

EL PASO CENTRAL APPRAISAL DISTRICT
FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
YEARS ENDED SEPTEMBER 30, 2018 AND 2017

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EL PASO CENTRAL APPRAISAL DISTRICT MANAGEMENT DISCUSSION & ANALYSIS

This is an introduction, overview and analysis of the 2017/2018 year end external financial audit by Pena Briones McDaniel and Company. This report is made in accordance with Governmental Accounting Standards Board Statement 34 (GASB 34).

CONDENSED STATEMENT OF ASSETS, LIABILITIES & EXPENDITURES

As of September 30, 2018, the total assets of El Paso Central Appraisal District (EPCAD) are \$12,000,732. This represents an increase of \$927,363 or 8.37% from \$11,073,369 as of September 30, 2017. This is caused by an increase in current assets of \$975,278 due to larger amount in investments held at end of fiscal year. This can be attributed to an increase in current liabilities of \$668,763 or 11.77% from \$5,679,571 as of September 30, 2017.

	2018	2017	2016
Assets			
Current assets	\$ 8,222,985	\$ 7,247,707	\$ 6,980,452
Fixed assets, net	2,882,443	2,842,895	2,845,748
Deferred outflow of resources - Pension, net	895,304	982,767	1,068,987
Total assets	\$ 12,000,732	\$ 11,073,369	\$ 10,895,187
Liabilities			
Current liabilities	6,348,334	5,679,571	4,812,314
Net Pension Liability	576,631	972,050	1,052,344
Deferred inflow of resources - Pension, net	991,900	836,735	869,019
Total liabilities	7,916,865	7,488,356	6,733,677
Net Position	\$ 4,083,867	\$ 3,585,013	\$ 4,161,510
Revenues			
Taxing jurisdictions, net of refunds	\$ 13,793,122	\$ 13,286,242	\$ 13,166,484
Other revenue	151,947	93,948	64,726
Total revenue	\$ 13,945,069	\$ 13,380,190	\$ 13,231,210
Expenditures / Expenses			
Personnel services	9,503,305	9,558,990	9,247,156
Materials and services	2,886,661	2,972,258	2,705,839
Professional Fees	810,964	1,170,100	848,394
Depreciation	249,946	254,609	304,896
Capital Outlay, net of loss on disposal	(4,662)	730	9,056
Total expenditures / expenses	13,446,214	13,956,687	13,115,341
Change in net position	498,855	(576,497)	115,869
Beginning fund balance / Net position	3,585,013	4,161,510	4,045,641
Ending fund balance / Net position	\$ 4,083,868	\$ 3,585,013	\$ 4,161,510

**EL PASO CENTRAL APPRAISAL DISTRICT
MANAGEMENT DISCUSSION & ANALYSIS (Continued)**

The net position (total assets less total liabilities) as of September 30, 2018 is \$4,083,867. This represents an increase of \$498,854 or 13.91% from \$3,585,013 as of September 30, 2017. This is primarily due to a higher increase in total assets than in total liabilities.

Expenditures requiring taxing jurisdiction funding (does not include depreciation, as it is not charged back to the taxing entities) as of September 30, 2018 are \$13,793,122. This represents an increase of \$506,880 or 3.82% from \$13,286,242 as of September 30, 2017. This increase resulted from total expenditures in current fiscal year being higher than last year. Additionally, as of September 30, 2018 the Board of Directors approved the encumbrance of \$500,000 to replenish the litigation reserve. This encumbrance is higher than the \$400,000 encumbered as of September 30, 2017.

BUDGET TO ACTUAL OVERVIEW

The EPCAD is returning to the Taxing Entities \$1,161,007 for the 2017/2018 Fiscal Year, which ended September 30, 2018. For the 2016/2017 Fiscal Year, which ended September 30, 2017, \$993,047 was returned to the Taxing Entities. The increase in funds to be returned to Taxing Entities is primarily due to total expenditures being lower than budgeted. In compliance with Section 6.06 (j) of the Texas Property Tax Code, all unused funds are returned to the Taxing Entities. The returned funds will reflect as a credit on the second quarter payment due from the Taxing Entities for Fiscal Year 2018/2019.

Salaries and Employee benefits was under budget by \$405,926 and \$471,894 respectively. This was caused by lower overtime than anticipated, and vacancies not filled by utilizing temporary agency help that resulted in the Supplemental help account to be over budget by \$17,154.

Building utilities was under budget by \$76,641 as a result of utilities expense being lower than anticipated. Building maintenance was over budget by \$15,774. The over budget in this account is offset by \$20,000 budgeted under Strategic Plan for parking lot repairs.

Fixed asset acquisitions was over budget by \$276,271. However, \$220,000 was budgeted under Strategic Plan for bathroom remodel and purchase of five vehicles to replace current fleet. The remaining \$56,271 over budget is partially offset by \$5,950 under budget in the Small furniture and equipment account.

Supplies, printing, advertising and postage were under budget by \$91,463. This is the result of expenses being lower than budgeted due to lower than expected protests.

Legal Fees account was over budget by \$223,124. This is the result of contesting lawsuits to defend values. This amount was taken from the \$400,000 litigation reserve fund set up by Board of Directors in fiscal year 2016/2017 leaving a balance of \$176,876, which was carried to fiscal year 2018/2019. The Arbitration account was under budget by \$13,900. The 2017/2018 budget anticipated a greater number of arbitration filings; however, arbitrations did not increase due to property owners filing lawsuits to district court in lieu of arbitrations.

Professional services were under budget by \$107,384. This is primarily due to mailing service cost being lower than budgeted. Pictometry Change Finder cost was also lower than estimated.

**EL PASO CENTRAL APPRAISAL DISTRICT
MANAGEMENT DISCUSSION & ANALYSIS (Continued)**

Appraisal Review Board (ARB) was over budget by \$3,951. The increase is a direct result of the high volume of protests filed in the 2018 reappraisal year. In 2018, ARB hearings increased by 75%. The ARB overage was more than offset by the Taxpayer Liaison Officer account being under budget by \$12,132. The majority of protests filed were by taxpayer consultants, which does not require increased attendance by the liaison officer.

The revenue from interest and miscellaneous accounts was \$101,945 higher than budgeted. Interest received from investing was higher than budgeted. Business Personal Property Rendition penalties collected by and received from the City of El Paso Consolidated Tax Office totaled \$65,498.

Fiscal Year 2016/2017

This is an introduction, overview and analysis of the 2016/2017 year end external financial audit by Pena Briones McDaniel and Company. This report is made in accordance with Governmental Accounting Standards Board Statement 34 (GASB 34).

CONDENSED STATEMENT OF ASSETS, LIABILITIES & EXPENDITURES

As of September 30, 2017, the total assets of El Paso Central Appraisal District (EPCAD) are \$11,073,369. This represents an increase of \$178,182 or 1.64% from \$10,895,187 as of September 30, 2016. This is caused by an increase in current assets of \$267,255 offset by a decrease in fixed assets of \$2,853 and deferred outflow of resources – Pension, net of \$86,220.00. The increase in current assets is related to the increase in current liabilities.

The net position (total assets less total liabilities) as of September 30, 2017 is \$3,585,013. This represents a decrease of \$576,497 or 13.85% from \$4,161,510 as of September 30, 2016. This is due to an increase in current liabilities of \$867,257 or 18.02% from \$4,812,314 at September 30, 2016 to \$5,679,571 at September 30, 2017. This increase primarily results from a higher amount in the account Due to taxing jurisdictions, and to a smaller extent a higher amount in the Accounts payable, and Accrued payroll and benefits, which are partially offset by a decrease in Advance revenue from taxing jurisdictions, Net Pension Liability, and Deferred inflow of resources – Pension, net.

Expenditures requiring taxing jurisdiction funding (does not include depreciation, as it is not charged back to the taxing entities) as of September 30, 2017 are \$13,286,242. This represents an increase of \$119,758 or .91% from \$13,166,484 as of September 30, 2016. This minimum increase resulted from total expenditures in current fiscal year being close to last year. Additionally, as of September 30, 2017 the Board of Directors approved the encumbrance of \$400,000 to replenish the litigation reserve. This encumbrance is lower than the funds encumbered as of September 30, 2016 of \$450,000 to replenish litigation reserve, and \$200,000 for strategic plan for real property.

BUDGET TO ACTUAL OVERVIEW

The EPCAD is returning to the Taxing Entities \$993,047 for the 2016/2017 Fiscal Year, which ended September 30, 2017. For the 2015/2016 Fiscal Year, which ended September 30, 2016, \$119,650 was returned to the Taxing Entities. The increase in funds to be returned to Taxing Entities is primarily due to the encumbrance in fiscal year 2015/2016 of \$450,000 for litigation reserve and \$200,000 for strategic plan for real property approved by the Board of Directors, and total expenditures being lower than budgeted. In compliance with Section 6.06 (j) of the

**EL PASO CENTRAL APPRAISAL DISTRICT
MANAGEMENT DISCUSSION & ANALYSIS (Continued)**

Texas Property Tax Code, all unused funds are returned to the Taxing Entities. The returned funds will reflect as a credit on the second quarter payment due from the Taxing Entities for Fiscal Year 2017/2018.

Salaries and Employee benefits was under budget by \$286,491 and \$359,244 respectively. This was caused by lower overtime than anticipated, and vacancies not filled by utilizing temporary agency help that resulted in the Supplemental help account to be over budget by \$5,683.

Building utilities and maintenance was under budget by \$81,321 and \$32,252 respectively. This was caused by utilities expense being lower than budgeted, and lower increase than anticipated for HVAC maintenance and ordinary building repairs.

Fixed asset acquisitions was over budget by \$209,584. However, \$198,209 was encumbered funds for real property set up by Board of Directors to purchase three vehicles and building lighting retrofit. The remaining \$11,375 over budget is offset by \$15,095 under budget in the Small furniture and equipment account.

Supplies, printing, advertising and postage were under budget by \$140,082. This is the result of expenses being lower than budgeted due to lower than expected protests.

Legal Fees account was over budget by \$847,619. This is the result of contesting lawsuits to defend values. This amount is offset by using \$800,000 from the reserve set up by Board of Directors, and by \$18,950 under budget in Arbitration account.

Professional services were under budget by \$57,418. This is primarily due to mailing service cost being lower than budgeted. Police Officers cost was also lower than budgeted.

Appraisal Review Board and Taxpayer Liaison Officer accounts were under budget by \$66,010 and \$11,481 respectively. This is the result of lower than anticipated number of protests filed by taxpayers.

The revenue from interest and miscellaneous accounts was \$43,948 higher than budgeted. Business Personal Property Rendition penalties collected by and received from the City of El Paso Consolidated Tax Office totaled \$54,241.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
El Paso Central Appraisal District
El Paso, Texas

Report on the Financial Statements

We have audited the accompanying balance sheet and statement of governmental fund revenue, expenditures, and changes in fund balances of El Paso Central Appraisal District (the District) as of and for the year ended September 30, 2018, and statements of net position and statements of activities as of and for the years ended September 30, 2018 and 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of El Paso Central Appraisal District, as of September 30, 2018 and 2017, and the respective changes in financial position for the years 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, analysis and budgetary comparison schedule-General Fund, schedule of changes in net pension liability and related ratios and schedule of employer contributions on pages I-IV and 27-31 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The schedules of expenditures and refunds due to taxing jurisdictions are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedules of expenditures and refunds due to taxing jurisdictions are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other 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 our opinion, the schedules listed above are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 4, 2019, 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.



February 4, 2019

El Paso, Texas

EL PASO CENTRAL APPRAISAL DISTRICT

GOVERNMENTAL FUNDS BALANCE SHEET - SEPTEMBER 30, 2018
 STATEMENTS OF NET POSITION -
 SEPTEMBER 30, 2018 AND 2017

	General Fund	Adjustments (See Note 1)	2018 Statement of Net Position	2017 Statement of Net Position
ASSETS				
Current assets				
Cash and cash equivalents	\$ 8,162,783	\$ -	\$ 8,162,783	\$ 7,200,345
Accounts receivable	8,044	-	8,044	4,839
Prepaid expenses	52,158	-	52,158	42,523
Total current assets	8,222,985	-	8,222,985	7,247,707
Noncurrent assets				
Property and equipment, net	-	2,882,443	2,882,443	2,842,895
Total noncurrent assets	-	2,882,443	2,882,443	2,842,895
Deferred outflows of resources				
Pension, net	-	895,304	895,304	982,767
	-	895,304	895,304	982,767
Total assets and deferred outflows of resources	\$ 8,222,985	\$ 3,777,747	\$ 12,000,732	\$ 11,073,369
LIABILITIES				
Advanced revenue from taxing jurisdictions	\$ 3,887,082	\$ -	\$ 3,887,082	\$ 3,509,255
Due to taxing jurisdictions	1,161,007	-	1,161,007	993,047
Accounts payable	500,558	-	500,558	368,174
Accrued pension plan contributions	107,904	-	107,904	149,268
Accrued payroll and benefits	691,783	-	691,783	659,827
Total current liabilities	6,348,334	-	6,348,334	5,679,571
Net Pension Liability	-	576,631	576,631	972,050
Deferred inflows of resources				
Pension, net	-	991,900	991,900	836,735
Total liabilities and deferred inflows of resources	6,348,334	1,568,531	7,916,865	7,488,356
FUND BALANCE / NET POSITION				
Fund balances:				
Committed	676,876	(676,876)	-	-
Nonspendable	52,158	(52,158)	-	-
Unassigned	1,145,617	(1,145,617)	-	-
Total fund balance	1,874,651	(1,874,651)	-	-
Total liabilities and fund balances	\$ 8,222,985			
Net position		\$ 4,083,867	\$ 4,083,867	\$ 3,585,013

See independent auditor's report and notes to financial statements.

EL PASO CENTRAL APPRAISAL DISTRICT

STATEMENT OF GOVERNMENTAL FUND REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCES - YEAR ENDED SEPTEMBER 30, 2018
 STATEMENTS OF ACTIVITIES
 YEARS ENDED SEPTEMBER 30, 2018 AND 2017

	General Fund	Adjustments (See Note 1)	2018 Statement of Activities	2017 Statement of Activities
REVENUES				
Taxing jurisdictions, net of refunds due taxing jurisdictions of \$1,161,007 and \$993,047 for the years ended September 30, 2018 and 2017	\$ 13,793,122	\$ -	\$ 13,793,122	\$ 13,286,242
Interest income	76,315	-	76,315	33,556
Rendition penalties	65,498	-	65,498	54,241
Miscellaneous	10,134	-	10,134	6,151
Total revenues	<u>13,945,069</u>	<u>-</u>	<u>13,945,069</u>	<u>13,380,190</u>
EXPENDITURES / EXPENSES				
Current:				
Personnel services	9,656,096	(152,791)	9,503,305	9,558,990
Materials and services	2,886,662	-	2,886,662	2,972,258
Professional fees	810,964	-	810,964	1,170,100
Depreciation	-	249,946	249,946	254,609
Capital Outlay, net of (gain) loss on disposal	284,832	(289,494)	(4,662)	730
Total expenditures / expenses	<u>13,638,554</u>	<u>(192,339)</u>	<u>13,446,215</u>	<u>13,956,687</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES				
Change in net position	306,515	192,339	498,854	(576,497)
FUND BALANCES / NET POSITION:				
Beginning of the year	<u>1,568,136</u>		<u>3,585,013</u>	<u>4,161,510</u>
End of the year	<u>\$ 1,874,651</u>		<u>\$ 4,083,867</u>	<u>\$ 3,585,013</u>

EL PASO CENTRAL APPRAISAL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018 AND 2017**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of El Paso Central Appraisal District (the District) is presented to assist in understanding the District's financial statements. The financial statements and notes are representations of the District's management, who is responsible for their integrity and objectivity. These accounting policies conform to generally accepted accounting principles and have been consistently applied in the preparation of the financial statements.

Organization

The District was established in 1981 after State Law S.B. 621 was enacted by the Texas legislature. This law required all counties in Texas to create appraisal districts. El Paso Central Appraisal District is responsible for maintaining and appraising all property, both personal and real, at one hundred percent market value, providing staff support and documentation of said values to the Appraisal Review Board, and ultimately providing a tax roll for each of the member taxing jurisdictions in El Paso County. There are currently thirty-seven member taxing jurisdictions.

The governing body of the District is the Board of Directors, which is comprised of individuals appointed by the member taxing jurisdictions. Its primary responsibilities are the selection of the Chief Appraiser, the establishment of an appraisal office, the adoption of the operating budget, the appointment of the Taxpayer Liaison Officer, the chair and secretary of the appraisal review board and approval of the reappraisal plan.

Reporting Entity

The District is not included in any other governmental reporting entity as defined in Section 2100, Codification of Governmental Accounting and Financial Reporting Standards, since the Board of Directors has decision making authority, the power to designate management, the responsibility to significantly influence operations, and primary accountability for fiscal matters.

Fund Accounting

El Paso Central Appraisal District maintains its accounting records in accordance with the principles of fund accounting. The operations of each fund are accounted for by providing a separate set of self-balancing accounts. Government resources are allocated to and for individual funds based upon the purposes for which they are to be spent. El Paso Central Appraisal District operates as a special service district utilizing only governmental funds, which consist of the general fund.

EL PASO CENTRAL APPRAISAL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018 AND 2017**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Governmental Funds

Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purpose for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance.

The El Paso Central Appraisal District reports the following fund balances:

Unassigned Fund Balance

The Unassigned Fund Balance represents resources over which the Board of Directors has discretionary control and is used to carry out the operations of the District in accordance with its by-laws. The principal sources for the Unassigned Fund Balance are reimbursements from taxing jurisdictions, property rendition penalties, interest income, and documentation copying fees.

Committed Fund Balance

The Committed Fund Balance represents funds the Board of Directors has approved to encumber for specific purposes from the current fiscal year end budget.

Nonspendable Fund Balance

The Nonspendable Fund Balance represents funds that are amounts not in spendable form including inventories and prepaid items.

Generally, the El Paso Central Appraisal District would first apply committed, then assigned and unassigned resources when expenditures are incurred for purpose for which more than one classification of fund balance is available.

Basis of Accounting

Basis of accounting refers to the point at which revenues or expenditures are recognized in the accounts and reported in the financial statements. All governmental funds are accounted for using the modified accrual basis of accounting. Revenues are recognized when they become measurable and available. Gross receipts are considered "measurable" when in the hands of intermediary collecting agents. All major revenues are susceptible to accrual. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred.

EL PASO CENTRAL APPRAISAL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018 AND 2017**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Budget Policy

The District prepares an annual operating budget which, by law, must be approved by the Board of Directors by June 15 of the prior year. The budget is based on expected expenditures and asset acquisition requirements for the year. Depreciation expense is not budgeted. In the budgetary comparison schedule, actual revenues and expenditures are presented in accordance with Generally Accepted Accounting Principles. As of September 30, 2018 and 2017, revenues included the refunds due to taxing jurisdictions of \$1,161,007 and \$993,047, respectively.

Reconciliation of Basic Financial Statements and Fund Financial Statements

The reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position is due to the fact that capital assets (adjustment column/capital projects) used in governmental activities and their related debt are not financial resources and therefore not reported in the funds. Similarly, cash items related to the acquisition of capital assets are not reported in the funds. The net pension liability is a reconciling item, it is recorded under the flow of economic resources measurement focus and full accrual basis of accounting.

The reconciliation of Statement of Governmental Fund Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities relates to depreciation expense and the change in the net pension liability not being reported in the funds. Capital acquisitions, principal payments on related debt, and changes in the net pension liability are not considered expenses for purposes of government-wide financial statements.

Cash and Cash Equivalents

Cash equivalents include all highly liquid instruments with original maturities of three months or less.

Property and Equipment

Depreciation of property and equipment is computed utilizing the straight-line method over estimated useful lives of three to ten years. The building is depreciated over forty years.

Deferred Outflows and Inflows of Resources

In addition to assets and liabilities, the statement of net position reports a separate section for deferred outflows and inflows of resources. These are separate financial statement elements. The deferred outflows and inflows of resources are related to pensions. See footnote 5, Employees' Retirement Plans-Defined Benefit Pension Plan for additional information.

EL PASO CENTRAL APPRAISAL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018 AND 2017**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Advanced Revenue from Taxing Jurisdictions

Member taxing jurisdictions reimburse the District one-fourth of the approved budgeted expenditures, on a quarterly basis. The first quarter payment for the following fiscal year is due by September 30 of the current year. This amount is recorded as advanced revenue.

Income Taxes

The District is a political subdivision of the State of Texas and is thereby exempt from federal income taxes.

2. CASH AND CASH EQUIVALENTS

Cash equivalents include all highly liquid instruments with original maturities of three months or less, in which cost represents fair market value. A summary of the cash and cash equivalents as of September 30, 2018 and 2017 are as follow:

	<u>2018</u>	<u>2017</u>
Cash	\$ 894,771	\$ 987,197
Cash equivalents		
Certificate of deposit	-	1,700,000
U.S.Treasury bill	1,891,621	-
Money market mutual fund	<u>5,376,391</u>	<u>4,513,148</u>
 Total cash and cash equivalents	 <u>\$ 8,162,783</u>	 <u>\$ 7,200,345</u>

EL PASO CENTRAL APPRAISAL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018 AND 2017**

2. CASH AND CASH EQUIVALENTS (Continued)

Of this balance, \$250,000 was covered by Federal Depository Insurance Corporation (FDIC) as of September 30, 2018 and 2017. As of September 30, 2018 and 2017, \$3,792,384 and \$3,611,624, were secured by assets pledged by the bank as collateral and held in the bank's trust department or by its agent in the District's name. All investments have an original maturity of 3 months or less, therefore, they are considered cash equivalents.

Interest Rate Risk

In accordance with state law and District policy, the District does not purchase any investments with maturities greater than one year and the weighted average maturity of the overall portfolio may not exceed three months. The District is in compliance with its policy and state law.

Concentration of Credit Risk

The District's investment policy requires consideration should be given to credit ratings. With the exception of U.S. Treasury securities and authorized pools, no more than 5% of the District's total investment portfolio will be invested in a single security type. The District had direct investments in U.S government backed securities as of September 30, 2018 and is in compliance with the District's investment policy and state law.

Custodial Risk

For an investment, custodial risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. The District's demand account was covered by FDIC of \$250,000 and secured by assets pledged by the bank of \$3,792,384 as of September 30, 2018.

EL PASO CENTRAL APPRAISAL DISTRICT

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018 AND 2017

3. PROPERTY AND EQUIPMENT

Property and equipment consists of the following at September 30, 2018 and 2017:

	Balance September 30, 2017	Increases	Decreases	Balance September 30, 2018
<u>Not Depreciated</u>				
Land	\$ 950,000	\$ -	\$ -	\$ 950,000
<u>Buildings and</u>				
<u>Other Property and Equipment</u>				
Building	1,404,797	-	-	1,404,797
Building improvements	1,554,132	166,091	-	1,720,223
Building equipment	154,057	-	-	154,057
Building refit	637,114	-	-	637,114
Total buildings and other real estate improvements	3,750,100	166,091	-	3,916,191
Office furniture	669,435	4,378	208	673,605
Computer equipment and software	908,048	6,891	28,491	886,448
CAMA System	1,378,742	-	-	1,378,742
Vehicles	341,204	116,152	67,155	390,201
Total buildings and other property and equipment	7,047,529	293,512	95,854	7,245,187
<u>Accumulated Depreciation</u>				
Building	772,692	35,120	-	807,812
Building improvements	696,705	87,901	-	784,606
Building equipment	107,986	14,371	-	122,357
Building refit	637,112	-	-	637,112
Total buildings and other real estate improvements	2,214,495	137,392	-	2,351,887
Office furniture	539,252	37,592	-	576,844
Computer equipment and software	767,283	62,004	28,681	800,606
CAMA System	1,378,738	-	-	1,378,738
Vehicles	254,866	12,958	63,155	204,669
Total buildings and other property and equipment	5,154,634	249,946	91,836	5,312,744
Property and equipment, net	\$ 2,842,895	\$ 43,566	\$ 4,018	\$ 2,882,443

EL PASO CENTRAL APPRAISAL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018 AND 2017**

3. PROPERTY AND EQUIPMENT (Continued)

	Balance September 30, 2016	Increases	Decreases	Balance September 30, 2017
<u>Not Depreciated</u>				
Land	\$ 950,000	\$ -	\$ -	\$ 950,000
<u>Buildings and</u>				
<u>Other Property and Equipment</u>				
Building	1,404,797	-	-	1,404,797
Building improvements	1,403,726	150,406	-	1,554,132
Building equipment	149,062	4,995	-	154,057
Building refit	637,114	-	-	637,114
Total buildings and other real estate improvements	3,594,699	155,401	-	3,750,100
Office furniture	674,515	5,907	10,987	669,435
Computer equipment and software	937,955	23,156	53,063	908,048
CAMA System	1,378,742	-	-	1,378,742
Vehicles	272,466	68,738	-	341,204
Total buildings and other property and equipment	6,858,377	253,202	64,050	7,047,529
<u>Accumulated Depreciation</u>				
Building	737,572	35,120	-	772,692
Building improvements	619,683	77,022	-	696,705
Building equipment	88,135	19,851	-	107,986
Building refit	630,085	7,027	-	637,112
Total buildings and other real estate improvements	2,075,475	139,020	-	2,214,495
Office furniture	505,648	43,860	10,256	539,252
Computer equipment and software	747,902	71,729	52,348	767,283
CAMA System	1,378,738	-	-	1,378,738
Vehicles	254,866	-	-	254,866
Total buildings and other property and equipment	4,962,629	254,609	62,604	5,154,634
Property and equipment, net	\$ 2,845,748	\$ (1,407)	\$ 1,446	\$ 2,842,895

EL PASO CENTRAL APPRAISAL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018 AND 2017**

3. PROPERTY AND EQUIPMENT (Continued)

Included above is \$3,174,835 and \$3,237,491 of office furniture, computer equipment, and building improvements which was fully depreciated as of September 30, 2018 and 2017. Depreciation recorded was \$249,946 and \$254,609 for the years ended September 30, 2018 and 2017, respectively.

4. DUE TO (FROM) TAXING JURISDICTIONS

Member taxing jurisdictions remit quarterly payments to the District based upon their proportionate share of the adopted budget for the year. At period-end, each taxing jurisdiction is allocated a portion of the total expenditures of El Paso Central Appraisal District based on the final property tax levy of each entity in proportion to the total property taxes levied in El Paso Central Appraisal District in accordance with the Texas Property Tax Code.

The difference between the amount budgeted and the amount actually spent is refunded or collected in the following year in this same ratio.

5. EMPLOYEES' RETIREMENT PLANS

DEFINED BENEFIT PENSION PLAN

General Information about the Pension Plan

Plan Description

The District participates in an agent multiple-employer defined benefit pension plan. The plan is administered by the Texas County & District Retirement System (TCDRS). TCDRS was created in 1967 by the Texas counties and districts to provide their employees with retirement, disability and survivor benefits. TCDRS is governed by the Texas Legislature and overseen by an independent board of trustees, which is responsible for the administration of the system. TCDRS does not receive state funding. Each plan is funded independently by the county or district, its employees and by investment earnings. The plan provides pensions for all regular full-time employees of the District.

Pension Plan Fiduciary Net Position

Detailed information about the District's Texas County & District Retirement System (TCDRS)'s fiduciary net position is available and can be obtained at www.tcdrs.org or by writing to TCDRS at Barton Oaks Bldg. # 4, Ste. 500, 901 MoPac Expwy South, Austin, TX 78746 or P.O. Box 2034, Austin, TX 78768-2034 or by calling 800-823-7782.

EL PASO CENTRAL APPRAISAL DISTRICT

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018 AND 2017

5. EMPLOYEES' RETIREMENT PLANS (Continued)

General Information about the Pension Plan (Continued)

Benefits Provided

TCDRS is not a one-size-fits-all system. Each employer maintains its own customized plan of retirement benefits. A percentage of each employee's paycheck is deposited into his or her TCDRS account on monthly basis. The employee's savings grow, by law, at a rate of 7%, compounded annually. The employer contribution, based on the elected matching, is also deposited in each employee's account. At retirement, the employee's account balance is combined with employer matching and converted into a lifetime monthly benefit.

Contributions

TCDRS is a model for responsible, disciplined funding. TCDRS does not receive any state funding, as an agent, multiple-employer plan, each participating employer in the system funds its plan independently. A combination of three elements funds each employer's plan; employee deposits, employer contributions and investment income.

- The deposit rate for employees is 4%, 5%, 6% or 7% of compensation, as adopted by employer's governing body.
- Participating employers are required to contribute at actuarially determined rates to ensure adequate funding for each employer's plan. Employer contribution rates are determined annually and approved by the TCDRS Board of Trustee.
- Investment income funds a large part of the benefits employees earn.

Pursuant to state law, employers participating in the system must pay 100% of their actuarially determined required contributions on an annual basis.

Each employer has the opportunity to make additional contributions in excess of its annual required contribution rate either by adopting an elected rate that is higher than the required rate or by making additional contributions on an ad hoc basis. Employers may make additional contributions to pay down their liabilities faster, pre-fund benefit enhancements and/or buffer against future adverse experience.

In addition, employers annually review their plans and may adjust benefits and costs based on their local needs and budgets. Although accrued benefits may not be reduced, employers may reduce future benefit accruals and immediately reduce costs. For the year ended September 30, 2018, all employees contributed 7.00% of compensation and the District made monthly contributions, as annually determined by TCDRS's actuary report, of 10.16% beginning January 1, 2017 and 10.24% beginning January 1, 2018.

EL PASO CENTRAL APPRAISAL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018 AND 2017**

5. EMPLOYEES' RETIREMENT PLANS (Continued)

Net Pension Liability

The District's net pension liability was measured as of December 31, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

Actuarial Assumptions

The total pension liability in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement.

Actuarial Cost Method	Entry Age Normal
Asset Valuation Method	
Smoothing period	5 years
Recognition method	Non-asymptotic
Corridor	None
Inflation	2.75%
Investment Rate of Return	8.10% (Gross of administrative expenses)
Mortality	
Depositing members	90% of the ARP-2014 Active Employee Mortality Table for males and 90% of the RP-2014 Active Employee Mortality Table for females, projected with 110% of the MP-2014 Ultimate scale after 2014.
Services retirees, beneficiaries and non-depositing members	130% of the RP-2014 Healthy Annuitant Mortality Table for males and 110% of the RP-2014 Healthy Annuitant Mortality Table for females, both projected with 110% of the MP-2014 Ultimate scale after 2014.
Disabled retirees	130% of the RP-2014 Disabled Annuitant Mortality Table for males and 115% of the RP-2014 Disabled Annuitant Mortality Table for females, both projected with 110% of the MP-2014 Ultimate scale after 2014.
Payroll Growth Rate	2.00%
Benefit changes during the year	None

EL PASO CENTRAL APPRAISAL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018 AND 2017**

5. EMPLOYEES' RETIREMENT PLANS (Continued)

Net Pension Liability (Continued)

Actuarial Assumptions (Continued)

The annual salary increase rates assumed for individual members vary by length of service and by entry-age group. The annual rates consist of a general wage inflation component of 3.25% (made up of 2.75% inflation and 0.5% productivity increase assumptions) and a merit, promotion and longevity component that on average approximates 1.6% per year for a career employee.

The actuarial assumptions used in the December 31, 2017 valuation were based on the results of an actuarial experience study for the period January 1, 2013 to December 31, 2016 except where required to be different by GASB 68.

The long-term expected rate of return on TCDRS assets is determined by adding expected inflation to expected long-term real returns and reflecting expected volatility and correlation. The capital market assumptions and information shown below are provided by TCDRS' investment consultant, Cliffwater LLC. The numbers shown are based on January 2018 information for the 10 year time horizon. Note that the valuation assumption for long-term expected return is re-assessed at a minimum of every four years and is set based on a 30-year time horizon; the most recent analysis was performed in 2017.

EL PASO CENTRAL APPRAISAL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018 AND 2017**

5. EMPLOYEES' RETIREMENT PLANS (Continued)

Net Pension Liability (Continued)

Actuarial Assumptions (Continued)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Geometric Real Rate of Return*</u>
US Equities	11.50%	4.55%
Private Equity	16.00%	7.55%
Global Equities	1.50%	4.85%
International Equities-Developed Markets	11.00%	4.55%
International Equities- Emerging Markets	8.00%	5.55%
Investment-Grade Bonds	3.00%	0.75%
Strategic Credit	8.00%	4.12%
Direct Lending	10.00%	8.06%
Distressed Debt	2.00%	6.30%
REIT Equities	2.00%	4.05%
Master Limited Partnerships	3.00%	6.00%
Private Real Estate Partnerships	6.00%	6.25%
Hedge Funds	<u>18.00%</u>	4.10%
	<u>100.00%</u>	

* Geometric real rates of return equal the expected return minus the assumed inflation of 1.95%, per Cliffwater's capital market assumptions.

EL PASO CENTRAL APPRAISAL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018 AND 2017**

5. EMPLOYEES' RETIREMENT PLANS (Continued)

Net Pension Liability (Continued)

Discount Rate

The discount rate used to measure the total pension liability was 8.10%. The discount rate is the single rate of return that, when applied to all projected benefit payments results in an actuarial present value of projected benefit payments equal to the total of the following:

- The actuarial present value of benefit payments projected to be made in future periods in which (a) the amount of the pension plan's fiduciary net position is projected to be greater than the benefit payments that are projected to be made in that period and (b) pension plan assets up to that point are expected to be invested using a strategy to achieve the long-term rate of return, calculated using the long-term expected rate of return on pension plan investments.
- The actuarial present value of projected benefit payments not include in (1), calculated using the municipal bond rate.

EL PASO CENTRAL APPRAISAL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018 AND 2017**

5. EMPLOYEES' RETIREMENT PLANS (Continued)

Changes in the Net Pension Liability for the year ended December 31, 2017:

	Changes in Net Pension Liability/(Asset)		
	Increase (Decrease)		Net Pension Liability/(Asset)
	Total Pension Liability	Fiduciary Net Pension	
	(a)	(b)	(a) - (b)
Balances as of December 31, 2016	\$ 8,421,999	\$ 7,449,949	\$ 972,050
Changes for the year:			
Service cost	1,073,768	-	1,073,768
Interest on total pension liability	764,893	-	764,893
Effect of plan changes	-	-	-
Effect of economic/demographic gains and losses	28,398	-	28,398
Effect of assumptions changes or input	51,385	-	51,385
Refund of contributions	(28,218)	(28,218)	-
Benefit payments	(79,158)	(79,158)	-
Administrative expenses	-	(6,422)	6,422
Member contributions	-	489,786	(489,786)
Net investment income	-	1,105,018	(1,105,018)
Employees contribution	-	710,889	(710,889)
Other	-	14,592	(14,592)
Balance as of December 31, 2017	<u>\$ 10,233,067</u>	<u>\$ 9,656,436</u>	<u>\$ 576,631</u>

EL PASO CENTRAL APPRAISAL DISTRICT

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018 AND 2017

5. EMPLOYEES' RETIREMENT PLANS (Continued)

Changes in the Net Pension Liability for the year ended December 31, 2016:

<u>Changes in Net Pension Liability/(Asset)</u>			
	Increase (Decrease)		
	Total Pension Liability	Fiduciary Net Pension	Net Pension Liability/(Asset)
	(a)	(b)	(a) - (b)
Balances as of December 31, 2015	\$ 6,938,835	\$ 5,886,491	\$ 1,052,344
Changes for the year:			
Service cost	1,129,860	-	1,129,860
Interest on total pension liability	601,533	-	601,533
Effect of plan changes	-	-	-
Effect of economic/demographic gains and losses	(112,724)	-	(112,724)
Effect of assumptions changes or input	-	-	-
Refund of contributions	(79,599)	(79,599)	-
Benefit payments	(55,906)	(55,906)	-
Administrative expenses	-	(4,816)	4,816
Member contributions	-	476,626	(476,626)
Net investment income	-	442,983	(442,983)
Employees contribution	-	681,000	(681,000)
Other	-	103,170	(103,170)
Balance as of December 31, 2016	<u>\$ 8,421,999</u>	<u>\$ 7,449,949</u>	<u>\$ 972,050</u>

EL PASO CENTRAL APPRAISAL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018 AND 2017**

5. EMPLOYEES' RETIREMENT PLANS (Continued)

Changes in the Net Pension Liability (Continued)

Discount Rate Sensitivity Analysis

The following schedule shows the impact of the Net Pension Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (8.10%) in measuring the 2017 and 2016 Net Pension Liability.

For year ended December 31, 2017:

	<u>1% Decrease in Discount Rate (7.10%)</u>	<u>Discount Rate (8.10%)</u>	<u>1% Increase in Discount Rate (9.10%)</u>
Total pension liability	\$ 11,881,987	\$ 10,233,067	\$ 8,873,140
Fiduciary net position	<u>9,656,435</u>	<u>9,656,436</u>	<u>9,656,435</u>
Net pension liability/(asset)	<u>\$ 2,225,552</u>	<u>\$ 576,631</u>	<u>\$ (783,295)</u>

For year ended December 31, 2016:

	<u>1% Decrease in Discount Rate (7.10%)</u>	<u>Discount Rate (8.10%)</u>	<u>1% Increase in Discount Rate (9.10%)</u>
Total pension liability	\$ 9,767,496	\$ 8,421,999	\$ 7,323,542
Fiduciary net position	<u>7,449,948</u>	<u>7,449,949</u>	<u>7,449,948</u>
Net pension liability/(asset)	<u>\$ 2,317,548</u>	<u>\$ 972,050</u>	<u>\$ (126,406)</u>

EL PASO CENTRAL APPRAISAL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018 AND 2017**

5. EMPLOYEES' RETIREMENT PLANS (Continued)

**Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources
Related to Pensions**

The District reported its deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

For the year ended September 30, 2018:

	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>
Differences between expected and actual experience	\$ 717,201	\$ 86,835
Changes in assumptions	-	98,177
Net difference between projected and actual earnings	274,699	138,141
Contributions made subsequent to measurement date	-	572,151
	<u>\$ 991,900</u>	<u>\$ 895,304</u>

For the year ended September 30, 2017:

	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>
Differences between expected and actual experience	\$ 836,735	\$ 77,697
Changes in assumptions	-	67,911
Net difference between projected and actual earnings	-	278,438
Contributions made subsequent to measurement date	-	558,721
	<u>\$ 836,735</u>	<u>\$ 982,767</u>

EL PASO CENTRAL APPRAISAL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018 AND 2017**

5. EMPLOYEES' RETIREMENT PLANS (Continued)

**Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources
Related to Pensions (Continued)**

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ended December 31,</u>	<u>Amount</u>
2019	\$ (57,107)
2020	(163,922)
2021	(179,586)
2022	(88,019)
2023	(88,016)
Thereafter	<u>(92,097)</u>
	<u>\$ (668,747)</u>

At September 30, 2018 and 2017, \$558,721 and \$531,699, were recognized as pension expense and reduction of deferred outflow of resources, respectively.

Payable to the Pension Plan

The District reported a payable of \$107,904 and \$149,268 at September 30, 2018 and 2017, respectively, for the outstanding amount of contributions to the pension plan required for the year ended.

Other Retirement Plans

In addition, the District offers its employees a deferred compensation plan in which participating employees may elect to contribute up to 33.33% of the participant's includible compensation for the taxable year, not to exceed the limits set by the IRS code 457(e) (15). The District does not make contributions to this plan.

The District also offers its employees a cafeteria plan allowing the employees to contribute pre-tax amounts from wages to cover certain costs the employee may incur, such as health insurance, medical reimbursement, and dependant care assistance.

EL PASO CENTRAL APPRAISAL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018 AND 2017**

6. ACCRUED VACATION LEAVE

The policy of El Paso Central Appraisal District provides that vacation leave is contingent upon past and further service; therefore, the cost related to accrued vacation leave has been recognized and is included in the balance sheet as accrued expenses. The amount accrued was \$539,558 and \$516,368 for the years ended September 30, 2018 and 2017, respectively.

7. COMMITMENTS

The organization leases computer equipment, pursuant to non-cancellable operating lease agreements. Rent expense on such computer equipment, was \$145,704 and \$146,978 for the years ended September 30, 2018 and 2017, respectively.

Minimum rental commitments on the above-mentioned operating leases by fiscal years are as follows:

Year ended September 30,	Amount
2019	\$ 143,459
2020	54,693
2021	16,530
2022	5,548
2023	1,149
	<u>\$ 221,379</u>

8. LITIGATION

There are currently numerous lawsuits pending in which the District is a party. These cases are in all stages of progress from just filed to trial awaiting entry of judgment. The District's liability is limited to attorney's fees and court costs in cases involving excessive and unequal appraisals only. The range of possible monetary loss to the District, if any, is undeterminable at this time.

9. RISK MANAGEMENT

The District is exposed to various risks of loss related to limited torts; theft of, damage to and destruction of assets; errors and omissions and natural disasters for which the District carries commercial insurance. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years.

EL PASO CENTRAL APPRAISAL DISTRICT

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018 AND 2017

10. SELF INSURED HEALTH CARE PLAN

Effective October 1, 2002, the District health care plan was changed from a third-party provider to a self-funded health care benefit plan providing medical, prescription drug and dental coverage. The plan is administered by Texas Municipal League –Intergovernmental Employee Benefit Plan (TML-IEBP) third party administrators (TPA).

The plan contains a Specific Excess Loss Coverage and an Aggregate Excess Loss coverage. Under the Specific Excess Loss coverage, for large claims, the stop loss carrier will reimburse claims, after a one-time \$30,000 aggregating specific deductible, in excess of \$65,000 specific retention amount per covered person for the year.

Under the Aggregate coverage, the stop loss carrier will pay claims that exceed the annual maximum claims liability not to exceed \$1,000,000 per policy period. As of September 30, 2018, the claims paid for the year have not exceeded the District's funding and no reserve for health care has been recorded.

11. ENCUMBERED FUNDS

On September 20, 2018, in accordance with Section 6.06(j), of the Texas Property Tax Code and AG Opinion GA-1040, the Board of Directors adopted a resolution to obligate revenue excess from the current budget year 2017/2018 in the amount of \$500,000 to replenish the litigation reserve for the fiscal year budget 2018/2019.

On September 15, 2017, in accordance with Section 6.06(j), of the Texas Property Tax Code and AG Opinion GA-1040, the Board of Directors adopted a resolution to obligate revenue excess from the current budget year 2016/2017 in the amount of \$400,000 to replenish the litigation reserve for the fiscal year budget 2017/2018.

The encumbered fund balance as of September 30, are the following:

	2018	2017
2017 Litigation Reserve	\$ 176,876	\$ 400,000
2018 Litigation Reserve	500,000	-
2016 Strategic Plan Fund Reserve	-	* 1,791
Committed Funds	<u>\$ 676,876</u>	<u>\$ 401,791</u>

* To be returned to the taxing entities.

EL PASO CENTRAL APPRAISAL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018 AND 2017**

11. ENCUMBERED FUNDS (Continued)

Funds can only be utilized upon Board of Directors approval. If for any reason the above item of obligation is satisfied and / or otherwise terminated, any excess remaining funds will be credited back to the taxing entities in accordance with Section 6.06 (j) of the Texas Property Tax Code. During the year ended September 30, 2018, \$223,124 from the 2017 Litigation Reserve were expensed. From the \$200,000 encumbered on September 15, 2016 for strategic plan for real property, \$198,209 was expensed in 2017 and \$1,791 was returned in 2018 to the Taxing Entities.

12. SUBSEQUENT EVENTS

Subsequent events were evaluated through February 4, 2019, which is the date the financial statements were able to be issued, and no items were noted.

REQUIRED SUPPLEMENTARY INFORMATION

EL PASO CENTRAL APPRAISAL DISTRICT**BUDGETARY COMPARISON SCHEDULE****GENERAL FUND****YEAR ENDED SEPTEMBER 30, 2018**

	Budget	Actual (Budgetary Basis)	Variance
REVENUES AND OTHER SOURCES			
Taxing jurisdictions	\$ 14,954,129	14,954,129	\$ -
Interest income	40,000	76,315	36,315
Rendition penalties	-	65,498	65,498
Miscellaneous	10,000	10,133	133
Total revenues and other sources	15,004,129	15,106,075	101,946
EXPENDITURES AND OTHER USES			
Salaries and wages	7,506,845	7,100,920	405,925
Employee benefits	3,027,070	2,555,175	471,895
Computer expense	8,000	3,687	4,313
Software support and licensing	618,783	691,383	(72,600)
Vehicles:			
Insurance	9,600	9,241	359
Gas, oil, and maintenance	58,000	31,724	26,276
Building:			
Utilities	250,594	173,953	76,641
Janitorial	6,800	4,262	2,538
Maintenance	140,000	135,774	4,226
Fixed asset acquisitions	258,200	314,472	(56,272)
Furniture and equipment:			
Lease payments	176,863	145,704	31,159
Maintenance	163,870	125,938	37,932
Small furniture and equipment	53,820	47,870	5,950
Paper, supplies, printing, and advertising	166,502	128,382	38,120
Postage	174,185	120,842	53,343
Seminars, conferences, travel, dues, registrations and state required schools	131,335	125,145	6,190
Board of Directors education	6,000	2,427	3,573
Bonding and general insurance	19,409	19,980	(571)
Audit fees	24,100	15,300	8,800
District presentation, Chief Appraiser, travel and schools	18,500	9,394	9,106
Books and publications	13,790	8,508	5,282
Legal fees	465,000	688,124	(223,124)
Appraisal Review Board	310,000	313,951	(3,951)
Liaison expense	47,700	35,568	12,132
Professional services	918,348	810,964	107,384

See independent auditor's report and notes to financial statements.

EL PASO CENTRAL APPRAISAL DISTRICT**BUDGETARY COMPARISON SCHEDULE****GENERAL FUND (CONTINUED)****YEAR ENDED SEPTEMBER 30, 2018**

	<u>Budget</u>	<u>Actual (Budgetary Basis)</u>	<u>Variance</u>
EXPENDITURES AND OTHER USES (Continued)			
Supplemental help, V.O.E. , etc.	\$ 31,000	\$ 48,154	\$ (17,154)
Arbitration	15,250	1,350	13,900
*10% Contingency fund	384,565	-	384,565
Litigation reserve	-	500,000	(500,000)
Prior encumbered funds used for litigation	-	(223,124)	223,124
Total expenditures and other uses	<u>15,004,129</u>	<u>13,945,068</u>	<u>1,059,061</u>
Excess of revenues and other sources over expenditures and other uses	<u>\$ -</u>	<u>\$ 1,161,007</u>	<u>\$ 1,161,007</u>

* The 10% contingency fund represents 10% of budgeted operating cost excluding personnel services expenditures. The funds are used to offset the unbudgeted and unforeseen expenditures determined necessary by management and authorized by the board during the fiscal year.

EL PASO CENTRAL APPRAISAL DISTRICT

**SCHEDULE OF CHANGES IN NET PENSION
LIABILITY AND RELATED RATIOS
YEARS ENDED DECEMBER 31, 2017, 2016, 2015 AND 2014**

	2017	2016	2015	2014
<u>Total Pension Liability</u>				
Service cost	\$ 1,073,768	\$ 1,129,860	\$ 951,664	\$ 900,802
Interest on total pension liability	764,893	601,533	569,394	454,213
Effect of plan changes	-	-	(182,929)	-
Effect of assumption changes or input	51,385	-	97,017	-
Effect of economic/demographic (gains) or losses	28,398	(112,724)	(1,070,087)	129,493
Benefit payments/refunds of contributions	(107,376)	(135,505)	(61,471)	(29,825)
Net change in total pension liability	<u>\$ 1,811,068</u>	<u>\$ 1,483,164</u>	<u>\$ 303,588</u>	<u>\$ 1,454,683</u>
Total pension liability, beginning	<u>8,421,999</u>	<u>6,938,835</u>	<u>6,635,247</u>	<u>5,180,564</u>
Total pension liability, ending (a)	<u>\$ 10,233,067</u>	<u>\$ 8,421,999</u>	<u>\$ 6,938,835</u>	<u>\$ 6,635,247</u>
<u>Fiduciary Net Position</u>				
Employer contributions	\$ 710,889	\$ 681,000	\$ 668,387	\$ 660,052
Member contributions	489,786	476,626	467,011	461,578
Investment income net of investment expenses	1,105,018	442,983	(90,507)	246,074
Benefit payment/refunds of contributions	(107,375)	(135,505)	(61,471)	(29,825)
Administrative expenses	(6,422)	(4,816)	(3,945)	(3,296)
Other	<u>14,591</u>	<u>103,170</u>	<u>8,259</u>	<u>1,244</u>
Net change in fiduciary net position	<u>2,206,487</u>	<u>1,563,458</u>	<u>987,734</u>	<u>1,335,827</u>
Fiduciary net position, beginning	<u>7,449,949</u>	<u>5,886,491</u>	<u>4,898,757</u>	<u>3,562,930</u>
Fiduciary net position, ending (b)	<u>\$ 9,656,436</u>	<u>\$ 7,449,949</u>	<u>\$ 5,886,491</u>	<u>\$ 4,898,757</u>
Net pension liability/(asset), ending =(a) - (b)	<u>\$ 576,631</u>	<u>\$ 972,050</u>	<u>\$ 1,052,344</u>	<u>\$ 1,736,490</u>
 Fiduciary net position as a % of total pension liability	 94.37%	 88.46%	 84.83%	 73.83%
Pensionable covered payroll	\$ 6,996,943	\$ 6,808,949	\$ 6,671,581	\$ 6,593,968
Net pension liability as a % of covered payroll	8.24%	14.28%	15.77%	26.33%

* The amounts presented above are as of the measurement date of the net pension liability (NPL).

** Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

EL PASO CENTRAL APPRAISAL DISTRICT

**SCHEDULE OF EMPLOYER CONTRIBUTIONS
YEARS ENDED DECEMBER 31, 2017, 2016, 2015, 2014, 2013, 2012, 2011, AND 2010**

Year ending December 31⁽¹⁾	Actuarially Determined Contributions⁽¹⁾	Actual Employer Contribution⁽¹⁾	Contribution Deficiency (excess)	Pensionable Covered Payroll⁽²⁾	Actual Contributions as a % of Payroll
2010	92,203	92,203	-	1,524,015	6.1%
2011	362,366	512,370	(150,004)	5,989,524	8.6%
2012	376,170	376,196	(26)	6,259,060	6.0%
2013	632,801	632,801	-	6,353,433	10.0%
2014	660,052	660,052	-	6,593,968	10.0%
2015	668,387	668,387	-	6,671,581	10.0%
2016	680,895	681,000	(105)	6,808,949	10.0%
2017	710,889	710,889	-	6,996,943	10.2%

⁽¹⁾ TCDRS calculates actuarially determined contributions on a calendar year basis. GASB Statement No. 68 indicates the employer should report employer contribution amounts on a fiscal year basis. If additional assistance is needed, please contact TCDRS.

⁽²⁾ Payroll is calculated based on contributions as reported to TCDRS.

EL PASO CENTRAL APPRAISAL DISTRICT

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

1. CHANGES OF BENEFITS TERMS

No changes for the year ended September 30, 2018.

2. CHANGES OF ASSUMPTIONS

There were no changes of assumptions for the year ended September 30, 2018.

SUPPLEMENTARY INFORMATION

EL PASO CENTRAL APPRAISAL DISTRICT
SUPPLEMENTARY INFORMATION
SCHEDULE OF EXPENDITURES
YEARS ENDED SEPTEMBER 30, 2018 AND 2017

	2018	2017
	(Memorandum Only)	(Memorandum Only)
GENERAL FUND		
Salaries and wages	\$ 7,100,920	\$ 7,012,106
Employee benefits	2,555,176	2,573,241
Computer	3,687	3,231
Software support and licensing	691,383	556,894
Vehicles:		
Insurance	9,241	8,976
Gas, oil, and maintenance	31,724	57,311
Building:		
Utilities	173,953	182,649
Janitorial	4,262	5,298
Maintenance	135,774	93,481
Furniture and equipment:		
Lease payments	145,704	146,978
Maintenance	125,938	143,593
Small furniture and equipment	47,870	34,830
Paper, supplies, printing, and advertising	128,382	103,646
Postage	120,842	101,091
Seminars, conferences, travel, dues, registrations and state required schools	125,145	129,019
Travel, Board of Directors	2,427	1,707
Bonding and general insurance	19,980	17,222
Audit fees	15,300	15,600
District presentation, Chief Appraiser, travel and schools	9,394	14,918
Books and publications	8,508	6,924
Legal fees	688,124	1,177,618
Appraisal Review Board	313,951	234,875
Professional services	810,964	1,036,491
Liaison expense	35,568	36,669
Arbitration	1,350	1,300
Supplemental help, V.O.E., etc.	48,154	32,036
Total General Fund	13,353,721	13,727,704
PLANT FUND		
Depreciation	249,946	254,609
TOTAL	<u>\$ 13,603,667</u>	<u>\$ 13,982,313</u>

See independent auditor's report and notes to financial statements.

EL PASO CENTRAL APPRAISAL DISTRICT
SUPPLEMENTARY INFORMATION
SCHEDULE OF REFUNDS DUE TO (DUE FROM) TAXING JURISDICTIONS
YEARS ENDED SEPTEMBER 30, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
PAYMENTS RECEIVED FROM TAXING JURISDICTIONS	<u>\$ 14,954,129</u>	<u>\$ 14,279,289</u>
EXPENDITURES REQUIRING TAXING JURISDICTION FUNDING		
Total expenditures	13,603,667	13,982,313
Depreciation expense	(249,946)	(254,609)
Expenditures covered by:		
Interest income	(76,315)	(33,556)
Rendition penalties income	(65,498)	(54,241)
Miscellaneous income	(10,134)	(6,151)
Fixed asset acquisitions	314,472	252,484
Strategic plan fund reserve	-	(1,791)
Litigation reserve	500,000	(400,000)
Unencumbered funds	<u>(223,124)</u>	<u>(198,207)</u>
Total expenditures requiring jurisdiction funding	<u>13,793,122</u>	<u>13,286,242</u>
DUE TO TAXING JURISDICTIONS, net of current year	<u>\$ 1,161,007</u>	<u>\$ 993,047</u>

See independent auditor's report and notes to financial statements.

EL PASO CENTRAL APPRAISAL DISTRICT

SUPPLEMENTARY INFORMATION

SCHEDULE OF REFUNDS DUE TO (DUE FROM) TAXING JURISDICTIONS (CONTINUED)

YEARS ENDED SEPTEMBER 30, 2018 AND 2017

	2018	2017
ALLOCATION SCHEDULE		
Anthony Independent School District	\$ 2,326	\$ 2,262
Anthony, Town of	1,241	1,022
Canutillo Independent School District	30,539	28,905
City of El Paso	283,027	237,496
Clint Independent School District	16,268	12,728
Clint, Town of	342	313
County of El Paso	185,327	163,300
El Paso Community College	59,550	49,960
El Paso County Emergency Services		
District #1	2,227	1,694
District #2	2,901	2,548
El Paso County Tornillo W.I.D.	66	60
El Paso County Water C.I.D. #4	188	143
El Paso Independent School District	214,266	184,439
Fabens Independent School District	2,472	2,077
Hacienda Del Norte Water District	175	157
Horizon City	3,812	3,264
Horizon Regional Municipal Utility District	6,044	5,002
Lower Valley Water District	3,059	2,738
Paseo del Este MUD #1	170	93
Paseo del Este MUD #2	765	535
Paseo del Este MUD #3	1,243	932
Paseo del Este MUD #4	3	3
Paseo del Este MUD #5	684	285
Paseo del Este MUD #6	28	11
Paseo del Este MUD #7	136	111
Paseo del Este MUD #8	611	253
Paseo del Este MUD #9	16	15
Paseo del Este MUD #10	1,276	1,135
Paseo del Este MUD #11	372	321
San Elizario Independent School District	2,748	2,659
San Elizario, City of	688	608
Socorro Independent School District	125,352	104,428
Socorro, City of	6,799	6,099
Tornillo Independent School District	845	961
University Medical Center of El Paso (formerly El Paso County Hospital)	106,998	87,743
Vinton, Town of	724	440
Ysleta Independent School District	97,719	88,307
DUE TO TAXING JURISDICTIONS, net current year	\$ 1,161,007	\$ 993,047

See independent auditor's report and notes to financial statements.

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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Directors
El Paso Central Appraisal District
El Paso, 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 of El Paso Central Appraisal District (The District), as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated February 4, 2019.

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.

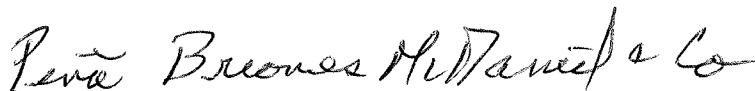
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not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

A handwritten signature in cursive script that reads "Peter Breones McDaniel & Co".

February 4, 2019
El Paso, Texas