 97,480 | 6,520 |
| Contingency | 20,000 | 20,000 | - | (2) 20,000 |
| Capital Outlay | 5,000 | 5,000 | 16,303 | (2) (11,303) |
| Debt Service | | | | |
| Principal | 76,461 | 76,461 | 76,461 | - |
| Interest | 13,539 | 13,539 | 9,424 | 4,115 |
| Total Expenditures | <u>2,594,360</u> | <u>2,594,360</u> | <u>2,471,815</u> | <u>122,545</u> |
| EXCESS OF REVENUES OVER EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES) | - | - | 134,498 | 134,498 |
| OTHER FINANCING SOURCES (USES): | | | | |
| Taxing Entities Budget Surplus Credited Back | - | - | 109,410 | 109,410 |
| Voluntary Principal Payment on Debt | - | - | (109,410) | (1) (109,410) |
| Purchase of Capital Lease Assets | - | - | (2,265) | (2,265) |
| Total Other Financing Sources/(Uses) | - | - | <u>(2,265)</u> | <u>(2,265)</u> |
| EXCESS OF REVENUES OVER EXPENDITURES | <u>\$ -</u> | <u>\$ -</u> | 132,233 | <u>\$132,233</u> |
| FUND BALANCE - January 1, 2015 | | | 221,085 | |
| Budget Surplus Utilized for Voluntary Principal Payment on Debt | | | (109,410) | (1) |
| Budget Surplus Credited to Taxing Entities for 2014 | | | <u>(109,410)</u> | |
| FUND BALANCE - December 31, 2015 | | | <u>\$134,498</u> | |

- (1) The taxing entities authorized 50% of the 2014 budget surplus to be utilized for a voluntary principal payment on debt. Such payment has been reflected as an other financing use of funds for budgetary purposes in order to segregate the payment from 2015 budgetary operating amounts.
- (2) Contingency funds were utilized for board approved capital outlay needs in excess of the original budget.

LIBERTY COUNTY CENTRAL APPRAISAL DISTRICT
Schedule of Changes in Net Pension Liability and Related Ratios
For the Year Ended December 31, 2015

| | Actuarial Valuation Date <u>12/31/2014</u> |
|--|--|
| Total Pension Liability | |
| Service cost | \$211,176 |
| Interest on total pension liability | 435,302 |
| Effect of plan changes | - |
| Effect of assumption changes | - |
| Effect of economic/demographic (gains) or losses | 18,831 |
| Benefit payments/refunds of contributions | <u>(170,927)</u> |
| Net change in total pension liability | 494,382 |
| | |
| Total pension liability, beginning | <u>5,354,367</u> |
| Total pension liability, ending (a) | <u>5,848,749</u> |
| | |
| Fiduciary Net Position | |
| Employer contributions | \$151,855 |
| Member contributions | 92,273 |
| Investment income net of investment expenses | 347,100 |
| Benefit payments/refunds of contributions | (170,927) |
| Administrative expenses | (4,180) |
| Other | <u>(12,023)</u> |
| Net change in fiduciary net position | 404,098 |
| | |
| Fiduciary net position, beginning | <u>5,222,098</u> |
| Fiduciary net position, ending (b) | <u>5,626,196</u> |
| | |
| Net pension liability/(asset), ending = (a) – (b) | <u>\$222,553</u> |
| | |
| Fiduciary net position as a % of total pension liability | 96.19% |
| | |
| Pensionable covered payroll | \$1,318,183 |
| | |
| Net pension liability as a % of covered payroll | 16.88% |

LIBERTY COUNTY CENTRAL APPRAISAL DISTRICT
Schedule of Employer Pension Contributions
For the Year Ended December 31, 2015

| <u>Actuarial Year</u> <u>Ending</u> <u>December 31</u> | <u>Actuarially</u> <u>Determined</u> <u>Contribution</u> | <u>Actual</u> <u>Employer</u> <u>Contribution</u> | <u>Contribution</u> <u>Deficiency</u> <u>(Excess)</u> | <u>Pensionable</u> <u>Covered</u> <u>Payroll (1)</u> | <u>Actual</u> <u>Contribution</u> <u>as a % of</u> <u>Covered</u> <u>Payroll</u> |
|--|--|---|---|--|--|
| 2005 | Not Available | Not Available | Not Available | Not Available | Not Available |
| 2006 | \$70,890 | \$70,890 | \$- | \$891,702 | 8.0% |
| 2007 | 83,911 | 83,911 | - | 990,686 | 8.5% |
| 2008 | 90,821 | 90,821 | - | 1,056,053 | 8.6% |
| 2009 | 97,802 | 97,802 | - | 1,145,222 | 8.5% |
| 2010 | 118,502 | 118,502 | - | 1,221,672 | 9.7% |
| 2011 | 124,218 | 124,218 | - | 1,235,999 | 10.1% |
| 2012 | 125,966 | 125,966 | - | 1,172,864 | 10.7% |
| 2013 | 140,749 | 140,749 | - | 1,228,209 | 11.5% |
| 2014 | 151,855 | 151,855 | - | 1,318,183 | 11.5% |

(1) Payroll is calculated based on contributions as reported to TCDRS.

SUPPLEMENTARY INFORMATION

LIBERTY COUNTY CENTRAL APPRAISAL DISTRICT
Schedule of Expenditures - Budget and Actual - General Fund
For the Year Ended December 31, 2015

| | Budget | Actual | Variance Favorable (Unfavorable) |
|------------------------------------|------------------|------------------|--|
| SALARIES: | | | |
| Salaries | \$1,345,560 | \$1,348,507 | \$(2,947) |
| Medicare Tax | 19,500 | 19,900 | (400) |
| Overtime, Temporary | 2,000 | 2,323 | (323) |
| Vacation Pay | 3,000 | - | 3,000 |
| | <u>1,370,060</u> | <u>1,370,730</u> | <u>(670)</u> |
| EMPLOYEE BENEFITS: | | | |
| Retirement Benefits | 157,800 | 162,003 | (4,203) |
| Hospitalization Insurance | 320,000 | 264,673 | 55,327 |
| | <u>477,800</u> | <u>426,676</u> | <u>51,124</u> |
| INSURANCE: | | | |
| Workers Compensation | 3,750 | 3,463 | 287 |
| Fire and Theft | 5,600 | 5,610 | (10) |
| Unemployment Insurance | 8,500 | 295 | 8,205 |
| Liability Insurance | 4,600 | 2,383 | 2,217 |
| | <u>22,450</u> | <u>11,751</u> | <u>10,699</u> |
| GENERAL OPERATING EXPENSES: | | | |
| Cleaning Services | 500 | - | 500 |
| Other Expenses | 1,750 | 3,221 | (1,471) |
| Office Supplies | 21,000 | 21,258 | (258) |
| Postage | 30,000 | 31,156 | (1,156) |
| Legal Services | 55,000 | 48,938 | 6,062 |
| Office Rental | 500 | 450 | 50 |
| Office Maintenance | 6,000 | 6,362 | (362) |
| Mapping | 25,000 | 13,326 | 11,674 |
| Telephone | 22,500 | 18,095 | 4,405 |
| Travel Expenses | 14,000 | 14,132 | (132) |
| Office Equipment Maintenance | 22,000 | 24,695 | (2,695) |
| Utilities | 25,000 | 26,223 | (1,223) |
| Office Furniture | 4,000 | 1,383 | 2,617 |
| Dues and Membership | 7,500 | 6,863 | 637 |
| Legal Notices | 3,500 | 3,524 | (24) |
| Film/Video | 1,000 | 487 | 513 |
| Appraisal Review Board | 26,500 | 27,300 | (800) |
| Education | 14,000 | 8,604 | 5,396 |
| Audit | 5,500 | 5,600 | (100) |
| Bond | 700 | 270 | 430 |
| Appraisal Services | 4,000 | 5,117 | (1,117) |
| Janitorial Supplies | 3,000 | 3,607 | (607) |
| Car Mileage | 32,000 | 26,413 | 5,587 |
| Car Allowances | 32,600 | 32,625 | (25) |
| | <u>357,550</u> | <u>329,649</u> | <u>27,901</u> |

LIBERTY COUNTY CENTRAL APPRAISAL DISTRICT
Schedule of Expenditures – Budget and Actual – General Fund
For the Year Ended December 31, 2015

| | <u>Budget</u> | <u>Actual</u> | <u>Variance Favorable (Unfavorable)</u> |
|-----------------------|--------------------|--------------------|---|
| COMPUTER: | | | |
| Computer and Software | \$120,000 | \$114,924 | \$5,076 |
| Computer Paper Goods | 1,000 | 3,311 | (2,311) |
| Forms | 26,500 | 15,106 | 11,394 |
| | <u>147,500</u> | <u>133,341</u> | <u>14,159</u> |
| CONTRACT SERVICES: | | | |
| Mail Machine | 6,000 | 4,980 | 1,020 |
| Valuation Firm | 98,000 | 92,500 | 5,500 |
| | <u>104,000</u> | <u>97,480</u> | <u>6,520</u> |
| CONTINGENCY | <u>20,000</u> | - | <u>20,000</u> |
| CAPITAL OUTLAY | <u>5,000</u> | <u>16,303</u> | <u>(11,303)</u> |
| DEBT SERVICE: | | | |
| Principal | 76,461 | 76,461 (1) | - |
| Interest | 13,539 | 9,424 | 4,115 |
| | <u>90,000</u> | <u>85,885</u> | <u>4,115</u> |
| TOTAL EXPENDITURES | <u>\$2,594,360</u> | <u>\$2,471,815</u> | <u>\$122,545</u> |

(1) Debt service principal amounts do not include the voluntary principal payment of \$109,410 funded by the 2014 budget surplus.

