



La Salle County Appraisal District

Board of Directors

Minutes for Special Called Meeting

May 4, 2017

- 2017-001. The meeting was called to order by Deonicio Ramirez, Jr. and 1.03 P.M.
- 2017-002. A quorum was established with all members present except Richard Maldonado. Mr. Maldonado showed up at 1.07 P.M.
- 2017-003. There was no citizen's comments
- 2017-004. Mike Whitwell made the motion to accept the minutes and Brenda Wright seconded the motion. The motion carried.
- 2017-005. Cindy Fox from Pritchard and Abbot reported on the price of oil and gave a report on how they had valued the mineral properties for the 2017 tax year.
- At 1.32 P.M. they moved to agenda item 2017-008 and convened to executive session with Peter Low, Bruce Martin and all member of the Board of Directors present.
- 2017-009. At 2.45 P.M. The Board returned to regular session and no action was taken on agenda items 2017-006, 2017-007, and 2017-0010.
- 2017-011. No action was taken on purchasing a truck. Bruce Martin was encouraged to move forward with the process and report back to the Board on his progress.
- 2017-012. The finical report was presented and Brenda Wright made the motion to accept the financial report and it was seconded by Richard Maldonado and the motion carried.
- 2017-013. Bruce Martin gave the Chief Appraisers report. He reported on the progress that had been made in the office and the changes that were being implemented. He presented a list of goals that Eagle Appraisal has identified for the District. The list included both short and long term goals.
- 2017-014. Brenda Wright made a motion to set the next meeting for June 8, 2017 at 1:00 P.M. the motion was seconded by Elizabeth Martinez and the motion carried.
- 2017-015. Elizabeth Martinez made the motion to adjourn and it was seconded by Richard Maldonado, motion carried and meeting adjourned at 3:12 P.M.

Chairperson Deonicio Ramirez Secretary _____

LA SALLE COUNTY APPRAISAL DISTRICT (CAD)

**RESOLUTION APPROVING CONTRACT FOR PROFESSIONAL
APPRAISAL SERVICES FOR TAX YEARS 2018 – 2019 – 2020**

WHEREAS, the constitution of Texas specifically provides that taxation shall be equal and uniform and that property shall be taxed according to its value;

WHEREAS, the Texas Legislature following the Constitutional Mandate of equality and uniformity enacted the Property Tax Code; and,

WHEREAS, Section 6.01 of the Code established an Appraisal District in each County in the State with responsibility for appraising all taxable property in Appraisal District for ad valorem tax purposes for all taxing units in the district; and,

WHEREAS, Section 6.03 of the Code provides for the election of a Board of Directors to serve as the governing body of Appraisal District; and,

WHEREAS, Section 6.05(c) provides for the appointment of a Chief Appraiser to serve as the chief administrator of the district; and,

WHEREAS, Section 25.01(b) of the Code empowers the Chief Appraiser with the approval of the Board of Directors to contract with a private appraisal firm to perform appraisal services for the district; and,

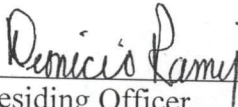
WHEREAS, Pritchard & Abbott Inc. (hereafter referred to as "Appraisal Firm") have been determined by the Board of Directors of La Salle County Appraisal District to be best qualified to provide these appraisal services; and,

WHEREAS, the Chief Appraiser and the Board of Directors have determined that it would be wise and to the best interest of Appraisal District to employ experts skilled in the matter of appraising and valuing certain hereinafter described property located within the boundaries of Appraisal District and subject to ad valorem taxes in said district, and to compile taxation data relating thereto for use by the Chief Appraiser and the Appraisal Review Board of said district; and,

WHEREAS, the Board of Directors has found and determined and does hereby find and determine that Appraisal Firm has special skill and experience in appraising the types of property hereinafter described and that Appraisal Firm should be retained by Appraisal District to assist it and its staff to comply with the uniformity and equality provisions of the Texas Constitution and the statutory provisions of the Property Tax Code.

NOW, THEREFORE, BE IT RESOLVED THAT the Board of Directors of La Salle CAD shall enter into the contract with Appraisal Firm that is attached to this resolution as Exhibit A.

Upon motion duly seconded, the above resolution was passed at the regular meeting of the La Salle County Appraisal District Board of Directors held on the ____ day of _____, 2017.



Presiding Officer
La Salle County Appraisal District

ATTESTED: _____

CONTRACT FOR PROFESSIONAL APPRAISAL SERVICES
MINERAL – INDUSTRIAL - UTILITY - PERSONAL PROPERTY
TAX YEARS 2018 – 2019 - 2020

STATE OF TEXAS §
COUNTY OF LA SALLE §

THIS CONTRACT, made and entered into by and between the LA SALLE COUNTY APPRAISAL DISTRICT a political subdivision of the State of Texas, duly organized and operating pursuant to the provisions of the Texas Property Tax Code, acting by and through its Chief Appraiser, with the approval of its governing body, the Board of Directors (hereinafter referred to as "Appraisal District"), and PRITCHARD & ABBOTT, INC., a professional appraisal firm (hereinafter referred to as "Appraisal Firm"),

WITNESSETH

WHEREAS, the constitution of Texas specifically provides that taxation shall be equal and uniform and that property shall be taxed according to its value;

WHEREAS, the Texas Legislature following the Constitutional Mandate of equality and uniformity enacted the Property Tax Code; and,

WHEREAS, Section 6.01 of the Code established an Appraisal District in each County in the State with responsibility for appraising all taxable property in Appraisal District for ad valorem tax purposes for all taxing units in the district; and,

WHEREAS, Section 6.03 of the Code provides for the election of a Board of Directors to serve as the governing body of Appraisal District; and,

WHEREAS, Section 6.05(c) provides for the appointment of a Chief Appraiser to serve as the chief administrator of the district; and,

WHEREAS, Section 25.01(b) of the Code empowers the Chief Appraiser with the approval of the Board of Directors to contract with a private appraisal firm to perform appraisal services for the district; and,

WHEREAS, the Chief Appraiser and the Board of Directors has determined that it would be wise and to the best interest of Appraisal District to employ experts skilled in the matter of appraising and valuing certain hereinafter described property located within the boundaries of Appraisal District and subject to ad valorem taxes in said district, and to compile taxation data relating thereto for use by the Chief Appraiser and the Appraisal Review Board of said district; and,

WHEREAS, the Board of Directors has found and determined and does hereby find and determine that Appraisal Firm has special skill and experience in appraising the types of property

hereinafter described and that **Appraisal Firm** should be retained by **Appraisal District** to assist it and its staff to comply with the uniformity and equality provisions of the Texas Constitution and the statutory provisions of the Property Tax Code.

NOW, THEREFORE, THE PARTIES HERETO HAVE AGREED AND DO CONTRACT AS FOLLOWS:

I.

The terms used in this contract shall be defined as follows:

A. **"Appraisal District"** shall mean the Board of Directors of the **La Salle County Appraisal District**.

B. **"Appraisal Firm"** shall mean **Pritchard & Abbott, Inc.**, a professional appraisal firm, whose address is 4900 Overton Commons Court, Fort Worth, Tarrant County, Texas 76132-3687.

C. **"Mineral Property"** shall mean all properties producing oil, gas, coal, or other hydrocarbons, hard minerals, and all interests therein, including working interests, oil payments, overriding royalties and royalty interests and any other related interest. The term **"Mineral Property"** specifically excludes sand, gravel, caliche and all other non-fuel minerals.

D. **"Industrial Property"** shall mean the real and personal property of manufacturing, processing, assembly and other facilities of an industrial nature.

E. **"Utility Property"** shall mean the personal property of utility companies, including, but not limited to, telephone systems, electric systems, gas distribution systems, cable television systems, water systems, railroad, pipelines, pump stations and compressor stations.

F. **"Personal Property"** shall mean all personal property used or employed in connection with the exploration and production of mineral property, as described above, and specifically includes, but is not limited to, drilling rigs, oilfield service companies, supply stores, trucking & dirt contractors, tank farms, field compressors and/or any other mutually agreed personal property to be included within this contract.

II.

Appraisal Firm agrees as follows:

A. **Appraisal Firm** agrees to perform the following described appraisal and related services for the use and benefit of **Appraisal District**, and that all of such appraisal services will comply with the ad valorem tax laws of the State of Texas.

B. **Appraisal Firm** will appraise for the tax years **2018, 2019 and 2020** all of above listed and described properties located in **Appraisal District**, for ad valorem tax purposes, and in the process of so doing, will gather and compile as of January 1st of each of said years all information and data reasonably needed and reasonably available pertaining to the value of such properties, and furnish said data and information to **Appraisal District** for the purpose of equalizing valuations of such properties with other properties in **Appraisal District** for each year covered by this contract. Appraisal Notices will be delivered to **Appraisal District** at a time set by the Chief Appraiser.

C. **Appraisal Firm** will follow Section 23.01 of the Property Tax Code relating to the Uniform Standards of Professional Appraisal Practices (USPAP), as it applies to the above-described properties located in **Appraisal District**, for ad valorem tax purposes.

D. **Appraisal Firm** will compile the following appraisal records required by the Property Tax Code in the form and manner required by the Code for the properties covered by this contract and furnish such records to **Appraisal District** prior to or at certification as requested by Chief Appraiser; such records being:

- (1) One (1) copy of Recaps that show estimated value for each taxing unit in **Appraisal District**;
- (2) One (1) copy of Appraisal Records;
- (3) Two (2) copies of Notices of Appraised Value (Including Supplemental Notices);
- (4) One (1) copy of the Appraisal Roll for **Appraisal District**;
- (5) One (1) copy of the Appraisal Roll for each taxing unit in **Appraisal District**; and,
- (6) One (1) copy of Division Orders listing all current record owners of interests in oil and gas producing properties for **Appraisal District** and one (1) copy for each taxing unit in **Appraisal District**.

E. **Appraisal Firm** will make available the appraisals of the property covered by this contract and the supporting data relating to the appraisals to **Appraisal District** for the purpose of equalizing valuations of such properties with other properties in **Appraisal District**. **Appraisal Firm** will furnish expert testimony to support the appraisals submitted to the Appraisal Review Board under this contract.

F. **Appraisal Firm** will meet with taxpayers who respond to the Notices of Appraised Value and review with them appraisals of their property, and will meet with the Appraisal Review Board when necessary and desirable to present testimony and evidence as to the value of any property being protested, and will generally assist **Appraisal District** in the equalization of values of property subject to this contract as **Appraisal District** may see fit until final action is taken fixing and equalizing the values for taxation for the tax years covered by this contract.

G. **Appraisal Firm** will furnish to **Appraisal District** at certification, in the form and manner required by the Property Tax Code, a copy of the appraisals of the properties covered by this contract, together with supporting data of such appraisals. Per Section 25.01(c) "Supporting data" shall not be construed to include personal notes, correspondence, working papers, thought processes or any other matters of a privileged or proprietary nature. In addition, a copy of the mineral appraisal roll for **Appraisal District** will be provided on a Compact Disc (CD) to satisfy public information (open records) requests. The data contained on this CD will not include confidential mineral interest Division Orders or an Appraisal Roll in an electronic format that would allow the assembly of these Division Orders. Two (2) copies of the CD will be provided as part of this contract. Should additional copies of the open records CD be requested by **Appraisal District**, **Appraisal Firm** will provide these additional CDs for an amount of \$25.00 per copy.

H. **Appraisal Firm** will provide to **Appraisal District**, or to the taxing units participating in **Appraisal District**, additional services beyond those described under this contract, at a rate of compensation mutually agreed to by **Appraisal District** and **Appraisal Firm**. Such services, which will be provided upon request, include but are not limited to the following:

- (1) Professional services in connection with bond promotions, including but not limited to research, studies, investigations, materials, reports and letters;
- (2) Professional services in connection with delinquent tax collection litigation, including but not limited to research, studies, investigations, appraisals, consultation, reports, depositions and testimony; and,
- (3) Professional services in connection with appeals of market value studies of the Texas Comptroller of Public Accounts Property Tax Division (**PTAD**), should this become necessary after all **PTAD** hearings have been held, including but not limited to research, studies, investigations, appraisals, reports, depositions and testimony.

I. **Appraisal Firm** will support and defend the value of any contract property through any court of appropriate jurisdiction, at no additional charge.

J. **Appraisal Firm** will furnish and pay for all supplies needed for the proper execution of this contract. If **Appraisal Firm** is requested to provide services related to mailing Notices of Appraised Value (including Supplemental Notices), the fee for folding, stuffing, inserts, envelopes and postage is not included in this contract agreement fee and will be billed to **Appraisal District** as an additional charge based on the specific service requested.

K. **Appraisal Firm** will disclose any conflicts of interest that exist, as required.

L. **Appraisal Firm** will at all times during the period of this contract, maintain general liability insurance, automobile liability insurance and worker's compensation insurance. A Certificate of Insurance with **Appraisal District** as named insured will be provided by **Appraisal Firm**, if requested. Should **Appraisal Firm** fail to maintain the insurance coverage described above, **Appraisal District** may, at its option, declare this contract null and void and **Appraisal Firm** shall be excused from any further performance.

M. In the event that **Appraisal Firm** receives any documentation pursuant to its duties under this contract that is made confidential by the Texas Property Tax Code, or other applicable law, it shall carefully guard that information and disseminate it only as allowed by applicable law.

III.

Appraisal District agrees as follows:

A. **Appraisal District** agrees to employ **Appraisal Firm** to perform the services as outlined hereinabove for the tax years **2018, 2019 and 2020**; and, in consideration for the performance of these services, **Appraisal District** agrees and obligates itself to pay to **Appraisal Firm** out of the funds allocated to it by the taxing units in the district as provided in the Property Tax Code, a sum of money equal to **One Hundred Eighty Nine Thousand Dollars (\$ 189,000)** for the year **2018**,

Two Hundred Four Thousand Dollars (\$ 204,000) for the year 2019 and Two Hundred Twenty Thousand Dollars (\$ 220,000) for the year 2020, which payments shall be made as follows:

\$ 47,250.00 in February, 2018 after completion of personal property field inspections. If inspections are not completed, the Chief Appraiser will be notified of expected completion date;

\$ 47,250.00 in May, 2018 after completion of 2018 appraisals and Notices of Appraised Value have been mailed. If all appraisals are not complete with Notices ready to mail, the Chief Appraiser will be notified of expected completion date;

\$ 47,250.00 in August, 2018 after completion of 2018 Appraisal Review Board hearings. All hearings covered by this contract, excepting any unscheduled Chapter 25.25 and/or not scheduled hearings, should be completed;

\$ 47,250.00 in November, 2018 after Certification of 2018 Values;

\$ 51,000.00 in February, 2019 after completion of personal property field inspections. If inspections are not completed, the Chief Appraiser will be notified of expected completion date;

\$ 51,000.00 in May, 2019 after completion of 2019 appraisals and Notices of Appraised Value have been mailed. If all appraisals are not complete with Notices ready to mail, the Chief Appraiser will be notified of expected completion date;

\$ 51,000.00 in August, 2019 after completion of 2019 Appraisal Review Board hearings. All hearings covered by this contract, excepting any unscheduled Chapter 25.25 and/or not scheduled hearings, should be completed;

\$ 51,000.00 in November, 2019 after Certification of 2019 Values;

\$ 55,000.00 in February, 2020 after completion of personal property field inspections. If inspections are not completed, the Chief Appraiser will be notified of expected completion date;

\$ 55,000.00 in May, 2020 after completion of 2020 appraisals and Notices of Appraised Value have been mailed. If all appraisals are not complete with Notices ready to mail, the Chief Appraiser will be notified of expected completion date;

\$ 55,000.00 in August, 2020 after completion of 2020 Appraisal Review Board hearings. All hearings covered by this contract, excepting any unscheduled Chapter 25.25 and/or not scheduled hearings, should be completed; and,

\$ 55,000.00 in November, 2020 after Certification of 2020 Values.

B. Should new or additional property be added by **Appraisal District** requiring **Appraisal Firm** to provide professional contract services that are additions to the contract after the execution of this contract, **Appraisal Firm** will provide the added services for a per diem fee of \$ 850.00 plus all other associated out-of-pocket travel expense. This added fee will be discussed with the Chief Appraiser at the time additional services are requested from **Appraisal Firm** and will be mutually agreed to by **Appraisal District** and **Appraisal Firm**, but such amount shall not exceed a per diem fee of \$ 850.00 plus all other associated out-of-pocket travel expense.

C. **Appraisal District** will at any time same may become necessary, pass and enter of record such orders as may be proper and necessary to legalize and facilitate the payments of all sums due **Appraisal Firm**.

IV.

Appraisal District and **Appraisal Firm** further agree as follows:

A. Each will lend mutual assistance to the other in the effective performance of this contract.

B. The payments to be made hereunder by **Appraisal District** to **Appraisal Firm** are in no way contingent upon the amount of or increase in the appraised, assessed or taxable value of property to be appraised by **Appraisal Firm**.

C. Any language contained herein which might be construed to the contrary notwithstanding, if any word, phrase, sentence, paragraph or provision of this contract shall be for any reason declared or adjudicated to be invalid, such decision or adjudication shall not affect the validity of the remaining portions hereof.

D. The execution of this contract is authorized by proper resolution duly adopted by the Board of Directors of **Appraisal District** and is duly approved by the Chief Appraiser.

E. In the event the Texas Legislature enacts changes to the Property Tax Code during the term of this contract the parties will re-examine this contract and renegotiate same, if necessary. Further, should there be a judicial interpretation of the Property Tax Code which affects the legality or validity of any portion of this contract, the parties will re-examine this contract and renegotiate same, if necessary.

F. Notwithstanding any provision to the contrary, if **Appraisal District** fails to appropriate funds for this contract for a subsequent year, this contract shall be of no force and effect and **Appraisal District** shall be liable for no additional charges for the year for which no funds were appropriated.

G. Notwithstanding any provision to the contrary, if **Appraisal District** determines at any time that **Appraisal Firm** is not performing services as required under this Agreement in a sufficiently accurate or timely matter, it shall notify **Appraisal Firm** in writing of such determination. If **Appraisal Firm** fails to cure such deficiency to District's satisfaction within thirty (30) days after delivery of such notice, **Appraisal District** is entitled: to withhold fees payable to

Appraisal Firm in an amount reasonably related to the portion of **Appraisal Firm's** total fee under this Contract that is attributable to such services; terminate this Agreement; or both.

H. **Appraisal District** will review performance of **Appraisal Firm** on or before September 15 of each year in determining whether to appropriate funds for this contract for a subsequent year. **Appraisal District** will determine that all deliverables are acceptable to **Appraisal District**. If contract obligations have not been completed, **Appraisal District** will notify **Appraisal Firm** within 20 days and corrective action will be taken. Should **Appraisal District** take no action on or before **September 15** of each year the contract shall automatically continue in force for the next year.

I. And for the true and faithful performance of all and every of the agreements and covenants stated, the said parties hereto bind themselves, their successors and legal representatives, each to the other, provided, however, nothing herein is intended to impose liability for payment of the appraisal fees set forth herein upon the District Directors or the Chief Appraiser in their individual capacities, and **Appraisal Firm** does hereby release, indemnify and hold harmless said District Directors and Chief Appraiser in their individual capacities from and for payment of said appraisal fees. **Appraisal Firm** shall further indemnify and hold harmless the **Appraisal District** from liability for any negligent or tortious act it may commit in the course and scope of its duties under this contract.

V.

In response to **Appraisal District's** request, in a letter attached to this contract, **Appraisal Firm** has provided a list of dedicated employees from **Appraisal Firm's** Houston office who will be responsible for providing **Appraisal Firm's** services pursuant to this contract. Additional support employees from **Appraisal Firm's** Fort Worth office are also named in this list, and the Fort Worth employees will assist the Houston office as needed. Said letter dated January 23, 2014 is incorporated into this contract by reference and shall be considered for all purposes to be a portion of this contract and to constitute a binding term of this contract.

VI.

If Litigation should arise between the parties to this contract regarding the services to be provided pursuant to this contract, the parties expressly agree that venue shall be solely in La Salle County.

IN WITNESS, WHEREOF, the parties to this agreement have hereunto set their hands this _____ day of _____, 2017.

LA SALLE COUNTY APPRAISAL DISTRICT

Dominic Kenny
Chairman, Board of Directors

Secretary, Board of Directors

Approved By:

Greg Zell
Chief Appraiser

PRITCHARD & ABBOTT, INC.

By: *Shannon H. Stary*
Shannon H. Stary, District Manager

LASALLE COUNTY APPRAISAL DISTRICT
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED DECEMBER 31, 2016

BEYER & CO.

CERTIFIED PUBLIC ACCOUNTANTS

442 WEST OAKLAWN
P.O. BOX 366 830/569-8781 FAX 830 569-6776
PLEASANTON, TEXAS 78064

111 NORTH ODEM
830/569-8781 FAX 830 569-6776
SINTON, TEXAS 78387

BEYER & CO.
CERTIFIED PUBLIC ACCOUNTANTS

Wayne R. Beyer, C.P.A.

P.O. Box 366 / 442 West Oaklawn
Pleasanton, Texas 78064
Phone: (830) 569-8781 ~ Fax: (830) 569-6776

E-mail: beyeraandco@sbcglobal.net

111 North Odem
Sinton, Texas 78387
Phone: (830) 569-8781 ~ Fax: (830) 569-6776

Please reply to Pleasanton address

To the Board of Directors
LaSalle County Appraisal District
Cotulla, Texas 78014

As a result of our observations concerning the accounting and financial aspects of the records of the La Salle County Appraisal District during our audit for the year ended December 31, 2016, we noted certain immaterial matters and these matters are summarized below for your consideration. The following management points will be reviewed as part of next year's audit:

Administrative

Finding:

1. We noted that there were no addresses listed for several vendors on the vendor list.

Recommendation:

We recommend the District update the vendor list making certain vendors' correct addresses are included; and that the District make changes to the list as they occur to ensure the list remains current at all times.

These comments and recommendations are made in a constructive spirit and in the best interest of the La Salle County Appraisal District. We will be glad to review and discuss them in more detail with the District personnel at your request.

Sincerely,

Wayne R. Beyer

BEYER & CO.
Certified Public Accountants
June 6, 2017

BEYER & Co.
CERTIFIED PUBLIC ACCOUNTANTS

Wayne R. Beyer, C.P.A.

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To the Board of Directors
La Salle County Appraisal District

In planning and performing our audit of the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of La Salle County Appraisal District as of and for the year ended December 31, 2016, in accordance with auditing standards generally accepted in the United States of America, we considered La Salle County Appraisal District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of La Salle County Appraisal District's internal control. Accordingly, we do not express an opinion on the effectiveness of La Salle County Appraisal District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

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 a 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. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

LASALLE COUNTY APPRAISAL DISTRICT

ANNUAL FINANCIAL REPORT
For the Fiscal Year Ended
DECEMBER 31, 2016

LASALLE COUNTY APPRAISAL DISTRICT
Annual Financial Report
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2016

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FINANCIAL SECTION

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, each major fund, and the aggregate remaining fund information of LaSalle County 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3–10 and the Public Employees Retirement System Information on pages 46–50 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Wayne R. Beyer

BEYER & COMPANY
Certified Public Accountants
June 6, 2017

Financial Highlights

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the LaSalle County Appraisal District's basic financial statements. The LaSalle County Appraisal District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

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

The *statement of net position* presents information on all of the LaSalle County Appraisal District's assets and liabilities, with the difference between the two reported as *Net Position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the LaSalle County Appraisal District is improving or deteriorating.

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

Both of the government-wide financial statements distinguish functions of the LaSalle County Appraisal District that are principally supported by pro rata charges to the various taxing entities in LaSalle County (*governmental activities*). The governmental activities of the LaSalle County Appraisal District include the general government.

The government-wide financial statements include only the LaSalle County Appraisal District itself (known as the *primary government*.)

The government-wide financial statements can be found on pages 11-12 for this report.

Fund financial statements: A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The LaSalle County Appraisal District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All other funds of the LaSalle County Appraisal District are contained in one category: governmental funds.

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a District's financial position. In the case of the LaSalle County Appraisal District, assets exceeded liabilities by \$493,968 at the close of the most recent fiscal year. A portion of the LaSalle County Appraisal District's net position (27 percent) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment); less any related debt used to acquire those assets that are still outstanding. The LaSalle County Appraisal District uses these capital assets to provide services to various taxing entities; consequently, these assets are *not* available for future spending. Although the LaSalle County Appraisal District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

LASALLE COUNTY APPRAISAL DISTRICT Net Position

	Governmental Activities		Total	
	2016	2015	2016	2015
Current and Other Assets	\$306,649	\$197,618	\$306,649	\$197,618
Capital Assets:	196,602	127,107	196,602	127,107
Total Assets	503,251	324,725	503,251	324,725
Total Deferred Outflows of Resources	107,544	67,611	107,544	67,611
Long-Term Liabilities	103,956	96,288	103,956	96,288
Other Liabilities	12,871	34,140	12,871	34,140
Total Liabilities	116,827	130,428	116,827	130,428
Invested in Capital Assets, Net of Related Debt	133,117	57,022	133,117	57,022
Unrestricted	360,851	204,886	360,851	204,886
Total Net Position	\$493,968	\$261,908	\$493,968	\$261,908

The remaining balance of *Unrestricted Net Position* (\$360,851) may be used to meet the District's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the LaSalle County Appraisal District is able to report positive balances in both categories of net position, for its governmental activities. In the prior fiscal year, LaSalle County Appraisal District reported positive balances in both categories of net position, for its governmental activities.

The District's net position increased by \$232,060 during the current fiscal year. A key factor in this increase is as follows: Budgeted income exceeded both budgeted expenditures and actual expenditures.

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
Primary Government			
Government Activities:			
General Administration	\$1,040,361	\$1,259,811	\$0
Total Government Activities	<u>1,040,361</u>	<u>1,259,811</u>	<u>0</u>
Total Primary Government	<u>\$1,040,361</u>	<u>\$1,259,811</u>	<u>\$0</u>

Revenues by Source - Governmental Activities

	<u>REVENUES</u>	<u>%</u>
Charges for Services	\$1,259,811	99%
Unrestricted Investment Earnings	350	0%
Miscellaneous	12,260	1%
	<u>\$1,272,421</u>	<u>100%</u>

For the most part, increases in expenses closely paralleled inflation and growth in the demand for services.

Capital Asset Administration

Capital assets: The LaSalle County Appraisal District’s investment in capital assets for its governmental activities as of December 31, 2016, amounts to \$196,602 (net of accumulated depreciation). This investment in capital assets includes land, buildings and system, improvements, machinery and equipment. The total increase in the LaSalle County Appraisal District’s investment in capital assets for the current fiscal year was \$69,495 (55 percent increase for governmental activities).

Major capital asset events during the current fiscal year included the following: None.

**LASALLE COUNTY APPRAISAL DISTRICT
CAPITAL ASSETS (Net of Depreciation)**

	Governmental Activities		Total	
	2016	2015	2016	2015
Land	\$0	\$0	\$0	\$0
Building and Improvements	114,912	117,648	114,912	117,648
Machinery and Equipment	6,306	9,459	6,306	9,459
Intangibles	75,384	0	75,384	0
Total	\$196,602	\$127,107	\$196,602	\$127,107

Additional information of the LaSalle County Appraisal District’s capital assets can be found in note IV-C on page 28 of this report.

Economic Factors and Next Year’s Budgets and Rates:

The District expects no significant change in the coming years except the continued growth of the County’s population and oil and gas industry and the related increase in property values. The District’s budget will continue to increase to meet the continued growth of the County. The District’s future budgeted expenditures will be matched by pro-rata assessments to its taxing entities. All budget underages are generally remitted back to the taxing entities.

Requests for Information

This financial report is designed to provide a general overview of LaSalle County Appraisal District’s finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the Chief Appraiser, 101 N. Baylor, Cotulla, Texas 78014-2204; Drawer O, Cotulla, Texas 78014-2204.

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

LASALLE COUNTY APPRAISAL DISTRICT
 STATEMENT OF ACTIVITIES
 YEAR ENDED DECEMBER 31, 2016

Functions/Programs	Program Revenues			Net (Expense)
	Expenses	Charges for Services	Operating Grants and Contributions	Revenue and Changes in Governmental Activities
Primary Government				
Government Activities:				
General Administration	\$1,040,361	\$1,259,811	\$0	\$219,450
Total Government Activities	<u>1,040,361</u>	<u>1,259,811</u>	<u>0</u>	<u>219,450</u>
Total Primary Government	<u>\$1,040,361</u>	<u>\$1,259,811</u>	<u>\$0</u>	<u>\$219,450</u>
General Revenues				
Unrestricted Investment Earnings				350
Miscellaneous				<u>12,260</u>
Total General Revenues				<u>12,610</u>
Change in Net Position				<u>232,060</u>
Net Position - Beginning				<u>261,908</u>
Net Position - Ending				<u>\$493,968</u>

The accompanying notes are an integral part of this statement.

FUND FINANCIAL STATEMENTS

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

Total Fund Balances - Governmental Funds Balance Sheet

Amounts reported for governmental activities in the statement of net position
("SNA") are different because:

\$293,778

Capital assets used in governmental activities are not reported in the funds.

196,602

Other long-term assets are not available to pay for current period
expenditures and, therefore, are deferred in the funds.

107,544

Long-term liabilities, including bonds payable, are not due and payable in the
current period and therefore are not reported in the funds.

(103,956)

Net Position of Governmental Activities - Statement of Net Position

\$493,968

The accompanying notes are an integral part of this statement.

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

Net Changes in Fund Balances - Total Governmental Funds 135,802

Amounts reported for governmental activities in the statement of net position
 ("SNA") are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	69,495
Increase (decrease) in net pension receivable from beginning of period to end of period.	(5,502)
Deferred Outflow of Resources-Contribution. This is the change in these amounts this year.	8,489
Deferred Outflow-Differences between expected and actual experience. This is the change in these amounts this year.	(3,782)
Deferred Outflow-Changes of assumptions. This is the change in these amounts this year.	2,296
Deferred Outflow-Net difference between projected and actual earnings. This is the change in these amounts this year.	32,930
Repayment of loan principal is an expenditure in the funds but not an expense in the SOA.	6,600
(Increase) decrease in net pension receivable from beginning of period to end of period.	(14,265)
(Increase) decrease in compensated absences payable from beginning of period to end of period.	(3)
Change in Net Position of Governmental Activities - Statement of Activities	<u>232,060</u>

The accompanying notes are an integral part of this statement.

LASALLE COUNTY APPRAISAL DISTRICT
 GENERAL FUND

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - (CASH BASIS) - BUDGET AND ACTUAL
 FOR THE YEAR ENDED DECEMBER 31, 2016

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
<i>REVENUES</i>				
Charges for Services	\$1,259,811	\$1,259,811	\$1,259,811	0
Interest	300	300	350	50
Miscellaneous	400	400	12,260	11,860
Total Revenues	<u>1,260,511</u>	<u>1,260,511</u>	<u>1,272,421</u>	<u>11,910</u>
<i>EXPENDITURES</i>				
Current:				
General Administration	1,249,967	1,249,967	1,154,614	95,353
Debt Service				
Principal Retirement	6,600	6,600	6,600	0
Interest and Fiscal Charges	3,944	3,944	3,944	0
Total Expenditures	<u>1,260,511</u>	<u>1,260,511</u>	<u>1,165,158</u>	<u>95,353</u>
Net Changes in Fund Balances - Cash Basis	<u>0</u>	<u>0</u>	<u>107,263</u>	<u>107,263</u>
Reconciliation from Cash Basis to Modified Accrual Basis:				
Changes in Prepaid Insurance			7,271	
Changes in Accounts Payable			21,268	
Net Changes in Fund Balances - Modified Accrual Basis			<u>135,802</u>	
Fund Balances - Beginning			<u>157,976</u>	
Fund Balances - Ending			<u>\$293,778</u>	

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

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Governmental fund financial statements include a balance sheet and a statement of revenues, expenditures and changes in fund balances for all major governmental funds and non-major funds aggregated. An accompanying schedule is presented to reconcile and explain the differences in fund balances and changes in fund balances as presented in these statements to the net position and changes in net position presented in the government-wide financial statements. The District has presented all major funds that met those qualifications.

All governmental funds are accounted for on a spending or "current financial resources" measurement focus and the modified accrual basis of accounting. Accordingly, only current assets and current liabilities are included on the balance sheets. The statement of revenues, expenditures and changes in fund balances present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period. Accordingly, revenues are recorded when received in cash, except that revenues subject to accrual (generally 60 days after year-end) are recognized when due. The primary revenue sources, which have been treated as susceptible to accrual by the District, are pro-rata assessments and interest. Expenditures are recorded in the accounting period in which the related fund liability is incurred.

The District reports the following major governmental funds:

The general fund is the District's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

4. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental activities columns in the government-wide financial statements. Capital assets are defined by the government 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. Interest incurred during the construction phase of capital assets of activities is included as part of the capitalized value of the assets constructed. The District had no active construction projects as of December 31, 2016.

Property, plant, and equipment of the primary District are depreciated using the straight line method over the following estimated useful lives:

<i>Assets</i>	<i>Years</i>
Buildings	50
Building Improvements	20
Public Domain Infrastructure	50
System Infrastructure	30
Intangibles	10
Vehicles	5
Office Equipment	5
Computer Equipment	5

5. Compensated Absences

It is the District's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. All unused vacation pay and one-half of the unused sick pay are accrued when incurred in the government-wide and governmental funds.

8. Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/ expenditure) until then. The government only has one item that qualifies for reporting in this category. It is deferred under GASB 68.

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 acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The government has no item that qualifies for reporting in this category.

9. Net position flow assumption

Sometimes the government will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted - net position and unrestricted - net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted - net position to have been depleted before unrestricted - net position is applied.

10. *Fund balance flow assumptions*

Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets. (continued)

The governmental fund balance sheet includes reconciliation between fund balance - total governmental funds and net position - governmental activities as reported in the government-wide statement of net position. One element of that reconciliation is retirement deferrals. The details of this \$107,544 difference are as follows:

Retirement Deferrals:	
Deferred Outflow of Resources-Contributions (after 12/31/15)	\$68,476
Deferred Outflow-Differences between expected and actual experience	660
Deferred Outflow-Changes of assumptions	5,478
Deferred Outflow-Net difference between projected and actual earnings	<u>32,930</u>
Net	<u>\$107,544</u>

B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities.

The governmental fund statement of revenues, expenditures, and changes in fund balances includes reconciliation between *net changes in fund balances - total governmental funds* and *changes in net assets of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. The details of this \$69,495 difference are as follows:

Capital Outlay - Additions - Not Being Depreciated	\$0
Capital Outlay - Additions - Being Depreciated	83,760
Capital Outlay - Deletions - Net	0
Depreciation Expense	(14,265)
Net Adjustment To Increase Net Changes in Fund Balances - Total Governmental Funds to Arrive at Changes in Net Position of Governmental Activities	<u>\$69,495</u>

IV. Detailed Notes on All Funds

A. Deposits and investments

Legal and Contractual Provisions Governing Deposits and Investments:

The Public Funds Investment Act (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports and establishment of appropriate policies. Among other things, it requires the District to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, (9) and bid solicitation preferences for certificates of deposit. Statutes authorize the District to invest in (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) money market savings accounts, (5) repurchase agreements, (6) bankers acceptances, (7) mutual funds, (8) investment pools, (9) guaranteed investment contracts, (10) and common trust funds. The Act also requires the District to have independent auditors perform test procedures related to investment practices as provided by the Act. The District is in compliance with the requirements of the Act and with local policies.

Policies Governing Deposits and Investments

The District has adopted a deposit and investment policy. That policy does address the following risks:

The District had no investments during the year ended December 31, 2016.

Custodial credit risk - deposits. In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District has a policy for custodial credit risk. As of December 31, 2016, the District's bank balance of \$355,562 was not exposed to custodial credit risk because it was covered by FDIC insurance. The market value of the pledged securities held by the depository bank in the District's name is \$986,130. The book balance of cash at December 31, 2016 is \$296,084.

D. Leases

Operating Leases

The District leases equipment under non-cancelable operating leases. Total costs for such leases were \$40,224 for the year ended December 31, 2016. The future minimum lease payments for these leases are as follows:

Year Ending Dec. 31,	Amount
2017	\$ 21,601
2018	0
2019	0
2020	0
Total	<u>\$ 21,601</u>

Rent expenditures were \$0 for the year ended September 30, 2016. Sublease rental income was \$0 for the year ended September 30, 2016.

E. Long-Term Debt

Capital Leases: The District has entered into a lease agreement as lessee for financing the acquisition of a building for \$104,000. This lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of the future minimum lease payments as of the inception date. The security pledged for the capital leases is the building financed. The assets acquired through capital leases are capitalized into capital assets as follows:

ASSET	Governmental Activities	
	BUILDING	TOTAL
COST	\$136,800	\$136,800
ACCUMULATED DEPRECIATION	(21,888)	(21,888)
NET ASSET	<u>\$114,912</u>	<u>\$114,912</u>

V. Other Information

A. Related Party Transaction

There were no Related Parties Transactions.

B. Subsequent Events

Please see Note V-C below.

C. Contingent Liabilities

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the government expects such amounts, if any, to be immaterial.

On April 6, 2017, LaSalle County filed suit against LaSalle CAD for declaratory and injunctive relief requesting the Appraisal District perform its duties in accordance with Texas statutes. LaSalle County is also seeking attorney fees and court costs and such other relief to which the County may be entitled.

Group Health and Life Insurance

The District maintains a group health insurance plan for active employees and their eligible dependents. Costs are recorded in the fund from which the employees' compensation is paid.

Unemployment Compensation Insurance

The Appraisal District self-insures for unemployment compensation claims through an agreement with the Texas Workforce Commission (TWC). Under the agreement, TWC administers all claims and is reimbursed by the Appraisal District for claims incurred plus administrative charges.

E. Other Post-employment Benefits

There are no post-employment benefits.

F. The schedule for Committed Fund Balance is as follows:

RESERVE TYPE	BALANCE	2016		BALANCE
	AT 12/31/2015	ADD	DEL	AT 12/31/2016
FACILITY IMPROVEMENTS	\$47,082	\$8,000		\$55,082
BUILDING RESERVE	20,000	10,000		30,000
LEGAL SERVICES	60,000	0		60,000
MAPPING RESERVES	0	100,000		100,000
	<u>\$127,082</u>	<u>\$118,000</u>	<u>\$0</u>	<u>\$245,082</u>

Depletion of Plan Assets / GASB Discount Rate

The discount rate is the single rate of return that, when applied to all projected benefit payments results in an actuarial present value of projected benefit payments equal to the total of the following:

1. The actuarial present value of benefit payments projected to be made in future periods in which (a) the amount of the pension plan's fiduciary net position is projected to be greater than the benefit payments that are projected to be made in that period and (b) pension plan assets up to that point are expected to be invested using a strategy to achieve the long-term rate of return, calculated using the long-term expected rate of return on pension plan investments.
2. The actuarial present value of projected benefit payments not included in {1}, calculated using the municipal bond rate.

Therefore, if plan investments in a given future year are greater than projected benefit payments in that year and are invested such that they are expected to earn the long-term rate of return, the discount rate applied to projected benefit payments in that year should be the long-term expected rate of return on plan investments. If future years exist where this is not the case, then an index rate reflecting the yield on a 20-year, tax-exempt municipal bond should be used to discount the projected benefit payments for those years.

The determination of a future date when plan investments are not sufficient to pay projected benefit payments is often referred to as a depletion date projection. A depletion date projection compares projections of the pension plan's fiduciary net position to projected benefit payments and aims to determine a future date, if one exists, when the fiduciary net position is projected to be less than projected benefit payments. If an evaluation of the sufficiency of the projected fiduciary net position compared to projected benefit payments can be made with sufficient reliability without performing a depletion date projection, alternative methods to determine sufficiency may be applied.

In order to determine the discount rate to be used by the employer we have used an alternative method to determine the sufficiency of the fiduciary net position in all future years. Our alternative method reflects the funding requirements under the employer's funding policy and the legal requirements under the TCDRS Act.

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

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

Since the projected fiduciary net position is projected to be sufficient to pay projected benefit payments in all future years, the discount rate for purposes of calculating the total pension liability and net pension liability of the employer is equal to the long-term assumed rate of return on investments. This long-term assumed rate of return should be net of investment expenses, but gross of administrative expenses for GASB 68 purposes. Therefore, we have used a discount rate of 8.10%. This rate reflects the long-term assumed rate of return on assets for funding purposes of 8.00%, net of all expenses, increased by 0.10% to be gross of administrative expenses.

Changes in Net Pension Liability / (Asset)

Changes in Net Pension Liability / (Asset)	Total Pension Liability (a)	Fiduciary Net Position (b)	Net Pension Liability / (Asset) (a) - (b)
Balances as or December 31, 2014	\$326,561	\$332,063	\$(5,502)
Changes for the year:			
Service cost	47,165		47,165
Interest on total pension liability ⁽¹⁾	28,173		28,173
Effect of plan changes ⁽²⁾	(7,457)		(7,457)
Effect of economic/demographic gains or losses	(2,364)		(2,364)
Effect of assumptions changes or inputs	6,261		6,261
Refund of contributions	0	0	0
Benefit payments	(2,621)	(2,621)	0
Administrative expenses		(259)	259
Member contributions		23,822	(23,822)
Net investment income		(7,579)	7,579
Employer contributions		36,074	(36,074)
Other ⁽³⁾	0	(47)	47
Balances as of December 31, 2015	\$395,719	\$381,453	\$14,265

⁽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 TCORS employers effective January 1, 2018.

⁽³⁾ Relates to allocation of system-wide items.

Sensitivity Analysis

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

	1% Decrease 7.10%	Current Discount Rate 8.10%	1% Increase 9.10%
Total pension liability	\$455,096	\$395,719	\$346,756
Fiduciary net position	381,453	381,453	381,453
Net pension liability / (asset)	\$73,643	\$14,265	(\$34,697)

Schedule of Deferred Inflows and Outflows of Resources

	Original Amount	Date Established	Original Recognition Period ⁽¹⁾	Amount Recognized in 12/31/2015 Expense ⁽¹⁾	Balance of Deferred Inflows 12/31/2015	Balance of Deferred Outflows 12/31/2015
<i>Investment (gains) or losses</i>						
	\$36,997	12/31/2015	5.0	\$7,399	\$0	\$29,598
	5,553	12/31/2014	5.0	1,111	0	3,332
<i>Economic / demographic (gains) or losses</i>						
	(2,364)	12/31/2015	8.0	(296)	2,068	0
	3,637	12/31/2014	8.0	455	0	2,728
<i>Assumption changes or inputs</i>						
	6,261	12/31/2015	8.0	783	0	5,478
	0	12/31/2014	8.0	0	0	0

Employer contributions made subsequent to measurement date ⁽²⁾

_____ Employer Determine _____

- (1) *Investment (gains)/losses are recognized in pension expense over a period of five years; economic/demographic (gains)/losses and assumption changes or inputs are recognized over the average remaining service life for all active, inactive, and retired members.*
- (2) *Any eligible employer contributions made subsequent to the measurement date through the employer's fiscal year end should be reflected as outlined in Appendix D of this report.*

Appendix D-Contributions Made Subsequent to Measurement Date

GASB Statement No. 71 ("GASB 71"), *Pension Transition for Contributions Made Subsequent to the Measurement Date - an Amendment of GASB Statement No. 68*, requires employer contributions made between the measurement date, which is the date used to determine an employer's net pension liability ("NPL"), and the employer's fiscal year end be reported as a deferred outflow of resources ("DOoR"). The statement "requires a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability."

For GASB valuation purposes, TCDRS' consulting actuary will compute each participating employer's NPL as of Dec. 31 of each year. Employers that have a fiscal year end other than Dec. 31 will need to account for pension contributions (employer; not employee contributions and group term life premiums) made between Dec. 31 and the employer's fiscal year end as a DOoR. These contributions will not be reported to you as part of this GASB report; employers can access their monthly employer activity statements, which display contributions made by the employer, along with any group term life premium offsets, via the TCDRS Employer Portal.

An example may help. An employer, with a March 31 fiscal year end, will implement GASB 68 requirements for its fiscal year end March 31, 2016. To transition to the new GASB requirements, the employer will record:

- a beginning NPL determined as of the Dec. 31, 2014 measurement date, and
- a beginning DOoR for pension contributions made after Dec. 31, 2014 through the beginning of the employer's fiscal year, which equates to March 31, 2015,

The employer's Dec. 31, 2014 NPL is computed to be \$1,000,000. The employer's pension contributions made after Dec. 31, 2014 to March 31, 2015 total \$200,000. The initial implementation entry would be:

	Debit	Credit
Net position	\$800,000	
DOoR - Contributions after the measurement date	\$200,000	
Initial NPL		\$1,000,000

In addition, employers annually review their plans and may adjust benefits and costs based on their local needs and budgets. Although accrued benefits may not be reduced, employers may reduce future benefit accruals and immediately reduce costs.

Methodology for determining employer contribution rates

The board hires independent outside consulting actuaries to conduct an annual valuation to measure the funding status and to determine the required employer contribution rate for each employer plan. In order to calculate the employer contribution rate, the actuary does the following:

- Studies each employer's adopted plan of benefits and the profile of its plan participants, and uses assumptions established by the board to estimate future benefit payments.
- Discounts the estimate of future benefit payments to the present based on the long-term rate of investment return to determine the present value of future benefits.
- Compares the present value of future benefits with the plan's assets to determine the difference that needs to be funded based on the funding policy.

The valuation of each employer plan is based on the system funding policy and the assets, benefits and participant profile of each participating employer plan. The four key components in the determination of employer contribution rates are: the actuarial cost method, amortization policy, the asset valuation method and the actuarial assumptions.

Actuarial cost method

TCDRS has adopted the replacement life entry age cost method, a conservative cost method and an industry standard. The goal of this cost method is to fund benefits in an orderly manner for each participant over his or her career so that sufficient funds are accumulated by the time benefit payments begin. Under this approach, benefits are funded in advance as a level percentage of pay. This portion of the contribution rate is called the normal cost rate and generally remains stable from year to year.

Amortization policy

The portion of the contribution rate that funds any remaining unfunded amounts for benefits that are not covered by the normal cost is called the unfunded actuarial accrued liability (UAAL) rate. UML amounts occur when benefit enhancements are adopted that have not been funded in advance, or when actual investment or demographic experience varies from the actuarial assumptions (actuarial gains and losses). UML amounts are amortized on a level-percentage-of-covered-payroll basis over a closed period with a layered approach. The closed periods ensure all unfunded liabilities are financed over no more than 20 years from the time they occur. Each year new layers are established to amortize changes in the UAAL due to actuarial gains or losses, as well as any plan benefit changes elected by an employer for that year.

Benefit enhancements are amortized over a 15-year closed period. All other changes in the UML are amortized over 20-year closed periods. These amortization periods are generally more conservative than those of most other public retirement plans and are stricter than the minimum amortization period required under state law.

An actuarial audit of every investigation of experience is required and must be performed by an independent auditing actuary to review the consulting actuary's analysis, conclusions and recommendations for accuracy, appropriateness and reasonableness. These audits alternate between a peer review and a full replication audit of the investigation of experience. In a peer review audit of the investigation, the reviewing actuary uses the raw results of the investigation for demographic assumptions as calculated by the consulting actuary to test the conclusions and recommendations. In addition, the reviewing actuary independently analyzes economic assumptions to test the results and recommendations of the consulting actuary. The reviewing actuary also examines the consulting actuary's methods and assumptions for reasonableness and internal consistency. In a full replication audit of the investigation, in addition to performing all of the steps of a peer review, the auditing actuary fully replicates the calculation of the investigation's raw results.

Review of employer contribution rates

In order to test accuracy and ensure that the actuarial methods and assumptions are being correctly applied, an audit of the valuation is required every four years. These audits are conducted by an independent reviewing actuary and alternate between a peer review and a full replication audit of the valuation. In the peer review audit of the valuation, the actuary uses a sample of participant data and TCDRS plans to test the results of the valuation. The reviewing actuary also examines the consulting actuary's methods and assumptions for reasonableness and internal consistency. In a full replication audit of the valuation, the auditing actuary performs all the steps of a peer review audit but instead of analyzing sample data and plans, the auditing actuary fully replicates the original actuarial valuation.

Review and modification of funding policy

The board will review this policy on a regular basis and may modify this policy at its discretion. Modifications to the policy may be submitted for consideration to the board by staff and/or outside consulting actuaries as circumstances warrant.

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Changes in Net Pension Liability and Related Ratios

	Year Ended December 31									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Total Pension Liability										
Service cost	\$47,165	\$40,288	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Interest on total pension liability	28,173	22,758	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Effect of plan changes	(7,457)	0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Effect of assumption changes or inputs	6,261	0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Effect of economic/demographic (gains) or losses	(2,364)	3,637	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Benefit payments/refunds of contributions	<u>(2,621)</u>	<u>(2,621)</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
Net change in total pension liability	69,157	64,062	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Total pension liability, beginning	<u>326,561</u>	<u>262,499</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
Total pension liability, ending (a)	<u>\$395,719</u>	<u>\$326,561</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
Fiduciary Net Position										
Employer contributions	\$36,074	\$28,937	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Member contributions	23,822	17,462	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Investment income net of investment expenses	(7,579)	18,297	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Benefit payments/refunds of contributions	(2,621)	(2,621)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Administrative expenses	(259)	(233)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Other	<u>(47)</u>	<u>8</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
Net change in fiduciary net position	49,390	61,850	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Fiduciary net position, beginning	<u>332,063</u>	<u>270,213</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
Fiduciary net position, ending (b)	<u>\$381,453</u>	<u>\$332,063</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
Net pension liability / (asset), ending = (a) - (b)	\$14,265	(\$5,502)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Fiduciary net position as a % of total pension liability	96.40%	101.68%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Pensionable covered payroll	\$340,318	\$249,461	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Net pension liability as a % of covered payroll	4.19%	2.21%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

This schedule is presented to illustrate the requirement to show information for 10 years. However, recalculations of prior years are not required; and if prior years are not reported in accordance with the standards of GASB 67/68, they should not be shown here. Therefore, we have shown only years for which the new GASB statements have been implemented.

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	12.1 years (based on contribution rate calculated in 12/31/2015 valuation)
Asset Valuation Method	5-year smoothed market
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 Reflected in the Schedule*	No changes in plan provisions are reflected in the Schedule of Employer Contributions.

*only changes effective 2015 and later are shown in the Notes to Schedule.

Appendix C-Actuarial Methods and Assumptions Used for Funding Valuation

Except where indicated in the section of this GASS 68 report entitled "Actuarial Methods and Assumptions Used for GASB Calculations", the assumptions used in this analysis for the December 31, 2015 financial reporting metrics are the same as those used in the December 31, 2015 actuarial valuation analysis for LaSalle County Appraisal District.

Following is a description of the assumptions used in the December 31, 2015 actuarial valuation analysis for LaSalle County Appraisal District. This information may also be found in the LaSalle County Appraisal District December 31, 2015 Summary Valuation Report.

Economic Assumptions

TCDRS system-wide economic assumptions:

Real rate of return	5.0%
Inflation	3.0%
Long-term investment return	8.0%

The assumed long-term investment return of 8% is net after investment and administrative expenses. It is assumed returns will equal the nominal annual rate of 8% for calculating the actuarial accrued liability and the normal cost contribution rate for the retirement plan of each participating employer.

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. (See Table 1 for Merit Salary Increases.)

Employer-specific economic assumptions:

Growth in membership	0.0%
Payroll growth for funding calculations	0.0%

The payroll growth assumption is for the aggregate covered payroll of an employer.