

**LIBERTY COUNTY
CENTRAL APPRAISAL DISTRICT
FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016**

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FINANCIAL SECTION

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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, 2016, 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 respective financial position of the governmental activities and the general fund of Liberty County Central Appraisal District as of December 31, 2016, 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.

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, 2016. Please read it in conjunction with the District's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

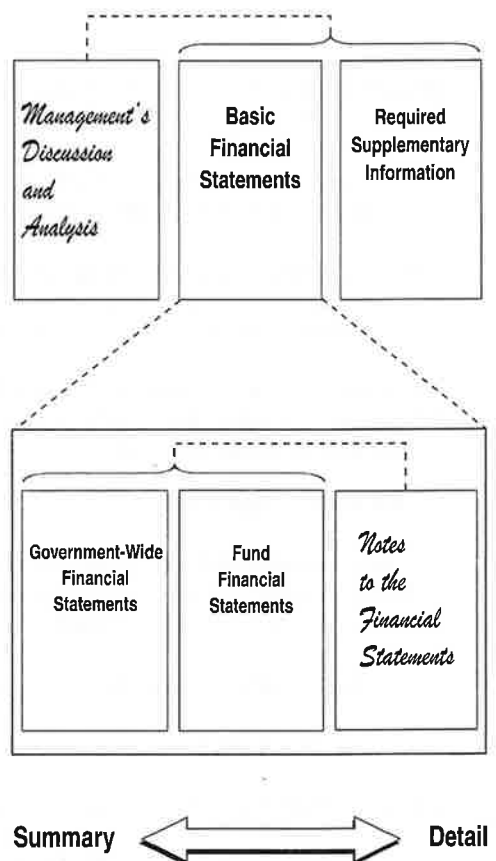
- The District's total combined net position was \$676.2 thousand at December 31, 2016, compared to \$750.8 thousand at December 31, 2015.
- During the year, the District's total expenses of \$2.7 million were more than offset by \$2.8 million in intergovernmental revenues and fees. Revenues exceeded the 2015 levels by \$57.3 thousand (2%) primarily due to intergovernmental revenue budgeted and assessed to the taxing entities.
- The general fund reported a fund balance of \$30.5 thousand at December 31, 2016. The fund balance is restricted to be credited to the taxing entities for the 2016 budget surplus (\$30.5 thousand). This compared to \$134.5 thousand restricted at December 31, 2015. The 2015 surplus was used in part for a voluntary principal reduction on the building loan of \$67.2 thousand. The remainder was credited to the taxing entities in 2016.

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.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net Position. The District's combined net position was \$676.2 thousand at December 31, 2016 compared to \$750.8 thousand at December 31, 2015. (See Table A-1).

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

	Governmental Activities		Business-type Activities		Total		Total Percentage Change
	2016	2015	2016	2015	2016	2015	2016-2015
Assets:							
Cash	\$778.3	\$808.9	(1)	(1)	\$778.3	\$808.9	-4%
Prepaid Assets	38.6	36.3	(1)	(1)	38.6	36.3	6%
Land	27.8	27.8	(1)	(1)	27.8	27.8	0%
Other Capital Assets, Net	696.0	752.1	(1)	(1)	696.0	752.1	-7%
Total Assets	1,540.7	1,625.1	(1)	(1)	1,540.7	1,625.1	-5%
Deferred Outflows of Resources:							
Deferred Outflows Related to Pensions	761.3	239.4	(1)	(1)	761.3	239.4	218%
Liabilities:							
Accounts Payable	54.0	7.0	(1)	(1)	54.0	7.0	671%
Accrued Interest Payable	0.2	0.4	(1)	(1)	0.2	0.4	-50%
Long-Term Liabilities:							
Due Within One Year	62.2	107.4	(1)	(1)	62.2	107.4	-42%
Due in More Than One Year	22.7	108.9	(1)	(1)	22.7	108.9	-79%
Net Pension Liability	779.3	222.6	(1)	(1)	779.3	222.6	250%
Total Liabilities	918.4	446.3	(1)	(1)	918.4	446.3	106%
Deferred Inflows of Resources:							
Deferred Income	693.7	667.4	(1)	(1)	693.7	667.4	4%
Deferred Inflows Related to Pensions	13.7	-	(1)	(1)	13.7	-	100%
Total Deferred Inflows of Resources	707.4	667.4	(1)	(1)	707.4	667.4	6%
Net Position:							
Net Investment in Capital Assets	684.0	618.0	(1)	(1)	684.0	618.0	11%
Restricted for Prepaid Assets	38.6	36.3	(1)	(1)	38.6	36.3	7%
Restricted for Budget Surplus Refund	30.5	134.5	(1)	(1)	30.5	134.5	-77%
Unrestricted (Deficit)	(76.9)	(38.0)	(1)	(1)	(76.9)	(38.0)	-102%
Total Net Position	\$676.2	\$750.8	(1)	(1)	\$676.2	\$750.8	-10%

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

As of December 31, 2016, the District had invested \$684.0 thousand in capital assets. Restricted net position included \$38.6 thousand restricted for prepaid assets, and \$30.5 thousand restricted for budget surplus refunds to the participating taxing entities. This restricted net position was offset by a \$76.9 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 \$618.0 thousand invested in capital assets, \$36.3 thousand restricted for prepaid assets, \$134.5 thousand restricted for budget surplus refunds, and \$38.0 thousand deficit in unrestricted net position at December 31, 2015.

Changes in Net Position. For the year ended December 31, 2016, the District's total revenues were \$2.8 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 \$2.7 million; 70 percent of these costs are for salaries and employee benefits, 17 percent are for operating expenses, 5 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 \$2.4 million for the year ended December 31, 2015. The components of the District's revenue as well as expenses for 2016 are proportional to the amounts in 2015.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

For the year ended December 31, 2016, the District's total revenues from governmental fund types totaled \$2.8 million. Virtually all of the District's revenue comes from intergovernmental revenues. The other sources of revenue are fees and miscellaneous income (\$15.8 thousand) and interest income (\$1.8 thousand). The total expenditures from the governmental fund types were \$2.7 million. The District's expenditures incurred to provide appraisal services included \$1.9 million for salaries and employee benefits, \$0.5 million for operating expenses, \$0.2 million for computer expenses, \$0.1 million for contract services, and \$0.1 million for debt service. Debt service included a voluntary principal payment of \$67.2 thousand funded from the 2015 budget surplus. This compared to total revenues from governmental fund types of \$2.7 million and total expenditures from the governmental fund types of \$2.6 million for the year ended December 31, 2015.

General Fund Budgetary Highlights

The District did not revise its budget during the year. Actual revenue amounts were \$13.1 thousand more than budgeted amounts due to higher than expected fees and interest income. Total expenditures were \$17.4 thousand lower than expected primarily due to lower than expected costs for personnel, that were partially offset by operating and computer expenditures.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2016, the District had invested \$1.5 million in capital assets, including land, a building and office equipment consistent with 2015. (See Table A-4.)

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

	Governmental Activities		Business-type Activities		Total		Percentage Change 2016-2015
	2016	2015	2016	2015	2016	2015	
Land	\$27.8	\$27.8	(1)	(1)	\$27.8	\$27.8	0%
Buildings and Improvements	881.6	881.6	(1)	(1)	881.6	881.6	0%
Office Furniture, Fixtures & Equip	423.2	303.4	(1)	(1)	423.2	303.4	39%
Software	141.7	141.7	(1)	(1)	141.7	141.7	0%
Assets Held Under Capital Lease	54.0	173.8	(1)	(1)	54.0	173.8	-69%
Totals at Historical Cost	<u>1,528.3</u>	<u>1,528.3</u>	(1)	(1)	<u>1,528.3</u>	<u>1,528.3</u>	0%
Total Accumulated Depreciation	804.5	748.4	(1)	(1)	804.5	748.4	7%
Net Capital Assets	<u>\$723.8</u>	<u>\$779.9</u>	(1)	(1)	<u>\$723.8</u>	<u>\$779.9</u>	-7%

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

BASIC FINANCIAL STATEMENTS

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

Total Governmental Fund Balances	\$30,543
Amounts reported for governmental activities in the Statement of Net Position (SNP) are different because:	
Net Pension Liability is not reported in the funds.	(779,265)
Deferred inflows and outflows of resources related to pensions is not reported in the funds.	747,559
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	723,805
Prepaid assets are deferred until utilized in the SNP, but are current period expenditures in the funds.	38,652
Payables for compensated absences which are not due in the current period are not reported in the funds.	(45,033)
Interest on long-term debt is accrued as a liability on the SNP, but is not recognized in the funds until due.	(238)
Payables for debt principal which are not due in the current period are not reported in the funds.	(39,834)
Net Position of Governmental Activities	<u>\$676,189</u>

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

Excess of Revenues over Expenditures	\$30,543
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.	9,347
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.	2,396
The depreciation of capital assets used in governmental activities is not reported in the funds.	(56,163)
Repayment of debt principal is an expenditure in the funds but is not an expense in the SOA.	122,118
Interest on long-term debt is recognized as an expenditure in the funds when due, but is recognized as interest accrues in the SOA.	181
Changes in net pension obligation and changes in deferred inflows and outflows related to pensions are reported as expenses in the SOA but are not reported in the funds.	<u>(48,566)</u>
Change in Net Position	<u>\$59,856</u>

LIBERTY COUNTY CENTRAL APPRAISAL DISTRICT
Notes to Financial Statements
December 31, 2016

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, 2016, 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, 2016

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. 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.

H. 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.

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.

LIBERTY COUNTY CENTRAL APPRAISAL DISTRICT
Notes to Financial Statements
December 31, 2016

Note 3 - Deposits and Investments (Continued)

A. Cash Deposits

At December 31, 2016, the carrying amount of the District's deposits was \$778,321 and the combined bank balance was \$878,582. The District's cash deposits at December 31, 2016, and during the year ended December 31, 2016, 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, 2016.

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, 2016

Note 6 - Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2016, was as follows:

	<u>Balance 12/31/15</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance 12/31/16</u>	<u>Amount Due in One Year</u>
GOVERNMENTAL ACTIVITIES:					
Notes and Leases:					
Notes Payable - FLNB	\$117,912	-	\$(111,599)	\$6,313	\$6,313
Capital Leases	44,041	-	(10,519)	33,522	10,787
Other Liabilities:					
Compensated Absences	54,380	\$76,177	(85,524)	45,033	45,033
Total Governmental Activities Long-term Liabilities	<u>\$216,333</u>	<u>\$76,177</u>	<u>\$(207,642)</u>	<u>\$84,868</u>	<u>\$62,133</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 in full in 2017. During 2016, the taxing entities approved a voluntary additional principal payment on the debt of \$67,249. (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>
2017	\$6,313	\$28	\$6,341
	<u>\$6,313</u>	<u>\$28</u>	<u>\$6,341</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 made regular quarterly payments of \$6,908 at 3.89%. The capital lease was paid in full in January, 2016. Upon completion of the lease, the assets held under this capital lease were reclassified as furniture and equipment within general fixed assets. (See Note 4).

LIBERTY COUNTY CENTRAL APPRAISAL DISTRICT
Notes to Financial Statements
December 31, 2016

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, 2015, 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>29</u>
	<u>71</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 11.28% and 11.41% for the months of the accounting years in 2016, and 2015 respectively. The contribution rate payable by the employee members for 2016 and 2015 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, 2015, 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>12/31/2015</u>
Real rate of return	5.0 percent
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, 2015 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 and then projected with 110% of the MP-2014 Ultimate scale after that.

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, 2016

Note 8 - Pension Plan (Continued)

Changes in the District's Net Pension Liability

Changes in the District's net pension liability for the year ended December 31, 2015 were as follows:

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) – (b)
Balances, December 31, 2014	\$5,848,749	\$5,626,196	\$222,553
Changes for the year:			
Service cost	223,119	-	223,119
Interest on total pension liability (1)	478,020	-	478,020
Effect of plan changes (2)	(62,245)	-	(62,245)
Effect of economic/demographic gains/losses	(17,116)	-	(17,116)
Effect of assumptions changes or inputs	93,568	-	93,568
Refund of contributions	(1,587)	(1,587)	-
Benefit payments	(145,309)	(145,309)	-
Administrative expenses	-	(4,053)	4,053
Member contributions	-	96,842	(96,842)
Net investment income	-	(110,331)	110,331
Employer contributions	-	157,853	(157,853)
Other charges (3)	-	18,323	(18,323)
Net Changes	<u>568,450</u>	<u>11,738</u>	<u>556,712</u>
Balances, December 31, 2015	<u>\$6,417,199</u>	<u>\$5,637,934</u>	<u>\$779,265</u>

- (1) Reflects the change in the liability due to the time value of money. TCDRS does not charge fees or interest.
- (2) Reflects new annuity purchase rates applicable to all TCDRS employers effective January 1, 2018.
- (3) Relates to allocation of system-wide items.

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 8.10%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (7.10%) or 1 percentage point higher (9.10%) 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	<u>\$7,329,203</u>	<u>\$6,417,199</u>	<u>\$5,661,683</u>
Fiduciary net position	<u>5,637,934</u>	<u>5,637,934</u>	<u>5,637,934</u>
Net pension liability/(asset)	<u>\$1,691,269</u>	<u>\$779,265</u>	<u>\$23,749</u>

LIBERTY COUNTY CENTRAL APPRAISAL DISTRICT
Notes to Financial Statements
December 31, 2016

Note 10 - Commitments, Contingencies and Risk Management

At December 31, 2016, 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.

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, 2016

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Taxing Entities	\$2,653,140	\$2,653,140	\$2,653,140	-
911 Revenue	35,000	35,000	35,000	-
Interest	500	500	1,820	\$1,320
Fees and Miscellaneous	4,000	4,000	15,803	11,803
Total Revenues	<u>2,692,640</u>	<u>2,692,640</u>	<u>2,705,763</u>	<u>13,123</u>
EXPENDITURES				
Salaries	1,442,000	1,442,000	1,442,988	(988)
Employee Benefits	468,990	468,990	433,931	35,059
Insurance	21,350	21,350	17,903	3,447
Operating Expenses	430,550	430,550	458,956	(28,406)
Computer	142,500	142,500	160,005	(17,505)
Contract Services	104,000	104,000	103,080	920
Contingency	20,000	20,000	-	20,000
Capital Outlay	5,000	5,000	-	5,000
Debt Service				
Principal	54,869	54,869	54,869	-
Interest	3,381	3,381	3,488	(107)
Total Expenditures	<u>2,692,640</u>	<u>2,692,640</u>	<u>2,675,220</u>	<u>17,420</u>
EXCESS OF REVENUES OVER EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES)	-	-	30,543	30,543
OTHER FINANCING SOURCES (USES):				
Taxing Entities Budget Surplus Credited Back	-	-	67,249	67,249
Voluntary Principal Payment on Debt	-	-	(67,249)	(67,249)
Total Other Financing Sources/(Uses)	-	-	-	-
EXCESS OF REVENUES OVER EXPENDITURES	<u>\$ -</u>	<u>\$ -</u>	30,543	<u>\$30,543</u>
FUND BALANCE - January 1, 2016			134,498	
Budget Surplus Utilized for Voluntary Principal Payment on Debt			(67,249)	(1)
Budget Surplus Credited to Taxing Entities for 2015			<u>(67,249)</u>	
FUND BALANCE - December 31, 2016			<u>\$30,543</u>	

(1) The taxing entities authorized 50% of the 2015 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 2016 budgetary operating amounts.

LIBERTY COUNTY CENTRAL APPRAISAL DISTRICT
Schedule of Employer Pension Contributions
Last Ten Fiscal Years

<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>
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%
2015	157,853	157,853	-	1,383,462	11.4%

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

Notes to Schedule:

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

Methods and assumptions used to determine contribution rates:

Actuarial Cost Method	Entry Age
Amortization Method	Level percentage of payroll, closed
Remaining Amortization Period	17.0 years (based on contribution rate calculated in 12/31/2015 valuation)
Asset Valuation Method	5-year smoothed marked
Inflation	3.0%
Salary Increases	Varies by age and service. 4.9% average over career including inflation.
Investment Rate of Return	8.00%, net of investment expenses, including inflation
Retirement Age	Members who are eligible for service retirement are assumed to commence receiving benefit payments based on age. The average age at service retirement for recent retirees is 61.
Mortality	In the 2015 actuarial valuation, assumed life expectancies were adjusted as a result of adopting a new projection scale (110% of the MP-2014 Ultimate Scale) for 2014 and later. Previously Scale AA had been used. The base table is the RP-2000 table projected with Scale AA to 2014.
Changes in Plan Provisions	No changes in plan provisions are reflected in the Schedule of Employer Contributions.

See Independent Auditor's Report

SUPPLEMENTARY INFORMATION

LIBERTY COUNTY CENTRAL APPRAISAL DISTRICT
Schedule of Expenditures - Budget and Actual - General Fund
For the Year Ended December 31, 2016

	Budget	Actual	Variance Favorable (Unfavorable)
SALARIES:			
Salaries	\$1,415,400	\$1,404,182	\$11,218
Medicare Tax	20,600	20,921	(321)
Overtime, Temporary	2,000	1,968	32
Vacation Pay	4,000	15,917	(11,917)
	<u>1,442,000</u>	<u>1,442,988</u>	<u>(988)</u>
EMPLOYEE BENEFITS:			
Retirement Benefits	163,990	168,709	(4,719)
Hospitalization Insurance	305,000	265,222	39,778
	<u>468,990</u>	<u>433,931</u>	<u>35,059</u>
INSURANCE:			
Workers Compensation	3,750	3,633	117
Fire and Theft	5,600	5,940	(340)
Unemployment Insurance	8,500	5,896	2,604
Liability Insurance	3,500	2,434	1,066
	<u>21,350</u>	<u>17,903</u>	<u>3,447</u>
GENERAL OPERATING EXPENSES:			
Cleaning Services	500	-	500
Other Expenses	1,800	3,864	(2,064)
Office Supplies	22,000	24,953	(2,953)
Postage	30,000	38,193	(8,193)
Legal Services	55,000	88,400	(33,400)
Office Rental	500	400	100
Office Maintenance	9,500	11,366	(1,866)
Mapping	90,000	72,930	17,070
Telephone	17,500	22,613	(5,113)
Travel Expenses	14,000	20,193	(6,193)
Office Equipment Maintenance	25,000	23,034	1,966
Utilities	26,000	23,715	2,285
Office Furniture	4,000	1,120	2,880
Dues and Membership	6,500	4,023	2,477
Legal Notices	4,000	1,496	2,504
Film/Video	500	182	318
Appraisal Review Board	26,500	26,850	(350)
Education	12,000	13,196	(1,196)
Audit	5,750	7,200	(1,450)
Bond	700	270	430
Appraisal Services	7,500	7,307	193
Janitorial Supplies	3,000	2,170	830
Car Mileage	32,000	29,396	2,604
Car Allowances	36,300	36,085	215
	<u>430,550</u>	<u>458,956</u>	<u>(28,406)</u>

See Independent Auditor's Report