



## **CAVER and SETSER, Inc.**

**Certified Public Accountants**

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Member

American Institute of CPAs

Texas Society of CPAs

Governmental Audit Quality Center

**N. Preston Caver, CPA**

**Jalyn L. Setser, CPA**

Board of Directors  
Morris County Appraisal District

Members of the Board:

We have audited the financial statements of the business-type activities of Morris County Appraisal District for the year ended December 31, 2017. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and, *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated September 20, 2017. Professional standards also require that we communicate to you the following information related to our audit.

### **Significant Audit Findings**

#### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Morris County Appraisal District are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2017. We noted no transactions entered into by Morris County Appraisal District during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the Morris County Appraisal District's financial statements was: Management's estimate of the useful life for fixed assets presented in the financial statements which are based on industry and local evaluations of effective service life of these assets. We evaluated the key factors and assumptions used to develop the depreciable life estimates in determining that it is reasonable in relation to the financial statements taken as a whole.

Due to the nature of the operations of the District, there are no financial statement disclosures that are particularly sensitive in nature. The financial statement disclosures are neutral, consistent, and clear.

#### *Difficulties Encountered in Performing the Audit*

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

#### *Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

#### *Disagreements with Management*

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial



statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

#### *Management Representations*

We have requested certain representations from management that are included in the management representation letter dated February 15, 2018.

#### *Management Consultations with Other Independent Accountants*

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

#### *Other Audit Findings or Issues*

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

#### Other Matters

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

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

#### Restriction on Use

This information is intended solely for the information and use of board of trustees and management of Morris County Appraisal District and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

*Caver and Setser Inc.*



***MORRIS COUNTY APPRAISAL DISTRICT***

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED DECEMBER 31, 2017

**Caver and Setser, Inc.**  
Certified Public Accountants

**MORRIS COUNTY APPRAISAL DISTRICT**  
ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED DECEMBER 31, 2017

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## **FINANCIAL SECTION**





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### **Independent Auditor's Report**

To the Members of the Board  
Morris County Appraisal District  
Daingerfield, Texas

#### **Report on the Financial Statements**

We have audited the accompanying financial statements of the business-type activities of the Morris County Appraisal District (the District) as of and for the year ended December 31, 2017, 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 the financial statements based on our audit. We conducted our audit in accordance with 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. 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 business-type activities of the Morris County Appraisal District as of December 31, 2017,



and the respective changes in financial position and cash flows thereof 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 on pages 4 through 9 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Government 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 mostly 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 Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The proprietary fund budget information is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The proprietary fund budget information 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 record used to prepare the basis 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 proprietary fund budget information is fairly states in all material respected in relation the basic financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated February 15, 2018 on our consideration of the Morris County Appraisal District Proprietary Fund's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, 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 the 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 Morris County Appraisal District's internal control over financial reporting and compliance.

*Caver and Setser, Inc.*

Caver and Setser, Inc.  
Certified Public Accountants

February 15, 2018



**Management's Discussion and Analysis  
Morris County Appraisal District  
For the Fiscal Year Ended December 31, 2017**

**-UNAUDITED-**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

In this section of the Annual Financial and Compliance Report, we, the commissioners of Morris County Appraisal District, discuss and analyze the District's financial performance for the fiscal year ended December 31, 2017. Please read it in conjunction with the independent auditors' report on page 2, and the District's Basic Financial Statements which begin on page 11.

The District was created for the purpose of providing ad valorem tax appraisal to various taxing entities in Morris County. It is not included in any other governmental reporting entity. The District is primarily funded by charges to member taxing authorities. Its financial statements are comprised of a single enterprise fund using Governmental Accounting Standards Board Statement 34.

**FINANCIAL HIGHLIGHTS**

The District's enterprise fund Net Position increased by \$19,196 as a result of this year's operations. Charges for services and program revenues accounted for \$543,177 or 95.9% of total revenue, and general revenues accounted for \$23,209 or 4.1%.

During the year, the District's enterprise fund had expenses that were \$19,196 less than the \$566,386 charges for services and miscellaneous revenue.

**USING THIS ANNUAL REPORT**

This annual report consists of a series of financial statements. The government-wide financial statements include the Statement of Net Position and the Statement of Activities (on pages 11 and 12). These statements provide information about the activities of the District as a whole and present a longer-term view of the District's property and debt obligations and other financial matters. They reflect the flow of total economic resources in a manner similar to the financial reports of a business enterprise.

Fund financial statements (starting on page 13) report the District's enterprise operations in more detail than the government-wide statements by providing information about the District's most significant funds. For governmental activities, these statements tell how services were financed in the short term as well as what resources remain for future spending. They reflect the flow of current financial resources, and supply the basis for tax levies and the appropriations budget.

The notes to the financial statements (starting on page 15) provide narrative explanations or additional data needed for full disclosure in the government-wide statements or the fund financial statements.

**Reporting the District as a Whole**

***The Statement of Activities***

The analysis of the District's overall financial condition and operations begins on page 11. Its primary purpose is to show whether the District is better off or worse off as a result of the year's activities. The Statement of Activities includes all the revenues and expenses generated by the District's enterprise



**Management's Discussion and Analysis  
Morris County Appraisal District  
For the Fiscal Year Ended December 31, 2017**

**-UNAUDITED-**

fund's operations during the year. These apply the accrual basis of accounting which is the basis used by private sector companies.

All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. The District's revenues are divided into those provided by outside parties who share the costs of some programs and revenues provided by the taxpayers or by other non-grant sources (general revenues). All the District's assets are reported whether they serve the current year or future years. Liabilities are considered regardless of whether they must be paid in the current or future years.

This statement reports the District's changes in Net Position. The District's Net Position (the difference between assets and liabilities) provide one measure of the District's financial health, or financial position. Over time, increases or decreases in the District's Net Position are one indicator of whether its financial health is improving or deteriorating.

In the Statement of Net Position and the Statement of Activities, the District's activities are presented as:

Business-Type activities—the District's basic services are reported here. Contracts with the taxing entities in the County finance most of these activities.

### **Reporting the District's Most Significant Funds**

#### ***Fund Financial Statements***

A fund is a separate set of accounts used to control resources that have been segregated for a specific purpose. The District uses fund accounting to demonstrate compliance with legal and finance-related requirements. The District has one kind of fund-proprietary, which uses the accrual basis of accounting.

Proprietary Funds – The District's basic services are reported in the proprietary funds. Proprietary funds report the same functions presented as business-type activities in the government-wide financial statements, except in greater detail and begin on page 13 of this report.

#### **The District as Trustee**

#### ***Reporting the District's Fiduciary Responsibilities***

Our analysis focuses on the Net Position (Table I) and changes in Net Position (Table II) of the District's business-type activities.



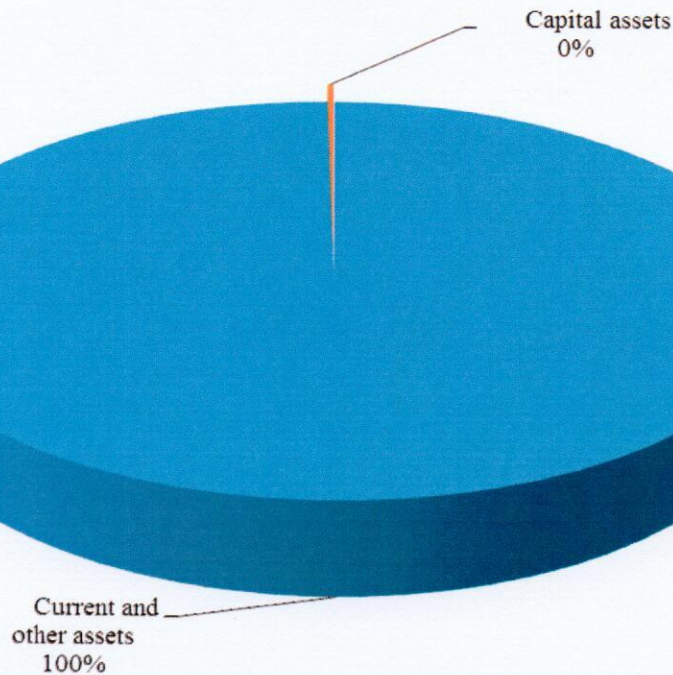
**Management's Discussion and Analysis  
Morris County Appraisal District  
For the Fiscal Year Ended December 31, 2017**

**-UNAUDITED-**

**Table I  
Morris County Appraisal District**

**NET POSITION**

	Business Type Activities 2016	Business Type Activities 2017
Current and other assets	\$1,802,134	\$2,066,956
Capital assets	4,761	4,211
Total assets	1,806,895	2,071,167
Current liabilities		
Other liabilities	1,705,489	1,960,547
Total liabilities	1,705,489	1,960,547
Net Position:		
Invested in capital assets net of related debt	4,761	4,211
Restricted	96,417	106,181
Unrestricted	228	228
Total Net Position	\$ 101,406	\$ 110,620





**Management's Discussion and Analysis  
Morris County Appraisal District  
For the Fiscal Year Ended December 31, 2017**

**-UNAUDITED-**

**Table II  
Morris County Appraisal District**

**CHANGES IN NET POSITION**

	Business Type Activities 2016	Business Type Activities 2017
Revenues:		
Program Revenues:		
Charges for Services	\$ 561,385	\$ 543,177
General Revenues:		
Investment Earnings	386	426
Miscellaneous	36,583	22,783
Total Revenue	<u>598,354</u>	<u>566,386</u>
Expenses:		
Payroll Expenses	382,327	361,375
Appraisal Services	54,762	53,281
Computer and Software Expenses	38,250	29,050
Other	97,251	103,484
Total Expenses	<u>572,590</u>	<u>547,190</u>
Change in Net Position before transfers and special items	25,764	19,196
Net Position Beginning of Year	75,642	101,406
Prior Period Adjustment	-0-	(9,982)
	<u>\$ 101,406</u>	<u>\$ 110,620</u>



Management's Discussion and Analysis  
Morris County Appraisal District  
For the Fiscal Year Ended December 31, 2017

-UNAUDITED-

TABLE II  
CHART A – REVENUES

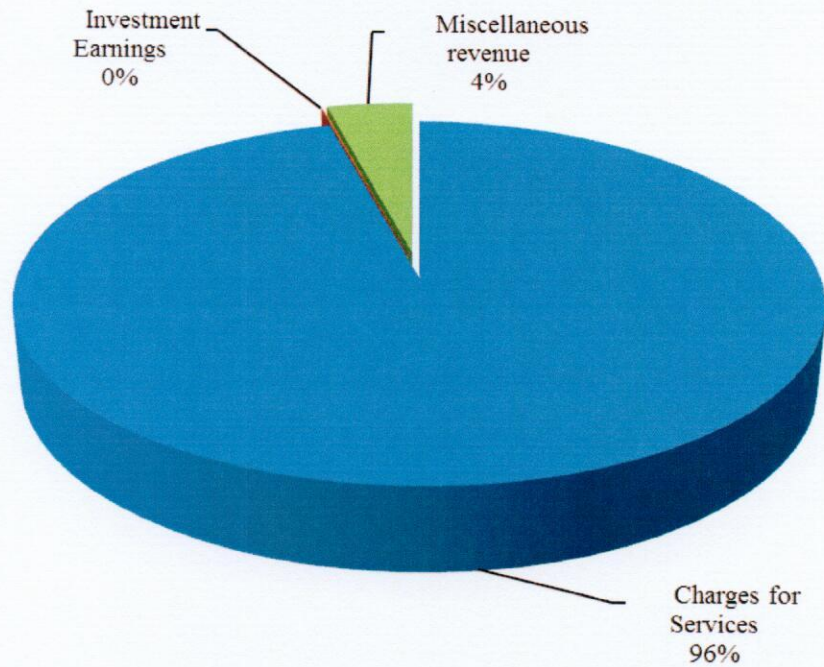
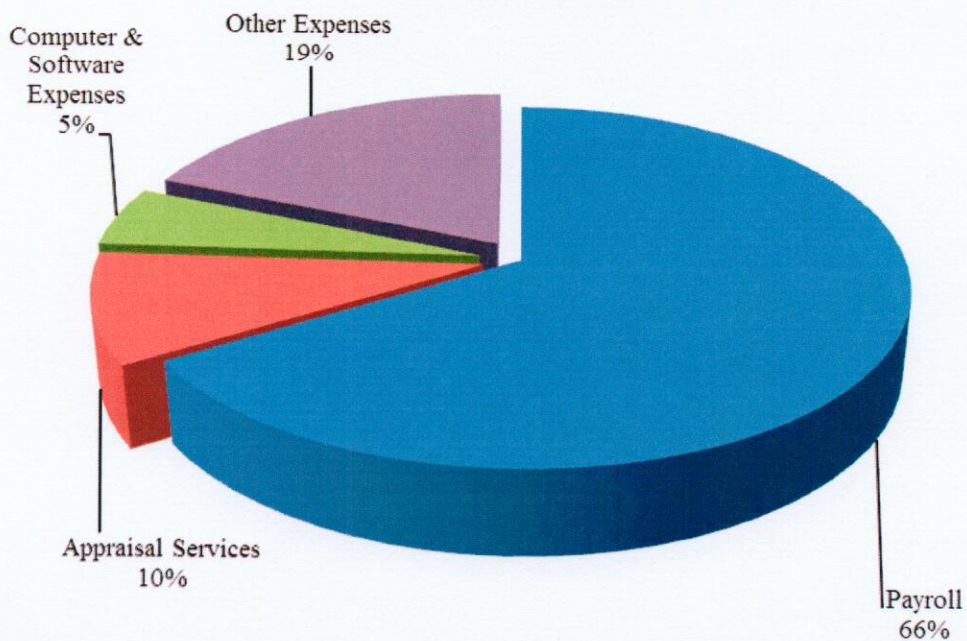


TABLE II  
CHART B – EXPENSES





**Management's Discussion and Analysis  
Morris County Appraisal District  
For the Fiscal Year Ended December 31, 2017**

**-UNAUDITED-**

The cost of all business type activities this year was \$547,190. However, as shown in the Statement of Activities on page 12, the amount that the taxing entities financed for these activities through District assessments was \$523,981 because some of the costs were paid by investment earnings and other revenues (\$23,209).

**CAPITAL ASSET**

*Capital Assets*

At the end of 2017, the District had \$31,918 invested in capital assets, including equipment.

More detailed information about the District's capital assets is presented in Note III-B to the financial statements.

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

The District's appointed officials considered many factors when setting the fiscal-year 2018 budget.

Certain indicators were taken into account when adopting the Enterprise Fund budget for 2018. Indicators and factors which materially influence the budget are amounts available for appropriation in the Enterprise Fund budget, budgeted expenditures and the District future capital expenditure needs.

If these estimates are realized, the District's Enterprise Fund balance is expected to remain unchanged at the close of 2018.

**CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District's business office, at Morris County Appraisal District, P.O. Box 563, Daingerfield, Texas 75638.



## **BASIC FINANCIAL STATEMENTS**



**MORRIS COUNTY APPRAISAL DISTRICT**  
**STATEMENT OF NET POSITION**  
**AS OF DECEMBER 31, 2017**

	Business Type Activities
<b>ASSETS</b>	
<u>Current Assets:</u>	
Cash On Hand	\$ 100
Cash In Bank-Operations	306,038
Cash In Bank-Collections	1,760,422
Cash In Bank-Payroll	104
Accounts Receivable	292
	<hr/>
Total Current Assets	2,066,956
	<hr/>
<u>Capital Assets:</u>	
Equipment-Net	4,211
Total Capital Assets	4,211
	<hr/>
Total Assets	2,071,167
	<hr/>
<b>LIABILITIES</b>	
<u>Current Liabilities:</u>	
Accounts Payable	4,518
Accrued Compensated Absences	7,300
Due to Taxing Entities/Others	1,760,422
Deferred Revenue	188,307
	<hr/>
Total Liabilities	1,960,547
	<hr/>
<b>NET POSITION</b>	
Net Investment in Capital Assets	4,211
Restricted For Legal	84,917
Restricted for Technology	19,195
Restricted for Contingencies	2,069
Unrestricted	228
	<hr/>
Total Net Position	\$ 110,620
	<hr/>



**MORRIS COUNTY APPRAISAL DISTRICT**

**STATEMENT OF ACTIVITIES  
GOVERNMENTAL PROPRIETARY FUND  
FOR THE YEAR ENDED DECEMBER 31, 2017**

## Primary Government:

	Expenses	Charges for Services	Grants and Contributions	Total
<b>GOVERNMENTAL ACTIVITIES</b>				
Governmental Expenses	\$ -	\$ -	\$ -	\$ -
Total Governmental Activities:	-	-	-	-
<b>BUSINESS-TYPE ACTIVITIES</b>				
Appraisal & Collection Expenses	547,190	543,177	-	(4,013)
Total Business-Type Activities:	547,190	543,177	-	(4,013)
<b>TOTAL PRIMARY GOVERNMENT:</b>	<b>\$ 547,190</b>	<b>\$ 543,177</b>	<b>\$ -</b>	<b>\$ (4,013)</b>

## General Revenues:

Investment Earnings	426
Miscellaneous Revenues	22,783

Total General Revenue	23,209
Change in Net Position	19,196
Net Position - Beginning	101,406
Prior Period Adjustment	(9,982)
Net Position - Ending	\$ 110,620



**MORRIS COUNTY APPRAISAL DISTRICT**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION**  
**PROPRIETARY FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**

	Proprietary Fund
<b>OPERATING REVENUES</b>	
District Assessments	\$ 543,177
Miscellaneous Revenue	23,209
Total Operating Revenues	566,386
<b>OPERATING EXPENSES</b>	
Appraisal Board Expenses	4,250
Appraisal Services	53,281
Auditing Services	7,220
Capital/Mapping Project	7,305
Computer and Software Expenses	29,050
Contingency	180
Deed Records, Plats & Notices	2,239
Depreciation	2,401
Dues/Subscriptions/Publications	4,920
Insurance Expenses	2,021
Janitorial Expenses	3,000
Legal Services	518
Maintenance	421
Mapping Expenses	1,269
Office Expenses	10,381
Office Lease	9,600
Payroll Expenses	361,375
Postage	14,628
Telephone and Fax	5,455
Travel & Tuition Expenses	23,646
Utilities	4,030
Total Operating Expenses	547,190
Operating Income	19,196
<b>CHANGE IN NET POSITION</b>	
Net Position at Beginning of Year	101,406
Prior Period Adjustment	(9,982)
Net Position at End of Year	\$ 110,620



**MORRIS COUNTY APPRAISAL DISTRICT**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUND**  
**AS OF DECEMBER 31, 2017**

	Business Type Activities
<u>Cash Flows from Operating Activities</u>	
Cash Received from Customers	\$ 614,425
Cash Payments to Employees	(364,057)
Cash Payments to Vendors	(184,936)
Net Cash Provided By (Used For) Operating Activities	<u>65,432</u>
<u>Cash Flows from Non-Capital Financing Activities</u>	
Other	-
Transfers In	-
Net Cash Provided by (Used in) Non-Capital Financing Activities	<u>-</u>
<u>Cash Flow from Capital Activities:</u>	
Acquisition of Capital Assets	(1,851)
Net Cash Provided by (Used in) Capital Activities	<u>(1,851)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	63,581
Cash and Cash Equivalents at Beginning of Year	<u>242,661</u>
Cash and Cash Equivalents at End of Year - Operations	<u>\$ 306,242</u>
Reconciliation of Net Income to Net Cash Provided by Operating Activities:	
Net Revenue over (Under) Expenses	\$ 19,196
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:	
Depreciation	2,401
(Increase) Decrease in:	
Accounts Receivable	(292)
Increase (Decrease) in:	
Accounts Payable	4,518
Payroll Liabilities	(2,682)
Deferred Revenue	<u>42,291</u>
Net Cash Provided by (Used in) Operating Activities:	<u>\$ 65,432</u>



**MORRIS COUNTY APPRAISAL DISTRICT OPERATING FUND  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2017**

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

Morris County Appraisal District operating fund was formed under a Senate Bill for the purpose of appraisal of all property in Morris County. The assessed valuation determined by the Appraisal District is used by all taxing entities in the County. These taxing entities provide funding for the District each year based on an approved budget.

**A. REPORTING ENTITY**

The District, for financial purposes, includes all of the funds and account groups relevant to the operations of Morris County Appraisal District. The financial statements presented herein includes agency funds which have been formed under applicable state laws or separate and distinct units of government apart from the Morris County Appraisal District.

At December 31, 2017, the District has collection agreements with nine taxing units to collect and remit their property taxes to them on a timely basis. This activity is transacted through a separate escrow collection account, which is included in these financial statements. This escrow account is used as a clearing account only and is audited separately.

The District applies Governmental Standards Board ("GASB") Statement No. 72, Fair Value Measurement and Application. GASB Statement No. 72 provides guidance for determining a fair value measurement for reporting purposes and applying fair value to certain investments and disclosures related to all fair value measurements. The District has no investments.

**B. 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 Morris County Appraisal District's nonfiduciary activities with most of the interfund activities removed.

The Statement of Activities demonstrates how other people or entities that participate in programs the District operates have shared in the payment of the direct costs. The "charges for services" column includes payments made by parties that purchase, use, or directly benefit from goods or services provided by a given function or segment of the District. 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. If revenue is not program revenue, it is general revenue used to support all of the District's functions.

**Fund Financial Statements** - The fund financial statements provide reports on the financial condition and results of operations for the proprietary fund. Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues result from providing goods and services in connection with a proprietary fund's principal ongoing operations; they usually come from exchange or exchange-like transactions. All other revenues are nonoperating. Operating expenses can be tied specifically to the production of the goods and services. Other expenses are nonoperating.

**C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION**

Governmental fund financial statements use the accrual financial resources measurement focus and the modified accrual 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 increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net position.



**MORRIS COUNTY APPRAISAL DISTRICT OPERATING FUND  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2017**

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The accrual basis of accounting recognizes revenues in the accounting period in which they are earned and expenses in the accounting period in which the fund liability is incurred. The expense related to certain compensated absences and claims and judgments are recognized when the obligations are expected to be liquidated with expendable available financial resources.

Deferred revenues from local sources consist primarily of charges to the taxing entities for appraisals prior to such time as the District has a legal claim to the amounts received.

Revenues from local sources consist primarily of charges to the taxing entities for appraisals and for collection of property tax.

**D. FUND ACCOUNTING**

The District reports the following major governmental fund:

**The Enterprise Fund** – The enterprise fund is the District's primary operating fund. It accounts for all financial resources.

**E. OTHER ACCOUNTING POLICIES**

**1. Investments and Cash Equivalents**

The District's Cash Management and Investment Policy requires all deposits to be fully collateralized with depository insurance; obligations of the United States of America or its agencies and instrumentalities (excluding those mortgaged backed securities prohibited by the Public Funds Investments Act); public fund investment pools; or in any manner and amount provided by law for deposits of the District. At all times, such securities are to have a fair value of not less than 110 percent of the amount of the deposits collateralized, adjusted by at amount of applicable depository insurance.

The District considers highly liquid investments to be cash equivalents if they have maturity of three months or less when purchased. All other monetary assets are treated as investments including certificate of deposit, investment pools, money market investments, and other securities defined under the Public Funds Investment Act.

**2. Inventories**

Inventories of supplies on the balance sheet are stated at FIFO cost and they include consumable maintenance, instructional, and office items. Supplies are recorded as expenditures when they are consumed. Inventories as of the balance sheet date are considered immaterial and not booked.

**3. Long-Term Debt**

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities.

**4. Capital Assets**

Capital assets, which include land, buildings, furniture and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The District defines capital assets as assets with an initial, individual cost of more than \$1,000 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.



**MORRIS COUNTY APPRAISAL DISTRICT OPERATING FUND  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2017**

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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.

Equipment of the District is depreciated using the straight-line method over the following estimated useful lives:

Furniture	5 - 8 years
Computer Equipment	3 - 5 years

The District has no restriction on any assets.

**5. Fund Equity**

**Net Position** - Net position represents the difference between assets and deferred outflow of resources, and liabilities and deferred inflow of resources. Net investments in capital consists of cost of capital assets, net of accumulated depreciation, reduced by outstanding balances of any borrowing used for the acquisition, construction, or improvements if those assets. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislature adopted by the district or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. All other net position is reported unrestricted

As of December 31, 2017, Net Investment of Capital Assets included \$4,211, Restricted Net Position included \$106,181, and Unrestricted Net Position included \$228.

**6. Risk Management**

The District is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2017, the District purchased commercial insurance to cover general liabilities. There were no significant reductions in coverage in the past fiscal year, and there are no settlements exceeding insurance coverage for each of the past three fiscal years.

**7. Compensated Absences**

Vacations are to be taken within the same year they are earned, and any unused days at the end of the year are forfeited. Therefore, no liability has been accrued in the accompanying general-purpose financial statements.

Employees of the District are entitled to sick leave based on category/class of employment. Sick leave is allowed to be accumulated up to 320 hours. A liability for unused sick leave has been recorded in the accompanying general-purpose financial statements.

**8. Application of FASB Pronouncements**

As to business-type funds, the District applies all applicable GASB pronouncements as well as FASB, APR and ARB pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

**9. Estimates and Assumptions**

The preparation of financial statements in conformity with generally accepted accounting principles require management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of



**MORRIS COUNTY APPRAISAL DISTRICT OPERATING FUND  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2017**

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revenue and expenditures during the reporting period. Actual results could differ from those estimates.

**NOTE II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

**A. BUDGETARY DATA**

The Board of Directors adopts an "appropriated budget" for the Enterprise Fund. The District is required to present the adopted and final amended budgeted revenues and expenditures compared to actual revenues and expenditures for each of these funds. The District compares the final amended budget to actual revenues and expenditures. The Enterprise Fund Budget reports appear in Exhibit E.

The following procedures are followed in establishing the budgetary data reflected in the general-purpose financial statements:

1. Prior to September 20 the District prepares a budget for the next succeeding fiscal year beginning October 1. The operating budget includes proposed expenditures and the means of financing them.
2. A meeting of the Board is then called for the purpose of adopting the proposed budget. At least ten days' public notice of the meeting must be given.
3. Prior to October 1, the Board legally enacts the budget through passage of a resolution after it is approved by the taxing entities. The budget can only be amended with the approval of all taxing entities. As required by law, such amendments are made before the fact, are reflected in the official minutes of the Board, and are not made after fiscal year end.
4. Each budget is controlled by the budget coordinator at the revenue and expenditure function/object level. Budgeted amounts are as amended by the Board. All budget appropriations lapse at year-end.
5. Encumbrances for goods or purchased services are documented by purchase orders or contracts. Under Texas law, appropriations lapse at December 31, and encumbrances outstanding at that time are to be either canceled or appropriately provided for in the subsequent year's budget. There were no end-of-year outstanding encumbrances that were provided for in the subsequent year's budget.

**B. EXCESS OF EXPENDITURES OVER APPROPRIATIONS**

Expenditures exceeded final budget in several categories. Total expenditures were \$51,144 less than total budgetary allowance for expenditures.

**NOTE III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS**

**A. DEPOSITORY CONTRACT LAW**

The funds of the District must be deposited and invested under terms of a contract, contents of which are set out in the **Depository Contract Law**. The depository bank places approved pledged securities for safekeeping and trust with the District's agency bank in an amount sufficient to protect District funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance. The District's depository contract covers both the operations bank



**MORRIS COUNTY APPRAISAL DISTRICT OPERATING FUND  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2017**

account and the escrow collection bank accounts, however the collections deposits are not part of this audit.

At December 31, 2017, the carrying amount of the District's deposits for operations (cash, certificates of deposit, and interest-bearing savings accounts) was \$2,066,564 and the bank balance was \$1,792,847. The District's combined cash deposits at year-end were entirely covered by FDIC insurance, or pledged collateral, held by the District's agency bank. The combined deposits were collateralized in accordance with Texas law and were secured at all times during the year as detailed below.

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

- a. Depository: First National Bank of Hughes Springs, Texas
- b. The combined highest cash balance was \$5,017,294, and occurred on January 23, 2017.
- c. The amount of FDIC coverage at the time of the highest balance was \$250,000.
- d. The amount of bonds and/or securities pledged at January 31, 2017 was \$7,211,565.
- e. Undersecured: \$-0-

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. Authorized collateral to secure funds must be by eligible securities to the extent and in the manner required by the Public Funds Collateral Act. 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 risk that changes in exchange rates will adversely affect the fair value of an investment of a deposit. The district does not invest in foreign currency, therefore has no foreign currency risk.

As of December 31, 2017, the following are the District's cash and cash equivalents with respective maturities and credit ratings:

Type of Deposit	Fair Value	Percent	Maturity in Less than 1 year	Maturity in 1-10 Years	Maturity in Over 10 Years	Credit Rating
Cash	\$2,066,664	100%	\$2,066,664			N/A
Money markets and FDIC Insured Accounts	-0-	0%	-0-			N/A
Total Insured Accounts	2,066,664	100%	2,066,664			
Total Cash and Cash Equivalents	<u>\$2,066,664</u>	<u>100%</u>	<u>\$2,066,664</u>			

Investments

District Policies and Legal and Contractual Provisions Governing Investments



**MORRIS COUNTY APPRAISAL DISTRICT OPERATING FUND  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2017**

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**Compliance with the Public Funds Investment Act**

**The Public Funds Investments Act** (Government Code Chapter 2256) contains specific provisions in the area 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 addresses 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 District to invest in (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas; (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) not load money market funds with a weighted average maturity of 90 days or less; (5) fully collateralized repurchase agreements; (6) commercial paper having a state 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 on 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 investments pools; (9) and guaranteed investment contracts for bond proceeds investments 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 text procedures related to investment practices as provided by the Act. Morris County Appraisal District is in substantial compliance with the requirements of the Act and with local policies.

Additional policies and contractual provisions governing investments for Morris 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 (list investments covered by the district's credit risk policy, such as commercial paper, corporate bonds, mutual bond funds) to the top (or top 2 or 3) 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.

**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 diversifies its 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 shall use final and weighted-average-maturity limits and diversification. The District monitors interest rate risk using weighted-average-maturity and specific identification.

**Foreign Currency Risk for Investments** The District does not engage in any deposit or investment in transactions involving foreign currency.



**MORRIS COUNTY APPRAISAL DISTRICT OPERATING FUND**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**

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.

In this discussion, investments are defined according to GASB 72 as a security or other asset that (a) a government holds primarily for the purpose of income or profit and (b) has a present service capacity based solely on its ability to generate cash or to be sold to generate cash. An asset initially reported as a capital asset and later held for sale would not subsequently be reclassified as an investment.

The District had no investments at December 31, 2017.

**B. CAPITAL ASSETS**

A summary of changes in general fixed assets follows:

	Balance 01/01/2017	Additions	Deletions	Balance 12/31/2017
Total Equipment	<u>\$31,467</u>	<u>\$1,851</u>	<u>\$1,400</u>	<u>\$31,918</u>
Less: Depreciation				
	Balance 01/01/2017	Additions	Deletions	Balance 12/31/2017
Equipment	<u>\$26,706</u>	<u>\$2,401</u>	<u>\$1,400</u>	<u>\$27,707</u>

**C. DEFERRED REVENUE**

Deferred revenue at year-end consisted of the following:

2018 Assessments paid in 2017	\$133,150
2017 Carryover to 2018	<u>55,157</u>
Total	<u>\$188,307</u>

**D. PENSION PLAN OBLIGATION**

The District contributes to the Morris County Appraisal District Money Purchase Pension Plan and Trust (the Plan), a defined contribution pension plan under section 401 of the Internal Revenue code, for all employees. Participation in the Plan is mandatory for all employees. The Plan is administered by the Trustees of Morris County Appraisal District. The Plan may be amended by the Trustees of the District at their discretion. The normal retirement age under the plan is age 62. After reaching normal retirement age and 100% vested, the member will be entitled to receive benefits in an amount equal to 100% of the member's total account balance. Regardless of the vesting schedule, a Participant will become fully vested upon death or total and



**MORRIS COUNTY APPRAISAL DISTRICT OPERATING FUND  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2017**

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permanent disability. The Plan may also loan money to a Participant from their own individual account.

Benefit terms, including contribution requirements, for the Plan are established and may be amended by the Trustees of Morris County Appraisal District. For each employee in the pension plan, the District is required to contribute 12 percent of each Participant's compensation to an individual employee account. Employees are required to contribute 8 percent of their compensation. The Plan also allows rollovers. For the year ended December 31, 2017, employee contributions totaled \$21,798, and the District recognized pension expense of \$32,697.

Vesting and forfeiture terms for the plan are established and may be amended by the Trustees of Morris County Appraisal District. Employees are immediately vested in their own contributions or rollover contributions and earnings on those contributions and become vested in District contributions after three years of service with the District. Nonvested District contributions are forfeited upon termination of employment. Such forfeitures are used to reduce the District's contributions. For the year ended December 31, 2017, there were no forfeitures in the Plan.

**E. LOANS PAYABLE**

No loans were entered into during the year, nor were any balances outstanding at the beginning of the year.

**F. LONG-TERM DEBT**

There were no long-term debts.

**G. COMMITMENTS UNDER LEASES**

No capital leases were in effect at year-end.

No operating (noncapitalized) leases were in effect at year-end.

Rental expenditures in fiscal year 2017 were \$9,600.

**H. HEALTH CARE COVERAGE**

During the year ended December 31, 2017, eligible employees of the District were covered by a health insurance plan (the "plan"). The District contributed \$768.39 per month per employee to the plan January through August. Beginning September 1, contributions were \$806.31 per month per employee. All contributions were paid to a licensed insurer.

**I. LITIGATION AND CONTINGENCIES**

As of the report date, the District was not involved in any litigation that would have a material effect on the general-purpose financial statement.

**J. OPERATING REVENUE**

During the year, operating revenue consisted of the following:

Contracts	\$543,177
Interest	426
Other	<u>22,783</u>
	<u>\$566,386</u>



**MORRIS COUNTY APPRAISAL DISTRICT OPERATING FUND  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2017**

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**K. SUBSEQUENT EVENTS**

As of the report date of February 15, 2018, there were no subsequent events that occurred that are required to be reported.

**L. PRIOR PERIOD ADJUSTMENTS**

The District's personnel policy indicates that each employee can rollover any unused sick time up to 320 hours. A liability for this vested time had not been accounted for in prior periods. This liability at the beginning of 2017 was \$9,982 and has been accounted for as a prior period adjustment in these financial statements.



**SUPPLEMENTAL INFORMATION**



**MORRIS COUNTY APPRAISAL DISTRICT**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION**  
**BUDGET AND ACTUAL - PROPRIETARY FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**

	Budgeted Amounts		Actual Amounts (GAAP Basis)	Variance With Final Budget Positive or (Negative)
	Original	Final		
<b>REVENUES</b>				
District Assessments	\$ 598,334	\$ 598,334	\$ 543,177	\$ (55,157)
Interest	-	-	426	426
Miscellaneous Revenue	-	-	22,783	22,783
Total Revenues	598,334	598,334	566,386	(31,948)
<b>EXPENDITURES</b>				
Appraisal Board Expenses	5,500	5,500	4,250	1,250
Appraisal Services	55,000	55,000	53,281	1,719
Auditing Services	6,800	6,800	7,220	(420)
Capital/Mapping Project	15,000	15,000	7,305	7,695
Computer and Software Expenses	33,980	33,980	29,050	4,930
Contingency	3,100	3,100	180	2,920
Deed Records, Plats & Notices	2,800	2,800	2,239	561
Depreciation	-	-	2,401	(2,401)
Dues/Subscriptions/Publications	5,200	5,200	4,920	280
Insurance Expenses	2,200	2,200	2,021	179
Janitorial Expenses	3,000	3,000	3,000	-
Legal Services	10,000	10,000	518	9,482
Maintenance	2,500	2,500	421	2,079
Mapping Expenses	1,500	1,500	1,269	231
Office Expenses	10,350	10,350	10,381	(31)
Office Lease	9,600	9,600	9,600	-
Payroll Expenses	385,335	385,335	361,375	23,960
Postage	14,630	14,630	14,628	2
Telephone and Fax	5,650	5,650	5,455	195
Travel & Tuition Expenses	22,089	22,089	23,646	(1,557)
Utilities	4,100	4,100	4,030	70
	598,334	598,334	547,190	51,144
Excess Revenues over Expenditures	-	-	19,196	19,196
Fund Net Position, January 1	101,406	101,406	101,406	101,406
Prior Period Adjustment	-	-	(9,982)	(9,982)
Fund Net Position, December 31	<u>\$ 101,406</u>	<u>\$ 101,406</u>	<u>\$ 110,620</u>	<u>\$ 110,620</u>



**OVERALL COMPLIANCE AND  
INTERNAL CONTROLS SECTION**





## CAVER and SETSER, Inc.

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Texas Society of CPAs  
Governmental Audit Quality Center

N. Preston Caver, CPA

Jalyn L. Setser, CPA

### 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

To the Members of the Board  
Morris County Appraisal District  
Daingerfield, Texas

Members of the Board:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standard applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of the Morris County Appraisal District (the District) as of and for the year ended December 31, 2017 and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report on them dated February 15, 2018.

#### Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Morris County Appraisal 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 Morris County Appraisal District's internal control. Accordingly, we do not express an opinion on the effectiveness of Morris County Appraisal 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 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 over financial reporting 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 Morris County Appraisal District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations and contracts, 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.

*Caver and Setser, Inc.*

Caver and Setser, Inc.  
Certified Public Accountants

February 15, 2018



**MORRIS COUNTY APPRAISAL DISTRICT**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**

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**I. Summary of Auditor's Results:**

1. Type of auditor's report issued on the financial statements: Unmodified
2. No internal control findings required to be reported in this schedule were disclosed in the audit of the financial statements.
3. Noncompliance which is material to the financial statements: None
4. Low risk auditee: Yes

**II. Findings Related to the Financial Statements:**

None



***MORRIS COUNTY APPRAISAL DISTRICT***  
**SCHEDULE OF STATUS OF PRIOR YEAR'S FINDINGS**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**

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**PRIOR YEAR'S FINDINGS/NONCOMPLIANCE**

There were no findings in the prior year



***MORRIS COUNTY APPRAISAL DISTRICT***  
**CORRECTIVE ACTION PLAN**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**

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**CORRECTIVE ACTION PLAN**

No findings in current audit period.