

SHACKELFORD COUNTY APPRAISAL DISTRICT

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED DECEMBER 31, 2016

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ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED DECEMBER 31, 2016

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Independent Auditor's Report

UNMODIFIED OPINION ON BASIC FINANCIAL STATEMENTS ACCOMPANIED BY REQUIRED SUPPLEMENTARY INFORMATION AND OTHER INFORMATION

Board of Directors
Shackelford County Appraisal District
P.O. Box 2247
Albany, Texas 76430

Report on the Financial Statements

I have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information for Shackelford County 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

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. 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. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Opinions

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Shackelford County Appraisal District as of December 31, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with account principles generally accepted in the United States of America.

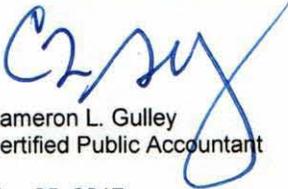
Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Budgetary Comparison Schedule for the General Fund, Schedule of Changes in Net Pension Liability and Related Ratios and Schedule of Contributions as listed in the table of contents 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. I have applied certain limited procedure 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 my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated May 25, 2017, on my consideration of the District's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Cameron L. Gulley
Certified Public Accountant

May 25, 2017

Shackelford County Appraisal District

RICHARD PETREE
INTERIM CHIEF APPRAISER

325-762-2207
P.O. BOX 2247
ALBANY, TEXAS 76430

MANAGEMENT'S DISCUSSION AND ANALYSIS

In this section of the Annual Financial and Compliance Report, we, the managers of Shackelford County Appraisal District, discuss and analyze the District's financial performance for the fiscal year ended December 31, 2016. Please read it in conjunction with the independent auditor's report on page 1 and the District's Basic Financial Statements which begin on page 8.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The government-wide financial statements include the Statement of Net Position and the Statement of Activities (on pages 8 - 9). These provide information about the activities of the District as a whole and present a longer-term view of the District's property and debt obligations and other financial matters. They reflect the flow of total economic resources in a manner similar to the financial reports of a business enterprise.

Fund financial statements (starting on page 10) report the District's operations in more detail than the government-wide statements by providing information about the District's most significant funds. For governmental activities, these statements tell how services were financed in the short term as well as what resources remain for future spending. They reflect the flow of current financial resources and supply the basis for tax levies and the appropriations budget. For proprietary activities, fund financial statements tell how goods or services of the District were sold to external customers and how the sales revenues covered the expenses of the goods or services.

The notes to the financial statements (starting on page 15) provide narrative explanations or additional data needed for full disclosure in the government-wide statements or the fund financial statements.

Reporting the District as a Whole

The Statement of Net Position and the Statement of Activities

The analysis of the District's overall financial condition and operations begins on page 4. Its primary purpose is to show whether the District is better off or worse off as a result of the year's activities. The Statement of Net Position includes all the District's assets and liabilities at the end of the year while the Statement of Activities includes all the revenues and expenses generated by the District's operations during the year. These apply the accrual basis of accounting which is the basis used by private sector companies.

All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. The District's revenues are divided into those provided by outside parties who share the costs of some programs, such as revenue sharing programs from other governments received and fees charged for collection of property taxes. All the District's assets are reported whether they serve the current year or future years. Liabilities are considered regardless of whether they must be paid in the current or future years.

These two statements report the District's net position and changes in them. The District's net position (the difference between assets and liabilities) provide one measure of the District's financial health, or financial position. Over time, increases or decreases in the District's net position are one indicator of whether its financial health is improving or deteriorating. To fully assess the overall health of the District, however, you should consider nonfinancial factors as well, such as changes in the District's contracts for services with other entities for collection and valuation of property taxes.

In the Statement of Net Position and the Statement of Activities, the District has only one activity:

Governmental activities - All of the District's basic services are reported here, including the assessment of property valuations within the various taxable jurisdictions of the County of Shackelford, Texas included as general administration. Property tax collection contracts and general assessment fees to other governmental entities within Shackelford County, Texas finance most of these services.

Reporting the District's Most Significant Funds

Fund Financial Statements

The fund financial statements begin on page 9 and provide detailed information about the most significant funds - not the District as a whole. Laws and contracts require the District to establish some funds, such as a debt service fund used to provide sources of revenues to service the District's general obligation bonds (if applicable). The District's administration has the ability to establish many other funds to help it control and manage money for particular purposes. The District's one fund type (governmental) uses the following accounting approach.

Governmental funds - All of the District's basic services are reported in governmental funds. These use the modified accrual accounting (a method that measures the receipt and disbursement of cash and all other financial assets that can be readily converted to cash) and report balances that are available for future spending. The governmental fund statements provide a detailed short-term view of the District's general operations and the basic services it provides. We describe the differences between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in reconciliation schedules following each of the fund financial statements.

The District as Trustee

Reporting the District's Fiduciary Responsibilities

The District is the trustee, or fiduciary, for monies collected on behalf of the various tax districts that it serves. All of the District's fiduciary activities are reported in separate Statements of Fiduciary Net Position and Changes in Fiduciary Net Position on page 14. We exclude these resources from the District's other financial statements because the District cannot use these assets to finance its operations. The District is only responsible for ensuring that the assets reported in these funds are used for their intended purposes.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Total net position (including the unrestricted net position - the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements) of the District's governmental activities increased from \$160,169 to \$162,559. Total current assets (consisting primarily of cash) increased by \$64,274 due to 2017 prepaid assessments received in December, 2016. Capital assets decreased by \$11,207 due to current year depreciation expense. Long-term liabilities increased by \$51,773 due to increases in net pension liability partially offset by principle retired on outstanding long-term debt. Other liabilities increased by \$59,594 due to unearned revenue for prepaid assessments. Deferred resource outflows related to timing differences and amortizable costs for net pension liabilities increased by \$67,162.

Revenues for the year increased by \$50,045 due to increased assessment fee revenues. Other revenue was consistent with the previous year. Total expenses were higher by \$31,627 due mainly to expenses related to net pension liabilities. Normal operating expenses were consistent with the previous year.

Table I Shackelford County Appraisal District Net Position			
	Governmental Activities 2016	Governmental Activities 2015	Variance Increase/ (Decrease)
Current and other assets	\$ 115,366	\$ 51,092	\$ 64,274
Capital assets (net of depreciation)	156,128	167,335	(11,207)
Deferred resource outflows	101,281	34,119	67,162
Total assets and deferred resource outflows	372,775	252,546	120,229
Current and other liabilities	70,700	11,106	59,594
Long-term liabilities	139,516	87,743	51,773
Total liabilities	210,216	98,849	111,367
Net position:			
Net investment in capital assets	78,622	79,592	(970)
Unrestricted	83,937	80,577	3,360
Total net position	\$ 162,559	\$ 160,169	\$ 2,390

Table II Shackelford County Appraisal District Changes in Net Position			
	Governmental Activities 2016	Governmental Activities 2015	Variance Favorable/ (Unfavorable)
Revenues:			
General Revenues:			
Assessment fees to other governmental entities	\$ 355,234	\$ 303,166	\$ 52,068
Investment earnings	1,342	432	910
Miscellaneous	13,123	16,056	(2,933)
Total Revenues	369,699	319,654	50,045
Expenses:			
General government	363,786	332,159	(31,627)
Debt service	3,523	3,882	359
Total Expenses	367,309	336,041	(31,268)
Increase in Net Position	2,390	(16,387)	18,777
Net Position - beginning of year	160,169	144,420	15,749
Prior period adjustments	0	32,136	(32,136)
Net Position - end of year	\$ 162,559	\$ 160,169	\$ 2,390

THE DISTRICT'S FUNDS

As the District completed the year, its governmental funds (as presented in the balance sheet on page 10) reported a combined fund balance of \$44,666, an increase of \$4,680 in the District's governmental funds from last year's fund balance of \$39,986. The increase is consistent with the increase in net position except for recorded depreciation expense, debt service principal retirements and accruals related to net pension liabilities included at the government-wide level but not at the fund level financial statement presentation.

The budget for the District is set approximately six months prior to the beginning of its fiscal year so that other governmental taxing entities to which the District assesses fees can have enough time to set their own budgets which begin in the fall of the year preceding the beginning of the District's fiscal year (January 1). The District set its original budget for the year in September, 2015 at \$355,834 and made no net increases to the expenditure budget throughout the year. Revenues were amended downward to reflect reduced rent income and several expenditure categories were re-allocated but total budgetary expenditures were not amended.

The District's General Fund balance of \$44,666 reported on pages 12 and 27 differs very little from the projected budgetary fund balance of \$44,337.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2016, the District had \$266,470 invested in capital assets consisting of real estate, building, technology equipment and maps. There were no additions during the year.

Debt

The District acquired one long-term note payable on January 31, 2012 in order to finance the purchase of a building complex to be used as its central office location. The loan was initiated for \$155,000 with a term of fifteen years payable in monthly installments of \$1,147 at an annual interest rate of 4.0% with final maturity in January, 2027.

Principal amounts outstanding at year end are as follows:

	2016	2015
Notes payable	\$ 77,506	\$ 87,743

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The District should maintain its financial health during the 2017 fiscal year. Budgeted revenues for next fiscal year are approximately \$10,000 more than the 2016 originally adopted budget. Expenditures for 2017 are approximately \$5,000 more than budgeted for 2016. The budget is projected to generate a surplus of \$10,800. Therefore, the fund balance of the District is projected to be at or near \$55,000 on December 31, 2017.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors a general overview of the District's finances and to show the District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the District's business office at: Shackelford County Appraisal District, P. O. Box 2247, Albany, Texas 76430.

BASIC FINANCIAL STATEMENTS

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SHACKELFORD COUNTY APPRAISAL DISTRICT
STATEMENT OF NET POSITION
DECEMBER 31, 2016

	Governmental Activities
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 112,285
Due from other funds	3,081
Total current assets	115,366
Noncurrent assets:	
Capital assets:	
Land	5,000
Buildings and improvements	152,640
Furniture and equipment	108,830
Less: accumulated depreciation	(110,342)
Total capital assets	156,128
Total noncurrent assets:	156,128
TOTAL ASSETS	271,494
DEFERRED RESOURCE OUTFLOWS	
Deferred resource outflows related to TCDRS	101,281
TOTAL DEFERRED RESOURCE OUTFLOWS	101,281
LIABILITIES	
Current liabilities:	
Accounts payable	1,828
Accrued payroll liabilities	3,085
Due to other governments	0
Unearned revenues	65,787
Current portion of long-term debt	10,859
Total current liabilities	81,559
Noncurrent liabilities:	
Loans payable	77,506
Net pension liability related to TCDRS	62,010
Less: current portion	(10,859)
Total noncurrent liabilities	128,657
TOTAL LIABILITIES	210,216
NET POSITION	
Net investment in capital assets	78,622
Unrestricted	83,937
TOTAL NET POSITION	\$ 162,559

The accompanying notes to the financial statements are an integral part of this financial statement.

SHACKELFORD COUNTY APPRAISAL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2016

Functions/Programs	Expenses	Program Revenues Charges for Services	Net (Expense) Revenue and Changes in Net Position Governmental Activities
Governmental activities:			
Appraisal services	\$ 47,000	\$	\$ (47,000)
Appraisal review board	1,558		(1,558)
Accounting	4,000		(4,000)
Appraising expense	613		(613)
Software and IT expense	47,553		(47,553)
Consulting	27,000		(27,000)
Education and training	10,067		(10,067)
Payroll expenses	194,363		(194,363)
Insurance	2,126		(2,126)
Office expenses	14,438		(14,438)
Building expenses	15,068	9,935	(5,133)
Debt service	3,523		(3,523)
Total governmental activities	\$ 367,309	\$ 9,935	\$ (357,374)

General revenues:

Assessments to other governments	355,234
Investment income	1,342
Miscellaneous income	3,188
Total general revenues	359,764
Changes in net position	2,390
Beginning net position	160,169
Beginning balance adjustment	0
Ending net position	\$ 162,559

The accompanying notes to the financial statements are an integral part of this financial statement.

SHACKELFORD COUNTY APPRAISAL DISTRICT
 BALANCE SHEET - GOVERNMENTAL FUNDS
 DECEMBER 31, 2016

	General Fund
ASSETS	
Cash	\$ 112,285
Due from other funds	3,081
TOTAL ASSETS	\$ 115,366
LIABILITIES AND FUND EQUITY	
LIABILITIES	
Accounts payable	\$ 1,828
Accrued payroll liabilities	3,085
Unearned revenue	65,787
TOTAL LIABILITIES	70,700
FUND EQUITY	
Committed fund balance	20,580
Unassigned fund balance	24,086
TOTAL FUND EQUITY	44,666
TOTAL LIABILITIES AND FUND EQUITY	\$ 115,366

The notes to the financial statements are an integral part of this statement.

SHACKELFORD COUNTY APPRAISAL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET POSITION
DECEMBER 31, 2016

Total Fund Balances - Governmental Funds (primary government)	\$	44,666
1 Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. At the beginning of the year, the cost of these assets was \$266,470 and the accumulated depreciation was \$99,135. In addition, long-term liabilities, including bonds payable, are not due and payable in the current period, and, therefore are not reported as liabilities in the funds. The net effect of including the beginning balances for capital assets (net of depreciation) and long-term debt in the governmental activities is to increase (decrease) net position.		79,592
2 Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of including the capital outlays and debt principal payments is to increase (decrease) net position.		10,237
3 Depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position.		(11,207)
4 Included in noncurrent assets is the recognition of the District's net pension liability required by GASB 68 in the amount of (\$62,010), a deferred resource inflow in the amount of \$0, and a deferred resource outflow in the amount of \$101,281. This resulted in an increase in net position.		39,271
Net Position of Governmental Activities (primary government)	\$	<u>162,559</u>

The accompanying notes to the financial statements are an integral part of this financial statement.

SHACKELFORD COUNTY APPRAISAL DISTRICT
 COMBINED STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS
 YEAR ENDED DECEMBER 31, 2016

	General Fund
REVENUES	
Local funding:	
Shackelford County	\$ 103,592
Shackelford County Hospital District	34,819
City of Albany	17,651
Albany ISD	105,596
City of Moran	637
Moran ISD	22,151
Clyde CISD	62,358
Lueders ISD	8,430
Interest income	1,342
Rent income	9,935
Miscellaneous	3,188
TOTAL REVENUES	369,699
 EXPENDITURES	
Appraisal services	47,000
Appraisal review board	1,558
Accounting	4,000
Appraising expense	613
Software and IT expense	40,162
Consulting	27,000
Education and training	10,067
Employee:	
Salary	148,530
Payroll taxes	2,846
Retirement	22,233
Health insurance	19,434
Insurance	2,126
Office expenses	14,438
Building expenses:	
Insurance	300
Repairs and maintenance	975
Debt service	13,760
Utilities	8,149
Property taxes	1,828
TOTAL EXPENDITURES	365,019
 EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	 4,680
 FUND BALANCE - BEGINNING OF YEAR	 39,986
FUND BALANCE - END OF YEAR	\$ 44,666

The notes to the financial statements are an integral part of this statement.

SHACKELFORD COUNTY APPRAISAL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2016

Total Net Change in Fund Balances - Governmental Funds (primary government)	\$	4,680
1 Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of removing the capital outlays and debt principal payments is to increase (decrease) net position.		10,237
2 Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease net position.		(11,207)
3 The implementation of GASB 68 required that certain expenditures be de-expended and recorded as deferred resource outflows. These contributions made after the measurement date of 12/31/15 caused the change in the ending net position to increase in the amount of \$22,233. Contributions made before the measurement date but after the previous measurement date were reversed from deferred resource outflows and recorded as a current year expense. This caused a decrease in the change in net position totaling (\$19,797). The District's reported TCDRS net pension expense had to be recorded. The net pension expense increased/(decreased) the change in net position by (\$3,756). The result of these changes is to decrease the change in net position.		(1,320)
Change in Net Position of Governmental Activities	\$	<u>2,390</u>

The accompanying notes to the financial statements are an integral part of this financial statement.

SHACKELFORD COUNTY APPRAISAL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
DECEMBER 31, 2016

	CTO Collection Fund
ASSETS	
Cash and cash equivalents	\$ 990,617
TOTAL ASSETS	\$ 990,617
LIABILITIES	
Accounts payable	\$ 682
Due to other governmental entities	986,854
Due to other funds	3,081
TOTAL LIABILITIES	\$ 990,617

The notes to the financial statements are an integral part of this statement.

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SHACKELFORD COUNTY APPRAISAL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AT AND FOR THE YEAR ENDED DECEMBER 31, 2016

I. Summary of significant accounting policies

The Shackelford County Appraisal District (the "District") was established under the Texas Law establishing the Property Tax Code and is governed by the provision of that law and code. The purpose of the District is to establish appraised value of real and personal property within Shackelford County for the benefit of taxing units within the district boundary and to collect taxes levied by the taxing units as contracted by the District. The District is governed by a five-member Board of Directors. Because members of the Board of Directors are appointed from the public, have the authority to make decisions, appoint managers, and significantly influence operations, and have the primary accountability for fiscal matters, the District is not included in any other financial reporting entity as a component unit.

The financial statements of the District are prepared in accordance with U.S. Generally Accepted Accounting Principles ("GAAP"). The District's reporting entity applies all relevant Governmental Accounting Standards Board ("GASB") pronouncements. Proprietary funds apply only those Financial Accounting Standards Board ("FASB") pronouncements and Accounting Principles Board ("APB") opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails.

A. Reporting entity

For financial reporting purposes, the District includes all funds and account groups for which the District is considered to be financially accountable. The criteria used by the District for including activities in preparing its financial statements are in conformity with GASB Statement 14, "The Financial Reporting Entity." In applying the criteria for GASB Statement 14, there are no entities which are considered component units of the District.

B. Government-wide and fund financial statements

The Statement of Net Position and the Statement of Activities are government-wide financial statements. They report information on all of the District nonfiduciary activities with most of the interfund activities removed. *Governmental activities* include programs supported intergovernmental assessments, collection fees, grants and other intergovernmental revenues. There are no *business-type activities* which include operations that rely to a significant extent on fees and charges for support.

The Statement of Activities demonstrates how other people or entities that participate in programs the District operates have shared in the payment of the direct costs. The "charges for services" column includes payments made by parties that purchase, use, or directly benefit from goods or services provided by a given function or segment of the District. Examples include fees charged for collection of other entities' property tax levies. The "grants and contributions" column includes amounts paid by organizations outside the District to help meet the operational or capital requirements of a given function. Examples include grants under the U.S. Department of Agriculture Rural Development Program. If a revenue is not a program revenue, it is a general revenue used to support all of the District's functions. Taxes are always general revenues.

Interfund activities between governmental funds appear as due to/due from on the Governmental Fund Balance Sheet and as other resources and other uses on the governmental fund Statement of Revenues, Expenditures and Changes in Fund Balance. All interfund transactions between governmental are eliminated on the government-wide statements. Interfund activities between governmental funds and fiduciary funds remain as due to/due from on the government-wide Statement of Activities.

The fund financial statements provide reports on the financial condition and results of operations for one fund category - governmental. Since the resources in the fiduciary funds cannot be used for District operations, they are not included in the government-wide statements. The District considers some governmental funds major and reports their financial condition and results of operations in a separate column.

C. Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements use the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is

incurred, regardless of the timing of the related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

The modified accrual basis of accounting recognizes revenues in the accounting period in which they become both measurable and available, and it recognizes expenditures in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest and principal on long-term debt, which is recognized when due. The expenditures related to certain compensated absences and claims and judgments are recognized when the obligations are expected to be liquidated with expendable available financial resources. The District considers all revenues available if they are collectible within 60 days after year end.

Revenues from local sources consist primarily of assessments to other governmental entities. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available.

Grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant. Accordingly, when such funds are received, they are recorded as deferred revenues until related and authorized expenditures have been made. If balances have not been expended by the end of the project period, grantors some times require the District to refund all or part of the unused amount.

The District applies all GASB pronouncements as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless these pronouncements conflict or contradict GASB pronouncements. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the fund Statement of Net Position. The fund equity is segregated into invested in capital assets net of related debt, restricted net position, and unrestricted net position.

D. Fund accounting

The District reports the following major governmental funds:

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

Additionally, the District reports the following fund type(s):

Fiduciary Funds:

2. **Agency Funds** – The District accounts for resources held for others in a custodial capacity in agency funds. The District's Agency Fund is the "Shackelford County Central Tax Office" (the "CTO") account.

E. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pension, and pension expense, information about the Fiduciary Net Position of the Texas County and District Retirement System (the "TCDRS") and additions to/deductions from TCDRS' Fiduciary Net Position have been determined on the same basis as they are reported to TCDRS. For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

F. Other accounting policies

1. The District reports inventories of supplies at weighted average cost including consumable maintenance, instructional, office, athletic, and transportation items. Supplies are recorded as expenditures when they are consumed.

2. In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities statement of net position. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognized bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

3. The District's policy does permits employees to accumulate unused leave pay benefits. All leave pay is accrued when incurred in the government-wide fund financial statements.
4. Capital assets, which include land, buildings, furniture and equipment are reported in the governmental activities columns in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Furniture and equipment of the District is depreciated using the straight line method over the following estimated useful lives:

<u>Asset:</u>	<u>Years</u>
Buildings	40
Equipment	7
Technology Equipment	5

5. Governmental fund balances are classified into the following categories:

Non-spendable fund balances include amounts that are not in spendable form (i.e. inventory or prepaid items) or amounts that are required to be maintained intact legally or contractually (i.e. principal in an endowment fund)

Restricted fund balances include amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation.

Committed fund balances include amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority.

Assigned fund balances are intended to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed.

Unassigned fund balance is the residual classification for the government's general fund and includes all spendable amounts not contained in the other classifications. In other funds, the unassigned classification should be used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned. Governments are required to disclose information about the processes through which constraints are imposed on amounts in the committed and assigned classifications.

District policies concerning fund balances are as follows:

The District's Unassigned General Fund Balance will be maintained to provide the District with sufficient working capital and a margin of safety to address local and regional emergencies without borrowing. The Unassigned General Fund Balance may only be appropriated by resolution of the Board of Directors.

Fund Balance of the District may be committed for a specific source by formal action of the Board of Directors. Amendments or modifications of the committed fund balance must also be approved by formal action of the Board of Directors.

When it is appropriate for fund balance to be assigned, only the Board of Directors has the authority to assign fund balance by formal action by the board.

In circumstances where an expenditure is to be made for a purpose for which amounts are available in multiple fund balance classifications, the order in which resources will be expended is as follows: restricted fund balance, followed by committed fund balance, assigned fund balance, and lastly, unassigned fund balance.

At December 31, 2016, the District had committed \$20,580 in fund balance for future building improvements.

6. When the District incurs an expense for which it may use either restricted or unrestricted assets, it uses the restricted assets first unless unrestricted assets will have to be returned because they were not used.

II. Stewardship, compliance, and accountability

A. Budgetary data

The District Secretary submits an annual budget to the Board of Directors in accordance with the District Charter. In September, 2016, the District adopts annual fiscal year budgets for specified District funds. Budgets for the general fund are adopted on a basis consistent with U.S. generally accepted accounting principles. The budget is properly amended throughout the year.

B. Excess of expenditures over appropriations by more than \$2,500

None.

C. Deficit fund equity

None.

III. Detailed notes on all funds

A. Cash, cash equivalents and investments

Cash and Cash Equivalents

District Policies and Legal and Contractual Provisions Governing Deposits

Custodial Credit Risk for Deposits. State law requires governmental entities to contract with financial institutions in which funds will be deposited to secure those deposits with insurance or pledged securities with a fair value equaling or exceeding the amount on deposit at the end of each business day. The pledged securities must be in the name of the governmental entity and held by the entity or its agent. Since the district complies with this law, it has no custodial credit risk for deposits. The District was not exposed to custodial credit risk.

Foreign Currency Risk. The District limits the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit by (state an appropriate policy, such as, limiting all deposits denominated in a foreign currency to less than 5% of all deposits). The District was not exposed to foreign currency risk.

As of December 31, 2016, the following are the District's cash and cash equivalents with respective maturities and credit rating:

Type of Deposit	Fair Value	Percent	Maturity < 1 Yr	Maturity 1-10 Yrs	Maturity > 10 Yrs	Credit Rating
Cash:						
Money market and FDIC insured accounts	\$1,102,902	100%	\$1,102,902			N/A
Total Cash and Cash Equivalents	<u>\$1,102,902</u>	<u>100%</u>	<u>\$1,102,902</u>			

Investments

District Policies and Legal and Contractual Provisions Governing Investments

Compliance with the Public Funds Investment Act

The **Public Funds Investment Act** (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports, and establishment of appropriate policies. Among other things, it requires a governmental entity 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.

Statutes authorize the entity to invest in (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas and its agencies; (2) guaranteed or secured certificates of deposit issued by state and national banks domiciled in Texas; (3) obligations of states, agencies, counties, cities and other political subdivisions of any state having been rated as to investment quality not less than an "A"; (4) No load money market funds with a weighted average maturity of 90 days or less; (5) fully collateralized repurchase agreements; (6) commercial paper having a stated maturity of 270 days or less from the date of issuance and is not rated less than A-1 or P-1 by two nationally recognized credit rating agencies OR one nationally recognized credit agency and is fully secured by an irrevocable letter of credit; (7) secured corporate bonds rated not lower than "AA-" or the equivalent; (8) public funds investment pools; and (9) guaranteed investment contracts for bond proceeds investment only, with a defined termination date and secured by U.S. Government direct or agency obligations approved by the Texas public Funds Investment Act in an amount equal to the bond proceeds. The Act also requires the entity to have independent auditors perform test procedures related to investment practices as provided by the Act. The District is in substantial compliance with the requirements of the Act and with local policies.

Additional policies and contractual provisions governing investments for the District are specified below:

Credit Risk. To limit the risk that an issuer or other counterparty to an investment will not fulfill its obligations the District limits investments in (list investments covered by the district's credit risk policy, such as commercial paper, corporate bonds, mutual bond funds) to the top (or top 2 or 3) ratings issued by nationally recognized statistical rating organizations (NRSROs). As of December 31, 2016, the District had no rated investments. Therefore, it was not exposed to credit risk.

Custodial Credit Risk for Investments. To limit the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in possession of an outside party the District requires counterparties to register the securities in the name of the district and hand them over to the District or its designated agent. This includes securities in securities lending transactions. All of the securities are in the District's name and held by the District or its agent. The District was not exposed to custodial credit risk.

Concentration of Credit Risk. To limit the risk of loss attributed to the magnitude of a government's investment in a single issuer, the District limits investments to less than 5% of its total investments. The District further limits investments in a single issuer when they would cause investment risks to be significantly greater in the governmental and business-type activities, individual major funds, aggregate non-major funds and fiduciary fund types than they are in the primary government. Usually this limitation is 20%. The District was not exposed to concentration of credit risk.

Interest Rate Risk. To limit the risk that changes in interest rates will adversely affect the fair value of investments, the District requires a review of its investment portfolio at least annually to determine whether market conditions pose an inherent risk of future interest rates either rising or falling which could significantly affect investment performance. The District was not exposed to interest rate risk.

Foreign Currency Risk for Investments. The District limits the risk that changes in exchange rates will adversely affect the fair value of an investment by (state an appropriate policy, such as, "limiting all investments denominated in a foreign currency to less than 5% of all investments"). The District was not exposed to foreign currency risk.

At December 31, 2016, the District had no investments.

B. Disaggregation of receivables and payables

Receivables at December 31, 2016 were as follows:

None.

Payables at December 31, 2016 were as follows:

Accounts payable - \$ 1,828.
Accrued payroll liabilities - \$ 3,085.

C. Capital asset activity

Capital asset activity for the District for the year ended December 31, 2016, was as follows:

	Balance 12/31/15	Additions	Deletions	Balance 12/31/16
Governmental activities:				
Land	\$ 5,000			\$ 5,000
Buildings and improvements	152,640			152,640
Furniture and equipment	108,830			108,830
Totals	266,470			266,470
Less accum depreciation for:				
Buildings and improvements	15,264	3,816		19,080
Furniture and equipment	83,871	7,391		91,262
Total accum depreciation	99,135	11,207		110,342
Governmental activities capital assets, net	<u>\$ 167,335</u>	<u>\$ (11,207)</u>	<u>\$ 0</u>	<u>\$ 156,128</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

Software and IT expense	\$ 7,391
Building expenses	3,816
Total	<u>\$ 11,207</u>

D. Accumulated unpaid vacation and sick leave benefits

None.

E. Retirement Plan - Texas County and District Retirement System

Plan Description. The District provides pension, disability, and death benefits for all of its full-time employees through a statewide, multiple-employer, public-employee retirement system through the Texas County District Retirement System (the "TCDRS"). The system serves 701 actively participating counties and districts throughout Texas. Each employer has its own defined benefit plan that functions similarly to a cash balance plan. The assets of the plans are pooled for investment purposes, but each employer's plan assets may be used only for the payment of benefits to the members of that employer's plan. In accordance with Texas law, it is intended that the pension plan be construed and administered in a manner that the retirement system will be considered qualified under Section 401(a) of the Internal Revenue Code. All employees (except temporary staff) of a participating employer must be enrolled in the plan. The TCDRS 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.

The plan provisions are adopted by the governing body of the District, within the options available in the Texas state statutes governing TCDRS (TCDRS Act). Members can retire at ages 60 and above with 10 or more years of service or with 30 years regardless of age, or when the sum of their age and years of service equals 75 or more. A member is vested after 10 years but must leave his accumulated contributions in the plan to receive any employer-financed benefit. Members who withdraw their personal contributions in a lump-sum are not entitled to any amounts contributed by their employer.

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

Contributions. A combination of three elements funds each employer's plan: employee deposits, employer contributions and investment income.

- The deposit rate for employees is 4%, 5%, 6% or 7% of compensation, as adopted by the employer's governing body.
- Participating employers are required, by law, to contribute at actuarially determined rates, which are determined annually.
- Investment income funds a large part of the benefits employees earn.

Employers have the option of paying more than the required contribution rate each year. Extra contributions can help employers "prefund" benefit increases, such as a cost-of-living adjustment to retirees, and they can be used to help offset or mitigate future increases in the required rate due to negative plan experience. There are two approaches for making extra contributions: (a) paying an elected contribution rate higher than the required rate and (b) making an extra lump-sum contribution to the employer account.

Contribution Rates		
	2015	2016
Employee	7.00%	7.00%
Employer	13.29%	15.07%
Fiscal year 2016 employer contributions		\$ 22,233
Fiscal year 2016 employee contributions		\$ 10,327

The District's contributions to TCDRS for the year ended December 31, 2016 were equal to the required contributions.

Actuarial Assumptions. TCDRS is a statewide, agent multiple-employer, public-employee retirement system. The system serves 701 participating counties and districts throughout Texas. Each employer maintains its own customized plan of benefits. Plan provisions are adopted by the governing body of each employer, within the options available in the TCDRS Act. Because of that, employers have the flexibility and local control to select benefits and pay for those benefits based on their needs and budgets.

Each employer has a defined benefit plan that functions similarly to a cash balance plan. The assets of the plans are pooled for investment purposes, but each employer's plan assets may be used only for the payment of benefits to the members of that employer's plan. In accordance with Texas law, it is intended that the pension plan be construed and administered in a manner that the retirement system will be considered qualified under Section 401(a) of the Internal Revenue Code. All employees (except temporary staff) of a participating employer must be enrolled in the plan.

A percentage of each employee's paycheck is deposited into his or her TCDRS account. That percentage (from 4% to 7%) is set by the employer.

The employee's savings grow, by law, at a rate of 7%, compounded annually. The employer selects a matching rate - at least "dollar for dollar," up to \$2.50 per \$1.00 in the employee's account. At retirement, the employee's account balance is combined with employer matching and converted into a lifetime monthly benefit.

Employees receive a month of service time for each month that they make a deposit into their account. The amount of service an employee needs to earn a future benefit is called the vesting requirement. When an employee is vested, he or she has the right to a monthly benefit, which includes employer matching, at age 60 or older. Employers may choose 5-, 8- or 10-year vesting. In addition, employees may retire before age 60 if they meet one of the following requirements, set by the employer:

- **“Rule of ” eligibility:** Under these rules, a vested employee can retire if their age plus years of service time add up to at least 75 or 80.
- **20-year or 30-year retirement at any age:** This lets employees retire when they have at least 20 or 30 years of service time. Retirees elect to receive their lifetime benefit by choosing one of seven actuarially equivalent payment options.

Employers may elect to provide other optional benefits. Prior service gives employees monetary credit for time worked for an organization before it joined the system. Buybacks allow current employees to re-establish a closed TCDRS account from previous service with an employer. Partial lump-sum payments at retirement allow employees to withdraw part of their TCDRS account balance as a lump sum at retirement with a reduced monthly benefit.

In addition, an employer may choose to adopt a cost-of-living adjustment (COLA) for its retirees. This adjusts retiree benefits to restore purchasing power lost due to the effects of inflation.

The total pension liability in the December 31, 2015 actuarial valuation was determined using the following actuarial assumptions:

Actuarial Cost Method	Entry age
Amortization Method	Level percentage of payroll; closed
Remaining Amortization Period	14.4 years
Asset Valuation Method	5-year smoothed market
Inflation	3.0%
Salary Increases	Varies by age and service
Investment Rate of Return	8.00%
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	None

Discount Rate. The discount rate used to measure the total pension liability was 8.1%. There was no change in the discount rate since the previous year. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the statutorily required rates. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The long-term rate of return on pension plan investments is 8.1%. The long-term expected rate of return is determined by adding expected inflation to expected long-term real returns, and reflecting expected volatility and correlation. The capital market assumptions and information shown below are provided by TCDRS’ investment consultant, Cliffwater LLC. The numbers shown below are based on January 2016 information for a 7-10 year time horizon.

Note that the valuation assumption for long-term expected return is re-assessed at a minimum of every four years, and is set based on a 30-year time horizon; the most recent analysis was performed in 2013.

Asset Class	Target Allocation	Geometric Real Rate of Return
US Equities	14.50%	5.45%
International Equities - Developed	10.00%	5.45%
International Equities - Emerging	8.00%	6.45%
Global Equities	1.50%	5.75%
Hedge Funds	25.00%	5.25%
High-Yield Bonds	3.00%	5.10%
Opportunistic Credit	2.00%	5.09%
Distressed Debt	3.00%	8.10%
Direct Lending	5.00%	6.40%
Private Equity	14.00%	8.45%
REIT Equities	3.00%	4.00%
Private Real Estate Partnerships	5.00%	6.90%
Master Limited Partnerships (MLPs)	3.00%	6.80%
Investment-Grade Bonds	3.00%	1.00%
Total	100.00%	

Changes in the Net Pension Liability. At December 31, 2015, the District reported a net pension liability/(asset) of (\$13,053). The changes in net pension liability (asset) were as follows:

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at 12/31/14	\$ 775,868	\$ 782,340	\$ (6,472)
Changes for the year:			
Service cost	16,621		16,621
Interest	62,561		62,561
Change in benefit terms	(246)		(246)
Difference between expected/actual experience	16,267		16,267
Changes in assumptions	10,101		10,101
Contributions - employer		19,797	(19,797)
Contributions - employee		10,427	(10,427)
Net investment income		1,181	(1,181)
Benefit payments, including refunds of employee contributions	(33,647)	(33,647)	0
Administrative expenses		(563)	563
Other charges		5,979	(5,979)
Net changes	71,658	3,176	68,482
Balance at 12/31/15	\$ 847,526	\$ 785,516	\$ 62,010

The net pension liability was measured as of December 31, 2015 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date and for the year then ended.

There were no changes of assumptions or other inputs that affected measurement of the total pension liability during the measurement period.

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

Discount Rate Sensitivity Analysis. The following shows the net pension liability calculated using the discount rate of 8.1%, as well as what the District's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (7.1%) or 1 percentage point higher (9.1%) than the current rate.

	1% Decrease in Discount Rate (7.1%)	Discount Rate (8.1%)	1% Increase in Discount Rate (9.1%)
Net pension liability / (asset)	\$ 159,024	\$ 62,010	\$ (20,147)

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

For the year ended December 31, 2016, the District recognized pension expense of \$23,554.

At December 31, 2016, 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
Difference between expected and actual economic experience (net of current year amortization)	\$ 15,670	\$
Changes in actuarial assumptions (net of current year amortization)	7,576	
Differences between projected and actual investment earnings (net of current year amortization)	55,802	
Contributions subsequent to the measurement date	22,233	
Total	\$ 101,281	\$

\$22,233 reported as deferred outflows of resources related to pension resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending December 31, 2016. Other amounts reported as deferred outflows and inflows of resources related to pension will be recognized in pension expense as follows:

Measurement year ended December 31,	
2016	\$ 24,473
2017	\$ 21,003
2018	\$ 21,005
2019	\$ 12,567
2020	\$ 0
Thereafter	\$ 0

F. Long-term debt

The District entered into a long-term debt agreement with First National Bank ("FNB") for the purchase of land, building and improvements for which its current operations are located. The purchase and debt agreement were entered into on January 31, 2012, with an original principal loan balance of \$155,000 payable over fifteen years at an annual interest rate of 4.0%.

Following are the future long-term debt service requirements to fully liquidate the remaining debt:

Fiscal Year	Principal	Interest	Total
2017	\$ 10,859	\$ 2,901	\$ 13,760
2018	11,301	2,459	13,760
2019	11,767	1,993	13,760
2020	12,236	1,524	13,760
2021	12,740	1,020	13,760
2022-2023	18,603	552	19,155
Total	<u>\$ 77,506</u>	<u>\$ 10,449</u>	<u>\$ 87,955</u>

G. Changes in long-term liabilities

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
FNB - mortgage payable	\$ 87,743		\$ 10,237	\$ 77,506	\$ 10,859

H. Unearned revenues

Unearned revenue at December 31, 2016 totaled \$1,000 and consisted of prepaid rent deposits and \$64,787 in prepaid assessment fees.

I. Economic Dependency

The District's existence depends solely on the contributions and participation of the taxing districts within the County of Shackelford, Texas for which the District provides appraisal services. Following are the contributing taxing authorities:

Shackelford County, Texas	City of Albany, Texas	Clyde CISD
Albany ISD	City of Moran, Texas	Leuders-Avoca CISD
Moran ISD	Shackelford County Hospital District	

J. Subsequent events

Management has evaluated subsequent events through May 25, 2017; the date which the financial statements were available for distribution. There were none noted.

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REQUIRED SUPPLEMENTARY INFORMATION

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SHACKELFORD COUNTY APPRAISAL DISTRICT
 COMBINED STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCE - BUDGET AND ACTUAL -
 GENERAL FUND
 YEAR ENDED DECEMBER 31, 2016

	Budgeted Amounts		Actual Amounts (GAAP Basis)	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES				
Local funding:				
Shackelford County	\$ 103,592	\$ 103,592	\$ 103,592	\$ 0
Shackelford County Hospital District	34,819	34,819	34,819	0
City of Albany	17,651	17,651	17,651	0
Albany ISD	105,596	105,596	105,596	0
City of Moran	637	637	637	0
Moran ISD	22,151	22,151	22,151	0
Clyde CISD	62,358	62,358	62,358	0
Lueders ISD	8,430	8,430	8,430	0
Interest income	100	996	1,342	346
Rent income	10,800	9,935	9,935	0
Miscellaneous	500	1,015	3,188	2,173
TOTAL REVENUES	<u>366,634</u>	<u>367,180</u>	<u>369,699</u>	<u>2,519</u>
EXPENDITURES				
Appraisal services	48,000	47,000	47,000	0
Appraisal review board	1,957	1,558	1,558	0
Accounting	3,800	4,000	4,000	0
Appraising expense	3,100	764	613	151
Software and IT expense	38,000	40,154	40,162	(8)
Consulting	30,000	27,000	27,000	0
Education and training	5,000	10,067	10,067	0
Employee:				
Salary	142,000	147,415	148,530	(1,115)
Payroll taxes	2,060	2,907	2,846	61
Retirement	24,850	22,468	22,233	235
Health insurance	20,520	19,453	19,434	19
Insurance	1,832	2,126	2,126	0
Office expenses	9,670	14,390	14,438	(48)
Building expenses:				
Insurance	945	300	300	0
Repairs and maintenance	2,800	975	975	0
Debt service	13,800	12,614	13,760	(1,146)
Utilities	6,000	7,810	8,149	(339)
Property taxes	1,500	1,828	1,828	0
TOTAL EXPENDITURES	<u>355,834</u>	<u>362,829</u>	<u>365,019</u>	<u>(2,190)</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	10,800	4,351	4,680	329
FUND BALANCE - BEGINNING OF YEAR	39,986	39,986	39,986	0
FUND BALANCE - END OF YEAR	<u>\$ 50,786</u>	<u>\$ 44,337</u>	<u>\$ 44,666</u>	<u>\$ 329</u>

SHACKELFORD COUNTY APPRAISAL DISTRICT
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
FOR THE YEAR ENDED DECEMBER 31, 2016

	Plan Year Ended December 31,	
	2015	2014
Total Pension Liability		
Service cost	\$ 16,621	\$ 10,186
Interest (on the total pension liability)	62,561	57,806
Changes of benefit terms	(246)	8,759
Difference between expected and actual experience	16,267	10,410
Change of assumptions	10,101	-
Benefit payments, including refunds of employee contributions	(33,647)	(30,732)
Net Change in Total Pension Liability	<u>71,657</u>	<u>56,429</u>
Total Pension Liability - Beginning	775,868	719,438
Total Pension Liability - Ending (a)	<u><u>\$ 847,525</u></u>	<u><u>\$ 775,867</u></u>
Plan Fiduciary Net Position		
Contributions - employer	\$ 19,797	\$ 8,503
Contributions - employee	10,427	6,680
Net investment income	1,181	51,080
Benefit payments, including refunds of employee contributions	(33,647)	(30,732)
Administrative expense	(563)	(587)
Other	5,979	4,325
Net Change in Plan Fiduciary Net Position	<u>3,174</u>	<u>39,269</u>
Plan Fiduciary Net Position - Beginning	782,340	743,071
Plan Fiduciary Net Position - Ending (b)	<u><u>\$ 785,514</u></u>	<u><u>\$ 782,340</u></u>
Net Pension Liability - Ending (a) - (b)	<u><u>\$ 62,011</u></u>	<u><u>\$ (6,473)</u></u>
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	92.68%	100.83%
Covered Employee Payroll	\$ 148,964	\$ 95,431
Net Pension Liability as a Percentage of Covered Employee Payroll	41.63%	-6.78%

SHACKELFORD COUNTY APPRAISAL DISTRICT
SCHEDULE OF CONTRIBUTIONS
FOR THE YEAR ENDED DECEMBER 31, 2016

	Fiscal Year Ended December 31,	
	2016	2015
Actuarially determined contribution	\$ 22,233	\$ 19,797
Contributions in relation to actuarially determined contribution	<u>(22,233)</u>	<u>(19,797)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	\$ 147,530	\$ 148,963
Contributions as a percentage of covered employee payroll	15.07%	13.29%

SHACKELFORD COUNTY APPRAISAL DISTRICT
NOTES TO SCHEDULE OF CONTRIBUTIONS
FOR THE YEAR ENDED DECEMBER 31, 2016

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

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry age
Amortization Method	Level percentage of payroll, closed
Remaining Amortization Period	14.4 years
Asset Valuation Method	5-yr smoothed market
Inflation	3.0%
Salary Increases	Varies by age and service. 4.9% average over career including inflation.
Investment Rate of Return	8.0%, 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.

Other Information: Effective with the 2015 calendar year, employer contributions reflect that the current service matching rate was increased to 200% for future benefits.

OVERALL COMPLIANCE AND INTERNAL CONTROLS SECTION

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Independent Auditor's Report

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENTAL AUDITING STANDARDS

Board of Directors
Shackelford County Appraisal District
P.O. Box 2247
Albany, Texas 76430

Members of the Board of Directors:

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Shackelford County 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, and have issued my report thereon dated May 25, 2017.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, I do not express an opinion on the effectiveness of the District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

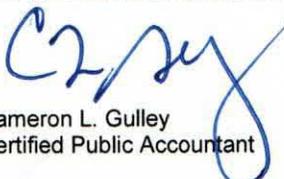
My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Shackelford County Appraisal District's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Cameron L. Gulley
Certified Public Accountant

May 25, 2017

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SHACKELFORD COUNTY APPRAISAL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2016

A. Summary of Auditor's Results

Type of auditor's report issued: Unmodified.

Internal control over financial reporting:

Material weakness(es) identified? None.

Significant deficiency(ies) identified that are not considered to be material weaknesses? None reported.

Noncompliance material to financial statements noted? No.

An unqualified opinion was issued on the general purpose financial statements.

The audit disclosed no noncompliance which is material to the general purpose financial statements.

B. Findings Relating to the Financial Statements which are Required to be Reported in Accordance with Generally Accepted Government Auditing Standards

None.

C. Findings and Questioned Costs for Federal Awards

N/A.

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