

MILAM APPRAISAL DISTRICT

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

FOR THE YEAR ENDED DECEMBER 31, 2012

MILAM APPRAISAL DISTRICT

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Independent Auditor's Report

To the Board of Directors of
Milam Appraisal District:

We have audited the accompanying financial statements of the governmental activities and each major fund of the Milam Appraisal District as of and for the year ended December 31, 2012, which collectively comprise the District's basic financial statements as listed in the table of contents, and the related notes to the financial statements.

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 respective financial position of the governmental activities and each major fund of the Milam Appraisal District, as of December 31, 2012, and the respective changes in financial position 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

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis 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. Management's discussion and analysis is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Dennis Kinard & Co., PC

Certified Public Accountants

Abilene, Texas
April 4, 2013

Milam Appraisal District

Management's Discussion and Analysis

As management of Milam Appraisal District (the District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended December 31, 2012.

FINANCIAL HIGHLIGHTS

Government-Wide

- The District's total net position on a government-wide basis totaled \$328,009 at December 31, 2012, a decrease of \$55,172 or 14% over December 31, 2011. Approximately 61% of this balance is invested in capital assets.

General Fund

- At the end of the current fiscal year, total fund balance for the General Fund was \$143,787, most of which is committed for various purposes approved by the Board.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains required supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private sector business.

The *Statement of Net Position* presents information on all of the District's assets and liabilities, with the difference between the two reported as *net position*. *Net position* is equivalent to the equity section of a private-sector balance sheet.

The *Statement of Activities* presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of the cash flows*. Thus revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., depreciation, accrued vacation leave).

The government-wide financial statements of the District are principally funded by monies provided from local taxing entities (*governmental activities*). The District does not have any business-type activities.

The government wide financial statements can be found on pages 9 through 12 of this report.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance related legal requirements. The District utilizes only governmental funds.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on how money flows into and out of those funds and the balances remaining at year-end that are available for spending. These funds are reported using an accounting method called *modified accrual* basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of the general fund is narrower than that of the government-wide financial statements, it is useful to compare the information presented in the general fund with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financial decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balance provide a reconciliation to facilitate this comparison between the *governmental funds* and *governmental activities*. The governmental fund financial statements can be found on pages 9 through 12 of this report.

The District adopts an annual budget for its General Fund. A budgetary comparison schedule has been provided for the General Fund to demonstrate compliance with this budget. The budgetary comparison schedule can be found on page 13 of this report.

Notes to the financial statements. The notes provide additional information that is essential for a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 14 through 19 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

A significant portion of the District's net position reflects its investment in capital assets (e.g., land, buildings, furniture, and equipment). The District uses these capital assets to provide services to the taxing entities we serve; consequently, these assets are not available for future spending.

Additionally, a portion of the District's net position represents unrestricted financial resources available for future operations.

Milam Appraisal District
Summary of Statement of Net Position

Governmental Activities

	<u>2012</u>	<u>2011</u>
Current and other assets	\$ 328,818	\$ 372,386
Capital assets, net	199,712	198,148
Total assets	<u>528,530</u>	<u>570,534</u>
Current liabilities	185,031	172,083
Noncurrent liabilities	15,490	15,270
Total liabilities	<u>200,521</u>	<u>187,353</u>
Net position:		
Invested in capital assets	199,712	198,148
Unrestricted	128,297	185,033
Total net position	<u>\$ 328,009</u>	<u>\$ 383,181</u>

GOVERNMENTAL ACTIVITIES

Revenues for the District's governmental activities were \$699,156 while total expenses were \$754,328. The change in net position was a decrease of \$55,172.

Milam Appraisal District
Changes in Net Assets
For the Fiscal Year Ended December 31

Governmental Activities

	<u>2012</u>	<u>2011</u>
Revenues		
Appraisal income	\$ 694,731	\$ 717,833
Rendition income	582	537
Miscellaneous income	3,843	5,244
Total revenues	<u>699,156</u>	<u>723,614</u>
Expenses		
Personnel services	408,940	388,381
Contractual services	136,767	127,913
Materials and supplies	29,322	25,497
Operating expenses	138,269	72,883
Capital expenses	1,021	1,599
Depreciation	40,009	41,583
Total expenses	<u>754,328</u>	<u>657,856</u>
Change in net position	(55,172)	65,758
Net position, beginning	<u>383,181</u>	<u>317,423</u>
Net position, ending	<u>\$ 328,009</u>	<u>\$ 383,181</u>

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

As previously noted, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The District's governmental funds are discussed below:

Governmental funds. The focus of the District's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the District's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

The general fund is the chief operating fund of the District. At the end of the fiscal year, the District's general fund (as presented in the balance sheet on page 9) reported an ending fund balance of \$143,787.

General Fund Budgetary Highlights

Differences between the original budget and the final amended budget can be summarized as follows:

- \$8,113 in decreases in personnel services
- \$34,693 in decreases in contractual services
- \$10,459 in decreases in materials and supplies
- \$8,787 in decreases in operating expenses
- \$11,442 in decreases in capital outlay
- \$73,494 in decreases to total expenditures

Actual budget basis expenditures were \$5,502 more than final budgeted expenditures.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets. The District's investment in capital assets for its governmental activities as of December 31, 2012, amounts to \$199,712 (net of accumulated depreciation). This represents an increase of \$1,564 from the prior fiscal year. This investment in capital assets includes land, buildings and improvements, equipment, computers and furniture. Additional information on the District's capital assets can be found in Note 6 (p. 17) in the notes to the financial statements.

Capital Assets Schedule (net of depreciation)

	Governmental Activities	
	2012	2011
Land	\$ 14,400	\$ 14,400
Building	118,908	118,908
Building Improvements	155,883	118,847
Furniture	24,567	24,567
Equipment/Computers	227,280	222,743
Total capital assets	<u>541,038</u>	<u>499,465</u>
Less: accumulated depreciation	<u>341,326</u>	<u>301,317</u>
Total capital assets, net	<u>\$ 199,712</u>	<u>\$ 198,148</u>

Long-term obligation. At the end of the current fiscal year, the District had a long-term obligation for compensated absences of \$15,490. Additional information on the District's long-term obligation can be found in Note 6 (p. 17) in the notes to the financial statements.

REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of the District's finances and accountability. If you have any questions concerning this report, or if you need any additional information, please contact the Milam Appraisal District, Chief Appraiser, Patricia J. Moraw, P.O. Box 769, Cameron, Texas, 76520.

MILAM APPRAISAL DISTRICT

STATEMENT OF NET POSITION AND GOVERNMENTAL FUNDS BALANCE SHEET

DECEMBER 31, 2012

	General Fund	Adjustments (Note A)	Statement of Net Position
ASSETS			
Cash and cash equivalents	\$ 232,761	\$	\$ 232,761
Amounts due from taxing authorities	93,413		93,413
Prepaid assets	2,644		2,644
Capital assets, net		199,712	199,712
Total Assets	\$ 328,818	199,712	528,530
LIABILITIES			
Accounts payable	\$ 1,960		1,960
Unearned revenue	176,058		176,058
Accrued payroll	7,013		7,013
Noncurrent liabilities			
Compensated absences - due in more than one year		15,490	15,490
Total Liabilities	185,031	15,490	200,521
FUND BALANCE/NET POSITION			
Fund balances			
Nonspendable	2,644	(2,644)	
Committed for:			
Committed for building maintenance	48,561	(48,561)	
Committed for GIS reserve	2,409	(2,409)	
Committed for surplus reserve	32,766	(32,766)	
Committed for budgeted funds	40,728	(40,728)	
Unassigned	16,679	(16,679)	
Total Fund Balances	143,787	(143,787)	
Total Liabilities and Fund Balances	\$ 328,818		
Net Position			
Invested in capital assets		199,712	199,712
Unrestricted		128,297	128,297
Total Net Position		\$ 328,009	\$ 328,009

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

MILAM APPRAISAL DISTRICT

NOTE A - ADJUSTMENTS TO THE GOVERNMENTAL FUNDS BALANCE SHEET

DECEMBER 31, 2012

Total Fund Balances - Governmental Funds	\$ 143,787
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. At the end of the year, the cost of these assets was \$541,038 and the accumulated depreciation was \$341,326. The net effect of including capital assets (net of depreciation) in the governmental activities is an increase to net position.	199,712
Accrued liabilities for compensated absences for vacation leave are not due and payable in the current period and therefore have not been included in the fund financial statements. The net effect of including the accrual for compensated absences in the governmental activities is a decrease to net position.	<u>(15,490)</u>
Total Net Position - Statement of Net Position	<u>\$ 328,009</u>

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

MILAM APPRAISAL DISTRICT

STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCE

YEAR ENDED DECEMBER 31, 2012

	General	Adjustments (Note B)	Statement of Activities
REVENUES			
Appraisal income	\$ 694,731	\$	\$ 694,731
Rendition income	582		582
Miscellaneous income	3,843		3,843
Total Revenues	<u>699,156</u>		<u>699,156</u>
EXPENDITURES			
Current			
Personnel services	408,720	220	408,940
Contractual services	136,767		136,767
Materials and supplies	29,322		29,322
Operating expenses	138,269		138,269
Capital outlay	42,594	(41,573)	1,021
Depreciation		40,009	40,009
Total Expenditures	<u>755,672</u>	<u>(1,344)</u>	<u>754,328</u>
Change in Fund Balance/Net Position	(56,516)	1,344	(55,172)
FUND BALANCE/NET POSITION			
BEGINNING OF YEAR	<u>200,303</u>	<u>182,878</u>	<u>383,181</u>
END OF YEAR	<u>\$ 143,787</u>	<u>\$ 184,222</u>	<u>\$ 328,009</u>

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

MILAM APPRAISAL DISTRICT

NOTE B - ADJUSTMENTS TO THE STATEMENT OF GOVERNMENTAL FUNDS
REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

YEAR ENDED DECEMBER 31, 2012

Net Change in Fund Balance - Total Governmental Funds	\$ (56,516)
Amounts reported for governmental activities in the statement of activities are different because:	
Current year capital outlays are expenditures in the fund financial statements but are shown as increases in capital assets in the government-wide financial statements.	41,573
Additions to liabilities for compensated absences for vacation leave are not shown in the fund financial statements. The net effect of the current year's increase in the liabilities is to decrease net position.	(220)
Depreciation is not recognized as an expenditure in governmental funds since it does not require the use of current financial resources. The effect of recording current year depreciation is to decrease net position.	<u>(40,009)</u>
Change in Net Position - Statement of Activities	<u><u>\$ (55,172)</u></u>

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

MILAM APPRAISAL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND

YEAR ENDED DECEMBER 31, 2012

	Original Budget	Final Budget	Actual amounts Budget basis	Budget to GAAP Differences Over (Under)	Actual amounts GAAP basis
REVENUES					
Appraisal income	\$ 694,731	\$ 694,731	\$ 694,731	\$	\$ 694,731
Rendition income		582	582		582
Miscellaneous income		3,843	3,843		3,843
Total Revenues	<u>694,731</u>	<u>699,156</u>	<u>699,156</u>		<u>699,156</u>
EXPENDITURES					
Current					
Personnel services	411,686	403,573	407,823	897	408,720
Contractual services	146,855	112,162	112,161	24,606	136,767
Materials and supplies	38,075	27,616	27,616	1,706	29,322
Operating expenses	81,115	72,328	73,581	64,688	138,269
Capital outlay					
Building improvement	10,000			37,036	37,036
Office equipment	5,000	5,000	5,000		5,000
Office furniture	2,000	558	558		558
Total Expenditures	<u>694,731</u>	<u>621,237</u>	<u>626,739</u>	<u>128,933</u>	<u>755,672</u>
Change in Fund Balance		77,919	72,417	(128,933)	(56,516)
FUND BALANCE					
BEGINNING OF YEAR	<u>200,303</u>	<u>200,303</u>	<u>200,303</u>		<u>200,303</u>
END OF YEAR	<u>\$ 200,303</u>	<u>\$ 278,222</u>	<u>\$ 272,720</u>	<u>\$ (128,933)</u>	<u>\$ 143,787</u>

Explanation of Budget to GAAP differences:

Budget basis expenditures reported above are those that are intended to be financed through the current operating budget.

Certain building maintenance expenditures and capital outlay purchases were budgeted to be paid for out of prior year surpluses, which for GAAP purposes represents fund balance. Thus, expenditures funded out of "reserves", or prior year surpluses, are reported as GAAP expenditures only.

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

MILAM APPRAISAL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 1: REPORTING ENTITY

Milam Appraisal District (the District) was organized, created and established pursuant to rules established by the Texas Property Code (the Code) Section 6.01. The Code established an appraisal district in each county of the State of Texas. The District is responsible for appraising property in the District for ad valorem tax purposes of each taxing unit that imposes ad valorem taxes on property in the District.

The District is a political subdivision of the State of Texas and is considered a primary government. The financial statements of the District consist only of the funds of the District. The District has no oversight responsibility for any other governmental entity since no other entities are considered to be controlled by or dependent on the District. Control or dependence is determined on the basis of budget adoption, taxing authority, funding, and appointment of the respective governing board. Additionally, as the District is considered a primary government for financial reporting purposes, its activities are not considered a part of any other governmental or other type of reporting entity.

During 2012, the District changed its legal name from Milam County Appraisal District to Milam Appraisal District.

NOTE 2: GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The government-wide financial statements (i.e. the statement of net position and the statement of activities) report information on all of the activities of the primary government. The effect of interfund activity has been removed from these statements.

NOTE 3: MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION

The government-wide 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 timing of related cash flows.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual basis of accounting.

Interest income is considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when the District receives cash.

The District reports the following governmental funds:

The *General Fund* is the District's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

MILAM APPRAISAL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 4: ASSETS, LIABILITIES AND NET POSITION/FUND BALANCE

Deposits and investments

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

The Board of Directors of the District authorize the District to invest, with certain stipulations, in fully collateralized time deposits, certificates of deposit, money market accounts, interest-bearing checking accounts or "NOW" accounts, and United States Treasury securities. Accordingly, at December 31, 2012, the District had \$152,730 invested in interest-bearing checking accounts and \$79,930 invested in certificates of deposit.

State statutes authorize the District to invest in certificates of deposit, fully collateralized repurchase agreements, public funds investment pools, obligations of the United States or its agencies, direct obligations of the State of Texas or its agencies, prime domestic bankers acceptances, commercial paper, SEC registered no-load money market mutual funds, other obligations which are unconditionally guaranteed or insured by the State of Texas or the United States or its agencies and instrumentalities, and obligations of states, agencies, counties, cities and other political subdivisions having been rated as to investment quality by a nationally recognized investment rating firm and having received a rating of not less than "A" or its equivalent. During the year ended December 31, 2012, the District did not own any types of securities other than those permitted by statute.

Capital assets

Capital assets, which include property, plant and equipment, are reported in the statement of net position. The District defines capital assets as assets with an initial, individual cost of \$750 or an estimated useful life in excess of four years.

Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated 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.

Property, plant, and equipment of the District is depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Building	30
Furniture and equipment	5-7

Long-term obligations

In the government-wide financial statements, long-term obligations such as accrued compensated absences for vacation leave are reported as liabilities in the statement of net position.

Compensated absences

In addition to other benefits provided, the District compensates eligible employees for vacation and sick leave. Vacation time is accrued bi-weekly based upon the term of employment. This vacation time can be carried over to subsequent years with a maximum accrual of 80 hours if tenure is less than 10 years, 120 hours for tenure over 10 years but less than 20 years and 160 hours for tenure over 20 years. In emergency cases the Chief Appraiser may approve accumulation of more than the maximum allowed hours. Sick leave is also accrued bi-weekly with a maximum accumulation of 320 hours. This time can be carried over to subsequent years. Sick leave is not paid upon termination.

Compensated absences are reported as expenditures and a fund liability of the general fund only if they have matured, for example as a result of employee resignations and retirements. Compensated absences are accrued as a long-term liability on the statement of net position when incurred.

MILAM APPRAISAL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 4: ASSETS, LIABILITIES AND NET POSITION/FUND BALANCE - continued

Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

Appraisal income

The District is primarily supported by assessments from the taxing entities in the District. These assessments are calculated using each entity's percentage of the District's operating budget based on each entity's total appraised levy.

NOTE 5: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary information

A budget is adopted for the general fund on a budgetary basis, which is a basis of accounting other than generally accepted accounting principles. The District budgets only those expenditures which are intended to be financed through the current year's operating budget. Expenditures that are to be paid from prior year's surpluses are not budgeted in the current year but are reported as expenditures in accordance with generally accepted accounting principles. The operating budget was formally adopted by the Board of Directors ("the Board") at a public meeting prior to the start of the fiscal year. The formally adopted budget may be legally amended by the Board in accordance with Rule 30 of the Texas Administrative Code, Section 293.97(b). The budget was properly amended during the year. Appropriations lapse at year end. Budgetary control is maintained at the department level.

NOTE 6: DETAILED NOTES ON ALL FUNDS

Deposits and investments

Custodial credit risk- deposits. At year end, the carrying amount of the District's deposits in commercial banks was \$152,730 and the bank balances totaled \$165,464. The District has a certificate of deposit in the amount of \$79,930 at year end. These deposits were fully secured by FDIC coverage and by pledged securities held by a third party in the depository bank's name and are identified as being pledged to the District.

The District is not exposed to custodial credit risk of investments, interest rate risk, or concentration risk as the District currently only invests in a fully collateralized NOW account and a certificate of deposit, as discussed in the above paragraph. However, the District's investment policy does limit the legal stated maturity of any individual investment to twelve months.

MILAM APPRAISAL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 6: DETAILED NOTES ON ALL FUNDS - continued

Capital Assets

Capital asset activity for the year ended December 31, 2012 was as follows:

	Balance January 1, 2012	Additions	Retirements	Balance December 31, 2012
<u>Governmental Activities:</u>				
Capital assets, not being depreciated				
Land	\$ 14,400	\$	\$	\$ 14,400
Total capital assets, not being depreciated	14,400			14,400
Capital assets, being depreciated				
Office Building	118,908			118,908
Building Improvements	118,847	37,036		155,883
Office Furniture	24,567			24,567
Office Equipment/Computers	222,743	4,537		227,280
Total capital assets, being depreciated	485,065	41,573	-	526,638
Accumulated depreciation				
Office Building	(118,908)			(118,908)
Building Improvements	(10,671)	(5,295)		(15,966)
Office Furniture	(19,678)	(1,314)		(20,992)
Office Equipment/Computers	(152,060)	(33,400)		(185,460)
Total accumulated depreciation	(301,317)	(40,009)	-	(341,326)
Total capital assets, being depreciated, net	183,748	1,564	-	185,312
Governmental activities capital assets, net	\$ 198,148	\$ 1,564	\$ -	\$ 199,712

The District recognized depreciation expense of \$40,009 in the statement of activities.

Long-Term Obligation

The changes in long-term obligation for the year ended December 31, 2012 were as follows:

	Balance January 1, 2012	Additions	Retirements	Balance December 31, 2012	Due Within One Year
Compensated absences	\$ 15,270	\$ 220	\$ -	\$ 15,490	\$ -
Total long-term obligation	\$ 15,270	\$ 220	\$ -	\$ 15,490	\$ -

MILAM APPRAISAL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 7: REFUND PAYABLE

Effective September 1, 1989, the State Property Tax Board requires that the District reimburse the taxing entities within the District for excess revenues over expenditures unless these amounts are designated by the Board for specific purposes. There was no refund due for the 2012 year since the taxing entities approved to retain excess funds from the 2012 budget for the following: \$73,494 for various expenses.

NOTE 8: RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; and errors and omissions. The District uses Texas Municipal League (TML) Intergovernmental Employee Benefits Pool, a public entity risk pool for the benefit of 2,700 individual governmental units located within the state of Texas, for its liability, property, and workers compensation insurance. TML Intergovernmental Employee Benefits Pool is considered a self-sustaining risk pool that provides coverage for its members. TML-IRP purchases reinsurance and the District does not retain risk of loss exceeding insurance premiums and deductibles. Settled claims have not exceeded insurance coverage limits for the past three years. The District has also purchased commercial insurance from independent third parties to insure the retirement plan.

NOTE 9: UNEARNED REVENUE

The District assesses appraisal fees for the first quarter of the following year, prior to year end. At December 31, 2012, the District had recorded unearned revenue of \$176,058 of which \$82,645 was received prior to year end.

NOTE 10: FUND BALANCE

The District classifies governmental fund balance in the following categories:

Nonspendable fund balance includes fund balance that cannot be spent either because it is not in spendable form or because of legal or contractual restraints. At December 31, 2012, the District had nonspendable fund balance of \$2,644 for prepaid expenses.

Restricted fund balance includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation. At December 31, 2012, the District had no restricted fund balances.

Committed fund balance is established and modified by a resolution from the District's Board and can be used only for the specific purposes determined by the Board's resolution. At December 31, 2012, the District had \$73,494 committed for various expenditures, \$48,561 committed for building maintenance and \$2,409 for GIS reserve.

Assigned fund balance is intended to be used by the District for specific purposes but does not meet the criteria to be classified as restricted or committed. At December 31, 2012, the District had no assigned fund balances.

Unassigned fund balance is the residual classification for the District's general fund and includes all spendable amounts not contained in the other classifications.

The District uses restricted amounts first when both restricted and unrestricted fund balance are available. Additionally, the District would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

MILAM APPRAISAL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 11: RETIREMENT PLAN

The District has a defined contribution pension plan covering substantially all employees. The District annually contributes 6% of total compensation of participating employees to the plan, which is vested over periods from four to seven years. All employer contributions are 100% vested in the event that the District terminates the plan. For the year ended December 31, 2012, the total covered payroll of all employees participating in the plan was \$285,649 and the total payroll for all employees was \$298,224. For the year ended December 31, 2012, the District contributed \$17,139, including forfeitures of \$52 applied to the required contributions, which represented 6% of the total covered payroll. The retirement contribution is reflected in personnel expenditures in the financial statements. There were no employee contributions in the year ended December 31, 2012.

NOTE 12: CONTINGENCIES

In the normal course of operations, the District is named as a defendant in various lawsuits regarding appraised values. The District's exposure is limited to attorney fees for the parties contesting their appraised taxable values.

NOTE 13: OPERATING LEASES

The District has an operating lease for equipment. Total lease expense for 2012 was \$2,496. Future minimum lease payments are as follows:

<u>Year</u>		
2013	\$	2,496
2014		1,248
	\$	<u>3,744</u>

NOTE 14: COMMITMENTS

The District has contracted with a company for 2013 to provide the District with valuations of oil, gas, and certain other industrial properties for \$55,800.

The District has contracted with a company to provide access to a software program that allows the District to view aerial images of the District's area. Future software licensing payments are as follows:

<u>Year</u>		
2013	\$	30,027
2014		30,027
2015		28,930
2016		27,320
2017		27,320
	\$	<u>143,624</u>