

**MONTAGUE COUNTY
TAX APPRAISAL DISTRICT**

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED DECEMBER 31, 2015



Montague County Tax Appraisal District
Annual Financial Report
For The Year Ended December 31, 2015

TABLE OF CONTENTS

	<u>Page</u>	<u>Exhibit</u>
FINANCIAL SECTION		
Board of Directors and Management.....	1	
Independent Auditor's Report on Financial Statements.....	2	
Management's Discussion and Analysis (Required Supplementary Information).....	4	
<u>Basic Financial Statements</u>		
Government-wide Financial Statements:		
Statement of Net Position.....	8	A-1
Statement of Activities.....	9	A-2
Fund Financial Statements:		
Balance Sheet - Governmental Funds.....	10	A-3
Reconciliation of the Governmental Funds		
Balance Sheet to the Statement of Net Position.....	11	A-4
Statement of Revenues, Expenditures, and Changes in		
Fund Balances - Governmental Funds.....	12	A-5
Reconciliation of the Statement of Revenues, Expenditures, and Changes in		
Fund Balances of Governmental Funds to the Statement of Activities.....	13	A-6
Statement of Fiduciary Net Position - Fiduciary Funds.....	14	A-7
Notes to the Financial Statements	15	
<u>Required Supplementary Information:</u>		
Budgetary Comparison Schedules - General Fund.....	28	B-1
Schedule of Changes in the District's Net Pension Liability		
and Related Ratios (TCDRS).....	29	B-2
Schedule of District's Contributions to TCDRS.....	30	B-3
Notes to Required Supplementary Information.....	31	
OTHER SUPPLEMENTARY INFORMATION SECTION		
Budgetary Comparison Schedules:		
General Fund - Appraisal.....	32	C-1
General Fund - Collections.....	33	C-2
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	34	
Schedule of Findings and Questioned Costs	36	
Summary Schedule of Prior Audit Findings.....	37	
Corrective Action Plan.....	38	

MONTAGUE COUNTY TAX APPRAISAL DISTRICT
ANNUAL FINANCIAL REPORT
DECEMBER 31, 2015

BOARD OF DIRECTORS AND MANAGEMENT

President..... David Fenoglio
Secretary..... Tom Jenkins
Director..... Bert Cunningham
Director..... Robert Hensell
Director..... Bret Meekins
Chief Appraiser..... Kim Haralson



STEPHEN G. GILLAND, P.C.

CERTIFIED PUBLIC ACCOUNTANT

707 HWY 59 NORTH • BOWIE, TEXAS 76230

MEMBER OF
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS
TEXAS SOCIETY OF
CERTIFIED PUBLIC ACCOUNTANTS

(940) 872-5157
fax (940) 872-5158

www.sgg-cpa.com

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Montague County Tax Appraisal District
Montague, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Montague County Tax Appraisal District as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, 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, each major fund, and the aggregate remaining fund information of Montague County Tax Appraisal District as of December 31, 2015, 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.

Emphasis of Matter

As discussed in Note G to the financial statements, in 2015, the District adopted new accounting guidance prescribed by GASB #68 for its pension plan, a multiple-employer, defined benefit pension plan. Because GASB #68 implements new measurement criteria and reporting provisions, significant information has been added to the Government Wide Statements. Exhibit A-1 discloses the District's Net Pension Liability and some deferred resource outflows related to the District's pension plan. Exhibit A-2 discloses the adjustment to the District's Beginning Net Position. Our opinion is not modified with respect to the matter.

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 Changes in the District's Net Pension Liability (TCDRS) and Schedule of District's Contributions to TCDRS identified as Required Supplementary Information in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. 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 Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Montague County Tax Appraisal District's basic financial statements. Exhibits C-1 and C-2 listed in the table of contents under other supplementary information are presented for purposes of additional analysis and are not a required part of the basic financial statements.

Exhibits C-1 and C-2 are the responsibility of management and were derived from and related directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 30, 2016, on our consideration of Montague County Tax 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 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 Montague County Tax Appraisal District's internal control over financial reporting and compliance.

Respectfully submitted,



Stephen G. Gilland, P.C.
Bowie, Texas

March 30, 2016

**MONTAGUE COUNTY TAX APPRAISAL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2015**

In this section of the Annual Financial and Compliance Report, we, the managers of Montague County Tax Appraisal District (the "District"), discuss and analyze the District's financial performance for the fiscal year ended December 31, 2015. Please read it in conjunction with the independent auditor's report on page 2, and the District's Basic Financial Statements which begin on Exhibit A-1.

New Accounting Pronouncement - The District implemented GASB 68, Accounting and Financial Reporting for Pensions in fiscal year 2015. This standard provides guidance for reporting net pension liability, deferred inflows and deferred outflows related to pension plans.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The government-wide financial statements include the Statement of Net Position and the Statement of Activities (on Exhibits A-1 and A-2). These provide information about the activities of the District as a whole and present a longer-term view of the District's property and debt obligations and other financial matters. They reflect the flow of total economic resources in a manner similar to the financial reports of a business enterprise.

Fund financial statements (starting on Exhibit A-3) report the District's operations in more detail than the government-wide statements by providing information about the District's most significant funds. For governmental activities, these statements tell how services were financed in the short term as well as what resources remain for future spending. They reflect the flow of current financial resources, and supply the basis for the appropriations budget. The remaining statements, fiduciary statements, provide financial information about activities for which the District acts solely as a trustee or agent for the benefit of those outside of the District.

The notes to the financial statements provide narrative explanations or additional data needed for full disclosure in the government-wide statements or the fund financial statements.

Reporting the District as a Whole

The Statement of Net Position and the Statement of Activities

The analysis of the District's overall financial condition and operations begins on Exhibit A-1. Its primary purpose is to show whether the District is better off or worse off as a result of the year's activities. The Statement of Net Position includes all the District's assets and liabilities at the end of the year while the Statement of Activities includes all the revenues and expenses generated by the District's operations during the year. These apply the accrual basis of accounting which is the basis used by private sector companies.

All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. The District's revenues are divided into those provided by outside parties who share the costs of some programs, such as charges for services from other governmental agencies (program revenues), and revenues provided by investments (general revenues). All the District's assets are reported whether they serve the current year or future years. Liabilities are considered regardless of whether they must be paid in the current or future years.

These two statements report the District's net position and changes in them. The District's net position (assets and deferred outflows of resources less liabilities and deferred inflows of resources) provide one measure of the District's financial health, or financial position. Over time, increases or decreases in the District's net position are one indicator of whether its financial health is improving or deteriorating. To fully assess the overall health of the District, however, you should consider non-financial factors as well, such as changes in the county property tax base and the condition of the District's equipment.

**MONTAGUE COUNTY TAX APPRAISAL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2015**

In the Statement of Net Position and the Statement of Activities, we report the District's activities:

Governmental activities—The District's basic services are reported here, including appraisals and tax collections. Charges for services finance most of these activities.

Reporting the District's Most Significant Funds

Fund Financial Statements

The fund financial statements on Exhibit A-3 provide detailed information about the most significant funds—not the District as a whole. The District's administration establishes other funds to help it control and manage money for particular purposes. The District's uses primarily one fund, described as follows:

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

The District as Trustee

Reporting the District's Fiduciary Responsibilities

The District is the trustee, or fiduciary, for money collected on behalf of other governmental entities. All of the District's fiduciary activities are reported in a separate Statement of Fiduciary Net Position on Exhibit A-7. We exclude these resources from the District's other financial statements because the District cannot use these assets to finance its operations. The District is only responsible for ensuring that the assets are collected and disbursed to the appropriate governmental taxing entities.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Our analysis focuses on the net position (Table I) and changes in net position (Table II) of the District's governmental activities.

Net position of the District's governmental activities decreased from \$457 thousand to \$426 thousand. Unrestricted Net Position - the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements - was \$236 thousand. This decrease in governmental net position was the result of the District's revenues exceeding expenses by \$83 thousand, offset by a prior period adjustment of \$115 thousand.

**MONTAGUE COUNTY TAX APPRAISAL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2015**

**Table I
NET POSITION**

	Governmental Activities 2015	Governmental Activities 2014
Current and other assets	\$ 300,125	\$ 256,561
Capital assets	189,508	200,768
Total assets	<u>489,633</u>	<u>457,329</u>
Deferred outflows of resources	103,248	-
Long-term liabilities	166,661	-
Other liabilities	503	481
Total liabilities	<u>167,164</u>	<u>481</u>
Deferred inflows of resources	-	-
Net position:		
Net investment in capital assets	189,508	200,768
Unrestricted	236,209	256,080
Total net position	<u>\$ 425,717</u>	<u>\$ 456,848</u>

**Table II
CHANGES IN NET POSITION**

	Governmental Activities 2015	Governmental Activities 2014
Revenues :		
Program revenues:		
Charges for services	\$ 669,553	\$ 610,039
Operating grants and contributions	-	-
General revenues:		
Investment earnings	9,360	8,513
Miscellaneous	5,932	8,026
Rental income	3,000	3,000
Total Revenue	<u>687,845</u>	<u>629,578</u>
Expenses:		
Tax collections	94,330	98,561
Appraisal services	510,091	496,378
Total Expenses	<u>604,421</u>	<u>594,939</u>
Change in net position before special items	83,424	34,639
Special items	-	(1,981)
Change in net position	83,424	32,658
Net position at 1/1	456,848	424,190
Prior period adjustment	(114,555)	-
Net position at 12/31	<u>\$ 425,717</u>	<u>\$ 456,848</u>

The District's total revenues increased by 9.3 percent (\$58 thousand), most of which resulted from an increase in charges for services. The total cost of all programs and services increased by about 1.6 percent (\$9 thousand) mostly due to an increase in appraisal services costs.

**MONTAGUE COUNTY TAX APPRAISAL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2015**

The cost of all governmental activities this year was \$604 thousand. As shown in the Statement of Activities on Exhibit A-2, the amount that other governmental entities ultimately financed for these activities through District services was \$670 thousand.

THE DISTRICT'S FUNDS

As the District completed the year, its governmental funds (as presented in the balance sheet on Exhibit A-3) reported a combined fund balance of \$300 thousand, which is \$44 thousand more than last year's total of \$256 thousand. Included in this year's total change in fund balance is an increase of \$44 thousand in the District's General Fund, as revenues totaling \$687 thousand exceeded expenditures of \$644 thousand.

Over the course of the year, the Board amended the District's budget. The budget was amended for a reduction in tax collections costs.

The District's General Fund fund balance of \$300 thousand reported on Exhibit B-1 differs from the General Fund's final budgetary fund balance of \$256 thousand due to all expenditures being less than expected and all revenues being more than expected.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of 2015, the District had \$190 thousand invested in capital assets, including buildings, building improvements and equipment. This represents a decrease in capital assets of \$11 thousand, due to depreciation of \$11 thousand.

There were no major additions in 2015.

The District's fiscal year 2016 capital budget calls for \$10 thousand in capital expenditures. More information about the District's capital assets is presented in Note D to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS

The District's elected and appointed officials considered many factors when setting the fiscal year 2016 budget. The factors include the following: The District is anticipating about a 1 percent (\$6 thousand) decrease from 2015 actual revenues and a 6 percent (\$37 thousand) increase over 2015 actual expenditures. The District's economy is expected to be stable.

If these estimates are realized, the General Fund should experience no change in its fund balance by the close of 2016.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Chief Appraiser Kim Haralson at Montague County Tax Appraisal District, Montague, Texas.

MONTAGUE COUNTY TAX APPRAISAL DISTRICT
STATEMENT OF NET POSITION
DECEMBER 31, 2015

	Governmental Activities
ASSETS	
Cash	\$ 264,214
Due from other funds	33,279
Prepaid items	2,632
Capital Assets (net of accumulated depreciation)	189,508
Total Assets	<u>489,633</u>
DEFERRED OUTFLOWS OF RESOURCES	
Differences between expected and actual earnings	1,801
Difference between projected and actual earnings on pension plan	18,839
Contributions subsequent to the measurement date	82,608
Total Deferred Outflows of Resources	<u>103,248</u>
LIABILITIES	
Accounts payable	147
Accrued payroll	356
Noncurrent Liabilities	
Net pension liability	166,661
Total Current Liabilities	<u>167,164</u>
DEFERRED INFLOWS OF RESOURCES	
Total Deferred Inflows of Resources	<u>--</u>
NET POSITION	
Net Investment in capital assets	189,508
Unrestricted	236,209
Total Net Position	<u>\$ 425,717</u>

The accompanying notes are an integral part of this statement.

MONTAGUE COUNTY TAX APPRAISAL DISTRICT

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2015

Functions/Programs	Expenses	Program Revenues	Charges for Services	Net (Expense) Revenue and Changes in Net Position	Governmental Activities
Governmental Activities:					
<i>Tax Collections</i>	\$ 94,330	\$ 110,674		\$ 16,344	
<i>Appraisal Services</i>	510,091	558,879		48,788	
Total Governmental Activities	<u>604,421</u>	<u>669,553</u>		<u>65,132</u>	
Total Primary Government	<u>\$ 604,421</u>	<u>\$ 669,553</u>		<u>65,132</u>	
General Revenues:					
<i>Investment Earnings</i>				9,360	
<i>Miscellaneous</i>				5,932	
<i>Rental Income</i>				3,000	
Total General Revenues				<u>18,292</u>	
Change in Net Position				83,424	
Net Assets - Beginning				456,848	
Prior Period Adjustment				(114,555)	
Net Assets - Ending				<u>\$ 425,717</u>	

The accompanying notes are an integral part of this statement.

MONTAGUE COUNTY TAX APPRAISAL DISTRICT

BALANCE SHEET - GOVERNMENTAL FUNDS

DECEMBER 31, 2015

	General Fund
ASSETS	
<i>Cash</i>	\$ 264,214
<i>Due from other funds</i>	33,279
<i>Prepaid items</i>	2,632
Total Assets	<u>300,125</u>
 DEFERRED OUTFLOWS OF RESOURCES	
Total Deferred Outflows of Resources	<u>--</u>
 TOTAL ASSETS AND DEFERRED OUTFLOWS	<u>\$ 300,125</u>
 LIABILITIES	
<i>Accounts payable</i>	\$ 147
<i>Accrued payroll</i>	356
Total Liabilities	<u>503</u>
 DEFERRED INFLOWS OF RESOURCES	
Total Deferred Inflows of Resources	<u>--</u>
 FUND BALANCES	
Committed	
<i>Committed for capital outlay</i>	28,000
<i>Unassigned</i>	271,622
Total Fund Balances	<u>299,622</u>
 TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES	<u>\$ 300,125</u>

The accompanying notes are an integral part of this statement.

MONTAGUE COUNTY TAX APPRAISAL DISTRICT
*RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
 TO THE STATEMENT OF NET POSITION
 DECEMBER 31, 2015*

Total fund balances - governmental funds balance sheet	\$ 299,622
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not reported in the funds.	189,508
Included in the items related to noncurrent liabilities is the recognition of the District's net pension liability required by GASB 68 in the amount of \$166,661 and a Deferred Resource Outflow related to TCDRS in the amount of \$103,248. This amounted to a decrease in Net Position of \$63,413.	(63,413)
Net position of governmental activities - Statement of Net Position	<u>\$ 425,717</u>

The accompanying notes are an integral part of this statement.

MONTAGUE COUNTY TAX APPRAISAL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2015

	General Fund
Revenue:	
<i>Intergovernmental revenues - appraisal</i>	\$ 558,879
<i>Intergovernmental revenues - collections</i>	110,674
<i>Interest income</i>	9,360
<i>Rental income</i>	3,000
<i>Miscellaneous income</i>	5,932
Total revenues	<u>687,845</u>
Expenditures:	
<i>Tax Collections</i>	99,238
<i>Appraisal Services</i>	545,065
Total expenditures	<u>644,303</u>
Excess (deficiency) of revenues over (under) expenditures	43,542
Other financing sources (uses):	
Total other financing sources (uses)	<u>--</u>
Net Change in Fund Balance	43,542
Fund balances/equity, January 1	256,080
Fund balances/equity, December 31	<u>\$ 299,622</u>

The accompanying notes are an integral part of this statement.

MONTAGUE COUNTY TAX APPRAISAL DISTRICT
*RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
 TO THE STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED DECEMBER 31, 2015*

Net change in fund balances - total governmental funds \$ 43,542

Amounts reported for governmental activities in the Statement of Activities
 are different because:

The depreciation of capital assets used in governmental activities is not reported in the funds. (11,260)

The implementation of GASB 68 required certain that expenditures be de-expended and recorded as deferred resource outflows. These pension contributions made after the measurement date of 12/31/14 caused the change in the ending net position to increase in the amount of \$82,608. The District recorded their pension expense during the measurement period as part of the net pension liability. The amount expensed for year ending 12/31/15 was \$31,466 for pension expense from TCDRS data. The impact of these is to increase the change in net position by \$51,142. 51,142

Change in net position of governmental activities - Statement of Activities \$ 83,424

The accompanying notes are an integral part of this statement.

MONTAGUE COUNTY TAX APPRAISAL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
DECEMBER 31, 2015

	Agency Fund <u>Fiduciary</u> <u>Fund Type</u>
ASSETS	
Cash	\$ 2,816,113
Total Assets	<u>2,816,113</u>
DEFERRED OUTFLOWS OF RESOURCES	
Total Deferred Outflows of Resources	<u>--</u>
LIABILITIES	
Due to tax entities	2,782,834
Due to other funds	33,279
Total Liabilities	<u>2,816,113</u>
DEFERRED INFLOWS OF RESOURCES	
Total Deferred Inflows of Resources	<u>--</u>
NET POSITION	
Unrestricted	--
Total Net Position	<u>\$ --</u>

The accompanying notes are an integral part of this statement.

THIS PAGE LEFT BLANK INTENTIONALLY

MONTAGUE COUNTY TAX APPRAISAL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

A. Summary of Significant Accounting Policies

The basic financial statements of Montague County Tax Appraisal District (the "District") have been prepared in conformity with accounting principles applicable to governmental units which are generally accepted in the United States of America. The Governmental Accounting Standards Board ("GASB") is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

1. Reporting Entity

The District's basic financial statements include the accounts of all its operations. The District evaluated whether any other entity should be included in these financial statements. The criteria for including organizations as component units within the District's reporting entity, as set forth in GASB Statement No. 14, "The Financial Reporting Entity," include whether:

- the organization is legally separate (can sue and be sued in its name)
- the District holds the corporate powers of the organization
- the District appoints a voting majority of the organization's board
- the District is able to impose its will on the organization
- the organization has the potential to impose a financial benefit/burden on the District
- there is fiscal dependency by the organization on the District
- the exclusion of the organization would result in misleading or incomplete financial statements

Based on these criteria, the District has no component units. Additionally, the District is not a component unit of any other reporting entity as defined by the GASB Statement.

2. Basis of Presentation, Basis of Accounting

a. Basis of Presentation

Government-wide Financial Statements: The statement of net position, as amended by GASB 63, and the statement of activities include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Revenues, expenses, gains, losses, assets, deferred outflows of resources, liabilities and deferred inflows of resources resulting from the exchange and exchange-like transactions should be recognized when the exchange takes place and should be recognized in accordance with the requirements of Section N50.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. The District does not allocate indirect expenses in the statement of activities. Program revenues include (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all investment income, are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the District's funds, with separate statements presented for each fund category. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

The District reports the following major governmental funds:

General Fund: This is the District's primary operating fund. It accounts for all financial resources of the

MONTAGUE COUNTY TAX APPRAISAL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

District except those required to be accounted for in another fund.

In addition, the District reports the following fund types:

Agency Funds: These funds are used to account for resources held in a purely custodial capacity (assets equal liabilities). Agency funds typically involve only the receipt, temporary investment, and remittance of fiduciary resources to individuals, private organizations, or other governments.

Fiduciary funds are reported in the fiduciary fund financial statements. However, because their assets are held in a trustee or agent capacity and are therefore not available to support District programs, these funds are not included in the government-wide statements.

b. Measurement Focus, Basis of Accounting

Government-wide and Fiduciary Fund Financial Statements: These financial statements are reported using the economic resources measurement focus. They are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the District gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from services is recognized in the fiscal year for which the services are provided. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental Fund Financial Statements: Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Revenues from local sources consist primarily of intergovernmental revenue. Intergovernmental revenues are recognized under the susceptible-to-accrual concept. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

When the District incurs an expenditure or expense for which both restricted and unrestricted resources may be used, it is the District's policy to use restricted resources first, then unrestricted resources.

3. Financial Statement Amounts

a. Inventories

The District records purchases of supplies as expenditures, utilizing the purchase method of accounting for inventory.

b. Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated fixed assets are recorded at their estimated fair value at the date of the donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. A capitalization threshold of \$500 is used.

MONTAGUE COUNTY TAX APPRAISAL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

Capital assets are being depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings and Improvements	15-40
Equipment	5-10

c. Receivable and Payable Balances

The District believes that sufficient detail of receivable and payable balances is provided in the financial statements to avoid the obscuring of significant components by aggregation. Therefore, no disclosure is provided which disaggregates those balances.

There are no significant receivables which are not scheduled for collection within one year of year end.

d. Interfund Activity

Interfund activity results from loans, services provided, reimbursements or transfers between funds. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures or expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers In and Transfers Out are netted and presented as a single "Transfers" line on the government-wide statement of activities. Similarly, interfund receivables and payables are netted and presented as a single "Internal Balances" line of the government-wide statement of net position.

e. Use of Estimates

The preparation of financial statements in conformity with GAAP requires the use of management's estimates.

f. Fund Balances - Governmental Funds

In accordance with GASB 54, fund balances of the governmental funds are classified as follows:

Nonspendable Fund Balance - represents amounts that cannot be spent because they are either not spendable form (such as inventory or prepaid insurance) or legally required to remain intact (such as notes receivable or principal of a permanent fund).

Restricted Fund Balance - represents amounts that are constrained by external parties, constitutional provisions or enabling legislation.

Committed Fund Balance - represents amounts that can only be used for a specific purpose because of a formal action by the District's governing board. Committed amounts cannot be used for any other purpose unless the Board removes those constraints by taking the same type of formal action. Committed fund balance amounts may be used for other purposes with appropriate due process by the Board. Commitments are typically done through adoption and amendment of the budget. Committed fund balance amounts differ from restricted balances in that the constraints on their use do not come from outside parties, constitutional provisions, or enabling legislation.

Assigned Fund Balance - represents amounts which the District intends to use for a specific purpose, but that do not meet the criteria to be classified as restricted or committed. Intent may be stipulated by the Board or by an official or body to which the Board delegates the authority. Specific amounts that are not

MONTAGUE COUNTY TAX APPRAISAL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

restricted or committed in a special revenue, capital projects, debt service or permanent fund are assigned for purposes in accordance with the nature of their fund type or the fund's primary purpose. Assignments within the general fund convey that the intended use of those amounts is for a specific purpose that is narrower than the general purposes of the District itself.

Unassigned Fund Balance - represents amounts which are unconstrained in that they may be spent for any purpose. Only the general fund reports a positive unassigned fund balance. Other governmental funds might report a negative balance in this classification because of overspending for specific purposes for which amounts had been restricted, committed or assigned.

When an expenditure is incurred for a purpose for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds.

By a majority vote in a scheduled meeting the Board of Trustees may commit fund balances and it may modify or rescind commitments. The Board may also delegate authority to persons or parties to assign fund balances in specific circumstances or funds.

B. Compliance and Accountability

1. Finance-Related Legal and Contractual Provisions

In accordance with GASB Statement No. 38, "Certain Financial Statement Note Disclosures," violations of finance-related legal and contractual provisions, if any, are reported below, along with actions taken to address such violations:

<u>Violation</u>	<u>Action Taken</u>
None reported	Not applicable

2. Deficit Fund Balance or Fund Net Position of Individual Funds

Following are funds having deficit fund balances or fund net position at year end, if any, along with remarks which address such deficits:

<u>Fund Name</u>	<u>Deficit Amount</u>	<u>Remarks</u>
None reported	Not applicable	Not applicable

C. Deposits and Investments

The District's funds are required to be deposited and invested under the terms of a depository contract. The depository bank deposits for safekeeping and trust with the District's agent bank approved pledged securities in an amount sufficient to protect District funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance.

1. Cash Deposits:

At December 31, 2015, the carrying amount of:

- a. the District's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) were: \$3,080,226
- b. the bank balances were: \$3,113,045

The District's cash deposits at December 31, 2015 were entirely covered by FDIC insurance or by pledged collateral held by the District's agent bank in the District's name.

MONTAGUE COUNTY TAX APPRAISAL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

2. Investments:

The District is required by Government Code Chapter 2256, The Public Funds Investment Act, to adopt, implement, and publicize an investment policy. That policy must be written; primarily emphasize safety of principal and liquidity; address investment diversification, yield, and maturity and the quality and capability of investment management; and include a list of the types of authorized investments in which the investing entity's funds may be invested; and the maximum allowable stated maturity of any individual investment owned by the entity.

The Public Funds Investment Act ("Act") requires an annual audit of investment practices. Audit procedures in this area conducted as a part of the audit of the basic financial statements disclosed that in the areas of investment practices, management reports and establishment of appropriate policies, the District adhered to the requirements of the Act. Additionally, investment practices of the District were in accordance with local policies.

The Act determines the types of investments which are allowable for the District. These include, with certain restrictions, (1) obligations of the U.S. Treasury, U.S. agencies, and the State of Texas, (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers acceptances, (7) mutual funds, (8) investment pools, (9) guaranteed investment contracts, and (10) common trust funds.

The District had no investments at December 31, 2015. Therefore the District had no risks associated with investments at year end required to be reported by GASB Statement No. 40.

Investment Accounting Policy

The District's general policy is to report money market investments and short-term participating interest-earning investment contracts at amortized cost and to report nonparticipating interest-earning investment contracts using a cost-based measure. However, if the fair value of an investment is significantly affected by the impairment of the credit standing of the issuer or by other factors, it is reported at fair value. All other investments are reported at fair value unless a legal contract exists which guarantees a higher value. The term "short-term" refers to investments which have a remaining term of one year or less at time of purchase. The term "nonparticipating" means that the investment's value does not vary with market interest rate changes. Nonnegotiable certificates of deposit are examples of nonparticipating interest-earning investment contracts

D. Capital Assets

Capital asset activity for the year ended December 31, 2015, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
<u>Governmental activities:</u>				
<i>Capital assets not being depreciated:</i>				
Land	\$ 3,250	\$ -	\$ -	\$ 3,250
Total capital assets not being depreciated	<u>3,250</u>	<u>-</u>	<u>-</u>	<u>3,250</u>
<i>Capital assets being depreciated:</i>				
Buildings and improvements	226,464	-	-	226,464
Equipment	122,241	-	-	122,241
Total capital assets being depreciated	<u>348,705</u>	<u>-</u>	<u>-</u>	<u>348,705</u>
Less accumulated depreciation for:				
Buildings and improvements	(48,597)	(6,483)	-	(55,080)
Equipment	(102,590)	(4,777)	-	(107,367)
Total accumulated depreciation	<u>(151,187)</u>	<u>(11,260)</u>	<u>-</u>	<u>(162,447)</u>
Total capital assets being depreciated, net	<u>197,518</u>	<u>(11,260)</u>	<u>-</u>	<u>186,258</u>
Governmental activities capital assets, net	<u>\$ 200,768</u>	<u>\$ (11,260)</u>	<u>\$ -</u>	<u>\$ 189,508</u>

MONTAGUE COUNTY TAX APPRAISAL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

Depreciation was charged to functions as follows:

Governmental Activities		
Tax Collections	\$	2,252
Appraisal Services		<u>9,008</u>
	\$	<u><u>11,260</u></u>

E. Interfund Balances and Activities

1. Due To and From Other Funds

Balances due to and due from other funds at December 31, 2015, consisted of the following:

<u>Due To Fund</u>	<u>Due From Fund</u>	<u>Amount</u>	<u>Purpose</u>
General Fund	Agency Fund	<u>\$ 33,279</u>	Short-term loans

All amounts due are scheduled to be repaid within one year.

F. Risk Management

The District is exposed to various risks of loss related to torts, theft, damage or destruction of assets, errors and omissions, injuries to employees, and natural disasters. During fiscal year 2015, the District purchased commercial insurance to cover general liabilities. There were no significant reductions in coverage in the past fiscal year and there were no settlements exceeding insurance coverage for any of the past three fiscal years.

G. Pension Plan

Plan Description

The District's pension plan ("Plan") is a non-traditional, joint contributory, defined benefit plan which provides retirement, disability and death benefits to Plan members and beneficiaries through its affiliation with statewide Texas County and District Retirement System ("TCDRS"). Full-time employees become members of the plan after a 60 day probation period. The Board of Directors of TCERS is responsible for the administration of the statewide agent multiple employee retirement system. TCERS issues a publicly available comprehensive annual financial report (CAFR). That report may be obtained by writing to Texas County and District Retirement System, P.O. Box 2034, Austin, TX 78714-2034.

The Plan provisions are adopted by the governing body of the District, with the options available in the state statutes governing TCERS. Current plan provisions are as follows:

- Members can retire at age 60 and above with 10 or more years of service or with 30 years of service regardless of age or when the sum of their age and years of service equals 80 or more.
- A member is vested after 10 years but must leave accumulated contributions in the plan.
- If a member withdraws personal contributions in a lump-sum, he is not entitled to any amounts contributed by the employer.

Benefits Provided

Benefit amounts are determined by the sum of the employee's contributions to the plan, with interest, and employer-finance monetary credits. The level of these monetary credits is adopted by the governing body of the District conditioned by the actuarial constraints imposed by statute so that the resulting benefits can be expected to be adequately financed by the commitment of the District to contribute. At retirement, death or disability, the benefit is calculated as if the sum of the employee's accumulated contributions and the employer-financed monetary credits were used to purchase an annuity within TCERS.

MONTAGUE COUNTY TAX APPRAISAL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

Contributions

Plan members are required to contribute 7% of their annual covered salary. The District is required to contribute at an actuarially determined rate; the current rate is 20% of annual covered payroll. The District's contributions to the TCDRS for the years ending December 31, 2006 to December 31, 2014 are shown on Exhibit B-3. In 2015 the District approved and paid an additional contribution of \$30,000.

Actuarial Assumptions

The actuarial assumptions that determined the total pension liability as of December 31, 2014 were based on the results of an actuarial experience study for the period January 1, 2009 - December 31, 2012, except where required to be different by GASB 68.

Actuarial Methods and Assumptions Used for GASB Calculations

All actuarial methods and assumptions used for this GASB analysis were the same as those used in the December 31, 2014 funding valuation, except as noted below and throughout this report.

Following are the key assumptions and methods used in this GASB analysis.

Valuation Timing	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.
Actuarial Cost Method	Entry Age Normal
Asset Valuation Method	
Smoothing period	5 years
Recognition method	Non-asymptotic
Corridor	None
Inflation	3.0%
Salary Increases	3.5%
Investment Rate of Return	8.10%
Cost-of-Living Adjustments	Cost-of-Living Adjustments for Montague County Tax Appraisal District are not considered to be substantively automatic under GASB 68. Therefore, no assumption for future cost-of-living adjustments is included in the GASB calculations. No assumption for future cost-of-living adjustments is included in the funding valuation.
Retirement Age	60

Actuarial Methods and Assumptions Used for Funding Valuation

Except where indicated in the section of this GASB 68 report entitled "Actuarial Methods and Assumptions Used for GASB Calculations", the assumptions used in this analysis for the December 31, 2014 financial reporting metrics are the same as those used in the December 31, 2014 actuarial valuation analysis for Montague County Tax Appraisal District.

MONTAGUE COUNTY TAX APPRAISAL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

Following is a description of the assumptions used in the December 31, 2014 actuarial valuation analysis for Montague County Tax Appraisal District.

Economic Assumptions

TCDRS system-wide economic assumptions:

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

The long-term investment return of 8% is net of investment expenses and is expected to enable the system to credit interest at the nominal annual rates shown below to the following major funds:

Subdivision Accumulation Fund	9%
Employees Saving Fund	7%
Current Service Annuity Reserve Fund	7%

Assuming interest will be credited at these nominal annual rates to the various funds, we have then assumed the following:

- An annual rate of 9% for calculating the actuarial accrued liability and normal cost contributions rate for the retirement plan of each participating employer.
- An annual rate of 7% required under the TCDRS Act for: (1) accumulating current service credit and multiple matching credit after the valuation date; (2) accumulating prior service credit after the valuation date; (3) determining the amount of the monthly benefit at future dates of retirement or disability; and (4) calculating the actuarial accrued liability of the system-wide Current Service Annuity Reserve Fund.

The annual salary increase rates assumed for individual members vary by length of service and by entry-age group. The annual rates consist of a general wage inflation component of 3.5% (made up of 3.0% inflation and 0.5% productivity increase assumptions) and a merit, promotion and longevity component that on average approximates 1.4% per year for a career employee.

Employer-specific economic assumptions:

Growth in membership	0.0%
Payroll growth	0.0%

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

Long-Term Expected Rate of Return

The long-term expected rate of return on TCDRS assets is determined by adding expected inflation to expected long-term real returns, and reflecting expected volatility and correlation. The capital market assumptions and information shown below are provided by TCDRS' investment consultant, Cliffwater LLC. The numbers shown are based on January 2015 information for a 7-10 year time horizon.

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

MONTAGUE COUNTY TAX APPRAISAL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

Asset Class	Benchmark	Target Allocation ⁽¹⁾	Geometric Real Rate of Return (Expected minus Inflation) ⁽²⁾
US Equities	Dow Jones U.S. Total Stock Market Index	16.50%	5.35%
Private Equity	Cambridge Associates Global Private Equity & Venture Capital Index (3)	12.00%	8.35%
Global Equities	MSCI World (net) Index	1.5%	5.65%
International Equities – Developed	50% MSCI World Ex USA (net) + 50% MSCI World ex USA 100% Hedged to USD (net) Index	11.00%	5.35%
International Equities – Emerging	50% MSCI EM Standard (net) Index + 50% MSCI EM 100% Hedged to USD (net) Index	9.00%	6.35%
Investment-Grade Bonds	Barclays Capital Aggregate Bond Index	3.00%	0.55%
High-Yield Bonds	Citigroup High-Yield Cash-Pay Capped Index	3.00%	3.75%
Opportunistic Credit	Citigroup High-Yield Cash-Pay Capped Index	5.00%	5.54%
Direct Lending	Citigroup High-Yield Cash-Pay Capped Index	2.00%	5.80%
Distressed Debt	Citigroup High-Yield Cash-Pay Capped Index	3.00%	6.75%
REIT Equities	67% FTSE NAREIT Equity REITs Index + 33% FRSE EPRA NAREIT Global Real Estate Index	2.00%	4.00%
Commodities	Bloomberg Commodities Index	2.00%	-0.20%
Master Limited Partnerships (MLPs)	Alerian MLP Index	2.00%	5.30%
Private Real Estate Partnerships	Cambridge Associates Real Estate Index ⁽⁴⁾	3.00%	7.20%
Hedge Funds	Hedge Fund Research, Inc. (HFRI) Fund of Funds Composite Index	25.00%	5.15%

⁽¹⁾ Target asset allocation adopted at the April 2015 TCDRS Board meeting.

⁽²⁾ Geometric real rates of return in addition to assumed inflation of 1.7%, per Cliffwater's 2015 capital market assumptions.

⁽³⁾ Includes vintage years 2006-present of Quarter Pooled Horizon IRRs.

⁽⁴⁾ Includes vintage years 2007-present of Quarter Pooled Horizon IRRs.

Depletion of Plan Assets / GASB Discount Rate

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

1. The actuarial present value of benefit payments projected to be made in future periods in which (a) the amount of the pension plan's fiduciary net position is projected to be greater than the benefit payments that are projected to be made in that period and (b) pension plan assets up to that point are expected to be invested using a strategy to achieve the long-term rate of return, calculated using the long-term expected rate of return on pension plan investments.

MONTAGUE COUNTY TAX APPRAISAL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

2. The actuarial present value of projected benefit payments not included in (1), calculated using the municipal bond rate.

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

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

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

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

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

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

MONTAGUE COUNTY TAX APPRAISAL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

Changes in Net Pension Liability / (Asset)

Changes in Net Pension Liability / (Asset)	Increase (Decrease)		Net Pension Liability / (Asset) (a) - (b)
	Total Pension Liability (a)	Fiduciary Net Position (b)	
Balances as of December 31, 2013	\$1,856,065	\$1,693,004	\$163,061
Changes for the year:			
Service cost	37,873		37,873
Interest on total pension liability ⁽¹⁾	149,004		149,004
Effect of plan changes	0		0
Effect of economic/demographic gains or losses	2,701		2,701
Effect of assumptions changes or inputs	0		0
Refund of contributions	0		0
Benefit payments	(71,549)	(71,549)	0
Administrative expenses		(1,347)	1,347
Member contributions		16,977	(16,977)
Net investment income		114,912	(114,912)
Employer contributions		48,506	(48,506)
Other ⁽²⁾	0	6,930	(6,930)
Balances as of December 31, 2014	\$1,974,094	\$1,807,433	\$166,661

⁽¹⁾ Reflects the change in the liability due to the time value of money. TCDRS does not charge fees or interest.

⁽²⁾ Relates to allocation of system-wide items.

Sensitivity Analysis

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

	1% Decrease 7.10%	Current Discount Rate 8.10%	1% Increase 9.10%
Total pension liability	\$2,207,366	\$1,974,094	\$1,777,622
Fiduciary net position	<u>1,807,433</u>	<u>1,807,433</u>	<u>1,807,433</u>
Net pension liability / (asset)	\$399,933	\$166,661	(\$29,811)

MONTAGUE COUNTY TAX APPRAISAL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

Pension Expense (Income)	January 1, 2014 to December 31, 2014
Service cost	\$37,873
Interest on total pension liability ⁽¹⁾	149,004
Effect of plan changes	0
Administrative expenses	1,347
Member contributions	(16,977)
Expected investment return net of investment expenses	(138,461)
Recognition of deferred inflows/outflows of resources	
Recognition of economic/demographic gains or losses	900
Recognition of assumption changes or inputs	0
Recognition of investment gains or losses	4,710
Other ⁽²⁾	(6,930)
Pension expense / (income)	\$31,466

⁽¹⁾ Reflects the change in the liability due to the time value of money. TCDRS does not charge fees or interest.

⁽²⁾ Relates to allocation of system-wide items.

As of December 31, 2014, the deferred inflows and outflows of resources are as follows:

Deferred Inflows / Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources
Differences between expected and actual experience	\$0	\$1,801
Changes of assumptions	0	0
Net difference between projected and actual earnings	0	18,839
Contributions made subsequent to measurement date	0	82,608

Amounts currently reported as deferred outflows of resources and deferred inflows of resources related to pensions, excluding contributions made subsequent to the measurement date, will be recognized in pension expense as follows:

Year ended December 31:	
2015	\$5,610
2016	5,610
2017	4,710
2018	4,710
2019	0
Thereafter ⁽³⁾	0

⁽³⁾ Total remaining balance to be recognized in future years, if any. Note that additional future deferred inflows and outflows of resources may impact these numbers.

MONTAGUE COUNTY TAX APPRAISAL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

Schedule of Deferred Inflows and Outflows of Resources

	Original Amount	Date Established	Original Recognition Period(1)	Amount Recognized in 12/31/2014 Expense(1)	Balance of Deferred Inflows 12/31/2014	Balance of Deferred Outflows 12/31/2014
Investment (gains) or losses	\$ 23,549	12/31/2014	5.0	\$ 4,710	\$0	\$ 18,839
Economic/demographic (gains) or losses	2,701	12/31/2014	3.0	900	0	1,801
Assumption changes or inputs	0	12/31/2014	3.0	0	0	0
Employer contributions made subsequent to measurement date	\$ 82,608	12/31/2014	1.0	0	0	\$ 82,608

⁽¹⁾ Investment (gains)/losses are recognized in pension expense over a period of five years; economic/demographic (gains)/losses and assumption changes or inputs are recognized over the average remaining service life for all active, inactive, and retired members.

H. Health Care Coverage

During the year ended December 31, 2015, employees of the District were covered by a health insurance plan (the Plan). The District paid premiums of \$753.40 per month per employee for period of January 2015 to September 2015 and premiums of \$789.68 per employee per month for period of October 2015 to December 2015 to the Plan. Employees, at their option, authorized payroll withholdings to pay premiums for dependents. All premiums were paid to a licensed insurer.

The contract between the District and the licensed insurer is renewable October 1, 2016, and terms of coverage and premium costs are included in the contractual provisions.

Latest financial statements for the Blue Cross-Blue Shield with Texas Association of Counties are available for the year ended December 31, 2014 and have been filed with the Texas State Board of Insurance, Austin, Texas, and are public records.

I. Commitments and Contingencies

1. Contingent Liabilities

There are no known material loss contingencies as of the date of this report that would require disclosure in the financial statements in accordance with the United States generally accepted accounting principles.

2. Litigation

No reportable litigation was pending against the District at December 31, 2015.

J. Prior Period Adjustment – GASB 68

During the year ended December 31, 2015 the District adopted GASB Statement No. 68 for Accounting and Reporting for Pensions. GASB 68 requires that the District record their Net Pension Liability related to TCDRS. Adoption of GASB 68 required a prior period adjustment to report the effect of GASB 68 retroactively. The amount of the prior period adjustment reduces beginning net position \$114,555. The restated beginning net position is \$342,293.

MONTAGUE COUNTY TAX APPRAISAL DISTRICT

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED DECEMBER 31, 2015

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenue:				
Intergovernmental revenues - appraisal	\$ 557,840	\$ 557,840	\$ 558,879	\$ 1,039
Intergovernmental revenues - collections	115,070	107,068	110,674	3,606
Interest income	1,587	1,587	9,360	7,773
Rental income	3,000	3,000	3,000	--
Miscellaneous income	2,417	2,417	5,932	3,515
Total revenues	<u>679,914</u>	<u>671,912</u>	<u>687,845</u>	<u>15,933</u>
Expenditures:				
Tax Collections	115,070	107,070	99,238	7,832
Appraisal and contract services	564,844	564,844	545,065	19,779
Total expenditures	<u>679,914</u>	<u>671,914</u>	<u>644,303</u>	<u>27,611</u>
Excess (deficiency) of revenues over (under) expenditures	--	(2)	43,542	43,544
Other financing sources (uses):				
Total other financing sources (uses)	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
Net change in Fund Balance	--	(2)	43,542	43,544
Fund balances/equity, January 1	256,080	256,080	256,080	--
Fund balances/equity, December 31	<u>\$ 256,080</u>	<u>\$ 256,078</u>	<u>\$ 299,622</u>	<u>\$ 43,544</u>

MONTAGUE COUNTY APPRAISAL DISTRICT
SCHEDULE OF CHANGES IN NET PENSION LIABILITY
AND RELATED RATIOS
FOR THE YEAR ENDED DECEMBER 31, 2015

	<u>2014</u>
Total Pension Liability	
Service cost	\$ 37,873
Interest on total pension liability	149,004
Effect of plan changes	-
Effect of assumption changes or inputs	-
Effect of economic/demographic (gains) or losses	2,701
Benefit payments/refunds of contributions	(71,549)
Net change in total pension liability	<u>118,029</u>
Total pension liability, beginning	<u>1,856,065</u>
Total pension liability, ending (a)	<u>\$ 1,974,094</u>
Fiduciary Net Position	
Employer contributions	\$ 48,506
Member contributions	16,977
Investment income net of investment expenses	114,912
Benefit payments/refunds of contributions	(71,549)
Administrative expenses	(1,347)
Other	6,930
Net change in fiduciary net position	<u>114,429</u>
Fiduciary net position, beginning	<u>1,693,004</u>
Fiduciary net position, ending (b)	<u>\$ 1,807,433</u>
Net pension liability / (asset), ending = (a) - (b)	<u>\$ 166,661</u>
Fiduciary net position as a % of total pension liability	<u>91.56%</u>
Pensionable covered payroll	\$242,532
Net pension liability as a % of covered payroll	68.72%

Note: This schedule is presented to illustrate the requirement to show information for 10 years. However, recalculations of prior years are not required. Therefore, we have shown only one year for which the new GASB statements have been implemented.

Note: GASB 68 Disclosure for Measurement Date December 31, 2014
Montague County Tax Appraisal District
Texas County & District Retirement System

MONTAGUE COUNTY APPRAISAL DISTRICT
SCHEDULE OF EMPLOYER CONTRIBUTIONS
FOR THE YEAR ENDED DECEMBER 31, 2015

Year Ending December 31	Actuarially Determined Contribution	Actual Employer Contribution	Contribution Deficiency (Excess)	Pensionable Covered Payroll ⁽¹⁾	Actual Contribution as a % of Covered Payroll
2006	\$11,973	\$18,473	\$ (6,500)	\$171,042	10.8%
2007	12,576	19,403	(6,827)	179,657	10.8%
2008	17,705	24,847	(7,141)	185,591	13.4%
2009	19,021	28,717	(9,696)	196,297	14.6%
2010	38,740	63,740	(25,000)	216,912	29.4%
2011	32,618	55,068	(22,450)	227,777	24.2%
2012	32,253	35,305	(3,052)	227,777	15.5%
2013	36,982	38,836	(1,854)	250,553	15.5%
2014	41,813	48,506	(6,694)	242,532	20.0%

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

Note: GASB 68 Disclosure for Measurement Date December 31, 2014
 Montague County Tax Appraisal District
 Texas County & District Retirement System

MONTAGUE COUNTY TAX APPRAISAL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED AUGUST 31, 2015

Changes of benefit terms.

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

Changes of assumptions.

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

MONTAGUE COUNTY TAX APPRAISAL DISTRICT
GENERAL FUND - APPRAISAL ONLY
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2015

EXHIBIT C-1

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenue:				
<i>Intergovernmental revenues - appraisal</i>	\$ 557,840	\$ 557,840	\$ 558,879	\$ 1,039
<i>Interest income</i>	1,587	1,587	2,331	744
<i>Rental income</i>	3,000	3,000	3,000	-
<i>Miscellaneous income</i>	2,417	2,417	2,332	(85)
Total revenues	<u>564,844</u>	<u>564,844</u>	<u>566,542</u>	<u>1,698</u>
Expenditures:				
<i>Salaries and benefits</i>	342,474	342,474	360,010	(17,536)
<i>Appraisal and contract services</i>	97,000	97,000	84,925	12,075
<i>Special services</i>	18,150	18,150	16,496	1,654
<i>Office supplies</i>	48,300	48,300	40,835	7,465
<i>Education</i>	8,500	8,500	6,362	2,138
<i>Building expenses</i>	15,445	15,445	11,883	3,562
<i>Maintenance agreements</i>	25,475	25,475	24,554	921
<i>Capital outlay</i>	9,500	9,500	-	9,500
Total expenditures	<u>564,844</u>	<u>564,844</u>	<u>545,065</u>	<u>19,779</u>
Excess (deficiency) of revenues over (under) expenditures	-	-	21,477	21,477
Other financing sources (uses):				
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	-	-	21,477	21,477
Fund Balance - January 1	<u>228,178</u>	<u>228,178</u>	<u>228,178</u>	-
Fund Balance - December 31	<u>\$ 228,178</u>	<u>\$ 228,178</u>	<u>\$ 249,655</u>	<u>\$ 21,477</u>

MONTAGUE COUNTY TAX APPRAISAL DISTRICT
GENERAL FUND - COLLECTIONS ONLY
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2015

EXHIBIT C-2

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenue:				
<i>Intergovernmental revenues - collections</i>	\$ 115,070	\$ 107,068	\$ 110,674	\$ 3,606
<i>Interest income</i>	-	-	7,029	7,029
<i>Miscellaneous income</i>	-	-	3,600	3,600
Total revenues	<u>115,070</u>	<u>107,068</u>	<u>121,303</u>	<u>14,235</u>
Expenditures:				
<i>Salaries and benefits</i>	58,260	58,260	57,176	1,084
<i>Special services</i>	2,550	2,550	2,015	535
<i>Office supplies</i>	41,250	33,750	28,867	4,883
<i>Education</i>	1,000	500	90	410
<i>Building expenses</i>	6,265	6,265	5,576	689
<i>Maintenance agreements</i>	5,745	5,745	5,514	231
Total expenditures	<u>115,070</u>	<u>107,070</u>	<u>99,238</u>	<u>7,832</u>
Excess (deficiency) of revenues over (under) expenditures	-	(2)	22,065	22,067
Other financing sources (uses):				
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	-	(2)	22,065	22,067
Fund Balance (Deficit) - January 1	<u>27,902</u>	<u>27,902</u>	<u>27,902</u>	-
Fund Balance (Deficit) - December 31	<u>\$ 27,902</u>	<u>\$ 27,900</u>	<u>\$ 49,967</u>	<u>\$ 22,067</u>

THIS PAGE LEFT BLANK INTENTIONALLY



STEPHEN G. GILLAND, P.C.

CERTIFIED PUBLIC ACCOUNTANT

707 HWY 59 NORTH • BOWIE, TEXAS 76230

MEMBER OF
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS
TEXAS SOCIETY OF
CERTIFIED PUBLIC ACCOUNTANTS

(940) 872-5157
fax (940) 872-5158

www.sgg-cpa.com

Independent Auditor's Report

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards

Board of Directors
Montague County Tax Appraisal District
Montague, 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, each major fund, and the aggregate remaining fund information of Montague County Tax Appraisal District, as of and for the year ended December 31, 2015 and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated March 30, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Montague County Tax Appraisal District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Montague County Tax Appraisal 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 Montague County Tax Appraisal District's financial statements are free from 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.

Respectfully submitted,



Stephen G. Gilland, P.C.
Bowie, Texas

March 30, 2016

MONTAGUE COUNTY TAX APPRAISAL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 FOR THE YEAR ENDED DECEMBER 31, 2015

A. Summary of Auditor's Results

1. Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

One or more material weaknesses identified? Yes X No

One or more significant deficiencies identified that are not considered to be material weaknesses? Yes X None Reported

Noncompliance material to financial statements noted? Yes X No

B. Financial Statement Findings

NONE

District Contact: Teri Bowman

MONTAGUE COUNTY TAX APPRAISAL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2015

<u>Finding/Recommendation</u>	<u>Current Status</u>	<u>Management's Explanation If Not Implemented</u>
NONE		

MONTAGUE COUNTY TAX APPRAISAL DISTRICT
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED DECEMBER 31, 2015

NONE

