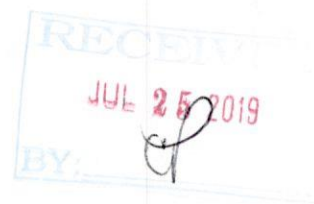


SABINE COUNTY APPRAISAL DISTRICT
P.O. Box 137
Hemphill, Texas 75948



July 22, 2019

Norman L. White
Certified Public Accountant
1516 Judson Road
Longview, Texas 75601

This representation letter is provided in connection with your audit of the financial statements of Sabine County Appraisal District, which comprise the respective financial position of the business-type activities, each major fund as of December 31, 2018, and the respective changes in financial position for the year then ended, and the related notes to the financial statements, for the purpose of expressing opinions as to whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

We confirm, to the best of our knowledge and belief, as of July 22, 2019, the following representations made to you during your audit.

Financial Statements

- 1) We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated January 16, 2019 including our responsibility for the preparation and fair presentation of the financial statements in accordance with the U.S. GAAP and for preparation of the supplementary information in accordance with the applicable criteria.
- 2) The financial statements referred to above are fairly presented in conformity with U.S. GAAP and include all properly classified funds and other financial information of the primary government required by U.S. GAAP to be included in the financial reporting entity.
- 3) We acknowledge our responsibility 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.
- 4) We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
- 5) Significant assumptions we used in making accounting estimates are reasonable.
- 6) Related party relationships and transactions, including revenues, expenditures/expenses, loans, transfers, leasing arrangements, and guarantees, and amounts receivable from or payable to related parties have been appropriately accounted for and disclosed in accordance with the requirements of U.S. GAAP. There were no related party transactions for 2018.
- 7) Adjustments or disclosures have been made for all events, including instances of noncompliance, subsequent to the date of the financial statements that would require adjustment to or disclosure in the financial statements within U.S. GAAP. No events, including instances of noncompliance, have occurred subsequent to the balance sheet date and through the date of this letter that would require adjustment to or disclosure in the aforementioned financial statements.
- 8) The effects of uncorrected misstatements are immaterial, both individually and in the aggregate, to the financial statements for each opinion unit. We are in agreement with the adjusting journal entries you have proposed, and they have all been posted to the accounts. There were no uncorrected misstatements.

- 9) We are not aware of any pending or threatened litigation, claims, or assessments or unasserted claims or assessments that are required to be accrued or disclosed in the financial statements, and we have not consulted a lawyer concerning litigation, claims, or assessments.
- 10) Guarantees, whether written or oral, under which the District is contingently liable, if any, have been properly recorded or disclosed. There were no such contingent liabilities.

Information Provided

- 11) We have provided you with:
 - a) Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, and other matters.
 - b) Additional information that you have requested from me for the purpose of the audit.
 - c) Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
 - d) Minutes of the meetings of the Board of Directors or summaries of actions of recent meetings for which minutes have not yet been prepared.
- 12) All material transactions have been recorded in the accounting records and are reflected in the financial statements.
- 13) We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- 14) We have no knowledge of any fraud or suspected fraud that affects the entity and involves:
 - a) Management,
 - b) Employees who have significant roles in internal control, or
 - c) Others where the fraud could have a material effect on the financial statements.
- 15) We have no knowledge of any allegations of fraud or suspected fraud affecting the entity's financial statements communicated by employees, former employees, regulators, or others.
- 16) We have no knowledge of instances of noncompliance or suspected noncompliance with provisions of laws, regulations, contracts, or grant agreements, or abuse, whose effects should be considered when preparing financial statements, except for not amending the budget as required.
- 17) We have disclosed to you all known actual or possible litigation, claims, and assessments whose effects should be considered when preparing the financial statements. We are not aware of any pending threatened litigation, claims, or assessments or unasserted claims or assessments that are required to be accrued or disclosed in the financial statements, and we have not consulted a lawyer concerning litigation, claims, or assessments.
- 18) We have disclosed to you the identity of the District's related parties and all the related party relationships and transactions of which we are aware. There were no related party transactions that were not properly addressed during the audit year.

Government—specific

- 19) There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
- 20) We have identified to you any previous audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have been implemented.
- 21) The Sabine County Appraisal District has no plans or intentions that may materially affect the carrying value or classification of assets, liabilities, or equity.
- 22) We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to us, including tax or debt limits and debt contracts; and legal and contractual provisions for reporting specific activities.

- 23) We have identified and disclosed to you all instances, which have occurred or are likely to have occurred, of fraud and noncompliance with provisions of laws and regulations that we believe have a material effect on the financial statement or other financial data significant to the audit objectives, and any other instances that warrant the attention of those charged with governance. There were no such instances.
- 24) We have identified and disclosed to you all instances, which have occurred or are likely to have occurred, of noncompliance with provisions of contracts and grant agreements that we believe have a material effect on the determination of financial statement amounts or other financial data significant to the audit objectives. There were no such instances.
- 25) We have identified and disclosed to you all instances that have occurred or are likely to have occurred, of abuse that could be quantitatively material to the financial statements or other financial data significant to the audit objectives. There were no such instances.
- 26) With the exception of not amending the budget appropriately, there are no violations or possible violations of budget ordinances, laws and regulations (including those pertaining to adopting, approving, and amending budgets), provisions of contracts and grant agreements, tax or debt limits, and any related debt covenants whose effects should be considered for disclosure in the financial statements, or as a basis for recording a loss contingency, or for reporting on noncompliance.
- 27) As part of your audit, you assisted with preparation of the financial statements and related notes. We acknowledge our responsibility as it relates to those nonaudit services, including that we assume all management responsibilities; oversee the services by designating an individual, preferably within senior management, who possesses suitable skill, knowledge, or experience; evaluate the adequacy and results of the services performed; and accept responsibility for the results of the services. We have reviewed, approved, and accepted responsibility for those financial statements and related notes.
- 28) The Sabine County Appraisal District has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.
- 29) The Sabine County Appraisal District has complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.
- 30) The financial statements include all component units as well as joint ventures with an equity interest, and properly disclose all other joint ventures and other related organizations. There are no component units or joint ventures.
- 31) The financial statements properly classify all funds and activities, in accordance with GASB Statement No. 34.
- 32) All funds that meet the quantitative criteria in GASBS Nos. 34 and 37 for presentation as major are identified and presented as such and all other funds that are presented as major are particularly important to financial statement users.
- 33) Components of net position (net investment in capital assets; restricted; and unrestricted) are properly classified and, if applicable, approved.
- 34) Capital assets, including infrastructure and intangible assets, are properly capitalized, reported, and, if applicable, depreciated.
- 35) We have appropriately disclosed the District's policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available and have determined that net position is properly recognized under the policy.
- 36) We acknowledge our responsibility for the required supplementary information (RSI). The RSI is measured and presented within prescribed guidelines and the methods of measurement and presentation have not changed from those used in the prior period. We have disclosed to you any significant assumptions and interpretations underlying the measurement and presentation of the RSI. We have elected to not present the MD&A information and, because of immateriality, the net pension liability historical information. The budget comparison schedule is not RSI for these financial statements since there is no governmental fund. Therefore the budget comparison schedule is presented as other supplementary information.
- 37) With respect to the budget comparison schedule:
 - a) We acknowledge our responsibility for presenting the budget comparison schedule in accordance with accounting principles generally accepted in the United States of America, and we believe budget comparison schedule, including its form and content, is fairly presented in accordance with accounting principles generally

accepted in the United States of America. The methods of measurement and presentation of the budget comparison schedule have not changed from those used in the prior year, and we have disclosed to you any significant assumptions or interpretations underlying the measurement and presentation of the supplementary information.

b) If the budget comparison schedule is not presented with the audited financial statements, we will make the audited financial statements readily available to the intended users of the supplementary information no later than the date we issue the supplementary information and the auditor's report thereon.

Signature: Lari Tapania

Title: Chief Appraiser

SABINE COUNTY APPRAISAL DISTRICT

FINANCIAL STATEMENTS

For the Year Ended December 31, 2018

SABINE COUNTY APPRAISAL DISTRICT
FINANCIAL STATEMENTS

For the Year Ended December 31, 2018

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Norman L. White

Certified Public Accountant

Longview, Texas

Independent Auditor's Report

Board of Directors
Sabine County Appraisal District
Hemphill, Texas

I have audited the accompanying financial statements of the business-type activities and each major fund of the Sabine County Appraisal District (the District), as of and for the year ended December 31, 2018, 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

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Opinions

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, and each major fund of the Sabine County Appraisal District as of December 31, 2018, and the respective changes in financial position and, where applicable cash flow thereof for the year then ended in conformity 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 the schedule of employer's proportionate share of net pension liability/(asset) 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. I 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 inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

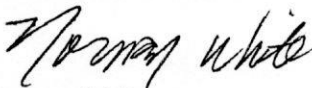
Management has omitted the schedule of employer's proportionate share of net pension liability/(asset), due to immateriality of the net pension liability, and the management's discussion and analysis information that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. My opinion on the basic financial statements is not affected by this missing information.

Supplemental Information

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

The budget to actual comparison schedule is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the budget comparison schedule is fairly stated in all material respects in relation to the financial statements as a whole.

Respectfully submitted,



Norman White
Longview, Texas
July 22, 2019

BASIC FINANCIAL STATEMENTS

SABINE COUNTY APPRAISAL DISTRICT
STATEMENT OF NET POSITION -
PROPRIETARY FUND
December 31, 2018

Exhibit A

ASSETS	
Current Assets	
Cash	\$ 36,970
Accounts Receivable	5,772
Prepaid Expenses	18,000
Total Current Assets	<u>60,742</u>
Noncurrent Assets	
Capital Assets	
Land	10,000
Buildings & Improvements	121,340
Furniture & Equipment	45,345
Less: Accumulated Depreciation	<u>(77,669)</u>
Property and Equipment, net	99,016
Total Noncurrent Assets	<u>99,016</u>
Total Assets	<u>159,758</u>
LIABILITIES	
Current Liabilities	
Accounts Payable	11,009
Other Current Liabilities	376
Total Current Liabilities	<u>11,385</u>
Noncurrent Liabilities	
Total Liabilities	<u>-</u>
NET POSITION	
Net Investment in Capital Assets	99,016
Unrestricted	49,357
Total Net Position	<u>\$ 148,373</u>

See accompanying notes and accountant's report.

**SABINE COUNTY APPRAISAL DISTRICT
STATEMENT OF REVENUES AND EXPENSES AND
CHANGES IN FUND NET POSITION
PROPRIETARY FUND**

Exhibit B

For the Year Ended December 31, 2018

OPERATING REVENUES	
Membership Assessments	\$ 437,273
Miscellaneous	1,823
Total Operating Revenues	<u>439,096</u>
OPERATING EXPENSES	
Salaries	146,124
Retirement	7,147
Health Insurance	25,300
Payroll Taxes	12,010
Workers Comp Insurance	1,445
Office Expenses	9,343
Insurance	1,702
Travel and Tax Schools	11,551
Utilities and Telephone	7,470
Computer Services	68,352
Contracted Chief & Field Appraisers	123,200
Mapping Costs	1,727
Repair and Maintenance	5,398
Legal and Accounting	7,022
ARB Expenses	1,551
Miscellaneous	5,756
Depreciation	4,149
Total Operating Expenses	<u>439,247</u>
Operating Income (Loss)	(151)
NONOPERATING REVENUES/(EXPENSES)	
Rental Income	3,300
Interest Income	148
Total Nonoperating Revenues/(Expenses)	<u>3,448</u>
Change in Net Position	3,296
Net Position at Beginning of Year	<u>145,077</u>
Net Position at End of Year	<u>\$ 148,373</u>

See accompanying notes and accountant's report.

SABINE COUNTY APPRAISAL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
For the Year Ended December 31, 2018

EXHIBIT C

<hr/>	
Cash Flows From Operating Activities	
Cash received from taxing entities & miscellaneous	\$ 444,868
Cash payments to suppliers for goods and services	(244,547)
Cash payments to employees for services	(192,026)
Net Cash Provided by Operating Activities	<u>8,295</u>
Cash Flows from Capital and Related Financing Activities	
Cash paid for acquisition and construction of capital assets	(19,525)
Rental income	3,300
Net Cash Provided from Capital and Related Financing Activities	<u>(16,225)</u>
Cash Flows from Investing Activities	
Interest income on investments	148
Net Cash Provided/(Used) from Investing Activities	<u>148</u>
Net Increase/(Decrease) in Cash	(7,782)
Cash and Cash Equivalents, December 31, 2017	<u>44,752</u>
Cash and Cash Equivalents, December 31, 2018	<u>\$ 36,970</u>
Reconciliation of Operating Income to Net Cash Flows from Operating Activities	
Operating Income	\$ (151)
Add Depreciation	4,149
(Increase)/Decrease in Current Assets	
Accounts receivable, net	5,772
Increase/(Decrease) in Liabilities	
Accounts payable	<u>(1,475)</u>
Net Cash Flows from Operating Activities	<u>\$ 8,295</u>

See accompanying notes and accountant's report.

SABINE COUNTY APPRAISAL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2018

NOTE A - DESCRIPTION OF THE DISTRICT AND REPORTING ENTITY

Sabine County Appraisal District (the "District") was established under provisions of the Texas Property Tax Code. The District was established to provide the property valuations to be used as a basis of establishing taxable property values for the entities within Sabine County, Texas. The governing boards of the member entities appoint representatives who constitute the Board of Directors of the District.

Reporting Entity

The Board of Directors has governance responsibilities over all activities related to the administration of the District. Because the members of the Board are elected, they have the authority to make decisions, select the Chief Appraiser, and significantly influence operational and fiscal matters. The District, for financial purposes, includes all of the funds relevant to the operation of the Sabine County Appraisal District. The financial statements presented herein do not include agencies which have been formed under applicable state laws or separate and distinct units of government apart from the Sabine County Appraisal District.

The financial statements of the District do not include any separately administered organizations. No such organizations exist that are controlled by or are dependent on the District. Control or dependence is determined on the basis of budget adoption, funding, and appointment of the respective governing board.

The District is not included in any other governmental "reporting entity" as defined by Governmental Accounting Standards Board in its Statement No. 14, "The Financial Reporting Entity."

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the District have been prepared in accordance with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for governmental accounting and financial reporting principles. The District's reporting entity does not apply FASB pronouncements or APB opinions issued after November 30, 1989 to its business-type activities or enterprise funds. The most significant of the District's accounting policies are described below:

1. Basis of Presentation

The District's basic financial statements consist of fund financial statements including a statement of net assets, a statement of revenues, expenses, and changes in fund net assets. Because the District is engaged only in business-type activities, government-wide financial statements are not presented.

Fund Financial Statements

During the year, the District segregates transactions related to certain District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the District at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Presently the District has only one fund, the proprietary fund, and it is a major fund.

2. Fund Accounting

The District uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The District utilizes one category of funds: proprietary.

Proprietary Fund

Proprietary fund reporting focuses on the determination of operating income, changes in net assets, and financial position. The District's proprietary fund is classified as an enterprise fund. Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services.

The Proprietary Fund is used to account for the revenues generated from the appraisal of property values for the various governmental entities in Sabine County, Texas.

3. Measurement Focus

Fund Financial Statements

Proprietary funds are accounted for on a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of these funds are included on the statement of fund net assets. The statement of revenues, expenses, and changes in fund net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

4. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Proprietary fund financial statements are prepared using the accrual basis of accounting.

Revenues – Exchange and Non-exchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is reported on the accrual basis when the exchange takes place. Available means that the resources will be collected within the current year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current year. For the District, available means expected to be received within thirty (30) days of year end.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include grants, entitlements, and donations. On an accrual basis, revenue from grants, entitlements, and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted; matching requirements, in which the District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the District on a reimbursement basis.

Expenses/Expenditures

On the accrual basis of accounting, expenses are recognized at the time they are incurred.

5. Net Position

Net position represents the difference between assets plus deferred outflow of resources, and liabilities plus deferred inflow of resources. Net investment in capital assets, net of related debt, consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction, or improvement of those assets.

6. Net Position Balance Classifications

For purposes of the proprietary fund's fund statements, fund equities are displayed as (a) invested in capital assets net of related debt, (b) restricted, and (c) unrestricted. The District's restricted net position items are indicated where the constraints placed on the resources are externally imposed, such as a grantor, or imposed by law through enabling legislation.

In instances where an expenditure may be made from restricted or unrestricted funds, the policy for determination of which of the net position funds will be used will be made on a case-by-case basis by the District board, or authorized person.

7. Encumbrance System

The District does not use an encumbrance system of recording expenditures.

8. Pension Plan

The District participates in the Texas County and District Retirement System (TCDRS) for the benefit of its employees.

Plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms.

Because of the immateriality of any net pension liability/(asset) for the District for the year ended December 31, 2018, the net pensions liability, the deferred pension costs, and the required supplemental information regarding net pension liability/(asset) history will not be disclosed.

9. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the District, these revenues are charges for property appraisal services for the taxing entities within Sabine County, Texas. Operating expenses are necessary costs that have been incurred in order to provide the service that is the primary activity of the fund. Other revenues and expenses are classified as non-operating in the financial statements.

10. Fair Values of Financial Instruments

The following methods and assumptions were used by the District estimating its fair value disclosures for financial instruments:

Cash and equivalents: The carrying amounts reported in the statement of financial position approximate fair values because of the short maturities of those instruments.

Certificates of deposit: The carrying amounts reported in the statement of financial position are the original costs of the certificates of deposit plus any earned interest added to the certificate principal.

Long-term debt: The fair values of the notes payable are based on their principal balances (carrying amounts).

12. Leases

Where any lease is entered into where the leased equipment is returned to the lessor at the end of the lease term, the lease is considered to be an operating lease. In an operating lease, all periodic payments are considered to be operating expenses. The equipment leased is not capitalized and depreciated.

11. Budget Process

Formal budgetary accounting is employed as a management control for the Proprietary Fund of the District. The same basis of accounting is used to reflect actual revenues and expenditures recognized on a generally accepted accounting principles basis.

The District's Board of Directors adopts an "appropriated budget" for the Proprietary Fund. For the fiscal year ended December 31, 2018, an "appropriated budget" was adopted for the District's operations.

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

- a. The District's Board prepares a budget for the next succeeding fiscal year beginning January 1. The operating budget includes proposed expenditures and the means of financing them. This proposed budget is presented to the participating entities for their approval.
- b. A meeting of the Board of Directors is called for the purpose of adopting the proposed budget.
- c. Prior to January 1, the budget is legally enacted through the action of the Board of Directors.

Once a budget is approved, it can be amended only by approval of a majority of the Board of Directors. Amendments are presented to the Board at its regular meetings. Each amendment must have Board approval. As required by law, such amendments are made before the fact and are reflected in the official minutes of the Board.

In 2018, the Board voted to amend the budget. There were significant changes in three areas. The budget was amended to reduce the salary for a chief appraiser employee and increase the amount paid during the year for contract chief and field appraisers. The amendment also allowed fund to remodel a portion of the building for office space and provided for the purchase of furniture and fixtures for that space.

The most significant budget line item that was not amended adequately was for salaries. The amendment was necessary because of the reduction of payroll and the increase in contractor chief and field appraiser.

However, the actual amount for total salary expense was greater than the budgeted amount by approximately \$24,000.

12. Capital Assets

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are reported at their fair market value as of the date received. The District has no formal capitalization threshold policy.

All capital assets, except for land and construction-in-progress, are depreciated over the estimated useful lives of those capital assets. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

Description	Estimated Lives
Buildings and Improvements	30-40 years
Furniture & Equipment	5 years

13. Inventory

The District maintains no inventory items. Purchases are expensed when purchased.

14. Use of Estimates

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

15. Subsequent Events

Subsequent events have been evaluated through July 22, 2019, which is the date the financial statements were issued.

NOTE C - CASH AND INVESTMENTS

The District's depository bank deposits for safekeeping and trust with the District's agent bank approved pledged securities 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 Public Funds Investment Act requires an annual audit of investment practices. Audit procedures in this area disclosed that in the areas of investment practices, management reports and establishment of appropriate policies, the District was not in substantial compliance with the requirements of the Act.

The District's cash deposits at December 31, 2018 were entirely covered by FDIC insurance.

The Public Funds Investment Act (the "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, and (9) bid solicitation preferences for certificates of deposit.

State statutes and the District's Investment Policy authorize the District to invest in 1) obligations of the U.S. or its agencies and instrumentalities; 2) obligations of the State of Texas or its agencies; 3) guaranteed or secured certificates of deposit issued by state or national banks domiciled in Texas; 4) fully collateralized repurchase agreements; 5) bankers acceptances, 6) commercial paper, 7) money market mutual funds and no-load mutual funds, and 8) public investment pools. Temporary investments are reported at cost, which approximates market, and are secured, when necessary, by the Federal Deposit Insurance Corporation

(FDIC). The Act also requires the District to have independent auditors perform test procedures related to investment practices as provided by the Act.

During the year ended December 31, 2018, the District had no types of investments.

NOTE D - CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2018, was as follows:

	Balance 12/31/17	Additions	Deletions	Balance 12/31/18
Capital Assets not being Depreciated:				
Land	\$ 10,000	-	-	\$ 10,000
Capital Assets being Depreciated:				
Buildings & Improvements	121,340	13,843	-	135,183
Furniture & Equipment	29,305	5,682	(3,485)	31,502
Total Capital Assets being Depreciated	150,645	19,525	(3,485)	166,685
Less Accumulated Depreciation				
Buildings and Improvements	(47,699)	(3,941)	-	(51,640)
Furniture & Equipment	(29,306)	(208)	3,485	(26,029)
Total Accumulated Depreciation	(77,005)	(4,149)	3,485	(77,669)
Total Capital Assets being Depreciated, Net	73,640	15,376	-	89,016
Business Type Activities Capital Assets, Net	\$ 83,640	\$ 15,376	-	\$ 99,016

NOTE E - PREPAID EXPENSE

The statement of net position includes a prepaid expense in the amount of \$18,000. This amount represents the amount paid for contract appraisers at the end of 2018 for the work that would be performed during the 2019 year.

NOTE F - RENTAL INCOME

During the year ended December 31, 2018, the District rented a portion of the office building owned by the District for a monthly rental amount of \$550. The lease agreement is on a month-to-month basis between the two parties, and can be terminated by either party.

NOTE G - OPERATING LEASE

During 2017, District entered into a capital lease agreement with SouthwestData Solutions LLC for the lease of computer equipment and workstations. The lease is considered to be an operating lease because the equipment is not offered for purchase by the District at the end of the lease term. At that time the District will be allowed to continue to lease the equipment at a reduced lease cost. The District will pay \$1,086 per month for a period of three years, with payments beginning in January 2018. The lease expense is shown as a Computer Services expense in the financial statements. There is no interest expense related to this agreement.

The annual requirements for the remaining operating lease payments as of December 31, 2018 are as follows:

Year Ending December 31,	Total Annual Payments
2019	\$ 13,033
2020	13,033
Subsequent	-
Totals	\$ 26,066

There was no related operating lease expense in 2017.

NOTE H - 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. The District continues to carry commercial insurance for all of these types of risks of loss, including commercial building and property, vehicle collision, liability, comprehensive, and public official's liability.

NOTE I - EMPLOYEES' PENSION PLAN OBLIGATIONS

The District provides pension benefits for all of its eligible employees through a statewide, agent multiple-employer, public-employee retirement system in the Texas County & District Retirement System (TCDRS). The system serves more than 780 actively participating counties and districts throughout Texas. Each employer maintains its own customized plan of benefits.

Each employer has a defined benefit plan that functions similarly to a cash balance plan. The assets of the plans are pooled for investment purposes, but each employer's plan assets may be used only for the payment of benefits to the members of that employer's plan. In accordance with Texas law, it is intended that the pension plan be construed and administered in a manner that the retirement system will be considered qualified under Section 401(a) of the Internal Revenue Code.

The District contributes to the TCDRS Plan at an actuarially determined rate that is set by the District's Board of Directors. Both the employees and the District make contributions monthly. Since the District needs to know its contribution rate in advance for budgetary purposes, there is a one-year delay between the actuarial valuation that serves as the basis for the rate and the calendar year when the rate goes into effect.

At retirement, the benefit is calculated as if the sum of the employee's contributions, with interest, and the district-funded monetary credits with interest were used to purchase an annuity. Retirees elect to receive their lifetime benefit by choosing one of seven actuarially equivalent payment options. Each employee has the right to a monthly benefit at age 60 or older, and possibly earlier under special circumstances. Each employee is vested after 8 years of service.

TCDRS issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information (RSI) for TCDRS; the report also provides detailed explanations of the contributions, benefits and actuarial methods and assumptions used by the System. This report may be obtained by writing to TCDRS, P.O. Box 2034, Austin, TX 78768 or by calling 800-823-7782; in addition, the report is available on TCDRS' website at www.TCDRS.com.

The plan provisions are adopted by the governing body of the District, within the options available in the state statutes governing TCDRS. Plan provisions for the District were as follows:

	Plan Year 2018	Plan Year 2017
Employee deposit rate	7.00%	7.00%
Matching ratio (District to employee)	1 to 1	1 to 1
Employer plan contribution expense	\$ 7147	\$6,352
Years required for vesting	8	8
Service retirement eligibility (expressed as age/years of service)	60/30	60/30

SUPPLEMENTAL INFORMATION

SABINE COUNTY APPRAISAL DISTRICT
BUDGET TO ACTUAL COMPARISON SCHEDULE -
OTHER SUPPLEMENTARY INFORMATION -
PROPRIETARY FUND
Year Ended December 31, 2018

Exhibit D

	Original Budget	Amend.	Amend. Budget	Actual	Variance
REVENUES					
Membership Assessments	\$ 321,273	\$ 20,000	\$ 341,273	\$ 437,273	\$ 96,000
Miscellaneous	0	0	0	1,823	1,823
Total Operating Revenues	<u>321,273</u>	<u>20,000</u>	<u>341,273</u>	<u>439,096</u>	<u>97,823</u>
EXPENDITURES					
Salaries and Benefits	188,571	(22,000)	166,571	192,025	(25,454)
Office Expenses	11,500	14,000	25,500	9,343	16,157
Insurance	1,400	0	1,400	1,702	(302)
Travel and Tax Schools	9,650	0	9,650	11,551	(1,901)
Utilities and Telephone	6,600	0	6,600	7,470	(870)
Computer Services	80,952	0	80,952	68,352	12,600
Contracted Chief & Field Appraisers	0	124,000	124,000	123,200	800
Contract Labor	4,000	0	4,000	0	4,000
Mapping Costs	4,500	0	4,500	1,727	2,773
Repair and Maintenance	5,000	0	5,000	5,398	(398)
Legal and Accounting	4,000	0	4,000	7,022	(3,022)
ARB Expense	2,000	0	2,000	1,551	449
Miscellaneous	3,100	0	3,100	5,756	(2,656)
Depreciation	0	0	0	4,149	(4,149)
Total Operating Expenditures	<u>321,273</u>	<u>116,000</u>	<u>437,273</u>	<u>439,247</u>	<u>(1,974)</u>
Operating Income (Loss)	<u>0</u>	<u>(96,000)</u>	<u>(96,000)</u>	<u>(151)</u>	<u>99,797</u>
NONOPERATING REVENUES/(EXPENSES)					
Rental Income	0	0	0	3,300	3,300
Interest Income	0	0	0	148	148
Total Nonoperating Revenues/Exp	<u>0</u>	<u>0</u>	<u>0</u>	<u>3,448</u>	<u>3,448</u>
Change In Net Position	0	(96,000)	(96,000)	3,296	103,244
Fund Balances, Beginning	145,077	0	145,077	145,077	0
Fund Balances, Ending	<u>\$ 145,077</u>	<u>\$ (96,000)</u>	<u>\$ 49,077</u>	<u>\$ 148,373</u>	<u>\$ 103,244</u>