

FREESTONE CENTRAL APPRAISAL DISTRICT
ANNUAL FINANCIAL REPORT
DECEMBER 31, 2018

**FREESTONE CENTRAL APPRAISAL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS**

DECEMBER 31, 2018

NOTE 4: DETAILED NOTES ON ALL FUNDS (Continued)

D. PENSION PLAN – TEXAS COUNTY & DISTRICT RETIREMENT SYSTEM (Continued)

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>2018</u>	<u>2017</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/ yrs 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, 2017 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	2
Inactive employees entitled to but not yet receiving benefits	10
Active employees	<u>15</u>
Total employees receiving benefits	<u>27</u>

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 2017 and 2018. The District's contributions to TCDRS for the fiscal year ended December 31, 2018 were \$94,065 and were at least equal to the required contributions.

FREESTONE CENTRAL APPRAISAL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2018

NOTE 4: DETAILED NOTES ON ALL FUNDS (Continued)

D. PENSION PLAN – TEXAS COUNTY & DISTRICT RETIREMENT SYSTEM (Continued)

Net Pension Liability

The District's Net Pension Liability (NPL) was measured as of December 31, 2017, 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, 2017 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.

Actuarial assumptions used in the December 31, 2017 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 2017 valuation.

The long-term expected rate of return on pension plan investments is 8.0%. 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.

FREESTONE CENTRAL APPRAISAL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2018

NOTE 4: DETAILED NOTES ON ALL FUNDS (Continued)

D. PENSION PLAN – TEXAS COUNTY & DISTRICT RETIREMENT SYSTEM (Continued)

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	11.50%	4.55%
Private Equity	16.00%	7.55%
Global Equity	1.50%	4.85%
International Equity	19.00%	5.05%
Investment-Grade Bonds	3.00%	0.75%
High-Yield Bonds	8.00%	4.12%
Direct Lending	10.00%	8.06%
Distressed Debt	2.00%	6.30%
REIT Equity	2.00%	4.05%
Master Limited Partnerships	3.00%	6.00%
Private Real Estate Partnerships	6.00%	6.25%
Hedge Funds	18.00%	4.10%
Total	100.00%	

Discount Rate

The discount rate used to measure the Total Pension Liability was 8.1%. The projection of cash flows used to determine the discount rate assumed that employee 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, 2018

NOTE 4: DETAILED NOTES ON ALL FUNDS (Continued)

D. PENSION PLAN – TEXAS COUNTY & DISTRICT RETIREMENT SYSTEM (Continued)

Changes in Net Pension Liability

	Increase (Decrease)		
	Total Pension	Fiduciary	Net Pension
	Liability	Net Position	Liability/(Asset)
	(a)	(b)	(a) - (b)
Balances as of 12/31/16	\$ 1,815,343	\$ 1,666,184	\$ 149,159
Changes for the year:			-
Service Cost	108,715	-	108,715
Interest on total pension liability	155,336	-	155,336
Effect of plan changes	-	-	-
Effect of economic/demographic gains or losses	(28,166)	-	(28,166)
Effect of assumptions changes or inputs	8,300	-	8,300
Refund of contributions	-	-	-
Benefit payments	(12,899)	(12,899)	-
Administrative expenses	-	(1,361)	1,361
Member contributions	-	43,272	(43,272)
Net investment income	-	245,357	(245,357)
Employer contributions	-	103,454	(103,454)
Other	-	1,781	(1,781)
Balances as of December 31, 2017	<u>\$ 2,046,629</u>	<u>\$ 2,045,788</u>	<u>\$ 841</u>

Plan Fiduciary Net Position as a percentage of the Total Pension Liability is 99.96%. The Net Pension Liability as a percentage of the District's covered employee payroll is 16.74%.

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>\$ 293,897</u>	<u>\$ 841</u>	<u>\$ (247,280)</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.

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

For the year ended December 31, 2018, the District recognized pension expense of \$84,893. At December 31, 2018, 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, 2018

NOTE 4: DETAILED NOTES ON ALL FUNDS (Continued)

D. PENSION PLAN – TEXAS COUNTY & DISTRICT RETIREMENT SYSTEM (Continued)

	Deferred Inflows of Resources	Deferred Outflows of Resources
Differences Between Expected and Actual Economic Experience	\$ 65,078	\$ -
Changes in Actuarial Assumptions	-	15,321
Difference Between Projected and Actual Investment Earnings	9,783	-
Contributions Subsequent to the Measurement Date	-	94,065
Total	<u>\$ 74,861</u>	<u>\$ 109,386</u>

\$94,065 is reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending December 31, 2018. 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,	
2018	\$ 1,638
2019	(2,779)
2020	(30,253)
2021	(24,836)
2022	(3,310)
Total	<u>\$ (59,540)</u>

E. 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, 2017, 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, 2018

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget- Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Charges for services	\$ 1,275,709	\$ 1,275,709	\$1,275,709	\$ -
Interest and other income	3,000	3,000	5,324	2,324
Total revenues	<u>1,278,709</u>	<u>1,278,709</u>	<u>1,281,033</u>	<u>2,324</u>
EXPENDITURES				
Current:				
Tax appraisal - operations:				
Personnel services	887,720	897,240	884,891	12,349
Supplies	51,560	53,660	55,975	(2,315)
Contractual services	263,740	263,890	262,295	1,595
General services	57,860	61,922	53,514	8,408
Equipment purchases	4,000	4,000	3,668	332
ARB expenses	9,940	9,940	8,288	1,652
Litigation and contingency fees	334,065	364,065	1,637	362,428
Total expenditures	<u>1,608,885</u>	<u>1,654,717</u>	<u>1,270,268</u>	<u>384,449</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>\$ (330,176)</u>	<u>\$ (376,008)</u>	10,765	<u>\$ 386,773</u>
FUND BALANCE, BEGINNING			<u>394,319</u>	
FUND BALANCE, ENDING			<u>\$ 405,084</u>	

FREESTONE CENTRAL APPRAISAL DISTRICT

**NOTES TO REQUIRED SUPPLEMENTARY
INFORMATION**

DECEMBER 31, 2018

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*

Year Ending	Actuarially Determined Contribution (a)	Actual Employer Contribution (b)	Contribution Deficiency (Excess) (a-b)	Pensionable Covered Payroll (c)	Actual Contribution as a % of Covered Payroll (b)/(c)
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%

*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, 2018

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	5.5 years (based on contribution rate calculated in 12/31/2017 valuation)
Asset Valuation Method	
Smoothing period	5 years
Recognition method	Non-asymptotic
Corridor	None
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. 2016: No changes in plan provisions were reflected. 2017: New Annuity Purchase Rates were reflected for benefits earned after 2017.

FREESTONE CENTRAL APPRAISAL DISTRICT
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
LAST TEN YEARS*

Total Pension Liability	2017	2016	2015	2014
Service cost	\$ 108,715	\$ 110,268	\$ 97,452	\$ 102,684
Interest on total pension liability	155,336	132,283	120,236	105,894
Effect of plan changes	-	-	(19,111)	-
Effect of economic/demographic (gains) or losses	(28,166)	(3,070)	(66,927)	(18,294)
Effect of assumption changes or inputs	8,300	-	16,810	-
Benefit payments/refunds of contributions	(12,899)	(6,276)	(7,982)	(11,022)
Net change in Total Pension Liability	231,286	233,205	140,478	179,262
Total Pension Liability - Beginning	1,815,343	1,582,138	1,441,660	1,262,398
Total Pension Liability - Ending (a)	\$ 2,046,629	\$ 1,815,343	\$ 1,582,138	\$ 1,441,660
Plan Fiduciary Net Position				
Contributions - employer	\$ 103,454	\$ 82,293	\$ 81,578	\$ 78,524
Contributions - employee	43,272	42,671	42,300	40,716
Net investment income	245,357	106,108	(37,872)	77,361
Benefit payments, including refunds of employee contributions	(12,899)	(6,276)	(7,982)	(11,022)
Administrative expense	(1,361)	(1,154)	(1,004)	(971)
Other	1,781	17,571	155	120
Net Change in Plan Fiduciary Net Position	379,604	241,213	77,175	184,728
Plan Fiduciary Net Position - Beginning	1,666,184	1,424,971	1,347,796	1,163,068
Plan Fiduciary Net Position - Ending (b)	\$ 2,045,788	\$ 1,666,184	\$ 1,424,971	\$ 1,347,796
Net Pension Liability - Ending (a) - (b)	841	149,159	157,167	93,864
Plan Fiduciary Net Position as a percentage of Total Pension Liability	99.96%	91.78%	90.07%	93.49%
Covered employee payroll	\$ 618,174	\$ 609,579	\$ 604,285	\$ 581,658
Net Pension Liability as a percentage of covered payroll	0.14%	24.47%	26.01%	16.14%

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.



FRANK CAMPOS & ASSOCIATES, PLLC
Certified Public Accountants

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, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated February 26, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing 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 or significant deficiencies. However, material weaknesses or significant deficiencies 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
February 26, 2019

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FRANK CAMPOS & ASSOCIATES, PLLC
Certified Public Accountants

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, 2018, 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 an opinion 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 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.

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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, 2018, and the respective changes in financial position for the year then ended in accordance with generally accepted accounting principles 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 20 through 24 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 February 26, 2019, 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

February 26, 2019

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, 2018. 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 \$519,705. This was an increase of \$20,196 from the prior year.

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 20 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, 2018, the District's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources by \$519,705.

DISTRICT'S NET POSITION

	2018	2017
Current assets	\$ 690,114	\$ 675,519
Capital assets	94,733	97,381
Total assets	784,847	772,900
Total Deferred Outflows of Resources	109,386	226,805
Total Liabilities	299,667	443,873
Total Deferred Inflows of Resources	74,861	56,323
Net position:		
Net Investment in Capital Assets	94,733	97,381
Unrestricted	424,972	402,128
Total net position	\$ 519,705	\$ 499,509

DISTRICT'S CHANGE IN NET POSITION

	2018	2017
Revenues:		
Program:		
Charges for services	\$1,275,709	\$ 1,406,650
Total program	1,275,709	1,406,650
General:		
Interest and other	5,324	2,663
Total general	5,324	2,663
Total revenues	1,281,033	1,409,313
Expenses:		
Tax appraisal – operations	1,260,837	1,286,258
Total expenses	1,260,837	1,286,258
Change in net position	20,196	123,055
Net position, beginning	499,509	376,454
Net position, ending	\$ 519,705	\$ 499,509

Analysis of the District's Operations:

Overall, the District had a cumulative increase in net position of \$20,196. 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, 2018, the District earned \$1,281,033 in revenue. Of this amount, \$1,275,709, 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, 2018, amounts to \$94,733 (net of accumulated depreciation). This investment in capital assets includes buildings, equipment, furniture, and appraisal technology infrastructure.

The District had \$10,426 of equipment purchases during the current fiscal year.

Additional information on the District's capital assets can be found on page 14 of this report.

Budget Variances:

The supplies category of expenses was over budgeted amount by \$2,315. There were no other areas in the budget, for fiscal year ended December 31, 2018, 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, 2018

	General	Adjustments	Statement of Net Position
ASSETS			
Cash	684,110	\$ -	\$ 684,110
Prepaid expenses	6,004	-	6,004
Capital assets (net)	-	94,733	94,733
Total assets	690,114	94,733	784,847
DEFERRED OUTFLOWS OF RESOURCES			
Pension contributions subsequent to the measurement date	-	94,065	94,065
Pension - assumption changes	-	15,321	15,321
Total deferred outflows of resources	-	109,386	109,386
LIABILITIES			
Accounts payable	\$ 3,308	\$ -	\$ 3,308
Accrued payroll	27,718	-	27,718
Accrued compensated absences	-	13,796	13,796
Unearned revenue	254,004	-	254,004
Non-current liabilities			
Net pension liability	-	841	841
Total liabilities	285,030	14,637	299,667
DEFERRED INFLOWS OF RESOURCES			
Pension - investment experience	-	9,783	9,783
Pension - economic experience	-	65,078	65,078
Total liabilities and deferred inflows of resources	285,030	89,498	374,528
FUND BALANCE/NET POSITION			
Fund balance:			
Nonspendable - Prepaid items	6,004	(6,004)	-
Unassigned	399,080	(399,080)	-
Total fund balance	405,084	(405,084)	-
Total liabilities and fund balance	\$ 690,114		
Net position:			
Net investment in capital assets		94,733	94,733
Unrestricted		424,972	424,972
		\$ 519,705	\$ 519,705

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, 2018

	<u>General</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
EXPENDITURES/EXPENSES			
Current:			
Tax appraisal	\$ 1,270,268	\$ (9,431)	\$ 1,260,837
Total expenditures/expenses	<u>1,270,268</u>	<u>(9,431)</u>	<u>1,260,837</u>
PROGRAM REVENUES			
Charges for services	1,275,709	-	1,275,709
Total program revenues	<u>1,275,709</u>	<u>-</u>	<u>1,275,709</u>
GENERAL REVENUES			
Interest and other	5,324	-	5,324
Total general revenues	<u>5,324</u>	<u>-</u>	<u>5,324</u>
 Change in fund balance/net position	 10,765	 9,431	 20,196
FUND BALANCE/NET POSITION			
Beginning	394,319	105,190	499,509
Ending	<u>\$ 405,084</u>	<u>\$ 114,621</u>	<u>\$ 519,705</u>

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

FREESTONE CENTRAL APPRAISAL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2018

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 66th 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, 2018

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 consist 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 constructed.

FREESTONE CENTRAL APPRAISAL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2018

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, 2018, 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, 2018

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, grantor 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, 2018

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.	\$94,733
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	(\$14,637)
Deferred outflows of resources that are not available to pay for current period expenditures and, therefore, are deferred in the funds.	\$109,386
Deferred inflows of resources that are not due and payable in the current period and, therefore, are not reportable in the funds.	(\$74,861)

FREESTONE CENTRAL APPRAISAL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2018

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. \$(10,426)

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. \$13,074

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. \$(12,361)

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). \$282

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, 2018

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, 2018, \$250,000 of the District's \$686,915 deposit balance was insured by the Federal Deposit Insurance Corporation (FDIC). The remaining \$436,915 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 investments 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, 2018.

<u>Year Ending December 31,</u>	<u>Amount</u>
2019	12,430
2020	11,789
2021	1,099
Total minimum lease payments	<u>\$ 25,318</u>

Lease expense in 2018 statements is \$19,220.

**FREESTONE CENTRAL APPRAISAL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS**

DECEMBER 31, 2018

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	\$ -	\$ -	\$ 240,576
Equipment	78,861	10,426	-	89,287
Total	319,437	10,426	-	329,863
Less accumulated depreciation				
Building	155,995	7,346	-	163,341
Equipment	66,061	5,728	-	71,789
Total	222,056	13,074	-	235,130
Net capital assets being depreciated	\$ 97,381	\$ (2,648)	\$ -	\$ 94,733

DEPRECIATION CHARGE BY FUNCTION

Appraisal Services \$13,074

D. PENSION PLAN – TEXAS COUNTY & DISTRICT RETIREMENT SYSTEM

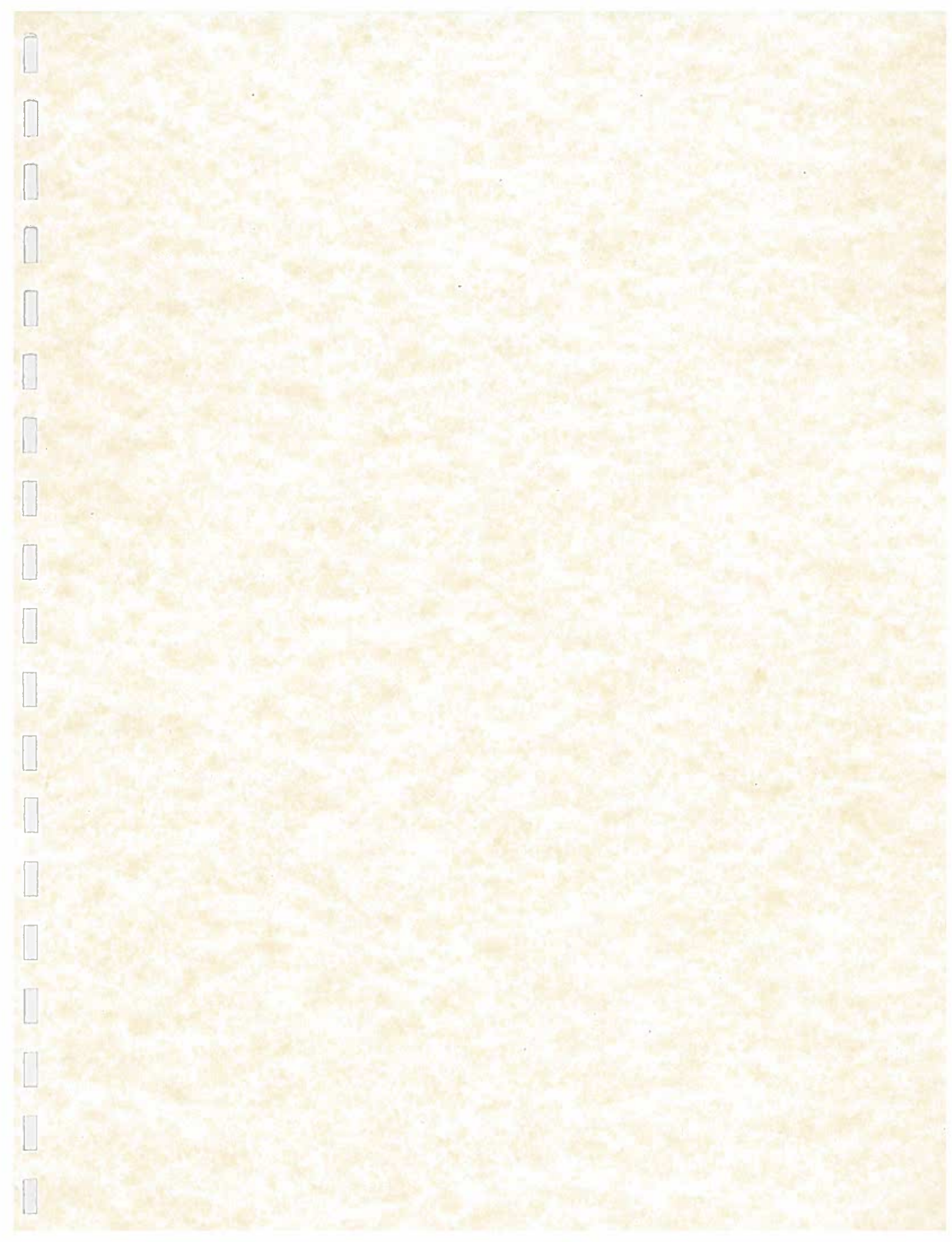
Plan Description

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).

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.





FRANK CAMPOS & ASSOCIATES, PLLC
Certified Public Accountants

COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE AT THE CONCLUSION OF THE AUDIT

February 26, 2019

To the Board of Directors
Freestone Central Appraisal District

We have audited the financial statements of the governmental activities, and general fund information of Freestone Central Appraisal District for the year ended December 31, 2018, and have issued our report thereon dated February 26, 2019. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards* as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated August 29, 2018. Professional standards require that we provide you with the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Freestone Central Appraisal District are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2018. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was:

Management's estimate of the accrued compensation absences is based on vacation and sick leave available hours times pay rate. We evaluated the key factors and assumptions used to develop the accrued compensated absences in determining that it is reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. The attached list of material misstatements detected as a result of audit procedures were corrected by management.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated February 26, 2019.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to schedule of revenues, expenditures, and changes in fund balance - budget to actual, schedule of contributions, and schedule of changes in net pension liability and related ratios which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

Restriction on Use

This information is intended solely for the use of District's board of directors and management of Freestone Central Appraisal District and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Frank Campos & Associates, PLLC

Frank Campos & Associates, PLLC

Freestone Central Appraisal District
Adjusting Journal Entries
January through December 2018

Accrual Basis

Date	Num	Name	Memo	Account	Debit	Credit
12/31/2018	18FC&A-1		To adjust prepaid based on testwork. To adjust prepaid based on testwork.	01-6103 Employee Health Insurance 01-2450 Prepaid Expenses	12,282.73	12,282.73
					12,282.73	12,282.73
12/31/2018	18FC&A-2	Card Service Center Card Service Center Card Service Center	To adjust accounts payable based on testwork To adjust accounts payable based on testwork To adjust accounts payable based on testwork	01-2000 Accounts Payable 01-6106 State Dues 01-6204 Software Maintenance	834.28	109.00 725.28
					834.28	834.28
12/31/2018	18FC&A-3	Auditors Year-End Adjustment	To correct effects of changes to beg fun balance. To correct effects of changes to beg fun balance.	01-3000 Fund Balance-Earnings 01-2000 Accounts Payable	4,459.00	4,459.00
					4,459.00	4,459.00
12/31/2018	18FC&A-4	Auditors Year-End Adjustment Auditors Year-End Adjustment Auditors Year-End Adjustment Auditors Year-End Adjustment Auditors Year-End Adjustment Auditors Year-End Adjustment	To reverse prior year accruals To reverse prior year accruals To reverse prior year accruals To reverse prior year accruals To reverse prior year accruals To reverse prior year accruals	01-2000 Accounts Payable 01-6104 TWC Unemployment 01-6202 General Office Supplies 01-6203 Subscriptions 01-6300 Equipment Lease 01-6406 Travel & Training	2,243.18	4.37 26.00 53.30 1,184.31 975.20
					2,243.18	2,243.18
12/31/2018	18FC&A-5		To record capital assets additions To record capital assets additions	10-1100 Equipment, Furniture & Fixtures 10-2000 Inv in General Fixed Assets	10,425.47	10,425.47
					10,425.47	10,425.47
12/31/2018	18FC&A-6		To adjust accrued compensated absences to correct amount. To adjust accrued compensated absences to correct amount	20-2100 Accrued Vacation Time Payable 20-1000 Amount to be Provided	13,513.71	13,513.71
					13,513.71	13,513.71
12/31/2018	18FC&A-7		To reclass accounts to equity To reclass accounts to equity To reclass accounts to equity	01-4006 Fund Balance/Beginning of Year 01-4008 Fund Balance/Entity Pmt Reserve 01-3000 Fund Balance-Earnings	45,832.00 1,111.00	46,943.00
					46,943.00	46,943.00
TOTAL					90,701.37	90,701.37