

Franklin County Appraisal District

**Financial Statements
And Independent Auditor's Report**

As of August 31, 2024

Franklin County Appraisal District
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Year ended August 31, 2024

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UNMODIFIED OPINION ON BASIC FINANCIAL STATEMENTS

Independent Auditor's Report

**Board of Directors
Franklin County Appraisal District
Mount Vernon, Texas**

Opinions

We have audited the accompanying financial statements of the governmental activities and the major fund of the Franklin County Appraisal District as of August 31, 2024, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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 Franklin County Appraisal District, as of August 31, 2024, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Franklin County Appraisal District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Franklin County Appraisal District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Franklin County Appraisal District's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Franklin County Appraisal District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 24, 2024, 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 solely 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 the effectiveness of the District's 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 District's internal control over financial reporting and compliance.

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

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

October 24, 2024

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of Franklin 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 August 31, 2024. 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 \$563 thousand at August 31, 2024. During the year, the District's revenues exceeded expenses by \$24 thousand.

The total cost of all the District's activities was \$709 thousand.

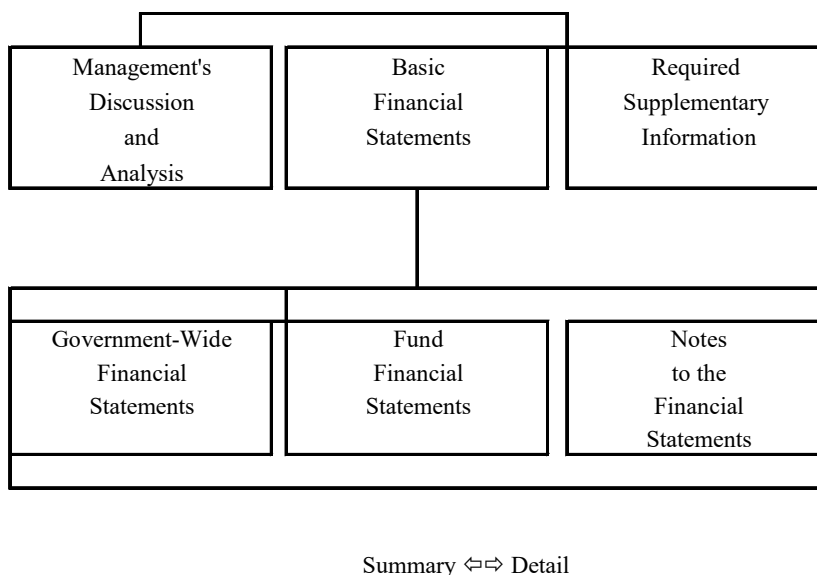
The general fund balance was \$345 thousand at August 31, 2024.

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 part* 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



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.

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 \$563 thousand at August 31, 2024.

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

	Governmental Activities	
	2024	2023
Current and other assets	345	355
Capital and non-current assets	218	184
TOTAL ASSETS	563	539
Long-term liabilities	-	-
Other liabilities	-	-
TOTAL LIABILITIES	-	-
Net investment in capital assets	218	184
Unrestricted	345	355
TOTAL NET POSITION	563	539

Net positions 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. The \$345 thousand of unrestricted net position represents resources available to fund the programs of the District for the next fiscal year.

Net positions of the District increased from \$539 thousand to \$563 thousand. The District's revenues exceeded costs by \$24 thousand. The District recorded depreciation of \$34 thousand.

Changes in net position.

The District's total revenues were \$733 thousand. \$721 thousand of this was from appraisal fees.

The total cost of all programs was \$709 thousand. Approximately 58% of this was for salaries and benefits, 28% for contract services and 12% for other expenses.

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

	Governmental Activities	
	2024	2023
Revenues		
<u>Program Revenues</u>		
Charges for Services	721	597
<u>General Revenues</u>		
Investment earnings	11	10
Other	1	-
Total Revenues	733	607
Expenses		
Tax appraisal	709	600
Total Expenses	709	600
Increase (Decrease) in Net Assets	24	7
Beginning Net Position	539	532
Ending Net Position	563	539

Payroll costs increased \$83 thousand including \$20 thousand in group health insurance. Depreciation expense increased \$14 thousand.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

The District reported fund balance in its governmental fund of approximately \$345 thousand at August 31, 2024. Revenues were less than expenditures by \$10 thousand.

General Fund Budgetary Highlights

The budget was not amended. \$721 thousand was budgeted to be spent. \$743 thousand was actually spent which includes a vehicle purchased for \$44 thousand.

CAPITAL POSITION AND DEBT ADMINISTRATION

Capital Position

Table A-3
District's Capital Position
(in thousands of dollars)

	Governmental Activities	
	2024	2023
Land	15	15
Buildings and improvements	278	278
Furniture, fixtures and technology	138	114
Vehicles	44	-
Totals at historical cost	475	407
Total accumulated depreciation	(257)	(223)
Net capital assets	218	184

The District purchased a vehicle this year.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The District’s Board and management considered many factors when setting the 2024-2025 budget. Growth and economic conditions were considered. Both continue to be excellent with continued growth in population and continued business expansion. Certain salary and benefit increases were considered as well. It is anticipated that the equity position will continue to remain about the same. The financial position will remain adequate to meet the needs of the District.

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

GOVERNMENT WIDE STATEMENTS

Franklin County Appraisal District
STATEMENT OF NET POSITION
As of August 31, 2024

	Governmental Activities
ASSETS	
Current assets	
Cash	345,233
Capital assets	
Land	15,000
Building and improvements	278,221
Furniture, fixtures and technology	137,917
Vehicle	43,520
Accumulated depreciation	(256,618)
Total capital assets	218,040
Total Assets	563,273
LIABILITIES	
Current liabilities	
Accounts payable	-
Total current liabilities	-
Total Liabilities	-
NET POSITION	
Net investment in capital assets	218,040
Unrestricted	345,233
Total Net Position	563,273

The accompanying notes are an integral part of this statement.

Franklin County Appraisal District
STATEMENT OF ACTIVITIES
For the year ended August 31, 2024

		<u>Program Revenues</u>		<u>Net Position</u>
	<u>Expenses</u>	<u>Charges for</u>	<u>Operating</u>	<u>Governmental</u>
		<u>Services</u>	<u>Grants and</u>	<u>Activities</u>
			<u>Contributions</u>	
Primary Government:				
GOVERNMENTAL ACTIVITIES				
Tax appraisal	<u>709,191</u>	<u>721,500</u>	<u>-</u>	<u>12,309</u>
Total primary government	<u>709,191</u>	<u>721,500</u>	<u>-</u>	<u>12,309</u>
General Revenues				
Investment earnings and other				<u>11,640</u>
Total General Revenues				<u>11,640</u>
Other Sources (Uses)				<u>-</u>
Changes in Net Position				23,949
Net Position -- Beginning				<u>539,324</u>
Net Position -- Ending				<u><u>563,273</u></u>

The accompanying notes are an integral part of this statement.

GOVERNMENTAL FUND FINANCIAL STATEMENTS

Franklin County Appraisal District
BALANCE SHEET
GENERAL FUND
As of August 31, 2024

	General Fund
	<hr/>
ASSETS	
Cash	345,233
Total assets	<hr/> <hr/>
LIABILITIES	<hr/>
	-
FUND BALANCE	
Assigned	
Legal	39,000
Reserve	185,000
Technology, mapping and equipment	38,800
Building improvements	38,800
Senate bill account	13,400
Vehicle	38,800
Unassigned	433
Total fund balance	<hr/>
Total liabilities and fund balance	<hr/> <hr/>

The accompanying notes are an integral part of this statement.

Franklin County Appraisal District
RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET POSITION
For the year ended August 31, 2024

Total Fund Balances - Governmental Fund	345,233
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 \$407,347 and the accumulated depreciation was \$223,078. The net effect of including the beginning balances for capital assets (net of depreciation) is to increase net position.	184,269
The 2024 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position.	(33,540)
Capital outlay 2024	67,311
Net Position, of Governmental Activities	<div style="border-top: 1px solid black; border-bottom: 3px double black;">563,273</div>

The accompanying notes are an integral part of this statement.

Franklin County Appraisal District
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE--BUDGET AND ACTUAL
GENERAL FUND
For the year ended August 31, 2024

	Budgeted Amounts			Variance Favorable (Unfavorable)
	Original	Final	Actual	
REVENUE				
Appraisal fees, net	721,500	721,500	721,500	-
Interest income and other	-	-	11,640	11,640
Total revenue	<u>721,500</u>	<u>721,500</u>	<u>733,140</u>	<u>11,640</u>
EXPENDITURES				
Payroll costs	421,300	421,300	411,989	9,311
Purchase & contract services	215,200	215,200	201,364	13,836
Supplies & materials	42,500	42,500	42,876	(376)
Other	23,000	23,000	19,422	3,578
Capital outlay	19,500	19,500	67,311	(47,811)
Total expenditures	<u>721,500</u>	<u>721,500</u>	<u>742,962</u>	<u>(21,462)</u>
Excess of revenues over (expenditures)	-	-	(9,822)	(9,822)
OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other uses	-	-	(9,822)	(9,822)
Fund balance at beginning of year	<u>355,055</u>	<u>355,055</u>	<u>355,055</u>	<u>-</u>
Fund balance at end of year	<u><u>355,055</u></u>	<u><u>355,055</u></u>	<u><u>345,233</u></u>	<u><u>(9,822)</u></u>

The accompanying notes are an integral part of this statement.

Franklin 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 August 31, 2024

Total Net Change in Fund Balances - Governmental Fund	(9,822)
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.	(33,540)
Capital outlay 2024	67,311
Change in Net Position of Governmental Activities	<div style="border-top: 1px solid black; border-bottom: 3px double black;">23,949</div>

The accompanying notes are an integral part of this statement.

Franklin County Appraisal District
NOTES TO THE FINANCIAL STATEMENTS
August 31, 2024

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Franklin 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 property. 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 August 31, 2024, the District has agreements with nine taxing entities to provide property valuations.

B. FORMATION

Franklin County Appraisal District was formed under a Senate Bill for the purpose of reappraisal of all property in Franklin 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 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 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.

Franklin County Appraisal District
NOTES TO THE FINANCIAL STATEMENTS
August 31, 2024

E. FUND ACCOUNTING

The District reports the following major governmental fund:

The General Fund - The general fund is the District's operating fund. It accounts for all financial resources of the District.

F. OTHER ACCOUNTING POLICIES

1. Capital assets, which include 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 and improvements are depreciated using the straight line method over estimated useful lives of 33 years. Furniture, fixtures, and equipment are depreciated similarly over estimated useful lives of 5-7 years.

2. The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.
3. The governmental fund financials present fund balance categorized based on the nature and extent of the constraints placed on the specific purposes for which a government's funds may be spent. The following classifications describe the relative strength of the spending constraints:

Nonspendable fund balance – amounts that are not in spendable form (such as prepaid items) or are required to be maintained intact.

Restricted fund balance – amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.

Committed fund balance – amounts constrained to specific purposes by the District itself, using its highest level of decision-making authority (i.e., Board of Directors). To be reported as committed, amounts cannot be used for any other purpose unless the District takes the same highest level action to remove or change the constraint.

Assigned fund balance – amounts the District intends to use for a specific purpose. Intent can be expressed by the Board of Directors or by an official to which the Board of Directors delegates the authority.

Unassigned fund balance – amounts that represent fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. Other governmental funds might report a negative balance in this classification, as the result of overspending for which amounts had been restricted, committed, or assigned. Positive balances are reported only in the general fund.

Sometimes the District will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the government fund 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 fund balance to have been depleted before using any components of the unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, restricted fund balance is depleted first, followed by unrestricted fund balance – committed and assigned, in order as needed. Unassigned fund balance is applied last.

II. 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 amended during the year.

Franklin County Appraisal District
NOTES TO THE FINANCIAL STATEMENTS
August 31, 2024

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS

A. CASH, CASH EQUIVALENTS AND INVESTMENTS

Cash and Cash Equivalents

District Policies and Legal and Contractual Provisions Governing Deposits

Custodial Credit Risk for Deposits State law requires governmental entities to contract with financial institutions in which funds will be deposited to secure those deposits with insurance or pledged securities with a fair value equaling or exceeding the amount on deposit at the end of each business day. The pledged securities must be in the name of the governmental entity and held by the entity or its agent. Since the District complies with this law, it has no custodial credit risk for deposits.

Foreign Currency Risk The District has no investments in foreign currency.

As of August 31, 2024, the following are the District's cash and cash equivalents with respective maturities and credit rating:

Type of Deposit	Fair Value	Maturity in Less than 1 year	Maturity in 1- 10 Years	Maturity in Over 10 Years	Credit Rating
Cash, Money Markets and FDIC Insured Accounts	345,233	345,233	-	-	N/A
Total Cash and Cash Equivalents	345,233	345,233	-	-	

In addition, the following is disclosed regarding coverage of combined balances on the date of highest deposit:

- d. Depository: First National Bank of Mt. Vernon
- b. The market value of securities pledged on August 31, 2024 was \$545,060.
- c. The bank balances of cash, savings, and time deposit accounts amounted to approximately \$345,233 at August 31, 2024.
- d. Total amount of FDIC coverage at the time of the highest combined balance was \$250,000.

Investments

District Policies and Legal and Contractual Provisions Governing Investments

Compliance with the Public Funds Investment Act

The **Public Funds Investment Act** (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports, and establishment of appropriate policies. Among other things, it requires a governmental entity to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, (9) and bid solicitation preferences for certificates of deposit.

Statutes authorize the entity to invest in (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas and its agencies; (2) guaranteed or secured certificates of deposit issued by state and national banks domiciled in Texas; (3) obligations of states, agencies, counties, cities and other political subdivisions of any state having been rated as to investment quality not less than an "A"; (4) No load money market funds with a weighted average maturity of 90 days or less; (5) fully collateralized repurchase agreements; (6) commercial paper having a stated maturity of 270 days or less from the date of issuance and is not rated less than A-1 or P-1 by two nationally recognized credit rating agencies OR one nationally recognized credit agency and is fully secured by an irrevocable letter of credit; (7) secured corporate bonds rated not lower than "AA-" or the equivalent; (8) public funds investment pools; and (9) guaranteed investment contracts for bond proceeds investment only, with a defined termination date and secured by U.S. Government direct or agency obligations approved by the Texas public Funds Investment Act in an amount equal to the bond proceeds. The Act also requires the entity to have independent auditors perform test procedures related to investment practices as provided by the Act. Franklin County Appraisal District is in substantial compliance with the requirements of the Act and with local policies.

Franklin County Appraisal District
NOTES TO THE FINANCIAL STATEMENTS
August 31, 2024

A. CASH, CASH EQUIVALENTS AND INVESTMENTS continued

Additional policies and contractual provisions governing investments for Franklin County Appraisal District are specified below:

Credit Risk To limit the risk that an issuer or other counterparty to an investment will not fulfill its obligations the District limits investments in commercial paper, corporate bonds, mutual bond funds to the top ratings issued by nationally recognized statistical rating organizations (NRSROs).

Custodial Credit Risk for Investments To limit the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in possession of an outside party the District requires counterparties to register the securities in the name of the District and hand them over to the District or its designated agent. This includes securities in securities lending transactions. All of the securities are in the District's name and held by the District or its agent.

Concentration of Credit Risk To limit the risk of loss attributed to the magnitude of a government's investment in a single issuer, the District limits investments to less than 5% of its total investments. The District further limits investments in a single issuer when they would cause investment risks to be significantly greater in the governmental and business-type activities, individual major funds, aggregate non-major funds and fiduciary fund types than they are in the primary government. Usually this limitation is 20%.

Interest Rate Risk To limit the risk that changes in interest rates will adversely affect the fair value of investments, the District requires all of the investment portfolio to have maturities of less than one year.

Foreign Currency Risk for Investments The District limits the risk that changes in exchange rates will adversely affect the fair value of an investment by not allowing foreign investments.

The District categorizes its fair value measurements with the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Investments that are measured at fair value using the net asset value per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy below. In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The District's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset or liability.

B. CAPITAL ASSET ACTIVITY

Capital asset activity for the District for the year ended August 31, 2024

	Primary Government				
	<u>Beginning</u>				<u>Ending</u>
	<u>Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Adjustments</u>	<u>Balance</u>
Governmental Activities:					
Land	15,000	-	-	-	15,000
Building and improvements	278,221	-	-	-	278,221
Furniture, fixtures, and technology	114,126	23,791	-	-	137,917
Vehicles	-	43,520	-	-	43,520
	<u>407,347</u>	<u>67,311</u>	<u>-</u>	<u>-</u>	<u>474,658</u>
Less Accumulated Depreciation for:					
Building and improvements	(134,436)	(9,189)	-	-	(143,625)
Furniture, fixtures, and technology	(88,642)	(19,688)	-	-	(108,330)
Vehicles	-	(4,663)	-	-	(4,663)
	<u>(223,078)</u>	<u>(33,540)</u>	<u>-</u>	<u>-</u>	<u>(256,618)</u>
Governmental Activities Capital Assets, Net	<u>184,269</u>	<u>33,771</u>	<u>-</u>	<u>-</u>	<u>218,040</u>

Depreciation of \$33,540 was charged to the governmental function for the year.

Franklin County Appraisal District
NOTES TO THE FINANCIAL STATEMENTS
August 31, 2024

C. CHANGES IN LONG-TERM DEBT

As of August 31, 2024, no debt was outstanding.

D. HEALTH CARE COVERAGE

During the year ended August 31, 2024, employees of Franklin County Appraisal District were covered by a health insurance plan (the Plan). The District contributed 100% of the health insurance premiums per pay period per employee to the Plan. The District also provides employees coverage for supplemental dental and vision insurance. The employees, at their option, authorized payroll withholdings to pay any premium for their dependents. All contributions were paid to a licensed insurer.

The contract between the District and the licensed insurer is renewable annually and terms of coverage and contribution costs are included in the contractual provisions.

E. COMMITMENTS AND CONTINGENCIES

Various taxpayer appraisal valuation disputes inevitable arise during the year. Most are settled by negotiations during taxpayer meetings with the chief appraiser and/or Appraisal Review Board (ARB), which is appointed by the Board.

F. RETIREMENT PLAN

The District provides retirement benefits for all full time employees through a money purchase pension plan. Up to 7% of eligible employees salaries is withheld and paid in to the plan. The District contributes 13%. Employees are eligible for retirement at age 65 and are 100% vested in the plan after 10 years of service.

During the year ended August 31, 2024, the District contributed approximately \$37,712.

The plan is administered by Wertz Company. Plan assets are held by John Hancock Life Insurance Company USA. Plan administration expenses are paid by the District.

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 2023-2024, 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. LITIGATION

The District has no pending litigation at August 31, 2024.

I. SUBSEQUENT EVENTS

The District has evaluated subsequent events through October 24, 2024, the date the financial statements were available to be issued.

INTERNAL CONTROL SECTION



INDEPENDENT AUDITOR'S 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
Franklin County Appraisal District
Mount Vernon, 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 Franklin County Appraisal District, as of and for the year ended August 31, 2024, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated October 24, 2024.

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.

October 24, 2024

Franklin County Appraisal District
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the year ended August 31, 2024

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

Franklin County Appraisal District
SCHEDULE OF STATUS OF PRIOR FINDINGS
For the year ended August 31, 2024

N/A

CORRECTIVE ACTION PLAN
For the year ended August 31, 2024

N/A