



UPSHUR COUNTY APPRAISAL DISTRICT

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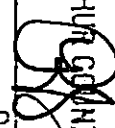
MEMO

TO: Taxing Entities in Upshur County
FROM: Sarah Curtis, Chief Appraiser
DATE: February 16, 2018
RE: 2017 Audit

At yesterday's board meeting, the Board of Directors accepted the audit report presented by Bob Arnold of Arnold, Walker, Arnold & Co., P.C.

Retain this report for your records.

If, after review, you have any questions, please call.

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COUNTY CLERK
2018 FEB 28 AM 9:28
BY  UPSHUR COUNTY, TX.
DEPUTY

Upshur County Appraisal District
Financial Statements
And Independent Auditor's Report
As of December 31, 2017

Upshur County Appraisal District
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 Year ended December 31, 2017

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CPAs & Advisors

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**UNQUALIFIED OPINION ON BASIC FINANCIAL STATEMENTS
ACCOMPANIED BY REQUIRED SUPPLEMENTARY INFORMATION AND OTHER
SUPPLEMENTARY INFORMATION**

Independent Auditor's Report

**Board of Directors
Upshur County Appraisal District
Gilmer, Texas**

We have audited the accompanying financial statements of the governmental activities and the major fund of Upshur County Appraisal 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 these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District, as of December 31, 2017, and the respective changes in financial position, thereof and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary information on pages 3 through 7 and 12 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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Member: American Institute of Certified Public Accountants • Texas State Society of Certified Public Accountants

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated January 30, 2018, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the District's internal control over financial reporting and compliance.

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

January 30, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of Upshur County Appraisal District, we offer readers of the District's financial statements this narrative overview and analysis of the financial activities and performance for the year ended December 31, 2017. 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 \$441 thousand at December 31, 2017. During the year, the District's revenues exceeded expenditures by \$3 thousand.

The total cost of all the District's activities was \$839 thousand. Expenses were \$13 thousand less than budgeted.

The general fund balance is \$286 thousand at December 31, 2017.

The District continues to remain debt free.

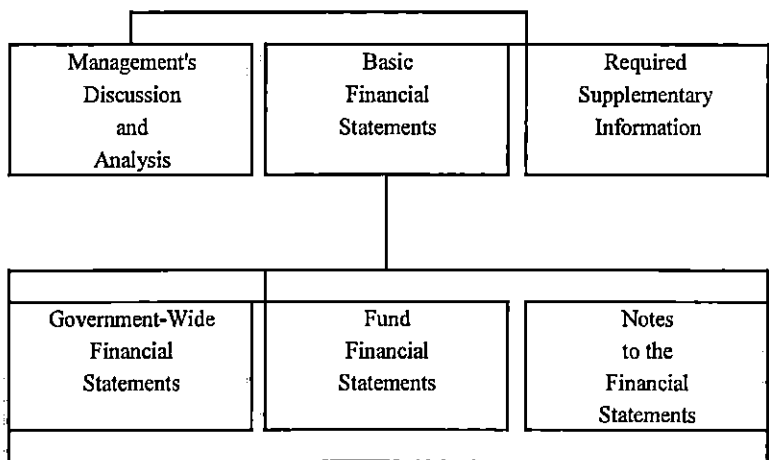
Approximately \$17 thousand was refunded, in the form of a credit, to the serviced entities during 2017.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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



Summary ⇔ Detail

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

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

Figure A-2. Major Features of the District's Government-wide Fund Financial Statements		
Type of Statements	Government-wide	Governmental Funds
Scope	Entire District's government (except fiduciary funds) and the District's component units	The activities of the District that are not proprietary or fiduciary
Required financial statements	Statement of net position	Balance sheet
	Statement of activities	Statement of revenues, Expenditures & changes in fund balances
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus
Type of asset/liability information	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
Type of inflow/outflow information	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 they have 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 are 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 \$441 thousand at December 31, 2017.

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

	2017	2016
Current and other assets	503	502
Capital and non-current assets	155	164
TOTAL ASSETS	658	666
Long-term liabilities	-	-
Other liabilities	217	219
TOTAL LIABILITIES	217	219
Invested in capital assets	155	164
Restricted	260	225
Unrestricted	26	58
TOTAL NET POSITION	441	447

Net position invested in capital assets reflects the book value of the District's capital assets in excess of the debt which financed those assets. The \$26 thousand of unrestricted net position represents resources available to fund the programs of the District for the next fiscal year.

Net position of the District decreased from \$447 thousand to \$441 thousand. The District's revenues exceeded expenditures by \$3 thousand. The District recorded depreciation of \$38 thousand.

Changes in net position.

The District's total revenues were \$833 thousand. \$827 thousand of this was from appraisal fees.

The total cost of all programs was \$839 thousand. Approximately 60% of this was for salaries and benefits.

Net position decreased by \$6 thousand.

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

	Governmental Activities	
	2017	2016
Revenues		
<u>Program Revenues</u>		
Charges for Services	827	810
Operating Grants and Contributions	-	-
<u>General Revenues</u>		
Investment earnings	2	2
Other	4	3
Total Revenues	833	815
Expenses		
Tax appraisal	839	814
Total Expenses	839	814
Transfers in (out)	-	-
Increase (Decrease) in Net Position	(6)	1
Beginning Net Position	447	446
Ending Net Position	441	447

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

The District reported fund balance in its governmental funds of approximately \$286 thousand at December 31, 2017. Revenues exceeded expenditures by \$3 thousand.

General Fund Budgetary Highlights

The budget was not amended significantly this year. \$843 thousand was budgeted to be spent. \$830 thousand was actually spent.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

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

	Governmental Activities	
	2017	2016
Land	9	9
Building	325	325
Furniture, fixtures and equipment	245	274
Totals at historical cost	<u>579</u>	<u>608</u>
Total accumulated depreciation	<u>(424)</u>	<u>(444)</u>
Net capital assets	<u>155</u>	<u>164</u>

Long-Term Debt

The District has no long-term debt.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The District's Board and management considered many factors when setting the 2018 budget. Growth and economic conditions were considered. Both continue to be excellent with continued growth in population and continued business expansion. The expenditure budget was increased. There were no significant increases budgeted. Appraisal and reappraisal continued. 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 County.

The District continues to annually reserve certain amounts for legal services and has planned for computer system upgrade costs.

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

Upshur County Appraisal District
STATEMENT OF NET POSITION
As of December 31, 2017

	Governmental Activities
ASSETS	
Current assets	
Cash and cash equivalents	476,718
Prepaid expenses	26,143
Total current assets	<u>502,861</u>
Capital assets	
Land	8,711
Building	325,572
Furniture, fixtures and equipment	244,438
Less: accumulated depreciation	(423,910)
Total capital assets	<u>154,811</u>
Total Assets	<u><u>657,672</u></u>
LIABILITIES	
Current liabilities	
Accounts payable and accrued expenses	8,020
Advance payments by entities	208,821
Total current liabilities	<u>216,841</u>
Non-current liabilities	-
Total Liabilities	<u>216,841</u>
NET POSITION	
Invested in capital assets	154,811
Reserved for capital outlay and legal	259,649
Unrestricted	26,371
Total Net Position	<u><u>440,831</u></u>

The accompanying notes are an integral part of this statement.

Upshur County Appraisal District
STATEMENT OF ACTIVITIES
 For the year ended December 31, 2017

	Program Revenues			Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities
Primary Government:				
GOVERNMENTAL ACTIVITIES				
Tax appraisal	839,138	826,709 *	-	(12,429)
Total primary government	839,138	826,709	-	(12,429)
General Revenues				
Investment earnings				1,944
Miscellaneous				4,472
Total General Revenues				6,416
Other Sources (Uses)				-
Change in Net Position				(6,013)
Net Position -- Beginning				446,844
Net Position -- Ending				440,831

*--net of 2016 revenues refunded to entities in 2017

The accompanying notes are an integral part of this statement.

GOVERNMENTAL FUND FINANCIAL STATEMENTS

Upshur County Appraisal District
BALANCE SHEET
GENERAL FUND
As of December 31, 2017

	Fund
ASSETS	
Cash and cash equivalents	476,718
Prepaid expenses	26,143
Total assets	502,861
 LIABILITIES	
Accounts payable and accrued expenses	8,020
Advance payments by entities	208,821
Total liabilities	216,841
 FUND BALANCE	
Reserved for capital outlay and legal	259,649
Unassigned	26,371
Total fund balance	286,020
Total liabilities and fund balance	502,861

The accompanying notes are an integral part of this statement.

Upshur County Appraisal District
 RECONCILIATION OF THE GOVERNMENTAL FUNDS
 BALANCE SHEET TO THE STATEMENT OF NET POSITION
 For the year ended December 31, 2017

Total Fund Balances - Governmental Funds	286,020
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 \$607,749 and the accumulated depreciation was \$443,839. The net effect of including the beginning balances for capital assets (net of depreciation) is to increase net position.	163,910
Capital outlay capitalized current year.	29,173
The 2017 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position.	<u>(38,272)</u>
Net Position, of Governmental Activities	<u>440,831</u>

The accompanying notes are an integral part of this statement.

Upshur County Appraisal District
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE--BUDGET AND ACTUAL
GENERAL FUND
For the year ended December 31, 2017

	Budget*	Actual	Variance Favorable (Unfavorable)
REVENUE			
Appraisal fees	843,228	826,709	(16,519)
Interest income and other	-	6,416	6,416
Total revenue	<u>843,228</u>	<u>833,125</u>	<u>(10,103)</u>
EXPENDITURES			
Salaries and benefits	502,572	498,104	4,468
Data processing	89,000	88,724	276
Appraisal services	89,200	89,200	-
Travel, per diem, hotels	45,000	39,565	5,435
General administration	102,056	99,301	2,755
Capital outlay	15,400	15,145	255
Total expenditures	<u>843,228</u>	<u>830,039</u>	<u>13,189</u>
Excess (deficiency) of revenues over expenditures	-	3,086	3,086
Fund balance at beginning of year	<u>282,934</u>	<u>282,934</u>	<u>-</u>
Fund balance at end of year	<u>282,934</u>	<u>286,020</u>	<u>3,086</u>

*The original budget was not amended.

The accompanying notes are an integral part of this statement.

Upshur County Appraisal District
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
for the year ended December 31, 2017

Total Net Change in Fund Balances - Governmental Funds	3,086
Capital outlay capitalized current year.	29,173
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 assets.	<u>(38,272)</u>
Change in Net Position of Governmental Activities	<u><u>(6,013)</u></u>

The accompanying notes are an integral part of this statement.

Upshur County Appraisal District
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2017

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Upshur 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 December 31, 2017, the District has collection agreements with nineteen taxing entities to provide property valuations.

B. FORMATION

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

C. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

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

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

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

The government-wide financial statements use the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows, appraisal and collection fees are recognized in the year for which they are budgeted.

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

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

E. FUND ACCOUNTING

The District reports the following major governmental fund:

- 1. **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. Investments (certificates of deposit) are stated at cost.
- 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. 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.

Depreciation is computed using the straight line method over the following estimated useful lives:

Building	30
Furniture and equipment	3-10

- 4. In the financial statements, governmental funds report reservations of fund balances that are not available for appropriation or are restricted for a specific purpose. Designations of fund balance represent management plans that are subject to change.

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 not amended during the year.

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS

A. DEPOSITS AND INVESTMENTS

Legal and Contractual Provisions Governing Deposits and Investments

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 the District 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 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) bankers acceptances, (7) Mutual Funds, (8) Investment pools, (9) guaranteed investment contracts, (10) and common trust funds. The Act also requires the District to have independent auditors 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.

Additional Contractual provisions governing deposits and investments for the District are as follows:

Policies Governing Deposits and Investments

In compliance with the Public Funds Investment Act, the District has adopted a deposit and investment policy. That policy does address the following risks:

1. **Custodial Credit Risk – Deposits:** In the case of deposits, this is the risk that in the event of a bank failure, the government’s deposits may not be returned to it. The District’s policy regarding types of deposits allowed and collateral requirements is that the funds of the District must be deposited and invested under the terms of a contract, contents of which are set out in the Depository Contract Law. The depository bank places approved pledged securities for safekeeping in an amount sufficient to protect the 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.

Deposits of the District are insured or collateralized with securities held by the pledging financial institution’s trust department or agent in the name of the District.

At December 31, 2017, the carrying amount of the District’s deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$476,718 and the bank balance was approximately \$490,000. The District’s cash deposits at December 31, 2017 and during the year ended December 31, 2017 were substantially covered by FDIC insurance or by pledged collateral held by the District’s agent bank in the District’s name.

In addition, the following is disclosed regarding coverage of combined balances as of December 31, 2017:

- a. Depository: First National Bank of Gilmer
 - b. There were \$303,650 in securities pledged by the depository at December 31, 2017.
 - c. Total amount of FDIC coverage as of December 31, 2017, was \$250,000.
2. **Custodial Credit Risk – Investments:** For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Positions in external investment pools are not subject to custodial credit risk. The District has no investments exposed to custodial credit risk at the end of the period.
 3. **Interest-rate Risk – Interest-rate risk** occurs when potential purchases of debt securities do not agree to pay face value for these securities if interest rates rise. The District does not purchase investments where the face value is not guaranteed.

B. CAPITAL ASSET ACTIVITY

Capital asset activity for the District for the year ended December 31, 2017, was as follows:

	Primary Government				Ending Balance
	Beginning Balance	Additions	Retirements	Adjustments	
Governmental Activities:					
Land	8,711	-	-	-	8,711
Building	325,572	-	-	-	325,572
Furniture, fixtures, and equipment	273,466	29,173	(58,201)	-	244,438
Less accumulated depreciation	(443,839)	(38,272)	58,201	-	(423,910)
Governmental Activities Capital Assets, Net	<u>163,910</u>	<u>(9,099)</u>	<u>-</u>	<u>-</u>	<u>154,811</u>

C. EMPLOYER’S PENSION PLAN OBLIGATIONS

The District provides a defined contributions retirement plan for full-time employees. Employee members of the plan contribute 10%, with the District contributing 10%. All employees are required to participate in the plan, with no age or service requirements for participation. Employees are eligible for retirement at age 60 and are 100% vested in the plan after five years of service.

Employer contributions to the plan for the year 2017 were approximately \$38,000.

The plan is administered by National Benefit Services. Additional information regarding the plan can be found in the “Annual Valuation and Report” for the year ended December 31, 2017. The Texas Pension Review Board requires reporting annually.

D. HEALTH CARE COVERAGE

During the year ended December 31, 2017, employees of Upshur 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.

Latest financials for the provider for the year ended December 31, 2017, and have been filed with the Texas State Board of Insurance, Austin, Texas, and are public record.

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. 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 2017, 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.

G. RESTRICTED / RESERVED FUND EQUITY

Reservations of fund equity show amounts that are restricted for specified purposes. The purpose for each is indicated by the account title on the face of the balance sheet and statement of net position.

Designations of fund balance represent tentative management plans that are subject to change.

The District plans to refund approximately \$5,113 in the form of a current credit to the entities it serves during 2018. Such amount is an excess of collections for service over related budgeted expenditures during 2017. Such amount was determined as follows:

Excess of revenues over expenditures Exhibit C-3	3,086
Add: Entity credits in 2017 for 2016	16,565
Reserved 2016, non budget	12,500
Deduct: Transfer to legal reserve	(11,726)
Designated reserve fund	(8,196)
Non budget income (interest and other) expense, net	(7,116)
	<u>5,113</u>

H. LITIGATION

The District has no pending litigation at December 31, 2017.

I. SUBSEQUENT EVENTS

The District has evaluated subsequent events through January 30, 2018, the date the financial statements were available to be issued.

INTERNAL CONTROL SECTION



CPAs & Advisors

Bob J. Arnold, CPA, PFS
Lanny G. Walker, CPA, PFS
Kris Arnold, CPA, PFS
Andrew Arnold, CPA
Melissa J. Godfrey, CPA

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
Upshur County Appraisal District
Gilmer, 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 Upshur County Appraisal 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 thereon dated January 30, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully Submitted,


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

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

January 30, 2018

Upshur County Appraisal District
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the year ended December 31, 2017

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

FILED
TERRI ROSS
COUNTY CLERK
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BY  DEPUTY

Upshur County Appraisal District
SCHEDULE OF STATUS OF PRIOR FINDINGS
For the year ended December 31, 2017

N/A

CORRECTIVE ACTION PLAN
For the year ended December 31, 2017

N/A