

City of Copperas Cove Information Item No

April 1, 2015

CCAD 2014 Audited Financial Statements

Contact – Ryan D Haverlah, Budget Director, 542-8910

rhaverlah@copperascovetx.gov

SUBJECT: 2014 Audited Financial Statements for the Coryell County Appraisal District

1. PROJECT DESCRIPTION

The Coryell County Appraisal District submitted their 2014 Audited Financial Statements for the year ending December 31, 2014. 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 the District as of December 31, 2014, and the respective changes in financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

4. FINANCIAL IMPACT

None.



CORYELL CENTRAL APPRAISAL DISTRICT
705 E Main St
GATESVILLE, TX 76528



March 27, 2015

City of Copperas Cove
Mr. Ryan Haverlah, Budget Director
PO Box 1449
Copperas Cove, TX 76522

Re: 2014 Audited Financial Statements

Dear Mr. Haverlah:

The purpose of this letter is to provide you with the 2014 audited financial statements of the Coryell Central Appraisal District in accordance with section 6.063 of the property tax code. This annual audit is a public record and a copy of the report shall be delivered to the presiding officer of the governing body of each taxing unit eligible to vote on the appointment of district directors.

Copies of the 2014 audited financial statements are also available for public inspection at the Coryell Central Appraisal District offices.

If you have any questions, please don't hesitate to contact me.

Sincerely,

Mitch Fast, RPA
Chief Appraiser
Coryell Central Appraisal District



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March 25, 2015

The Board of Directors
Coryell Central Appraisal District:

We have audited the financial statements of the business-type activities of Coryell Central Appraisal District (the "District") for the year ended December 31, 2014, and have issued our report thereon dated January 23, 2015. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter to you dated September 22, 2014. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Coryell Central Appraisal District are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended December 31, 2014. We noted no transactions entered into by the District during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was management's estimate of the intended useful lives of capital assets used to calculate depreciation. We evaluated the key factors and assumptions used to develop the estimate in determining that the estimates are reasonable in relation to the financial statements taken as a whole.

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

Difficulties Encountered in Performing the Audit

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

Corrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. The following misstatements detected as a result of audit procedures were corrected by management: (a) properly record accrued compensated absences at December 31, 2014, and (b) reverse recorded liability at December 31, 2014 for health insurance services not provided until 2015.

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated January 23, 2015.

Management Consultations with Other Independent Accountants

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

Other Audit Findings or Issues

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

The Board of Directors
Coryell Central Appraisal District
March 25, 2015
Page 3

Other Matters

We applied certain limited procedures to management's discussion and analysis, which is required supplementary information ("RSI") that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the other supplementary information on pages 17 to 19, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Restrictions on Use

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

Very truly yours,

Jaynes, Reisman, Boyd & Threll, P. C.

Coryell Central Appraisal District
Financial Statements and
Supplementary Information
December 31, 2014
(With Independent Auditor's Report Thereon)

Coryell Central Appraisal District

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INDEPENDENT AUDITOR'S 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, 2014, 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 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 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 opinion.

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 the District as of December 31, 2014, and the respective changes in financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 3 to 6 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.

Report on Other Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements. The supplementary information on pages 17 to 19 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Jaynes, Reisman, Boyd & Threlkoff, P.C.

January 23, 2015

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, 2014. 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 position at December 31, 2014 was \$342,384.
- Actual budgetary basis actual expenditures totaled \$837,341 or \$17,729 less than the budgeted expenditures for the year ended December 31, 2014.

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 Position, the Statement of Revenues, Expenses and Changes in Net Position, and the Statement of Cash Flows. A brief description of each statement, which explains the differences in the information provided, follows.

Statement of Net Position

The Statement of Net Position presents the assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position of the District using the accrual basis of accounting. The District's net position is one indicator of its financial health. Over time, increases or decreases in net position 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 Position

The Statement of Revenues, Expenses, and Changes in Net Position 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 position for the year either increase or decrease depending on whether revenues or expenses are greater for the year. The ending balance of net position on this statement agrees with that shown on the Statement of Net Position.

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 Position:

	<u>2014</u>	<u>2013</u>
Current assets	\$ 347,013	291,013
Noncurrent assets	<u>363,845</u>	<u>363,558</u>
Total assets	<u>710,858</u>	<u>654,571</u>
Current liabilities	259,645	200,678
Long-term liabilities	<u>108,829</u>	<u>119,831</u>
Total liabilities	<u>368,474</u>	<u>320,509</u>
Net position:		
Net investment in capital assets	241,757	230,985
Unrestricted	<u>100,627</u>	<u>103,077</u>
Total net position	<u>\$ 342,384</u>	<u>334,062</u>

The difference between what the District owns and what it owes is net position. At December 31, 2014, net position was \$342,384. As can be seen, this is a small increase from the prior year by \$8,322.

Capital assets, which comprise the majority of noncurrent assets, remained relatively constant during 2013 since capital expenditures approximated depreciation. Current liabilities increased by \$58,967 primarily due to increases in accounts payable of \$20,201 and unearned revenue of \$47,434. The increase in unearned revenue is primarily a result of an increase in appraisal fees from taxing units in 2015 (the first quarter appraisal fees for the following year are paid during the current year and recorded as unearned revenue).

The District's total net position increased \$8,322 to \$342,384 at December 31, 2014 as shown in the statements of revenues, expenses and changes in net position, and discussed below. Unrestricted net position at December 31, 2014, includes amounts designated or obligated by the Board of Directors for future building maintenance (\$3,857), debt reduction (\$19,169), and legal and technology needs (\$75,347).

***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 Position.

	<u>2014</u>	<u>2013</u>
Operating revenues	\$ 856,050	834,098
Operating expenses	<u>(842,260)</u>	<u>(835,560)</u>
Operating income (loss)	13,790	(1,462)
Nonoperating revenues	621	551
Nonoperating expenses	<u>(6,089)</u>	<u>(7,271)</u>
Change in net position	<u>\$ 8,322</u>	<u>(8,182)</u>

The major source of operating revenues is appraisal fees from taxing units which typically parallel the operating expenses of the District over time. Appraisal fees recognized as revenue are generally limited to the amount of actual expenditures and amounts obligated during the year. Earned appraisal fees increased in 2014 by \$23,763 to \$854,573. Operating expenses in 2014 increased \$6,700, from \$835,560 to \$842,260. The \$6,700 increase is primarily as a result of: (a) increased occupancy cost of \$8,246, (b) decreased payroll and payroll-related expenses of \$9,783, and (c) increased other operating expenses of \$7,977.

Capital Assets and Debt Administration

Capital assets increased \$287 during the year due to capital asset additions (\$20,630) less depreciation of existing capital assets (\$20,343). Long-term debt consisting of a note payable to finance capital additions was reduced by the scheduled debt service payments during 2014. Additional information on capital assets and debt 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, 2015, which is prepared on the modified cash basis of accounting, has been adopted by the District's Board of Directors totaling \$881,835. These budgeted expenditures will be recovered from appraisal fees assessed to the taxing units. The District also has available an amount of designated net position totaling \$98,373 for future building maintenance, debt reduction and legal and technology needs.

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, Coryell Central Appraisal District, 705 E. Main Street, Gatesville, Texas 76528.

Coryell Central Appraisal District

Statement of Net Position

December 31, 2014

Assets

Current assets:	
Cash and cash equivalents	\$ 346,122
Due from employees	<u>891</u>
Total current assets	<u>347,013</u>
Noncurrent assets:	
Capital assets, net of accumulated depreciation	361,592
Other assets	<u>2,253</u>
Total noncurrent assets	<u>363,845</u>
Total assets	<u>710,858</u>

Liabilities

Current liabilities:	
Accounts payable	26,233
Accrued expenses	8,589
Unearned revenue	213,817
Long-term debt - current portion	<u>11,006</u>
Total current liabilities	259,645
Noncurrent liabilities:	
Long-term debt	<u>108,829</u>
Total liabilities	<u>368,474</u>

Net Position

Net position:	
Net investment in capital assets	241,757
Unrestricted	<u>100,627</u>
Total net position	<u>\$ 342,384</u>

See accompanying notes to financial statements.

Coryell Central Appraisal District

Statement of Revenues, Expenses and Changes in Net Position

Year Ended December 31, 2014

Operating revenues:	
Appraisal fees	\$ 854,573
Other revenue	<u>1,477</u>
Total operating revenues	<u>856,050</u>
Operating expenses:	
Payroll and payroll-related	520,803
Contracted services	93,236
Depreciation	20,343
Occupancy	74,883
Other operating expenses	<u>132,995</u>
Total operating expenses	<u>842,260</u>
Operating income	<u>13,790</u>
Nonoperating revenues (expenses):	
Investment earnings	621
Interest expense	<u>(6,089)</u>
Total nonoperating revenues (expenses)	<u>(5,468)</u>
Change in net position	8,322
Net position, beginning of year	<u>334,062</u>
Net position, end of year	<u>\$ 342,384</u>

See accompanying notes to financial statements.

Coryell Central Appraisal District

Statement of Cash Flows

Year Ended December 31, 2014

Cash flows from operating activities:	
Receipts from customers and users	\$ 903,484
Payments to employees	(356,888)
Payments to suppliers and others	(454,904)
Net cash provided by operating activities	<u>91,692</u>
Cash flows from investing activities:	
Interest and dividends received	<u>621</u>
Net cash provided by investing activities	<u>621</u>
Cash flows from capital and related financing activities:	
Capital expenditures	(20,630)
Principal paid on long-term debt	(10,485)
Interest paid on long-term debt	(6,089)
Net cash used in capital and related financing activities	<u>(37,204)</u>
Net increase in cash and cash equivalents	55,109
Cash and cash equivalents, beginning of year	<u>291,013</u>
Cash and cash equivalents, end of year	<u>\$ 346,122</u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 13,790
Adjustments to reconcile operating income to cash provided by operating activities:	
Depreciation	20,343
Changes in operating assets and liabilities:	
Due from employees	(891)
Accounts payable	20,201
Accrued expenses	(9,185)
Unearned revenue	<u>47,434</u>
Net cash provided by operating activities	<u>\$ 91,692</u>

See accompanying notes to financial statements.

Coryell Central Appraisal District

Notes to Financial Statements

December 31, 2014

(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 Coryell County, Clifton Independent School District, City of Copperas Cove, Copperas Cove Independent School District, 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 Ground Water Conservation 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. Appraisal fees are recognized as revenues in the year for which they are assessed limited to the amount of actual obligations and expenditures for the year.

The District distinguishes operating revenues and expenses from nonoperating 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 nonoperating revenues and expenses.

(e) Deposits and Investments

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

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 \$5,000 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.

Depreciation is provided using the straight-line method over the estimated useful lives of the related assets ranging from 15 to 39 years for buildings, and 5 to 7 years for equipment.

Coryell Central Appraisal DistrictNotes to Financial Statements
(Continued)(1) Summary of Significant Accounting Policies (continued)(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 at the end of a year, state statutes require the excess to 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 they are assessed limited to the amount of actual obligations and expenditures for the year. Consequently, unearned 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) Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. The District has no items that qualify for reporting in this category.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has no items that qualify for reporting in this category.

(i) Net Position

Net position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by

Coryell Central Appraisal District
Notes to Financial Statements
(Continued)

(1) Summary of Significant Accounting Policies (continued)

(i) Net Position (continued)

the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, laws or regulations of other governments.

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

(2) Deposits and Investments

As of December 31, 2014, the District's cash and cash equivalents included only demand deposits and money market accounts at a financial institution.

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 twelve months from the date of purchase. The District has no other specific policies that limit interest rate risk.

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, external public funds investment pools and money market mutual funds must be rated not less than AAA or an equivalent rating by at least one nationally recognized rating service.

Coryell Central Appraisal District

Notes to Financial Statements
(Continued)

(2) Deposits and Investments (continued)

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, 2014 was as follows:

	Balance, January 1, 2014	Increases	Decreases	Balance, December 31, 2014
Capital assets, not being depreciated:				
Land	\$ 22,710	5,710	-	28,420
Total capital assets not being depreciated	<u>22,710</u>	<u>5,710</u>	<u>-</u>	<u>28,420</u>
Capital assets, being depreciated:				
Equipment	45,428	14,920	-	60,348
Building	326,197	-	-	326,197
Furniture and fixtures	35,348	-	-	35,348
	<u>406,973</u>	<u>14,920</u>	<u>-</u>	<u>421,893</u>
Less accumulated depreciation	<u>(68,378)</u>	<u>(20,343)</u>	<u>-</u>	<u>(88,721)</u>
Total capital assets being depreciated, net	<u>338,595</u>	<u>(5,423)</u>	<u>-</u>	<u>333,172</u>
Total capital assets, net	<u>\$ 361,305</u>	<u>287</u>	<u>-</u>	<u>361,592</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 fees earned for 2014 were \$854,573.

Coryell Central Appraisal District

Notes to Financial Statements (Continued)

(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) Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2014 was as follows:

	Balance, January 1, 2014	Additions	Reductions	Balance, December 31, 2014	Due Within One Year
Note payable	\$ 130,320	-	(10,485)	119,835	11,006

The District has entered into a 4.85% note payable to finance, on a long-term basis, an office building. This debt, with monthly payments of principal and interest of \$1,381, matures December 2023. The note payable is secured by a real estate lien on a building.

Annual debt service requirements to maturity for the note payable are as follows:

Year Ending December 31,	Principal	Interest	Total
2015	\$ 11,006	5,568	16,574
2016	11,553	5,021	16,574
2017	12,125	4,449	16,574
2018	12,727	3,847	16,574
2019	13,358	3,216	16,574
2020 - 2023	59,066	5,905	64,971
	\$ 119,835	28,006	147,841

(7) Leases

The District leases office facilities and office equipment under noncancelable operating leases expiring through 2021. Total costs for such leases were \$31,117 for the year ended December 31, 2014. The future minimum lease payments for these leases for the five years subsequent to December 31, 2014, are: \$32,590 in 2015; \$33,190 in 2016; \$33,790 in 2017; \$34,390 in 2018; and \$33,273 in 2019.

Coryell Central Appraisal DistrictNotes to Financial Statements
(Continued)(8) Unearned Revenue

Unearned revenue at December 31, 2014 consists of \$213,817 of appraisal fees assessed for the subsequent year received in the current year.

(9) 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.

(10) Employee Benefit Plan

The District has adopted an employee benefit plan (the Money Purchase Pension Plan and Trust) covering substantially 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 for 2014 were \$40,191.

Supplementary Information

Coryell Central Appraisal District
Schedule of Designated Net Position
Year Ended December 31, 2014

	Designated for:				Total
	Building Maintenance	Debt Reduction	Lot Purchase	Legal and Technology	
Balance, January 1, 2014	\$ 5,003	-	5,710	90,110	100,823
Additions:					
Interest income	4	-	-	157	161
Obligated for debt reduction	-	19,169	-	-	19,169
Deductions:					
Building repairs and maintenance	(1,150)	-	-	-	(1,150)
Purchase of lot	-	-	(5,710)	-	(5,710)
Purchase of technology equipment	-	-	-	(14,920)	(14,920)
Balance, December 31, 2014	<u>\$ 3,857</u>	<u>19,169</u>	<u>-</u>	<u>75,347</u>	<u>98,373</u>

See accompanying independent auditor's report.

Coryell Central Appraisal District

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

Year Ended December 31, 2014

	Actual	Budgeted Amounts		Variance with Final Budget
		Original	Final	
Revenues:				
Appraisal fees	\$ 854,573	854,570	854,570	3
Interest income	460	100	100	360
Other revenue	1,477	400	400	1,077
Total revenues	<u>856,510</u>	<u>855,070</u>	<u>855,070</u>	<u>1,440</u>
Expenditures:				
Salaries	399,284	423,629	423,629	24,345
Payroll taxes	8,004	7,703	7,703	(301)
Retirement	40,191	43,863	43,863	3,672
Health insurance	73,324	77,000	77,000	3,676
Contracted services	93,236	94,370	94,370	1,134
Office space	45,974	45,975	45,975	1
Janitorial	8,072	7,240	7,240	(832)
Insurance	4,514	5,000	5,000	486
Telephone	19,429	16,800	16,800	(2,629)
Utilities	12,318	12,840	12,840	522
Advertising	2,755	2,500	2,500	(255)
Appraisal equipment and supplies	293	350	350	57
Appraisal Review Board	4,854	4,500	4,500	(354)
Chief Appraiser expense	55	500	500	445
Copier lease	6,477	7,600	7,600	1,123
Directors' expense	538	1,000	1,000	462
Dues and subscriptions	6,041	5,000	5,000	(1,041)
Postage	14,055	13,000	13,000	(1,055)
Printing and supplies	14,616	9,000	9,000	(5,616)
Repairs	2,048	1,500	1,500	(548)
Accounting services	5,526	6,000	6,000	474
Auditing services	5,608	6,000	6,000	392
Legal services	16,273	8,000	8,000	(8,273)
Office supplies	5,967	7,000	7,000	1,033
Mileage/auto allowance	33,097	33,500	33,500	403
Education, travel and meals	14,742	15,000	15,000	258
Testing and background	50	200	200	150
Total expenditures	<u>837,341</u>	<u>855,070</u>	<u>855,070</u>	<u>17,729</u>
Revenues over expenditures	19,169	-	-	19,169
Amounts designated/obligated	<u>(19,169)</u>			
Amounts to be refunded or credited, and recorded as unearned revenue	<u>\$ -</u>			

See accompanying independent auditor's report.

Coryell Central Appraisal District

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

Year Ended December 31, 2014

(1) Budgetary Information

The District adopts an annual operating budget under state statutes on a modified cash basis of accounting. Also, the District's operating budget does not include the financial activity of its designated reserve funds.

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

Revenues over expenditures - budgetary basis	\$ 19,169
Less unbudgeted depreciation	(20,343)
Add budgeted principal payments on long-term debt	10,485
Add unbudgeted financial activity of designated amounts:	
Investment earnings	161
Building repairs	<u>(1,150)</u>
Change in net position - GAAP basis	<u>\$ 8,322</u>



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