

**FREESTONE CENTRAL APPRAISAL DISTRICT**  
**ANNUAL FINANCIAL REPORT**  
**DECEMBER 31, 2020**

## CONTENTS

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT .....	1-2
MANAGEMENT'S DISCUSSION AND ANALYSIS.....	3-5
FINANCIAL STATEMENTS	
Statement of Net Position and Governmental Fund Balance Sheet.....	6
Statement of Activities and Governmental Fund Revenues, Expenditures, and Changes in Fund Balance.....	7
Notes to the Financial Statements.....	8-20
REQUIRED SUPPLEMENTAL INFORMATION	
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual.....	21
Notes to Required Supplementary Information .....	22
Schedule of Contributions .....	23
Notes to Required Supplementary Information – Schedule of Contributions .....	24
Schedule of Changes in Net Pension Liability and Related Ratios.....	25
COMPLIANCE SECTION	
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> .....	26-27



## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Freestone Central Appraisal District  
Fairfield, Texas

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the general fund of Freestone Central Appraisal District (the District) as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprises the District's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

## Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and general fund of Freestone Central Appraisal District as of December 31, 2020, 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, budgetary comparison information, schedule of contributions, and schedule of changes in net pension liability and related ratios on pages 3 through 5, and pages 21 through 25 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

## Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 2, 2021, on our consideration of the Freestone Central Appraisal District's internal control over financial reporting and on our 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 our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the 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 Freestone Central Appraisal District's internal control over financial reporting and compliance.

*Frank Campos & Associates, PLLC*

Frank Campos & Associates, PLLC  
Palestine, TX  
April 2, 2021

## MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's discussion and analysis provides a narrative overview of the financial activities and changes in the financial position of the Freestone Central Appraisal District for the fiscal year ended December 31, 2020. Readers should use the additional required notes included in the basic financial statements of the District along with this information.

### ***Financial Highlights:***

The assets and deferred outflows of resources of the Freestone Central Appraisal District exceeded its liabilities and deferred inflows of resources by \$447,203. This was a decrease of \$40,012 from the prior year. The total cost of the District's programs increased \$42,695 from the prior year, while total revenue increased \$35,173.

### ***Overview of the Financial Statements:***

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise two components: (1) government-wide financial statements, which include the fund financial statements, and (2) notes to the financial statements. This report also contains other required supplementary information in addition to the basic financial statements themselves.

The Statement of Net Position presents information showing how the District's net position changed during the fiscal year. All changes in net position are reported when 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.

The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The District's funds are governmental funds. Governmental fund financial statements focus on current sources and uses of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

The notes provide additional information that is essential to a full understanding of the data provided in the financial statements. Additional information such as significant accounting policies, the retirement system, sources of revenue, activity in property and equipment, and risk management are included in the notes to the financial statements.

On page 21 of this report, a Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual is presented to demonstrate compliance with the annual appropriated budget.

### ***Financial Analysis:***

As noted earlier, net position may serve over time as a useful indicator of the District's financial position. As of December 31, 2020, the District's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources by \$447,203.

### DISTRICT'S NET POSITION

	2020	2019
Current and other assets	\$ 632,439	\$ 670,770
Capital assets	76,445	84,641
Total Assets	708,884	755,411
 Total Deferred Outflows of Resources	 101,994	 249,667
Current liabilities	258,673	277,904
Long-term liabilities	11,738	194,288
Total Liabilities	270,411	472,192
 Total Deferred Inflows of Resources	 93,264	 45,671
Net position:		
Net Investment in Capital Assets	76,445	84,641
Unrestricted	370,758	402,574
Total net position	\$ 447,203	\$ 487,215

### DISTRICT'S CHANGE IN NET POSITION

	2020	2019
Revenues:		
Program:		
Charges for services	\$1,300,865	\$ 1,291,595
Total program	1,300,865	1,291,595
General:		
Interest and other	27,443	1,540
Total general	27,443	1,540
Total revenues	1,328,308	1,293,135
 Expenses:		
Tax appraisal – operations	1,368,320	1,325,625
Total expenses	1,368,320	1,325,625
 Change in net position	 (40,012)	 (32,490)
Net position, beginning	487,215	519,705
Net position, ending	\$ 447,203	\$ 487,215

***Analysis of the District's Operations:***

Overall, the District had a cumulative decrease in net position of \$40,012. The District receives a majority of its revenue from all taxing jurisdictions in Freestone County. This includes all cities, school districts, the County, all county-wide special districts, and all non-County-wide special districts. During the fiscal year ending December 31, 2020, the District earned \$1,328,308 in revenue. Of this amount, \$1,300,865, or 99%, was the amount received from these jurisdictions. The remaining amount was from interest earned on the District's bank account balance and for the sale of copies of District data to the public through the Public Information Act.

***Capital Assets:***

The District's investment in capital assets for its operations as of December 31, 2020, amounts to \$76,445 (net of accumulated depreciation). This investment in capital assets includes buildings, equipment, furniture, and appraisal technology infrastructure.

The District had \$4,178 of asset additions during the current fiscal year.

Additional information on the District's capital assets can be found on page 15 of this report.

***Budget Variances:***

The equipment purchases category of expenses was over budget by \$1,041. There were no other areas in the budget, for fiscal year ended December 31, 2020, that reflected significant expenditures over final budgeted amounts.

***Contacting the District's Financial Manager:***

This financial report is designed to provide the residents of Freestone County, as well as the entities it serves, and the District's creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives from the taxing entities. If you have questions about this report or need additional financial information, please contact the Freestone Central Appraisal District, 218 North Mount, Fairfield, Texas 75840, to the attention of the Administrative Assistant.

**FREESTONE CENTRAL APPRAISAL DISTRICT**  
**STATEMENT OF NET POSITION AND GOVERNMENTAL**  
**FUND BALANCE SHEET**

**DECEMBER 31, 2020**

	<u>General</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
<b>ASSETS</b>			
Cash	\$ 585,832	\$ -	\$ 585,832
Prepaid expenses	19,199	-	19,199
Net pension asset	-	27,408	27,408
Capital assets (net)	-	76,445	76,445
Total assets	<u>605,031</u>	<u>103,853</u>	<u>708,884</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Pension contributions subsequent to the measurement date	-	92,121	92,121
Pension - assumption changes	-	6,953	6,953
Pension - investment experience	-	2,920	2,920
Total deferred outflows of resources	<u>-</u>	<u>101,994</u>	<u>101,994</u>
<b>LIABILITIES</b>			
Accounts payable	\$ 5,707	\$ -	\$ 5,707
Accrued payroll	11,872	-	11,872
Unearned revenue	241,094	-	241,094
Non-current liabilities			
Accrued compensated absences	-	11,738	11,738
Net pension liability	-	-	-
Total liabilities	<u>258,673</u>	<u>11,738</u>	<u>270,411</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Pension - investment experience	-	93,264	93,264
Total liabilities and deferred inflows of resources	<u>258,673</u>	<u>105,002</u>	<u>363,675</u>
<b>FUND BALANCE/NET POSITION</b>			
Fund balance:			
Nonspendable - Prepaid items	19,199	(19,199)	-
Unassigned	327,159	(327,159)	-
Total fund balance	<u>346,358</u>	<u>(346,358)</u>	<u>-</u>
Total liabilities and fund balance	<u>\$ 605,031</u>		
Net position:			
Net Investment in capital assets		76,445	76,445
Unrestricted		370,758	370,758
		<u>\$ 447,203</u>	<u>\$ 447,203</u>

The accompanying notes are an integral part of these financial statements.



**FREESTONE CENTRAL APPRAISAL DISTRICT**  
**STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUND**  
**REVENUES, EXPENDITURES, AND CHANGES IN**  
**FUND BALANCE**

**FOR THE YEAR ENDED DECEMBER 31, 2020**

	<u>General</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
<b>EXPENDITURES/EXPENSES</b>			
Current:			
Tax appraisal	\$ 1,374,816	\$ (6,496)	\$ 1,368,320
Total expenditures/expenses	<u>1,374,816</u>	<u>(6,496)</u>	<u>1,368,320</u>
<b>PROGRAM REVENUES</b>			
Charges for services	<u>1,300,865</u>	-	<u>1,300,865</u>
Total program revenues	<u>1,300,865</u>	-	<u>1,300,865</u>
<b>GENERAL REVENUES</b>			
Interest and other	<u>27,443</u>	-	<u>27,443</u>
Total general revenues	<u>27,443</u>	-	<u>27,443</u>
Change in fund balance/net position	(46,508)	6,496	(40,012)
<b>FUND BALANCE/NET POSITION</b>			
Beginning	<u>392,866</u>	<u>94,349</u>	<u>487,215</u>
Ending	<u>\$ 346,358</u>	<u>\$ 100,845</u>	<u>\$ 447,203</u>

The accompanying notes are an integral part of these financial statements.

## FREESTONE CENTRAL APPRAISAL DISTRICT

### NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2020

#### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Freestone Central Appraisal District (the District) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies are described below.

##### A. REPORTING ENTITY

Freestone Central Appraisal District (District) was formed under an act passed by the 66<sup>th</sup> Legislature of the State of Texas. The District is responsible for appraising property located within Freestone County upon which local government entities levy ad valorem taxes. The Board of Directors (Board), an eleven-member group constituting an on-going entity, is the level of government which has governance responsibilities over all activities related to the Freestone Central Appraisal District. The Board receives funding from the local taxing entities within Freestone County and must use this revenue to provide the services required of the District. However, the Board is not included in any other governmental "reporting entity" as defined in Section 2100, Codification of Governmental Accounting and Financial Standards, since Board members are elected by the governing bodies of the local taxing entities within the District and have decision making authority, the power to designate management, the responsibility to significantly influence operations, and primary accountability for fiscal matters.

##### B. GOVERNMENT WIDE AND FUND FINANCIAL STATEMENTS

The government-wide financial statements (Statement of Net Position and Statement of Activities) report information on all of the non-fiduciary activities of the primary government and its component units. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given function or segment of the District, and 2) grants and contributions that are restricted to meeting the operational or capital requirement of a particular function or segment. Taxes and other items, not properly included among program revenues, are reported instead as general revenues. Governmental funds are only included in these government-wide financial statements since the District has no other funds.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. 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.

**FREESTONE CENTRAL APPRAISAL DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS**

**DECEMBER 31, 2020**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION**

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they become measurable and available to finance the operations of the current year. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Interest associated with the current fiscal year is considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the District.

The District reports the following major governmental funds:

1. General Fund – 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.
2. The District has no Proprietary Fund Types.
3. The District has no Fiduciary Fund Types.

Amounts reported as program revenues include: 1) charges to local taxing entities and customers for services provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than program revenues. Likewise, general revenues include all taxes.

**D. ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS, AND NET POSITION OR EQUITY**

**1. Cash** – Cash consists of demand deposit accounts.

**2. Capital Assets** – Capital assets are defined by the District as assets with an initial cost of \$1,000 or more and an estimated life in excess of three years. Such assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation.

The cost of normal maintenance and repairs that does not add to the value of the asset or materially extend asset lives is not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are completed.

# FREESTONE CENTRAL APPRAISAL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2020

### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Following is a summary of the depreciation rates used on the various categories of capital assets in service using the straight-line method:

Buildings	2.0% - 2.50%
Vehicles	12.5% - 14.28%
Furniture and Fixtures	10.0% - 12.50%
Machinery and Equipment	10.0% - 12.50%

- 3. Prepaid Items** – Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid in both the government-wide and fund financial statements. Prepaid items are accounted for using the consumption method.

In Governmental Funds, reported prepaid items do not represent available spendable resources and are, therefore, equally offset by a nonspendable fund balance account.

- 4. Accumulated Vacation and Sick Leave Time** – It is the District's policy to pay terminated employees for any accrued vacation leave earned, but not used, by the time of the termination. District employees may not carryover any days of unused vacation time to next year. The District employee accrues 6.67 hours of sick leave per month. Accrued sick day benefits are not paid when an employee leaves the employment of the District. District employees may carryover to next year up to 240 hours maximum.

- 5. 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 District only has one item that qualifies for reporting in this category. It is the deferred charge on pension reported in the government-wide statement of net position. This is the difference between projected and actual investment earnings.

In addition to liabilities, the statement of net 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 District has only one type of item that qualifies for reporting in this category. It is the deferred pension resulting from the difference in expected and actual economic experience.

- 6. Revenues** – Revenues are derived primarily from amounts assessed against each taxing entity in proportion to the amount of property taxes levied within the District by participating entities. Amounts received from these entities for the current year's assessment are reported as program revenues from taxing entities. Any receipts from the taxing entities, related to their assessments for future years, are reported as unearned revenues.

- 7. Litigation** – At December 31, 2020, Freestone Central Appraisal District was a party to lawsuits and pending or asserted claims with respect to matters generally arising in the ordinary course of business. According to the District's legal counsel, there is no anticipated liability associated with the cases.

# FREESTONE CENTRAL APPRAISAL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2020

### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

8. **Fund Equity** – GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, establishes accounting and financial reporting requirements to improve the usefulness of information about fund balances by providing clearer, more structured fund balance classifications and clarifying the definitions of existing governmental fund types. The Statement classifies fund balances into the following categories: nonspendable, restricted, committed, assigned, and unassigned.

*Nonspendable fund balance* – represents amounts that cannot be spent because they are either not in spendable form (such as inventory or prepaids) or legally required to remain intact (such as notes receivable or principal of a permanent fund).

*Restricted fund balance* – represents amounts with external constraints placed on the use of these resources (such as debt covenants, grantors, other governments, etc.) or imposed by enabling legislation.

*Committed fund balance* – represents amounts that can only be used for specific purposes imposed by an ordinance of the District's highest level of decision-making authority, the Board of Directors. Committed resources cannot be used for any other purpose unless the Board removes or changes the specified use by the same type of action previously used to commit those amounts. The Chief Appraiser is authorized to assign amounts to specific purpose or policy established by the Board to which authorization is given.

*Assigned fund balance* – represents amounts the District intends to use for specific purposes as expressed by the Board of Directors. The Board may also assign fund balance when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. This is the residual classification for all governmental funds other than the general fund.

*Unassigned fund balance* – represents the residual classification for the general fund or deficit balances in other funds.

The District considers restricted expenditures expended first when restricted and unrestricted resources exist. In addition, the District considers unrestricted classifications of resources are considered to have been spent by committed amounts first followed by assigned and unassigned.

9. **Net Position** – Net Position represent the difference between assets and liabilities. Net Position invested in capital assets, net of related debt, consists of the District's capital assets, net of accumulated depreciation, reduced by any outstanding debt used for the acquisition or construction of those assets. Net Position reported as restricted are those amounts which have limitations imposed on their use either through legislation adopted by the District or through external restrictions imposed by creditors, grantors, or other laws and regulations.

10. **Estimates** – In preparation of the financial statements in conformity with generally accepted accounting principles, management must make certain estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and revenues and expenses during the reporting period. Actual results could differ from those estimates.

FREESTONE CENTRAL APPRAISAL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2020

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- 11. **Use of Restricted/Unrestricted Net Position** – When an expense is incurred for purposes for which both restricted and unrestricted Net Position are available, the District’s policy is to apply restricted Net Position first.
- 12. **Pensions** – For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the Fiduciary Net Position of the Texas County & District Retirement System (TCDRS) and additions to/deductions from TCDRS’s Fiduciary Net Position have been determined on the same basis as they are reported by 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.

NOTE 2: RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE GOVERNMENTAL FUND BALANCE SHEET AND THE GOVERNMENT-WIDE STATEMENT OF NET POSITION

The Statement of Net Position and Governmental Fund Balance Sheet includes adjustments between *Fund Balance* and *Net Position*. The reasons for these adjustments follow:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in funds.	\$76,445
Other assets are not financial resources available in current period and, therefore, are not reported in the funds.	\$27,408
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	(\$11,738)
Deferred outflows of resources that are not available to pay for current period expenditures and, therefore, are deferred in the funds.	\$101,994
Deferred inflows of resources that are not due and payable in the current period and, therefore, are not reportable in the funds.	(\$93,264)

FREESTONE CENTRAL APPRAISAL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2020

NOTE 2: RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS  
(CONTINUED)

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 Statement of Activities and Governmental Fund Revenues, Expenditures, and Changes in Fund Balance includes adjustments between the *change in Fund Balance* and *change in Net Position*. The reasons for these adjustments follow:

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 of capital outlay for the year. \$(4,178)

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 of depreciation expense for the year. \$12,374

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported in the funds. \$(14,219)

Some expenses reported in the Statement of Activities are not fund expenditures (e.g. compensated absences that are liabilities not normally liquidated with current financial resources). \$(473)

NOTE 3: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. BUDGETS AND BUDGETARY ACCOUNTING

The District's procedures in establishing the budgetary data reflected in the general purpose financial statements are as follows:

1. Prior to June 15, the chief appraiser submits to each taxing entity represented on the District's board a copy of the proposed budget for the operations of the District for the subsequent calendar year.
2. The Board of Directors holds a public hearing to consider the budget and make necessary adjustments.
3. Prior to September 15, the board must approve the budget. Once approved by the Board, the budget must be approved by the governing bodies of the local taxing entities. If a majority of the governing bodies adopt resolutions disapproving the budget and file them with the secretary of the Board within thirty days after its adoption, the budget does not take effect. The board must then adopt a new budget within thirty days of such disapproval.

FREESTONE CENTRAL APPRAISAL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2020

NOTE 3: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (CONTINUED)

- 4. The board may amend the approved budget at any time. A written copy of the proposed amendment must be delivered to the presiding officer of the governing body of each taxing entity thirty days before its adoption.
- 5. The budget of the General Fund is adopted on a basis consistent with generally accepted accounting principles.

NOTE 4: DETAILED NOTES ON ALL FUNDS

A. CASH

*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. State statutes require that all deposits in financial institutions be fully collateralized by U.S. Government Obligations or its agencies and instrumentalities or direct obligations of Texas or its agencies that have a fair value of not less than the principal amount of deposits. As of December 31, 2020, \$250,000 of the District's \$606,015 deposit balance was insured by the Federal Deposit Insurance Corporation (FDIC). The remaining \$356,015 was collateralized with securities held by the pledging financial institution.

*Credit Risk* – In accordance with its investment policy, the District's investment strategies are to identify suitable investment options, preserve principal by investing in options with limited perceived credit risk, and to diversify investment types.

*Interest Rate Risk* – It's the District's policy to invest in shorter-term securities to protect market valuation from unanticipated rate movements.

*Concentration Credit Risk* – The District monitors value of securities pledged against the district's deposits. The government's cash and cash equivalents are considered to be cash on hand and short-term investments with original maturities of three months or less from the date of acquisition.

B. LEASES

The District has lease agreements for a mailing system and copiers which qualify as operating leases for accounting. The following is a schedule of the future minimum lease payments under these operating leases, and net minimum lease payments at December 31, 2020.

<u>Year Ending December 31,</u>	<u>Amount</u>
2021	\$ 11,943
2022	10,844
2023	10,844
2024	6,831
2025	3,355
Total minimum lease payments	<u>\$ 43,817</u>

Lease expense in 2020 statements is \$17,879.



**FREESTONE CENTRAL APPRAISAL DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS**

**DECEMBER 31, 2020**

**NOTE 4: DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**C. PROPERTY, PLANT, AND EQUIPMENT**

A summary of changes in general fixed assets follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets being depreciated				
Buildings	\$ 240,576	\$ 1,737	\$ -	\$ 242,313
Equipment	91,771	2,441	-	94,212
<b>Total</b>	<b>332,347</b>	<b>4,178</b>	<b>-</b>	<b>336,525</b>
Less accumulated depreciation				
Buildings	170,687	7,011	-	177,698
Equipment	77,019	5,363	-	82,382
<b>Total</b>	<b>247,706</b>	<b>12,374</b>	<b>-</b>	<b>260,080</b>
<b>Net capital assets being depreciated</b>	<b>\$ 84,641</b>	<b>\$ (8,196)</b>	<b>\$ -</b>	<b>\$ 76,445</b>

**DEPRECIATION CHARGE BY FUNCTION**

Appraisal Services \$12,374

**D. LONG-TERM LIABILITIES**

Long-term liabilities consisted of the following at December 31, 2020:

Description	Balance 01/01/20	Additions	Retirements	Balance 12/31/20	Due Within One Year
Net Pension Liability(Asset)	\$ 182,077	\$ 300,479	\$ (509,964)	\$ (27,408)	\$ -
Accrued Compensated Absences	12,211	24,404	(24,877)	11,738	11,738
	<u>\$ 194,288</u>	<u>\$ 324,883</u>	<u>\$ (534,841)</u>	<u>\$ (15,670)</u>	<u>\$ 11,738</u>

**E. PENSION PLAN – TEXAS COUNTY & DISTRICT RETIREMENT SYSTEM**

Plan Description

The District provides retirement, disability, and death benefits for all of its full-time employees through a nontraditional defined benefit pension plan in the statewide Texas County and District Retirement System (TCDRS). The Board of Trustees of TCDRS is responsible for the administration of the statewide agent multiple employer public employee retirement system consisting of 677 nontraditional defined benefit pension plans. TCDRS in the aggregate issues a comprehensive annual financial report (CAFR) on a calendar year basis. The CAFR is available upon written request from the TCDRS Board of Trustees at P.O. Box 2034, Austin, Texas 78768-2034.

The plan provisions are adopted by the governing body of the employer, within the options available in the Texas State statutes governing TCDRS (TCDRS Act).

**FREESTONE CENTRAL APPRAISAL DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS**

**DECEMBER 31, 2020**

**NOTE 4: DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**E. PENSION PLAN – TEXAS COUNTY & DISTRICT RETIREMENT SYSTEM (CONTINUED)**

Benefits Provided

Benefit amounts are determined by the sum of the employee's contribution to the plan, with interest, and employer-financed monetary credits. The level of these monetary credits is adopted by the governing body of the employer within the actuarial constraints imposed by the TCDRS Act so that the resulting benefits can be expected to be adequately financed by the employer's commitments 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.

Members can retire at age 60 and above with 10 or more years of service, with 30 years of service regardless of age, or when the sum of their age and years of service equals 80 or more. Members are vested in 10 years of service but must leave their accumulated contributions in the plan to receive any employer financial benefit. Members who withdraw their personal contributions in a lump sum are not entitled to any amounts contributed by their employer.

A summary of the plan provisions for the District are as follows:

	<u>2020</u>	<u>2019</u>
Employee deposit rate	7.00%	7.00%
Matching ratio (district to employee)	2.50 to 1	2.50 to 1
Years required for vesting	10	10
Service requirement eligibility (expressed as age/yr of service)	80/10 years 30 years any age	80/10 years 30 years any age
Updated service credit	100% Repeating Transfers	100% Repeating Transfers
Annuity increase (to retirees)	0% of CPI Repeating	0% of CPI Repeating

Employees covered by benefit terms

At December 31, 2019 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	3
Inactive employees entitled to but not yet receiving benefits	13
Active employees	<u>15</u>
Total employees receiving benefits	<u><u>31</u></u>

**FREESTONE CENTRAL APPRAISAL DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS**

**DECEMBER 31, 2020**

**NOTE 4: DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**E. PENSION PLAN – TEXAS COUNTY & DISTRICT RETIREMENT SYSTEM (CONTINUED)**

Contributions

The contribution rates for District employees in TCDRS are 7% of employee gross earnings, and the District matching percentage is 250% both as adopted by the District. Under the state law governing TCDRS, the contribution rate for each participating entity is determined annually by the actuary, using the Entry Age Normal (EAN) actuarial cost method. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

Employees of the Freestone Central Appraisal District were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the District were 13.5% in each calendar year 2019 and 2020. The District's contributions to TCDRS for the fiscal year ended December 31, 2020 were \$95,751 and were at least equal to the required contributions.

Net Pension Liability

The District's Net Pension Liability (NPL) was measured as of December 31, 2019, and the Total Pension Liability (TPL) used to calculate the NPL was determined by an actuarial valuation as of that date.

Actuarial Assumptions

The Total Pension Liability in the December 31, 2019 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.75% per year
Overall payroll growth	3.25% per year
Investment rate of return	8%, net of pension plan investment expense, including inflation

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the following tables and adjustments:

Depositing members	90% of the RP-2014 Active Employee Mortality Table for males and 90% of the RP-2014 Active Employee Mortality Table for females, projected with 110% of the MP-2014 Ultimate scale after 2014.
Service retirees, beneficiaries and non-depositing members	130% of the RP-2014 Healthy Annuitant Mortality Table for males and 110% of the RP-2014 Healthy Annuitant Mortality Table for females, both projected with 110% of the MP-2014 Ultimate scale after 2014.
Disabled retirees	130% of the RP-2014 Disabled Annuitant Mortality Table for males and 115% of the RP-2014 Disabled Annuitant Mortality Table for females, both projected with 110% of the MP-2014 Ultimate scale after 2014.

**FREESTONE CENTRAL APPRAISAL DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS**

**DECEMBER 31, 2020**

**NOTE 4: DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**E. PENSION PLAN – TEXAS COUNTY & DISTRICT RETIREMENT SYSTEM (CONTINUED)**

Actuarial assumptions used in the December 31, 2019 valuation were based on the results of actuarial experience studies. The experience study in TCDRS was for the period 2009-2012, and first used in the December 31, 2013 actuarial valuation. Healthy post-retirement mortality rates and annuity purchase rates were updated based on a Mortality Experience Investigation Study covering 2009 through 2011, and dated December 31, 2013. These assumptions were first used in the December 31, 2013 valuation, along with a change to the Entry Age Normal (EAN) actuarial cost method. Assumptions are reviewed annually. No additional changes were made for the 2019 valuation.

The long-term expected rate of return on pension plan investments is 8.1%. The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the TCDRS Board of Trustees. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TCDRS.

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return (Arithmetic)</u>
US Equity	14.50%	5.20%
Private Equity	20.00%	8.20%
Global Equity	2.50%	5.50%
Int'l Equity-Developed Markets	7.00%	5.20%
Int'l Equity-Emerging Markets	7.00%	5.70%
Investment-Grade Bonds	3.00%	-0.20%
Strategic Credit	12.00%	3.14%
Direct Lending	11.00%	7.16%
Distressed Debt	4.00%	6.90%
REIT Equity	3.00%	4.50%
Master Limited Partnerships	2.00%	8.40%
Private Real Estate Partnerships	6.00%	5.50%
Hedge Funds	8.00%	2.30%
Total	<u>100.00%</u>	

Discount Rate

The discount rate used to measure the Total Pension Liability was 8.1%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current, active, and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

**FREESTONE CENTRAL APPRAISAL DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS**

**DECEMBER 31, 2020**

**NOTE 4: DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**E. PENSION PLAN – TEXAS COUNTY & DISTRICT RETIREMENT SYSTEM (CONTINUED)**

**Changes in Net Pension Liability**

	Increase (Decrease)		
	Total Pension Liability	Fiduciary Net Position	Net Pension Liability/(Asset)
	(a)	(b)	(a) - (b)
Balances as of December 31, 2018	\$ 2,298,513	\$ 2,116,436	\$ 182,077
Changes for the year:			
Service Cost	105,194	-	105,194
Interest on total pension liability	193,325	-	193,325
Effect of plan changes	-	-	-
Effect of economic/demographic gains or losses	(18,322)	-	(18,322)
Effect of assumptions changes or inputs	-	-	-
Benefit payments/refund of contributions	(34,636)	(34,636)	-
Administrative expenses	-	(1,960)	1,960
Member contributions	-	44,464	(44,464)
Net investment income	-	347,454	(347,454)
Employer contributions	-	95,751	(95,751)
Other	-	3,973	(3,973)
Balances as of December 31, 2019	<u>\$ 2,544,074</u>	<u>\$ 2,571,482</u>	<u>\$ (27,408)</u>

Plan Fiduciary Net Position as a percentage of the Total Pension Liability is 101.08%. The Net Pension Liability as a percentage of the District's covered employee payroll is -4.31%.

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

The following represents the net pension liability of the District, 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 7.10%	Current Discount Rate 8.10%	1% Increase in Discount Rate 9.10%
Net pension liability / (asset)	<u>\$ 306,903</u>	<u>\$ (27,408)</u>	<u>\$ (312,096)</u>

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's Fiduciary Net Position is available in a separately-issued TCDRS financial report. That report may be obtained on the Internet at [www.tcdrs.org](http://www.tcdrs.org).

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

For the year ended December 31, 2020, the District recognized pension expense of \$75,234. At December 31, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

**FREESTONE CENTRAL APPRAISAL DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS**

**DECEMBER 31, 2020**

**NOTE 4: DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**E. PENSION PLAN – TEXAS COUNTY & DISTRICT RETIREMENT SYSTEM (CONTINUED)**

	Deferred Inflows of Resources	Deferred Outflows of Resources
Differences Between Expected and Actual Economic Experience	\$ 40,919	\$ 2,920
Changes in Actuarial Assumptions	-	6,952
Difference Between Projected and Actual Investment Earnings	52,343	-
Contributions Subsequent to the Measurement Date	-	92,121
Total	\$ 93,262	\$ 101,993

\$92,121 is reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date. This amount will be recognized as a reduction of the net pension liability for the year ending December 31, 2020. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31,	
2020	\$ (25,911)
2021	(20,493)
2022	1,030
2023	(38,016)
2024	-
Total	\$ (83,390)

**F. RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District continues to carry commercial insurance for all of those types of loss, including commercial building and property, vehicle collision, liability, and comprehensive, public official's liability, and law enforcement officials. Settled claims resulting from these risks have not exceeded commercial coverage in any of the past three fiscal years.

The District joined together with other governments to form a worker's compensation risk pool, a public entity risk pool currently operating as a common risk management and insurance program for workers' compensation. The District pays an annual premium to the pool for its workers' compensation insurance coverage. The agreement for formation of the Texas Municipal League Intergovernmental Risk Pool provides that the pool will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of \$1,000,000 for each insured event. The District's liability is limited to the contractual premiums required to be paid each year. Those premiums can be changed only on the renewal date of the contractual agreement. Because of the structure of this insurance policy, there is no need for a designation of fund balance to allow for contingent liabilities related to this insurance.

The Texas Municipal League Intergovernmental Risk Pool has published its own financial report for the year ended August 31, 2019, which can be obtained from the Texas Municipal League, Austin, Texas.

**FREESTONE CENTRAL APPRAISAL DISTRICT**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN**  
**FUND BALANCE – BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED DECEMBER 31, 2020**

	<u>Budgeted Amounts</u>		<u>Actual</u> Amounts	Variance with Final Budget- Positive (Negative)
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Charges for services	\$ 1,300,865	\$ 1,300,865	\$1,300,865	\$ -
Interest and other income	<u>3,000</u>	<u>3,000</u>	<u>27,443</u>	<u>24,443</u>
Total revenues	<u>1,303,865</u>	<u>1,303,865</u>	<u>1,328,308</u>	<u>24,443</u>
<b>EXPENDITURES</b>				
Current:				
Tax appraisal - operations:				
Personnel services	938,680	939,220	934,760	4,460
Supplies	59,530	56,490	55,926	564
Contractual services	313,190	314,090	310,178	3,912
General services	53,210	50,210	47,145	3,065
Equipment purchases	2,500	1,400	2,441	(1,041)
ARB expenses	10,750	18,450	18,351	99
Litigation and contingency fees	<u>277,394</u>	<u>302,108</u>	<u>6,015</u>	<u>296,093</u>
Total expenditures	<u>1,655,254</u>	<u>1,681,968</u>	<u>1,374,816</u>	<u>307,152</u>
<b>EXCESS (DEFICIENCY) OF REVENUES</b>				
<b>OVER (UNDER) EXPENDITURES</b>	<u>\$ (351,389)</u>	<u>\$ (378,103)</u>	(46,508)	<u>\$ 331,595</u>
<b>FUND BALANCE, BEGINNING</b>			<u>392,866</u>	
<b>FUND BALANCE, ENDING</b>			<u>\$ 346,358</u>	

**FREESTONE CENTRAL APPRAISAL DISTRICT**

**NOTES TO REQUIRED SUPPLEMENTARY  
INFORMATION**

**DECEMBER 31, 2020**

**BUDGETING**

An operating budget is adopted each year for the General Fund on the modified accrual basis of accounting. The Board of Directors is authorized to transfer budgeted amounts between accounts; however, public hearings must be conducted before any revisions that alter total expenditures are effective.



**FREESTONE CENTRAL APPRAISAL DISTRICT**

**SCHEDULE OF CONTRIBUTIONS**

**LAST TEN YEARS\***

<u>Year Ending</u>	<u>Actuarially Determined Contribution (a)</u>	<u>Actual Employer Contribution (b)</u>	<u>Contribution Deficiency (Excess) (a-b)</u>	<u>Pensionable Covered Payroll (c)</u>	<u>Actual Contribution as a % of Covered Payroll (b)/(c)</u>
2007	35,094	35,094	-	304,372	11.5%
2008	40,175	41,669	(1,494)	347,238	12.0%
2009	45,066	45,946	(880)	382,885	12.0%
2010	59,154	61,761	(2,607)	457,491	13.5%
2011	66,332	67,279	(947)	498,364	13.5%
2012	75,176	77,118	(1,942)	571,245	13.5%
2013	78,197	81,017	(2,820)	600,127	13.5%
2014	71,893	78,524	(6,631)	581,658	13.5%
2015	72,514	81,578	(9,064)	604,285	13.5%
2016	69,431	82,293	(12,862)	609,579	13.5%
2017	77,395	103,454	(26,059)	618,174	16.7%
2018	77,029	94,066	(17,037)	622,708	15.1%
2019	71,078	95,751	(24,673)	635,194	15.1%

\*Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

**FREESTONE CENTRAL APPRAISAL DISTRICT**  
**NOTES TO REQUIRED SUPPLEMENTARY**  
**INFORMATION – SCHEDULE OF CONTRIBUTIONS**

**DECEMBER 31, 2020**

**Notes to Schedule of Contributions:**

**Valuation Timing:**

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

**Methods and Assumptions Used to Determine Contribution Rates:**

Actuarial Cost Method	Entry Age Normal (EAN)
Amortization Method	Level percentage of payroll, closed.
Amortization Period in Years	4.9 years (based on contribution rate calculated in 12/31/2019 valuation)
Asset Valuation Method	5-year smoothed market
Inflation	2.75%
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 which service retirement for recent retirees is 61.
Mortality	130% of the RP-2014 Healthy Annuitant Mortality Table for males and 110% of the RP-2014 Healthy Annuitant Mortality Table for females, both projected with 110% of the MP-2014 Ultimate scale after 2014.
Changes in Assumptions Methods Reflected in the Schedule of Contributions	2015: New inflation, mortality and other assumptions were reflected. 2017: New mortality assumptions were reflected.
Changes in Plan Provisions Reflected in the Schedule of Contributions	2015: No changes in plan provisions were reflected in the Schedule. 2016: No changes in plan provisions were reflected in the Schedule. 2017: New Annuity Purchase Rates were reflected for benefits earned after 2017. 2018: No changes in plan provisions were reflected in the Schedule. 2018: No changes in plan provisions were reflected in the Schedule.

**FREESTONE CENTRAL APPRAISAL DISTRICT**

**SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS**

**LAST TEN YEARS\***

**Total Pension Liability**

	2019	2018	2017	2016	2015	2014
Service cost	\$ 105,194	\$ 105,678	\$ 108,715	\$ 110,268	\$ 97,452	\$ 102,684
Interest on total pension liability	193,325	173,076	155,336	132,283	120,236	105,894
Effect of plan changes	-	-	-	-	(19,111)	-
Effect of economic/demographic (gains) or losses	(18,322)	4,868	(28,166)	(3,070)	(66,927)	(18,294)
Effect of assumption changes or inputs	-	-	8,300	-	16,810	-
Benefit payments/refunds of contributions	(34,636)	(31,738)	(12,899)	(6,276)	(7,982)	(11,022)
<b>Net change in Total Pension Liability</b>	<b>245,561</b>	<b>251,884</b>	<b>231,286</b>	<b>233,205</b>	<b>140,478</b>	<b>179,262</b>
<b>Total Pension Liability - Beginning</b>	<b>2,298,513</b>	<b>2,046,629</b>	<b>1,815,343</b>	<b>1,582,138</b>	<b>1,441,660</b>	<b>1,262,398</b>
<b>Total Pension Liability - Ending (a)</b>	<b>\$ 2,544,074</b>	<b>\$ 2,298,513</b>	<b>\$ 2,046,629</b>	<b>\$ 1,815,343</b>	<b>\$ 1,582,138</b>	<b>\$ 1,441,660</b>

**Plan Fiduciary Net Position**

Contributions - employer	\$ 95,751	\$ 94,066	\$ 103,454	\$ 82,293	\$ 81,578	\$ 78,524
Contributions - employee	44,464	43,590	43,272	42,671	42,300	40,716
Net investment income	347,454	(36,930)	245,357	106,108	(37,872)	77,361
Benefit payments, including refunds of employee contributions	(34,636)	(31,738)	(12,899)	(6,276)	(7,982)	(11,022)
Administrative expense	(1,960)	(1,700)	(1,361)	(1,154)	(1,004)	(971)
Other	3,973	3,360	1,781	17,571	155	120
<b>Net Change in Plan Fiduciary Net Position</b>	<b>455,046</b>	<b>70,648</b>	<b>379,604</b>	<b>241,213</b>	<b>77,175</b>	<b>184,728</b>
<b>Plan Fiduciary Net Position - Beginning</b>	<b>2,116,436</b>	<b>2,045,788</b>	<b>1,666,184</b>	<b>1,424,971</b>	<b>1,347,796</b>	<b>1,163,068</b>
<b>Plan Fiduciary Net Position - Ending (b)</b>	<b>\$ 2,571,482</b>	<b>\$ 2,116,436</b>	<b>\$ 2,045,788</b>	<b>\$ 1,666,184</b>	<b>\$ 1,424,971</b>	<b>\$ 1,347,796</b>
<b>Net Pension Liability - Ending (a) - (b)</b>	<b>(27,408)</b>	<b>182,077</b>	<b>841</b>	<b>149,159</b>	<b>157,167</b>	<b>93,864</b>
<b>Plan Fiduciary Net Position as a percentage of Total Pension Liability</b>	<b>101.08%</b>	<b>92.08%</b>	<b>99.96%</b>	<b>91.78%</b>	<b>90.07%</b>	<b>93.49%</b>
<b>Covered employee payroll</b>	<b>\$ 635,194</b>	<b>\$ 622,708</b>	<b>\$ 618,174</b>	<b>\$ 609,579</b>	<b>\$ 604,285</b>	<b>\$ 581,658</b>
<b>Net Pension Liability as a percentage of covered payroll</b>	<b>-4.31%</b>	<b>29.24%</b>	<b>0.14%</b>	<b>24.47%</b>	<b>26.01%</b>	<b>16.14%</b>

Note: Effective January 1, 2015, the District adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 68. Information for years prior to 2014 is not available.

\*Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.



**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Board of Directors  
Freestone Central Appraisal District  
Fairfield, Texas

We 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 and general fund information of Freestone Central Appraisal District (the District) as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated April 2, 2021.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the 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 the District's internal control. Accordingly, we 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 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. 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.

Our 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 our audit we did not identify any deficiencies in internal control that we 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 Freestone Central Appraisal District's statements are free of material misstatement, we 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 our audit, and accordingly, we do not express such an opinion. The results of our 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 our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Frank Campos & Associates, PLLC*

Frank Campos & Associates, PLLC  
Palestine, TX  
April 2, 2021

