

City of Copperas Cove Information Item No. 2 May 3, 2011

CCAD 2010 Audited Financial Statements

Contact – Ryan D Haverlah, Budget Director, 542-8910
rhaverlah@ci.copperas-cove.tx.us

SUBJECT: 2010 Audited Financial Statements for the Coryell County Appraisal District.

1. PROJECT DESCRIPTION

The Coryell County Appraisal District submitted their 2010 Audited Financial Statements for the year ending December 31, 2010, and the Report on Internal Controls. The reports are required to be sent to the governing body of each taxing unit eligible to vote on the appointment of district directors.

2. BACKGROUND/HISTORY

None.

3. FINDINGS/CURRENT ACTIVITY

After reviewing the audited statements, the external auditors stated:

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of Coryell Central Appraisal District as of December 31, 2010, and the changes in financial position and cash flows for the year then ended in conformity with account principles generally accepted in the United States of America.

4. FINANCIAL IMPACT

None.

Coryell Central Appraisal District
Financial Statements
and Supplemental Information
December 31, 2010
(With Independent Auditors' Report Thereon)

Coryell Central Appraisal District

Table of Contents

	<u>Page</u>
Independent Auditors' Report	1
Management's Discussion and Analysis	2 - 5
Financial Statements:	
Statement of Net Assets	6
Statement of Revenues, Expenses and Changes in Net Assets	7
Statement of Cash Flows	8
Notes to Financial Statements	9 - 14
Supplementary Information:	
Schedule of Revenues and Expenditures - Budget and Actual - Budgetary Basis	15
Notes to Schedule of Revenues and Expenditures - Budget and Actual - Budgetary Basis	16



JAYNES, REITMEIER, BOYD & THERRELL, P.C.
Certified Public Accountants

5400 Bosque Blvd., Suite 500 Waco, Texas 76710
P.O. Box 7616 Waco, Texas 76714-7616
Phone 254.776.4190 Fax 254.776.8489
www.jrbt.com

Offices in Austin, Huntsville and Waco

Independent Auditors' Report

The Board of Directors
Coryell Central Appraisal District:

We have audited the accompanying financial statements of the business-type activities of Coryell Central Appraisal District (the District) as of and for the year ended December 31, 2010, which comprises the District's basic financial statements. These financial statements are the responsibility of the District's management. 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. 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of Coryell Central Appraisal District as of December 31, 2010, and the changes in financial position and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Management's discussion and analysis on pages 2 through 5 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental information on pages 15 and 16 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Jaynes, Reitmeier, Boyd & Therrell, P.C.

February 16, 2011

MANAGEMENT'S DISCUSSION AND ANALYSIS

Coryell Central Appraisal District's management's discussion and analysis of its financial condition and operating results provides an overview of its financial activity and assists the reader in understanding noteworthy financial issues for the year ended December 31, 2010. This analysis has been prepared by management of Coryell Central Appraisal District and it is intended to be read with the financial statements and related notes that follow this section.

Coryell Central Appraisal District (the District), a political subdivision of the State of Texas, was created by the Texas Legislature to appraise all properties of the taxing units within Coryell County, Texas.

Financial Highlights

- The District's net assets at December 31, 2010 were \$209,810.
- The District's net assets increased by \$39,358 during the year ended December 31, 2010.
- Actual budgetary basis expenditures totaled \$793,525 or \$18,472 less than the final budgeted expenditures for the year ended December 31, 2010.

Overview of Financial Statements

The District qualifies as a special-purpose government engaged in a business-type activity and the financial statements are prepared on that basis. The District has prepared the financial statements using the economic resources focus model and the accrual basis of accounting. This model provides information about the long-term effects of decisions, primarily by including the cost of consuming capital assets used in providing services.

The financial statement format consists of three primary statements, the Statement of Net Assets, the Statement of Revenues, Expenses and Changes in Net Assets, and the Statement of Cash Flows. A brief description of each statement, which explains the differences in the information provided, follows.

Statement of Net Assets

The Statement of Net Assets includes all assets and liabilities of the District using the accrual basis of accounting. The District's net assets are one indicator of its financial health. Over time, increases or decreases in net assets are indicators of the improvement or erosion of the District's financial health when considered with other non-financial factors.

Statement of Revenues, Expenses, and Changes in Net Assets

The Statement of Revenues, Expenses, and Changes in Net Assets presents the revenues earned and the expenses incurred during the year. Activities performed by the District are classified as either operating or non-operating activities. Net assets for the year either increase or decrease depending on whether revenues or expenses are greater for the year. The ending balance of net assets on this statement agrees with that shown on the Statement of Net Assets.

Statement of Cash Flows

The Statement of Cash Flows presents information related to cash inflows and outflows summarized by operating, capital financing, noncapital financing, and investing activities. This statement helps users assess the District's ability to generate cash flows to meet its obligations as they come due.

Analysis of the District's Financial Position and Results of Operations

The following summary shows a condensed version of the Statement of Net Assets:

	<u>2010</u>	<u>2009</u>
Current assets	\$ 330,130	291,780
Non-current assets	<u>99,853</u>	<u>112,623</u>
Total assets	<u>429,983</u>	<u>404,403</u>
Current liabilities	<u>220,173</u>	<u>233,951</u>
Total liabilities	<u>220,173</u>	<u>233,951</u>
Net assets:		
Invested in capital assets, net of related debt	97,600	76,303
Unrestricted	<u>112,210</u>	<u>94,149</u>
Total net assets	<u>\$ 209,810</u>	<u>170,452</u>

The difference between what the District owns, its assets, and what it owes, its liabilities, are the net assets. At December 31, 2010, the difference in assets and liabilities was \$209,810. As can be seen, this is an increase from the prior year of \$39,358. Assets increased by \$25,580 to \$429,983 at December 31, 2010 primarily as a result of positive cash flow generated from operations of \$83,255 less cash used for capital and related financing activities of \$56,089.

Total liabilities decreased by \$13,778 primarily due to a decrease in capital lease obligations for repayments of \$34,067 during 2010.

Capital assets decreased \$12,770 during the year due primarily to depreciation; however, capital lease obligations used to acquire those capital assets decreased by \$34,067 for repayments during 2010 as noted in the preceding paragraph. Consequently, net assets invested in capital assets, less the related debt, increased \$21,297 to \$97,600 at December 31, 2010. The District's total net assets increased \$39,358 to \$209,810 at December 31, 2010 as discussed below. Unrestricted net assets at December 31, 2010, include amounts obligated or earmarked by the Board of Directors for building replacement (\$74,220) and legal and technology needs (\$25,657).

***Analysis of the District's Financial
Position and Results of Operations*** (continued)

The following summary shows a condensed version of the Statements of Revenues, Expenses, and Changes in Net Assets.

	<u>2010</u>	<u>2009</u>
Operating revenue	\$ 826,928	726,303
Operating expenses	<u>(786,828)</u>	<u>(700,432)</u>
Operating income	40,100	25,871
Non-operating revenue	1,104	1,581
Non-operating expenses	<u>(1,846)</u>	<u>(14,429)</u>
 Change in net assets	 <u>\$ 39,358</u>	 <u>13,023</u>

The major source of operating revenue is appraisal fees from taxing units which typically parallel the operating expenses of the District over time. Operating expenses in 2010 increased \$86,396, from \$700,432 to 786,828. These expenses increased primarily due to the transition of part-time employees to full-time status and the utilization of a new consulting firm for mapping services.

Non-operating revenue in 2010 included interest income of \$953 and a gain on sale of asset of \$151. Non-operating expenses of \$1,846 in 2010 consisted primarily of interest expense.

Capital Assets and Debt Administration

Capital assets changed during the year due to capital acquisitions of \$20,176, and depreciation of existing capital assets of \$32,946, resulting in a decrease in net capital assets of \$12,770. Long-term debt consisting entirely of a capital lease obligation for information technology hardware and software purchased in 2005 was paid off during 2010. The capital lease obligation decreased during the year by \$34,067 due to the scheduled payments.

Additional information on capital assets and capital lease obligations can be found in Note 3 and Note 6 to the financial statements, respectively.

Economic Factors and Next Year's Budget and Rates

Each appraisal district in Texas is required by law to prepare an annual operating budget of anticipated revenues and cash expenditures for the fiscal year beginning January 1. An operating budget for the year ending December 31, 2011, which is prepared on the modified accrual basis of accounting, has been adopted by the District's Board of Directors totaling \$811,990. These budgeted expenditures will be recovered from appraisal fees assessed to the taxing units, use of the District's \$25,657 of net assets obligated for legal and technology needs, and use of the District's \$74,220 net assets obligated for building replacement.

Requests for Information

This financial report is designed to provide a general overview of the Coryell Central Appraisal District's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Chief Appraiser, 801 E. Leon Street, Gatesville, Texas 76528.

Coryell Central Appraisal District

Statement of Net Assets

December 31, 2010

Assets

Current assets:	
Cash and cash equivalents	\$ 320,050
Accounts receivable	116
Prepaid expenses	<u>9,964</u>
Total current assets	<u>330,130</u>
Noncurrent assets:	
Capital assets, net of accumulated depreciation	97,600
Other assets	<u>2,253</u>
Total noncurrent assets	<u>99,853</u>
Total assets	<u>429,983</u>

Liabilities

Current liabilities:	
Accounts payable	4,921
Accrued expenses	366
Deferred revenue	<u>214,886</u>
Total current liabilities	<u>220,173</u>

Net Assets

Net assets:	
Invested in capital assets, net of related debt	97,600
Unrestricted	<u>112,210</u>
Total net assets	<u>\$ 209,810</u>

See accompanying notes to financial statements.

Coryell Central Appraisal District

Statement of Revenues, Expenses and Changes in Net Assets

Year Ended December 31, 2010

Operating revenues:		
Appraisal fees	\$	824,765
Other revenue		<u>2,163</u>
Total operating revenues		<u>826,928</u>
Operating expenses:		
Payroll and payroll-related		492,304
Contracted services		66,275
Depreciation		32,946
Occupancy		72,140
Other operating expenses		<u>123,163</u>
Total operating expenses		<u>786,828</u>
Operating income		<u>40,100</u>
Nonoperating revenues (expenses):		
Investment earnings		953
Interest expense		(1,846)
Others, net		<u>151</u>
Total nonoperating revenues (expenses)		<u>(742)</u>
Change in net assets		39,358
Net assets, beginning of year		<u>170,452</u>
Net assets, end of year	\$	<u><u>209,810</u></u>

See accompanying notes to financial statements.

Coryell Central Appraisal District

Statement of Cash Flows

Year Ended December 31, 2010

Cash flows from operating activities:		
Receipts from customers and users	\$	849,154
Payments to employees		(487,133)
Payments to suppliers and others		<u>(278,766)</u>
Net cash provided by operating activities		<u>83,255</u>
Cash flows from investing activities:		
Interest and dividends received		953
Proceeds from sale of assets		<u>151</u>
Net cash provided by investing activities		<u>1,104</u>
Cash flows from capital and related financing activities:		
Purchases of capital assets		(20,176)
Principal paid on capital lease obligations		(34,067)
Interest paid on lease obligations		<u>(1,846)</u>
Net cash used in capital and related financing activities		<u>(56,089)</u>
Net increase in cash and cash equivalents		28,270
Cash and cash equivalents, beginning of year		<u>291,780</u>
Cash and cash equivalents, end of year	\$	<u><u>320,050</u></u>
Reconciliation of operating income to net cash provided		
by operating activities:		
Operating income	\$	40,100
Adjustments to reconcile operating income		
to cash provided by operating activities:		
Depreciation and amortization		32,946
Changes in operating assets and liabilities:		
Accounts receivable		(116)
Other assets		(9,964)
Accounts payable		3,234
Accrued expenses		(5,171)
Deferred revenue		<u>22,226</u>
Net cash provided by operating activities	\$	<u><u>83,255</u></u>

See accompanying notes to financial statements.

Coryell Central Appraisal District

Notes to Financial Statements

December 31, 2010

(1) Summary of Significant Accounting Policies

(a) Organization and Nature of Services Provided

Coryell Central Appraisal District (the District), a political subdivision of the State of Texas, was created by the Texas Legislature to appraise all properties of the taxing units within Coryell County, Texas (the County).

The taxing units within the County are Clifton Independent School District, City of Copperas Cove, Copperas Cove Independent School District, Coryell County, Crawford Independent School District, Central Texas College, City of Evant, Evant Independent School District, City of Gatesville, Gatesville Independent School District, Jonesboro Independent School District, Lampasas Independent School District, City of McGregor, Middle Trinity Water Control District, Moody Independent School District, City of Oglesby, Oglesby Independent School District, and Valley Mills Independent School District.

(b) Reporting Entity

The District is considered to be a primary government according to the definitions in Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*. Further, no component units were identified for which the District is considered financially accountable under GASB Statement No. 14.

(c) Basic Financial Statements

The District is a special-purpose government engaged in a single business-type activity; therefore, it presents only the financial statements of its enterprise fund.

(d) Measurement Focus and Basis of Accounting

The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

The District distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the District's principal ongoing operations -- appraising all properties for the taxing units within Coryell County.

Coryell Central Appraisal DistrictNotes to Financial Statements
(Continued)(1) Summary of Significant Accounting Policies (continued)(d) Measurement Focus and Basis of Accounting (continued)

Operating revenues of the District consist primarily of appraisal fees. Operating expenses include the cost of providing appraisal services and related administrative expenses. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed to the extent that those standards do not conflict or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities, subject to this same limitation. The District has elected not to follow subsequent private-sector guidance.

(e) Deposits and Investments

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, money market accounts, and short-term investments with original maturities of three months or less from the date of acquisition.

In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and External Investment Pools*, investments are reported at fair value, except for money market funds and participating interest-earning investment contracts that mature within one year of the date of their acquisition and nonparticipating investment contracts which are stated at cost. Fair values are based on published market prices.

The District is authorized by state statutes to invest in obligations and instruments as defined in the Public Funds Investment Act (Sec. 2256.001 Texas Government Code). Such investments include (1) obligations of the United States or its agencies, (2) direct obligations of the State of Texas or its agencies, (3) obligations of political subdivisions rated not less than A by a national investment rating firm, (4) certificates of deposit, and (5) other instruments and obligations authorized by the statute.

(f) Capital Assets

Capital assets, which include land, buildings and equipment, are stated at cost. Capital assets are defined by the District as assets with an initial, individual cost of more than \$500 and an estimated useful life in excess of two years. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Coryell Central Appraisal DistrictNotes to Financial Statements
(Continued)(1) Summary of Significant Accounting Policies (continued)(f) Capital Assets (continued)

Depreciation is provided using the straight-line method over the estimated useful lives of the related assets ranging from 7 to 40 years for buildings, and 5 to 10 years for equipment.

(g) Revenue Recognition

Under state statutes, the District's costs are allocated to taxing units based on the relative percentage of each taxing unit's dollar amount of property taxes imposed, and are recovered from these taxing units through appraisal fees. Appraisal fees are estimated and assessed prior to the start of the District's year to which they relate equal to the budgeted expenditures for the year. The District's budget is prepared on a modified cash basis of accounting. If the appraisal fees exceed the amount actually obligated or expended under the District's budget at the end of a year, state statutes require the excess be credited against each taxing unit's allocated appraisal fees for the following year. If a taxing unit's excess is not credited against its allocated appraisal fee for the following year, the District must refund the amount to the taxing unit not later than 150 days after the end of the year.

Appraisal fees are recognized as revenue in the year to which they relate limited to the amount of actual obligations and expenditures for the year. Consequently, deferred revenue is reported for: (a) appraisal fees collected related to the current year in excess of actual obligations and expenditures for the year, and (b) appraisal fees received related to the subsequent year.

(h) Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislations adopted by the District or through external restrictions imposed by creditors, grantors, laws or regulations of other governments.

(2) Deposits and Investments

As of December 31, 2010, the District's cash and cash equivalents included only demand deposits and money market accounts at a financial institution.

Coryell Central Appraisal District

Notes to Financial Statements (Continued)

(2) Deposits and Investments (continued)

Interest Rate Risk. Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. In accordance with its investment policy, the District manages its exposure to declines in fair value by matching its investments with anticipated cash flow requirements or by not investing in securities maturing more than 12 months from the date of purchase. Also, money market mutual funds must have a dollar weighted average stated maturity of 90 days or less. Finally, the composite portfolio must maintain a weighted average maturity of 365 days or less.

Credit Risk. For an investment, credit risk is the risk that an investment issuer or other counter party to an investment will not fulfill obligations related to the investment. It is the District's policy to limit its investments in a manner that will provide for preservation and safety of principal and competitive investment returns while meeting the daily liquidity needs of the District. The standard of care to be used for investments will be made with judgment and care, under prevailing circumstances, that a person of prudence, discretion, and intelligence would exercise in the management of the person's own affairs, not for speculation, but for investment, considering the probable safety of capital and the probable income to be derived. Specifically, money market mutual funds and public funds investment pools must be rated not less than AAA or an equivalent rating by at least one nationally recognized rating service.

Concentration of Credit Risk. Concentration of credit risk is the risk of loss attributable to the magnitude of a government's investments in the securities of a single issuer. The District's investment policy includes an investment objective of seeking diversification to avoid unreasonable risk. However, the District has no specific policies that limit the amount it may invest in any one issuer.

(3) Capital Assets

Capital asset activity for the year ended December 31, 2010 was as follows:

	Balance January 1, 2010	Increases	Decreases	Balance December 31, 2010
Capital assets, not being depreciated:				
Land	\$ 22,710	-	-	22,710
Construction in progress	-	18,910	-	18,910
Total capital assets not being depreciated	22,710	18,910	-	41,620

Coryell Central Appraisal District

Notes to Financial Statements (Continued)

(3) Capital Assets (continued)

	Balance January 1, 2010	Increases	Decreases	Balance December 31, 2010
Capital assets, being depreciated:				
Equipment	\$ 187,168	1,266	-	188,434
Furniture and fixtures	54,656	-	(346)	54,310
	<u>241,824</u>	<u>1,266</u>	<u>(346)</u>	<u>242,744</u>
Less accumulated depreciation	<u>(154,164)</u>	<u>(32,946)</u>	<u>346</u>	<u>(186,764)</u>
Total capital assets being depreciated, net	<u>87,660</u>	<u>(31,680)</u>	<u>-</u>	<u>55,980</u>
Total capital assets, net	<u>\$ 110,370</u>	<u>(12,770)</u>	<u>-</u>	<u>97,600</u>

(4) Related Party Transactions

The District receives substantially all of its funding through appraisal fees from the taxing entities located within Coryell County, Texas. These taxing entities appoint members to the District's Board of Directors who approve the annual budget and appraisal fees. Total appraisal income for 2010 was \$824,765.

(5) Risk Management

The District is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; employee and client injuries and illnesses; and natural disasters. Commercial insurance coverage is purchased for claims arising from such matters.

(6) Leases

Capital lease activity for the year ended December 31, 2010 was as follows:

	Balance January 1, 2010	Increases	Decreases	Balance December 31, 2010
Capital lease	\$ 34,067	-	(34,067)	-

Coryell Central Appraisal District

Notes to Financial Statements (Continued)

(6) Leases (continued)

The District also leases building and office facilities and other equipment under noncancelable operating leases expiring in various years through 2011. Total costs for such leases were \$52,236 for the year ended December 31, 2010. The future minimum lease payments for these leases for the year subsequent to December 31, 2010, are: \$27,453 in 2011; \$25,200 in 2012; and \$14,700 in 2013.

(7) Deferred Revenue

Deferred revenue at December 31, 2010 consists of the following:

Appraisal fees collected for the current year in excess of actual obligations and expenditures	\$ 19,480
Appraisal fees assessed for the subsequent year received in the current year	<u>195,406</u>
	<u>\$ 214,886</u>

(8) Contingencies

Within the normal course of operations, there are several claims and lawsuits pending against the District. These claims and lawsuits seek to resolve disagreements in the appraised values of specified properties. If a lawsuit was to resolve against the District, the District may be liable for attorney fees limited to amounts stipulated within the statutes of the Texas Property Tax Code. It is the opinion of management that there is no pending litigation that, if decided against the District, would have a material adverse effect upon the operations of the District.

(9) Employee Benefit Plan

The District adopted an employee benefit plan (the Money Purchase Pension Plan and Trust) effective April 1, 1983 covering all employees. The plan is a defined contribution plan, and the contribution rate for employees is 10% and for the District is 10%. Contributions made by the District and by employees for 2010 were \$39,105 and \$38,380, respectively.

(10) Subsequent Events

The District had evaluated subsequent events through February 16, 2011, the date at which the financial statements were available to be issued, and determined there were no items to disclose.

Supplementary Information

Coryell Central Appraisal District

Schedule of Revenues and Expenditures – Budget and Actual – Budgetary Basis

Year Ended December 31, 2010
(With Comparative Totals for the Year Ended 2009)

	Actual	Budgeted Amounts		Variance with Final Budget
		Original	Final	
Revenues:				
Appraisal fees	\$ 791,701	811,703	809,747	(18,046)
Interest income	744	1,800	1,800	(1,056)
Other revenue	2,314	450	450	1,864
Total revenues	<u>794,759</u>	<u>813,953</u>	<u>811,997</u>	<u>(17,238)</u>
Expenditures:				
Salaries	383,803	408,780	407,025	23,222
Payroll taxes	7,017	6,502	6,477	(540)
Retirement	39,105	40,878	40,702	1,597
Health insurance	59,338	61,464	61,464	2,126
Contracted services	71,886	64,390	64,390	(7,496)
Rent	56,589	52,236	52,236	(4,353)
Internet	-	1,500	1,500	1,500
Janitorial	4,827	3,840	3,840	(987)
Insurance	3,041	6,100	6,100	3,059
Telephone	10,166	9,000	9,000	(1,166)
Utilities	4,911	7,200	7,200	2,289
Advertising	2,040	2,000	2,000	(40)
Appraisal equipment and supplies	96	350	350	254
Appraisal Review Board	3,812	3,500	3,500	(312)
Chief Appraiser expense	264	500	500	236
Copier lease	7,236	8,100	8,100	864
Directors' expense	787	1,500	1,500	713
Dues and subscriptions	4,469	3,000	3,000	(1,469)
Postage	12,206	16,000	16,000	3,794
Printing	8,819	6,000	6,000	(2,819)
Repairs	235	2,000	2,000	1,765
Accounting services	4,620	6,000	6,000	1,380
Auditing	4,850	4,500	4,500	(350)
Legal services	16,133	10,000	10,000	(6,133)
Computer supplies	3,851	3,500	3,500	(351)
Office supplies	5,351	6,000	6,000	649
Mileage/auto allowance	22,731	24,000	24,000	1,269
Schools and seminars	18,163	18,000	18,000	(163)
Testing and background	-	200	200	200
Debt service - municipal lease	35,913	35,913	35,913	-
Capital expenditures	1,266	1,000	1,000	(266)
Total expenditures	<u>793,525</u>	<u>813,953</u>	<u>811,997</u>	<u>18,472</u>
Revenues over expenditures	\$ <u>1,234</u>	<u>-</u>	<u>-</u>	<u>1,234</u>

See accompanying independent auditors' report and Notes to Schedule of Revenues and Expenditures – Budget and Actual – Budgetary Basis.

Coryell Central Appraisal District

Notes to Schedule of Revenues and Expenditures – Budget and Actual – Budgetary Basis

Year Ended December 31, 2010

(1) Budgetary Information

The District adopts an annual operating budget under state statutes on a modified accrual basis of accounting. Also, the District's operating budget does not include the financial revenue and expenses of its reserve funds obligated for building replacement, and legal and technology needs.

The following is a reconciliation of revenues over expenditures on the budgetary basis of accounting (budgetary basis) to the change in net assets consistent with generally accepted accounting principles (GAAP basis):

Revenues over expenditures - budgetary basis	\$ 1,234
Add capital lease principal payments	34,067
Add capital outlay	1,265
Add prepaid expenses	9,964
Less depreciation	(32,946)
Add activity of obligated reserve funds:	
Board of Directors additional obligation to building fund	33,064
Investment earnings	210
Legal expenses	<u>(7,500)</u>
Change in net assets - GAAP basis	<u>\$ 39,358</u>

Coryell Central Appraisal District
Report on Internal Control
December 31, 2010



JAYNES, REITMEIER, BOYD & THERRELL, P.C.
Certified Public Accountants

5400 Bosque Blvd., Suite 500 Waco, Texas 76710
P.O. Box 7616 Waco, Texas 76714-7616
Phone 254.776.4190 Fax 254.776.8489
www.jrbt.com

Offices in Austin, Huntsville and Waco

The Board of Directors
Coryell Central Appraisal District:

In planning and performing our audit of the financial statements of Coryell Central Appraisal District (the District) as of and for the year ended December 31, 2010, in accordance with auditing standards generally accepted in the United States of America, we considered the District's internal control over financial reporting (internal control) as a basis for designing our audit procedures for the purpose of expressing our opinion 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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses; and therefore, there can be no assurance that all such deficiencies have been identified. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls. However, as discussed below, we identified a deficiency in internal control that we consider to be a material weakness.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the following deficiency in the District's internal control to be a material weakness:

Controls over Annual Financial Reporting

Certain internal controls that have often been overlooked by small businesses relate to the annual financial reporting process. Annual financial reporting control objectives address the entity's preparation of accurate annual financial statements and related note disclosures in accordance with generally accepted accounting principles.

We drafted the financial statements and related note disclosures at the District's request as a part of our audit engagement. This was done because, due to its limited resources, the District did not possess all the skills and competencies necessary to prepare its own annual financial statements in accordance with the highly technical pronouncements and requirements of generally accepted accounting principles. However, we cannot be considered part of the District's internal controls. Consequently, the inability of the District

to prepare its own financial statements and related note disclosures is considered a control deficiency. The fact that we prepare the financial statements may give users more confidence that the financial statements are correct; however, it does not eliminate the control deficiency. We understand management has made a conscious decision, due to costs or other considerations, to accept the degree of risk posed by this control deficiency over financial reporting. However, our responsibility under professional standards includes communicating deficiencies, regardless of management's decisions, as long the deficiency exists.

This communication is intended solely for the information and use of management, the Board of Directors, and others within the organization and is not intended to be and should not be used by anyone other than these specified parties.

Jayne, Reitzmer, Boyd & Thewell, A.C.

February 16, 2011