

**Titus County Appraisal District**

**FINANCIAL STATEMENTS  
AND INDEPENDENT AUDITOR'S REPORT**

**As of December 31, 2013**



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UNQUALIFIED OPINION ON BASIC FINANCIAL STATEMENTS

**Independent Auditor's Report**

**Board of Directors  
Titus County Appraisal District  
Mount Pleasant, Texas**

We have audited the accompanying financial statements of the governmental activities and the major fund of Titus County Appraisal District as of and for the year ended December 31, 2013, 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of 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 the District, as of December 31, 2013, and the respective changes in financial position, thereof and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Other Matters**

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis information on pages 3 through 8 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### **Other Reporting Required by Government Auditing Standards**

In accordance with Government Auditing Standards, we have also issued our report dated January 21, 2014, on our consideration of the 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 the District's internal control over financial reporting and compliance.

*Arnold, Walker, Arnold & Co., P.C.*

January 21, 2014

## MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of Titus County Appraisal District, we offer readers of the District's financial statements this narrative overview and analysis of the financial activities and performance for the year ended December 31, 2013. The information presented here should be read in conjunction with the independent auditor's report and the District's financial statements.

### FINANCIAL HIGHLIGHTS

The District's total net position was \$774 thousand at December 31, 2013. During the year, the District's revenues exceeded expenses.

The total cost of all the District's activities was \$774 thousand.

The general fund balance decreased by \$3 thousand. The fund balance is \$141 thousand at December 31, 2013. The District budgets adequately each year to carry out its operations.

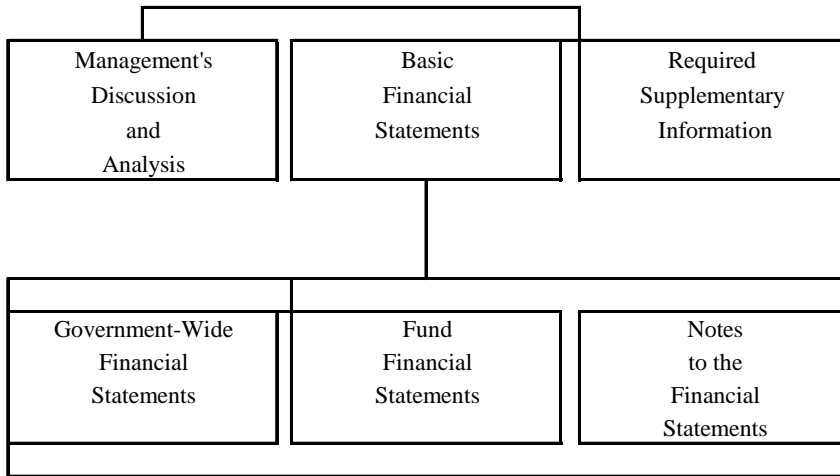
The District returned \$143 thousand to participating entities during the year.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts--*management's discussion and analysis* (this section), the *basic financial statements*, and *required supplementary information*. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are *government-wide financial statements* that provide information about the District's activities as a whole and present a longer-term view of the District's property and debt obligations. They reflect the flow of total economic resources in a manner similar to the financial reports of a business enterprise.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the government, reporting the District's operations in *more detail* than the government-wide statements.
- The *governmental funds* statements tell how *general government* services were financed in the *short term* as well as what remains for future spending.

Figure A-1. Required Components of the District's Annual Financial Report



Summary ⇄ Detail

The financial statements also include *notes* that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that further explains and supports the information in the financial statements. Figure A-1 shows how the required parts of this annual report are arranged and related to one another.

Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District government they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

Figure A-2. Major Features of the District's Government-wide Fund Financial Statements		
<i>Type of Statements</i>	Government-wide	Governmental Funds
<i>Scope</i>	Entire District's government (except fiduciary funds) and the District's component units	The activities of the District that are not proprietary or fiduciary
<i>Required financial statements</i>	Statement of net position	Balance sheet
	Statement of activities	Statement of revenues, Expenditures & changes in fund balances
<i>Accounting basis and measurement focus</i>	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus
<i>Type of asset/liability information</i>	All assets and liabilities, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter, no capital assets included
<i>Type of inflow/outflow information</i>	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon after

## Government-wide Statements

The government-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes *all* of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the District's *net position* and how it has changed. Net position-the difference between the District's assets and liabilities-is one way to measure the District's financial health or *position*.

- Over time, increases or decreases in the District's net position is an indicator of whether its financial health is improving or deteriorating, respectively.

The government-wide financial statements of the District include the *Governmental activities*. Assessing and collecting fees for services finance most of these activities.

## Fund Financial Statements

The fund financial statements provide more detailed information about the District's most significant *funds*-not the District as a whole. Funds are accounting devices that the District uses to keep track of specific sources of funding and spending for particular purposes.

- Some funds are required by State law and by bond covenants.

The District has one fund:

- *Governmental funds*-Most of the District's basic services are included in governmental funds, which focus on (1) how *cash and other financial assets* that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed *short-term* view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, additional information is provided that explains the relationship (or differences) between them.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net position. The District's combined net position was approximately \$774 thousand at December 31, 2013.

Table A-1  
The District's Net Position  
(in thousands of dollars)

	Governmental Activities	
	2013	2012
Current and other assets	351	356
Capital and non-current assets	633	665
<b>TOTAL ASSETS</b>	<b>984</b>	<b>1,021</b>
Long-term liabilities	-	-
Other liabilities	6	5
<b>TOTAL LIABILITIES</b>	<b>6</b>	<b>5</b>
Deferred inflows of resources	204	207
Invested in capital assets net of related debt	633	665
Restricted	-	-
Unrestricted	141	144
<b>TOTAL NET POSITION</b>	<b>774</b>	<b>809</b>

Net position invested in capital assets net of related debt reflects the book value of the District's capital assets in excess of the debt which financed those assets.

Total net position decreased \$35 thousand after refunds of \$143 thousand to participating entities.

Changes in net position.

The District's total revenues were \$882 thousand. \$879 thousand of this was from appraisal and collection fees.

The total cost of all programs was \$774 thousand. Approximately 63% of this was for salaries and benefits.

Table A-2  
The District's Changes in Net Position  
(in thousands of dollars)

	Governmental Activities	
	2013	2012
<b>Revenues</b>		
<u>Program Revenues</u>		
Charges for Services	879	879
Operating Grants and Contributions	-	-
<u>General Revenues</u>		
Investment earnings	1	1
Other	2	3
<b>Total Revenues</b>	<b>882</b>	<b>883</b>
<b>Expenses</b>		
Tax appraisal and collection	774	806
Debt service-interest	-	5
<b>Total Expenses</b>	<b>774</b>	<b>811</b>
<b>Increase in Net Position</b>	108	72
<b>Beginning Net Position</b>	809	781
<b>Refund to entities prior year budget surplus</b>	(143)	(44)
<b>Ending Net Position</b>	<b>774</b>	<b>809</b>



## FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

The District reported fund balance in its governmental funds of approximately \$141 thousand at December 31, 2013.

### General Fund Budgetary Highlights

The budget was not amended in total. Expenditures were less than budgeted.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

Table A-4  
District's Capital Assets  
(in thousands of dollars)

	Governmental Activities	
	2013	2012
Computers and equipment	<u>257</u>	<u>246</u>
Office equipment	-	-
Land	154	154
Building	<u>488</u>	<u>488</u>
Totals at historical cost	<u>899</u>	<u>888</u>
Total accumulated depreciation	<u>(266)</u>	<u>(222)</u>
Net capital assets	<u><u>633</u></u>	<u><u>666</u></u>

### Long-Term Debt

Table A-5  
District's Debt  
(in thousands of dollars)

	Governmental Activities	
	2013	2012
Loans payable	<u>-</u>	<u>-</u>

No new debt was obtained during the current year.

## ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The District's Board and management considered many factors when setting the 2014 budget. Growth and economic conditions were considered. Both continue to be good with some continued growth in population and some continued business expansion. No significant increases were budgeted. Appraisal and reappraisal continued at a fast pace. It is anticipated that the equity position will continue to remain about the same.

## CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of District's finances for all those with an interest in the District's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be directed to the Chief Appraiser's office.

**BASIC FINANCIAL STATEMENTS**

Titus County Appraisal District  
STATEMENT OF NET POSITION  
As of December 31, 2013

	Governmental Activities
<b>ASSETS</b>	
Current assets	
Cash	350,629
Accounts receivable	-
Prepaid expense	-
Total current assets	<u>350,629</u>
Capital assets	
Land	154,000
Building, net of accumulated depreciation	417,422
Office and computer equipment, net of accumulated depreciation	61,977
Total capital assets	<u>633,399</u>
Total Assets	<u><u>984,028</u></u>
<b>LIABILITIES</b>	
Current liabilities	
Current maturities of long-term debt	-
Accounts payable and accrued expenses	5,604
Total current liabilities	<u>5,604</u>
Long-term liabilities	
Long-term debt, net of current maturities	-
Total Liabilities	<u>5,604</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Advance payments by entities	204,499
Total deferred inflows of resources	<u>204,499</u>
<b>NET POSITION</b>	
Invested in capital assets, net of related debt	633,399
Unrestricted	140,526
Total Net Position	<u><u>773,925</u></u>

The accompanying notes are an integral part of this statement.

Titus County Appraisal District  
 STATEMENT OF ACTIVITIES  
 For the year ended December 31, 2013

	<u>Program Revenues</u>		<u>Net (Expense) Revenue and Changes in Net Position</u>
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>
			<u>Governmental Activities</u>
<b>Primary Government:</b>			
GOVERNMENTAL ACTIVITIES			
Tax appraisal and collection	774,049	879,459	-
Debt service interest on long-term debt	-	-	-
Total governmental activities	<u>774,049</u>	<u>879,459</u>	<u>-</u>
 General Revenues			
Miscellaneous			2,902
Total General Revenues			<u>2,902</u>
 Other Sources (Uses)			<u>-</u>
 Changes in Net Position			108,312
Net Position -- Beginning			809,454
Refund to entities prior years budget surplus			<u>(143,841)</u>
Net Position -- Ending			<u><u>773,925</u></u>

The accompanying notes are an integral part of this statement.

GOVERNMENTAL FUND FINANCIAL STATEMENTS

Titus County Appraisal District  
BALANCE SHEET  
GENERAL FUND  
As of December 31, 2013

	<u>General Fund</u>
<b>ASSETS</b>	
Cash	350,629
Accounts receivable	-
Prepaid expense	-
Total assets	<u><u>350,629</u></u>
<b>LIABILITIES</b>	
Accounts payable	-
Payroll taxes and benefits payable	5,604
Total liabilities	<u><u>5,604</u></u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Advance payments by entities	204,499
Total deferred inflows of resources	<u><u>204,499</u></u>
<b>FUND BALANCE</b>	
Fund balance-unassigned	140,526
Total fund balance	<u><u>140,526</u></u>
Total liabilities and fund balance	<u><u><u>350,629</u></u></u>

The accompanying notes are an integral part of this statement.

Titus County Appraisal District  
RECONCILIATION OF THE GOVERNMENTAL FUNDS  
BALANCE SHEET TO THE STATEMENT OF NET POSITION  
As of December 31, 2013

<b>Total Fund Balances - Governmental Funds</b>	140,526
Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. At the beginning of the year, the cost of these assets was \$887,793 and the accumulated depreciation was \$222,180. In addition, long-term liabilities are not due and payable in the current period, and, therefore are not reported as liabilities in the funds. The net effect of including the beginning balances for capital assets (net of depreciation) and long-term debt in their governmental activities is to increase net position.	665,613
Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide statements. The net effect of including the 2013 capital outlays and debt principal payments is to increase netposition.	12,000
The 2013 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position.	<u>(44,214)</u>
Net Position, of Governmental Activities	<u><u>773,925</u></u>

The accompanying notes are an integral part of this statement.

Titus County Appraisal District  
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
 IN FUND BALANCE--BUDGET AND ACTUAL  
 GENERAL FUND  
 For the year ended December 31, 2013

	<u>Budget*</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUE			
Appraisal and collection fees	879,459	879,459	-
Interest income and other	-	2,902	2,902
Total revenue	<u>879,459</u>	<u>882,361</u>	<u>2,902</u>
EXPENDITURES			
Current:			
Payroll cost & employee benefits	550,039	486,725	63,314
Purchased & contracted services	233,020	173,796	59,224
Supplies & materials	33,000	29,352	3,648
Other operating expenses	42,400	27,182	15,218
Capital Outlay	21,000	24,780	(3,780)
Total expenditures	<u>879,459</u>	<u>741,835</u>	<u>137,624</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>140,526</u>	<u>140,526</u>
Other Sources/(Uses)			
Other	-	-	-
Total other sources/(uses)	<u>-</u>	<u>-</u>	<u>-</u>
Excess of revenues and other sources over (under) expenditures and other uses	-	140,526	140,526
Fund balance at beginning of year	143,841	143,841	-
Refund to entities	-	(143,841)	(143,841)
Fund balance at end of year	<u>143,841</u>	<u>140,526</u>	<u>(3,315)</u>

\*The original budget was not amended in total.

The accompanying notes are an integral part of this statement.



Titus County Appraisal District  
 RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,  
 AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES  
 for the year ended December 31, 2013

<b>Total Net Change in Fund Balances - Governmental Funds</b>	<b>(3,315)</b>
Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements but should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of removing the 2013 capital outlays and debt principal payments is to increase net position.	12,000
Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease net position.	<u>(44,214)</u>
Change in Net Position of Governmental Activities	<u><u>(35,529)</u></u>

The accompanying notes are an integral part of this statement.

## **I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Titus County Appraisal District is a governmental unit under the applicable laws and regulations of the State of Texas. It is governed by a Board of Directors appointed by the entities for which the District appraises and collects taxes. The District prepares its basic financial statements in conformity with generally accepted accounting principles promulgated by the Governmental Accounting Institute of Certified Public Accountants.

### **A. REPORTING ENTITY**

The District has the authority to make decisions and significantly influence operations. It has the primary accountability for fiscal matters. Therefore, the District is a financial reporting entity as defined by the Governmental Accounting Standards Board (“GASB”) in its Statement No. 14, “The Financial Reporting Entity.” There are no component units included within the reporting entity.

At December 31, 2013, the District has appraisal agreements with thirteen entities and collection agreements with seven entities. The collection activity is transacted through a separate escrow collection account which is not included in these financial statements. This account is used as a clearing account only and is audited and reported on separately from this audit.

### **B. FORMATION**

Titus County Appraisal District was formed under a Senate Bill for the purpose of reappraisal of all property in Titus County. The assessed valuation determined by the Appraisal District will be used by all taxing entities in the District. Funding for the District comes from each taxing entity each year based on an approved budget.

### **C. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

The Statement of Net Position and the Statement of Activities are government-wide financial statements. They report information on all of the District’s activities. *Governmental activities* include programs supported primarily by taxes, charges for services, grants and other intergovernmental revenues. Business type activities include operations that rely to a significant extent on fees and charges for support. The District has no business type activities. All of the District’s support comes from the entities that the District appraises and collects taxes for except for a small amount of interest income and miscellaneous other income. A budget is adopted each year by the Board and is also approved by the entities.

The Statement of Activities demonstrates how other people or entities that participate in the programs the District operates have shared in the payment of those costs. The “charges for services” column includes payments made by the entities for appraising and collecting taxes and miscellaneous charges to customers such as copying documents. The “grants and contributions” column includes amounts paid by organizations outside the District to help meet the operational or capital requirements of a given function. The District had no grants and contributions this year. If a revenue is not a program revenue, it is a general revenue used to support all of the District’s functions.

The fund financial statements provide reports on the financial condition and results of operations of the District’s one fund category. The District has only one fund, the general fund, and it is a major fund, there are no proprietary funds.

### **D. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT**

The government-wide financial statements use 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 the related cash flows, appraisal and collection fees are recognized in the year for which they are budgeted.

Governmental fund financial statements use the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets, current liabilities and fund balances are included on the balance sheet. Operating statements of these funds present net increases and decreases in current assets (i.e., revenues and other financing sources and expenditures and other financing uses).

The modified accrual basis of accounting recognizes revenues in the accounting period in which they become both measurable and available, and it recognizes expenditures in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest and principal on long-term debt, which is recognized when due.

### **E. FUND ACCOUNTING**

The District reports the following major governmental fun:

1. **The General Fund** – The general fund is the District’s operating fund. It accounts for all financial resources of the District.

**F. FUND ACCOUNTING**

- Capital assets, which includes building, office equipment, and furniture and fixtures are reported in the applicable governmental activities column in the government-wide financial statements. 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. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

Building, office equipment, and furniture and fixtures are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Building	40
Office equipment	5-7
Furniture and fixtures	7

- In recent years, the District has refunded the amount of unspent budgeted revenues to the entities that pay the appraisal and collection fees.
- The District implemented GASB Statement No. 63, Financial Reporting of Deferred Out flows of Resources, Deferred Inflows of Resources, and Net Position and GASB Statement No. 65, Items Previously Reported as Assets and Liabilities for the year ended December 31, 2013. In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. The separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/ expenditure) until then.

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, represent an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The District has one type of item that qualifies for reporting in this category, appraisal fees. This amount will be recognized as an inflow of resources in the subsequent years as earned.

**II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

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

Exhibit C-2 provides the reconciliation between the fund balance for total governmental funds on the governmental fund balance sheet and the net position for governmental activities as reported in the government-wide statement of net position. One element of that reconciliation explains that capital assets are not financial resources and are therefore not reported in governmental funds. In addition, long-term liabilities, including notes payable, are not due and payable in the current period and are not reported as liabilities in the funds.

<u>Capital Assets at the Beginning of the year</u>	<u>Historic Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Value at the Beginning of the Year</u>	<u>Change in Net Position</u>
Land	154,000	-	-	
Buildings	487,502	(57,892)	429,610	
Office equipment, furniture and fixtures	246,291	(164,288)	82,003	
Change in Net Position	<u>887,793</u>	<u>(222,180)</u>	<u>511,613</u>	<u>665,613</u>

### III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Formal budgetary integration is employed as a management control device during the year for the general fund. This budget is adopted on a basis consistent with generally accepted accounting principles. The budget was not amended during the year.

### IV. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS

#### **A. COLLATERALIZATION OF DEPOSITS**

At December 31, 2013, all deposits were properly collateralized by a federally insured depository. The bank balance totaled \$364,000. FDIC coverage of \$250,000 is available to cover deposits. There are approximately \$300,000 of securities pledged to cover deposits at December 31, 2013. The District has no investments.

The Cash deposits held at financial institutions can be categorized according to three levels of risk. These three levels of risk are:

Category 1 -Deposits which are insured or collateralized with securities held by the entity or by its agent in the entity's name.

Category 2 -Deposits which are collateralized with securities held by the pledging financial institution's trust department or agent in the entity's name.

Category 3 -Deposits which are not collateralized.

Based on these three levels of risk, all of the District's cash deposits are classified as category 2.

#### **B. DISAGGREGATION OF RECEIVABLES AND PAYABLES**

Receivables at December 31, 2013, were as follows:

	Charges for Services	Other	Total Receivables
<b>Governmental Activities:</b>			
General Fund	-	-	-
Amounts not scheduled for collection during the subsequent year	-	-	-

Payables at December 31, 2013, were as follows:

	Accounts Payable	Accrued Payroll Benefits	Total Payables
<b>Governmental Activities:</b>			
General Fund	-	5,604	5,604
Amounts not scheduled for collection during the subsequent year	-	-	-

**C. CAPITAL ASSET ACTIVITY**

Capital asset activity for the District for the year ended December 31, 2013, was as follows:

	Primary Government			Ending Balance
	Beginning Balance	Additions	Retirements	
Governmental Activities:				
Land	154,000	-	-	154,000
Building	487,502	-	-	487,502
Office and computer equipment, furniture and fixtures	246,291	12,000	-	258,291
Less Accumulated Depreciation	(222,180)	(44,214)	-	(266,394)
Governmental Activities Capital Assets, Net	<u>665,613</u>	<u>(32,214)</u>	<u>-</u>	<u>633,399</u>

**D. NOTE PAYABLE**

As of December 31, 2013 no debt was outstanding.

	Amounts Outstanding 1/1/2013	Issued	Retired	Outstanding 12/31/2013	Due Within One Year
Notes payable	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

**E. DEFERRED INFLOW OF RESOURCES**

Appraisal and collection fees are billed quarterly to the entities. The first quarter of 2014 fees are due by December 31, 2013. This is deferred and then recognized in 2014 for the 2014 budget.

**F. RETIREMENT PLAN**

The District provides retirement benefits for all full time employees after six months service through a money purchase pension plan. Up to 7% of eligible employees salaries is withheld and paid in to the plan. The District matches this up to 4.72%. District contributions to the plan for 2013 were \$17,353.

**G. RISK MANAGEMENT**

The District is exposed to various risks of loss to torts of theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal 2013, 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 each of the past three fiscal years.

**H. SUBSEQUENT EVENTS**

The District has evaluated subsequent events through January 21, 2014, the date which the financial statements were available to be issued.

INTERNAL CONTROL SECTION



**ARNOLD, WALKER, ARNOLD, & Co., P.C.**  
*Certified Public Accountants and Consultants*

Bob J. Arnold, C.P.A., P.F.S.  
Lanny G. Walker, C.P.A., P.F.S.  
Kris Arnold, C.P.A., P.F.S.  
Andrew T. Arnold, C.P.A.  
Melissa J. Godfrey, C.P.A.

MEMBER  
American Institute Of  
Certified Public Accountants  
Texas State Society Of  
Certified Public Accountants

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**  
**Titus County Appraisal District**  
**Mt. Pleasant, Texas**

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of the Titus County Appraisal District, as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated January 21, 2014.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the 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 the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the 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,

*Arnold, Walker, Arnold & Co., P.C.*

Arnold, Walker, Arnold & Co., P.C.

January 21, 2014

Titus County Appraisal District  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the year ended December 31, 2013

Type of Report on Financial Statements:	Unqualified
Control Deficiencies:	None
Material Weaknesses Involving Control Deficiencies:	None
Noncompliance Material to the Financial Statements:	None
Questioned Costs:	None



Titus County Appraisal District  
SCHEDULE OF STATUS OF PRIOR FINDINGS  
For the year ended December 31, 2013

N/A

CORRECTIVE ACTION PLAN  
For the year ended December 31, 2013

N/A