

**MORRIS COUNTY APPRAISAL DISTRICT
COLLECTION FUND
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

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FINANCIAL SECTION



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Independent Auditor's Report

Board of Directors
Morris County Appraisal District
Daingerfield, Texas

We have audited the accompanying financial statements of Morris County Appraisal District Collection Fund (a tax collections agency fund of Morris County Appraisal District) as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the District's collection fund 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 the basis of accounting described in Note 1-B. Management is also responsible 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.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective assets and liabilities of the fiduciary activities of Morris County Appraisal District Collection Fund as of September 30, 2016, and the respective changes in the assets and liabilities, thereof for the year then ended in accordance with the basis of accounting as described in Note 1-B.

Emphasis of Matter

As discussed in Note 1, the financial statements of the Collection Fund of the Morris County Appraisal District are intended to present the Fiduciary Assets and Liabilities and the changes in the Fiduciary Assets and Liabilities of only that portion of the fiduciary activities of the Morris County Appraisal District that is attributable to the transaction of the Collections Fund. They do not purport to, and do not present fairly the financial position of the Morris County Appraisal District as of September 30, 2016 in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Caver and Setser, Inc

Caver and Setser, Inc.
Certified Public Accountants

October 19, 2016

BASIC FINANCIAL STATEMENTS

MORRIS COUNTY APPRAISAL DISTRICT
AGENCY FUND
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
SEPTEMBER 30, 2016

ASSETS

Cash on Hand & in Bank	<u>\$ 194,517</u>
Total Assets	<u>\$ 194,517</u>

LIABILITIES

Due to Taxing Entities	\$ 184,051
Due to Others	3,048
Escrow	<u>7,418</u>
Total Liabilities	<u>\$ 194,517</u>

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

MORRIS COUNTY APPRAISAL DISTRICT
AGENCY FUND
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	<u>Balances October 1 2015</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balances September 30 2016</u>
ASSETS				
Cash	\$ 87,749	\$ 19,012,118	\$ 18,905,350	\$ 194,517
Total Assets	<u>\$ 87,749</u>	<u>\$ 19,012,118</u>	<u>\$ 18,905,350</u>	<u>\$ 194,517</u>
LIABILITIES				
Due to Taxing Entities	\$ 77,496	\$ 18,942,266	\$ 18,835,711	\$ 184,051
Due to Others	430	37,594	34,976	3,048
Escrow	9,823	11,801	14,206	7,418
Total Liabilities	<u>\$ 87,749</u>	<u>\$ 18,991,661</u>	<u>\$ 18,884,893</u>	<u>\$ 194,517</u>

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

**MORRIS COUNTY APPRAISAL DISTRICT COLLECTION FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES

A. REPORTING ENTITY

The Morris County Appraisal District (the District) is a political subdivision of the State of Texas. It is responsible for the appraising of property for ad valorem tax purposes for each taxing unit that imposes ad valorem taxes on property in Morris County. The Morris County Appraisal District Collection Fund (the Fund) originated in 1984 when the District began collecting taxes for the jurisdictions. During this fiscal year the Fund collected for nine entities within the county. The Fund is governed by a board of directors chosen by vote of the governing bodies of the taxing jurisdictions in the District. Board members serve two-year terms.

B. BASIS OF PRESENTATION - FUND ACCOUNTING

Agency (Collection) Funds are custodial in nature (assets equal liabilities). The District's Collection Fund is used to account for the collection of ad valorem taxes, penalty and interest, and attorney fees collected for each taxing jurisdiction that has contracted with the District for collection.

NOTE 2 - DEPOSITORY CONTRACT LAW

The Fund maintains one collection account, which is subject to a depository contract. By Texas law and the terms of this contract, the depository bank deposits for safekeeping and trust approved pledged securities in an amount sufficient to protect the District's 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 FDIC insurance. The District depository contract includes both the collection and the operation deposits, however the operations is not part of this audit.

At September 30, 2016, the carrying amount of the District's Collection deposits (cash, certificates of deposit and interest-bearing savings accounts) was \$194,517 and the bank balance was \$199,592. The District's combined deposits were fully insured at all times by FDIC or collateralized with securities pledged to the District and held by the District's agent.

The following is disclosed regarding coverage of the Collection Fund account as of the date of the highest cash balance and were fully secured on that date.

- a. Depository – First National Bank of Hughes Springs, TX
- b. Approximate fair market value of bonds and/or securities pledged as of January 31, 2016 was \$5,575,356.
- c. Highest cash balance for this Fund was \$5,074,383 and occurred February 3, 2016.
- d. Total Collection Fund FDIC coverage at the time of the highest cash balance was \$250,000.
- e. Undersecured: -0-

MORRIS COUNTY APPRAISAL DISTRICT COLLECTION FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2016

The District considers highly liquid investments to be cash equivalents if they have maturity of three months or less when purchased.

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. Securities pledged must be in the name of the governmental entity and held by the entity or its agent. The District complies with this law.

Foreign Currency Risk: The District does not invest in securities relating to foreign currencies.

District Policies and Legal and Contractual Provisions Governing Investments

Compliance with the Public Funds Investment Act

The Public Funds Investments Act (Government Code Chapter 2256) contains specific provisions in the area of investment practice, management reports and establishment of appropriate policies. Among other things, it requires the District 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 rate of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity date for the portfolio, (8) investment staff quality and capability, (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) certificates of deposit; (3) certain municipal securities; (4) money market savings accounts; (5) repurchase agreements, (6) banker's acceptance notes; (7) mutual funds; (8) investments pools; (9) guaranteed investment contracts; (10) and common trust funds. The Act also requires the District to have an independent auditor perform test procedures related to investment practices as provided by the Act. The District is in substantial compliance with the requirements of the Act and with local policies.

OVERALL COMPLIANCE AND INTERNAL CONTROLS SECTION



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**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

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 governmental activities information of Morris County Appraisal District Collection Fund (the Fund) as of and for the year ended September 30, 2016 and the related notes to the financial statements, which collectively comprise the Fund's basic financial statements, and have issued our report thereon dated October 19, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Morris County Appraisal District Collection Fund'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 Collection Fund's internal control. Accordingly, we do not express an opinion on the effectiveness of Morris County Appraisal District Collection Fund'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 of 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 Collection Fund'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 instance of noncompliance or other matter that is 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.

This report is intended for the information of the district's trustees, taxing units and the administration, and is not intended to be used and should not be used by anyone other than these specified parties.

Caver and Setser, Inc.

Caver and Setser, Inc.
Certified Public Accountants

October 19, 2016

**MORRIS COUNTY APPRAISAL DISTRICT COLLECTION FUND
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

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 COLLECTION FUND
SCHEDULE OF STATUS OF PRIOR FINDINGS
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

FOR YEAR'S FINDINGS/NONCOMPLIANCE

There were no findings in the current audit period.

MORRIS COUNTY APPRAISAL DISTRICT COLLECTION FUND
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED SEPTEMBER 30, 2016

None required