

CONCHO CENTRAL APPRAISAL DISTRICT



2019 ANNUAL REPORT

121 South Roberts Street Paint Rock, Texas 76866

www.conchocad.org

GENERAL SUMMARY

In 2019, the appraisal district continued under the leadership of Ashley Mayfield as Chief Appraiser. Data in the internal ratio study indicated that there was a great deal of inconsistency in the appraisal process and in values compared to sales continued to be low. An examination of the cost schedules showed that those cost schedules had not been updated since the beginning of appraisal districts in 1982. The appraisal company was using unrealistic depreciation on properties to try to adjust the low-cost schedules up to market, but in most cases, they were not able to get the numbers correct.

The replacement costs of all types of structures were updated in early spring and new depreciation system utilizing age and condition was implemented to more accurately value property. This method usually improves the coefficient of dispersion which, in past years, has been very high in Concho County. This statistical measurement tests the consistency of the mass appraisal product.

When these changes were implemented and correct depreciation was implemented, the values rose significantly.

DATA

The district is responsible for establishing, maintaining and appraising approximately 8,968 accounts, covering 994 square miles within Concho County, with a total market value of \$1,175,731,397 billion dollars and a Net Taxable Value of \$281,513,994 million after all deductions. 7,223 of those accounts are classified as Real property. 224 accounts are classified as Personal property and 1,521 accounts are classified as Industrial and Mineral.

RATIO STUDIES

The last ratio study completed by the State Comptroller was released in February, 2018. Each school district was checked in the 2019 ratio study to ensure accuracy of appraisals throughout the county. A copy of the results is shown at the end of this report.

METHODS AND PROCEDURES STUDY

The State Comptroller's office is required by statute to review appraisal district governance, taxpayer assistance, operating procedures and appraisal standards, known as the MAPs study. In 2019, the comptroller conducted the MAPs study for Concho CAD. A few issues were pointed out by the auditor that needed correction. The staff will continue to make corrections for the review up until January 2021 to complete recommendations.

REAL ESTATE APPRAISAL ACTIVITY FOR 2019

Western Valuation looked at the properties in Eden CISD/Brady ISD. They alternate back and forth from Paint Rock ISD to Eden CISD/Brady ISD to recheck property and find new improvements. Adjustments were made to many accounts to reflect accurate age and conditions of improvements.

MINERAL VALUES

Mineral values remained rather consistent in 2019 due to the stabilization of oil prices. Capital Appraisal Group appraisers analyze the production of each lease and determined a decline curve for the well. Using a discounted cash flow, the value of each well is appraised by estimating the future value of economically recoverable reserves. Once the value of the well is estimated, the value is distributed to each operating and royalty interest.

BUSINESS PERSONAL PROPERTY AND UTILITIES

All business personal property used in the production of income in Texas is taxable. Taxpayers are required to render their taxable property to the appraisal district. Taxable items include inventory, furniture, fixtures, equipment, and vehicles. Inventory is taxable at its cost. Other assets are taxed based on their depreciated values. The renditions are due April 15th with extensions on May 15th. After receiving the renditions, the personal property appraisers check the renditions for accuracy and enter the data into the computer assisted mass appraisal system. Beginning in August of each year, the appraisers check all current accounts to ensure that accounts have been rendered appropriately and visit new businesses to estimate personal property values. The notices of value for BPP are generally mailed about May 25th.

APPEALS PROCESS

The appeals process begins in May after the first notices have been mailed. The staff worked with taxpayers who have questions about their values. Through shared information, most of the values are settled informally. In 2019, 169 appeals were filed. Of that number, only 13 people appeared before the appraisal review board and received an order.

LEGISLATIVE CHANGES

The Texas Legislature meets in odd-numbered years. At this time, we are uncertain which bills will be approved. The Comptroller's Property Tax Assistance Division publishes a booklet of property tax law changes and updates from each session. If the booklet is available at the time of this report, a copy will be attached.

FINANCIAL REPORT

The 2018 fiscal year was completed December 31 and the District auditors, Eide Bailly, completed the audit on July 8, 2019. The final expenditures for the year totaled \$385,970. The District completed their fiscal year with a deficit of \$57,753. The Board of Directors will continue to look at the fund balance to determine the actual needs of the district going forward. A copy of the audit is attached to this report.

The Texas Property Tax Classification Guide:

| Code | Category Name | Description |
|------|--|--|
| A | Real Property: Single-family Residential | Houses, condominiums and mobile homes located on land owned by the occupant. |
| B | Real Property: Multi-family Residential | Residential structures containing two or more dwelling units belonging to one owner. Includes apartments but not motels or hotels. |
| C | Real Property: Vacant Lots and Tracts | Unimproved land parcels usually located within or adjacent to cities with no minimum or maximum size requirement. |
| D1 | Real Property: Qualified Agricultural Land | All acreage qualified for productivity valuation under Texas Constitution, Article VIII, 1d or 1-d-1. |
| D2 | Real Property: Farm and Ranch Improvements on Qualified Open-Space Land | Farm and ranch improvements, such as barns and other structures, on qualified open-space land should not be reported as Category E property. |
| E | Real Property: Rural Land, not qualified for open-space land appraisal, and Improvements | Only rural land that is not qualified for productivity valuation and the improvements, including residential, on that land should be reported as E. |
| F1 | Real Property: Commercial | Land and improvements devoted to sales, entertainment or services to the general public. Primarily Retail. Does not include utility property. The primary consideration is whether the warehouse is used as part of the manufacturing process. |
| F2 | Real Property: Industrial | Land and improvements devoted to the development, manufacturing, fabrication, processing or storage of a product, except for utility. The primary consideration is whether the warehouse is used as part of the manufacturing process. |
| G | Oil, Gas and Other Minerals | Producing and non-producing wells, all other minerals and mineral interests, and equipment used to bring the oil and gas to the surface, not including surface rights. |
| H | Tangible Personal Property: Non-business Vehicles | Privately owned automobiles, motorcycles and light trucks not used to produce income. |
| L1 | Personal Property: Commercial | All tangible personal property used by a commercial business to produce income, including fixtures, equipment and inventory. |
| L2 | Personal Property: Industrial | All tangible personal property used by an industrial business to produce income, including fixture, equipment and inventory. |

| | | |
|----------|--|---|
| M | Mobile Homes and Other Tangible Personal Property | Taxable personal property not included in other categories, such as mobile homes on land owned by someone else. It also may include privately owned aircraft, boats, travel trailers, and or motor homes on rented or leased land |
| N | Intangible Personal Property | All taxable intangible property not otherwise classified. |
| O | Real Property: Residential Inventory | Residential real property inventory held for sale and appraised as provided by Tax Code Section 23.12 |
| S | Special Inventory | Certain property inventories of business that provide items for sale to the public. State law requires the appraisal district to appraise these inventory items based on business's total annual sales in prior tax year. Category S properties include dealer's motor vehicle inventory, dealer's vessel and outboard motor inventory, and retail manufactured housing inventory. |
| X | Exempt Property | Exempt property must have the qualification found in law, mainly the Tax Code. |

2019 Partial Exemptions

| Taxing Entity | State-Mandated Homestead Exemption | | State-Mandated OV-65 Exemption | | State-Mandated Disability Exemption | | State-Mandated Veteran's Exemption | |
|------------------------------------|------------------------------------|----------------------|--------------------------------|----------------------|-------------------------------------|----------------------|------------------------------------|----------------------|
| | Total Number | Total Value Exempted | Total Number | Total Value Exempted | Total Number | Total Value Exempted | Total Number | Total Value Exempted |
| Cocho County | N/A | N/A | N/A | N/A | N/A | N/A | 40 | \$1,316,450 |
| Lateral Road | 731 | \$2,138,514 | 0 | \$0 | 0 | \$0 | 39 | \$1,270,310 |
| City of Paint Rock | N/A | N/A | N/A | N/A | N/A | N/A | 4 | \$55,210 |
| Paint Rock ISD | 243 | \$5,613,320 | 115 | \$1,078,830 | 3 | \$24,230 | 10 | \$240,990 |
| City of Eden | N/A | N/A | N/A | N/A | N/A | N/A | 18 | \$412,660 |
| Eden CISD | 471 | \$10,944,152 | 205 | \$1,894,153 | 18 | \$159,000 | 25 | \$681,110 |
| Hospital District | N/A | N/A | N/A | N/A | N/A | N/A | 40 | \$1,316,450 |
| Lipan Kikapoo Water District | N/A | N/A | N/A | N/A | N/A | N/A | 17 | \$836,580 |
| Hickory Underground Water District | N/A | N/A | N/A | N/A | N/A | N/A | 19 | \$424,660 |
| Brady ISD | 17 | \$424,520 | 15 | \$140,240 | N/A | N/A | N/A | N/A |

2019 STATE REPORT OF VALUE

048-901/Eden CISD

| Category | Local Tax Roll Value | 2019 WTD Mean Ratio | 2019 PTAD Value Estimate | 2019 Value Assigned |
|------------------------------|----------------------|---------------------|--------------------------|---------------------|
| A. SINGLE-FAMILY RESIDENCES | 22,153,794 | N/A | 22,153,794 | 22,153,794 |
| C1. VACANT LOTS | 565,380 | N/A | 565,380 | 565,380 |
| D1. QUALIFIED AG LAND | 28,541,853 | N/A | 28,541,853 | 28,541,853 |
| D2. REAL PROP:FARM & RANCH | 8,015,194 | N/A | 8,015,194 | 8,015,194 |
| E. REAL PROP NONQUAL ACREAGE | 25,443,619 | N/A | 25,443,619 | 25,443,619 |
| F1. COMMERCIAL REAL | 4,862,310 | N/A | 4,862,310 | 4,862,310 |
| F2. INDUSTRIAL REAL | 169,063,434 | N/A | 169,063,434 | 169,063,434 |
| G. OIL,GAS,MINERALS | 25,617,870 | N/A | 25,617,870 | 25,617,870 |
| J. UTILITIES | 10,245,959 | N/A | 10,245,959 | 10,245,959 |
| L1. COMMERCIAL PERSONAL | 2,724,160 | N/A | 2,724,160 | 2,724,160 |
| L2. INDUSTRIAL PERSONAL | 5,251,365 | N/A | 5,251,365 | 5,251,365 |
| M. MOBILE HOMES | 385,560 | N/A | 385,560 | 385,560 |
| S. SPECIAL INVENTORY | 203,800 | N/A | 203,800 | 203,800 |
| Subtotal | 303,074,298 | 0 | 303,074,298 | 303,074,298 |
| Less Total Deductions | 153,373,232 | 0 | 153,373,232 | 153,373,232 |
| Total Taxable Value | 149,701,066 | 0 | 149,701,066 | 149,701,066 |

048-903/Paint Rock ISD

| Category | Local Tax Roll Value | 2019 WTD Mean Ratio | 2019 PTAD Value Estimate | 2019 Value Assigned |
|---------------------------------------|----------------------|---------------------|--------------------------|---------------------|
| A. SINGLE-FAMILY RESIDENCES | 22,361,959 | N/A | 22,361,959 | 22,361,959 |
| C1. VACANT LOTS | 3,217,871 | N/A | 3,217,871 | 3,217,871 |
| D1. QUALIFIED AG LAND | 14,585,040 | N/A | 14,585,040 | 14,585,040 |
| D2. REAL PROP:FARM & RANCH | 3,922,424 | N/A | 3,922,424 | 3,922,424 |
| E. REAL PROP NONQUAL ACREAGE | 14,058,248 | N/A | 14,058,248 | 14,058,248 |
| F1. COMMERCIAL REAL | 1,387,890 | N/A | 1,387,890 | 1,387,890 |
| F2. INDUSTRIAL REAL | 88,200 | N/A | 88,200 | 88,200 |
| G. OIL,GAS,MINERALS | 1,021,101 | N/A | 1,021,101 | 1,021,101 |
| J. UTILITIES | 20,309,836 | N/A | 20,309,836 | 20,309,836 |
| L1. COMMERCIAL PERSONAL | 480,460 | N/A | 480,460 | 480,460 |
| L2. INDUSTRIAL PERSONAL | 3,803,378 | N/A | 3,803,378 | 3,803,378 |
| M. MOBILE HOMES | 1,173,940 | N/A | 1,173,940 | 1,173,940 |
| O. RESIDENTIAL INVENTORY | 166,410 | N/A | 166,410 | 166,410 |
| Subtotal | 86,576,757 | 0 | 86,576,757 | 86,576,757 |
| Less Total Deductions | 11,308,323 | 0 | 11,308,323 | 11,308,323 |
| Total Taxable Value | 75,268,434 | 0 | 75,268,434 | 75,268,434 |

2019

48-CONCHO COUNTY (2019)

Ptd Recap

| Ptd Code | Count | Market Value | Land | Special | Special Mkt | Building | New Homesite | Personal | Mineral | Exempt |
|-----------|-------|--------------|-----------|------------|-------------|------------|--------------|-------------|------------|---------|
| | 6 | 441.460 | 0 | 880 | 6.660 | 216.540 | 0 | 218.260 | 0 | 213.610 |
| - TOTAL | 6 | 441.460 | 0 | 880 | 6.660 | 216.540 | 0 | 218.260 | 0 | 213.610 |
| A1 | 769 | 35.875.843 | 1.199.340 | 3.330 | 155.360 | 34.521.143 | 352.980 | 0 | 0 | 172.150 |
| A2 | 73 | 2.035.450 | 152.090 | 0 | 0 | 1.883.360 | 188.080 | 0 | 0 | 0 |
| A3 | 70 | 13.449.850 | 1.144.930 | 0 | 0 | 12.304.920 | 0 | 0 | 0 | 0 |
| A4 | 26 | 1.820.790 | 338.600 | 0 | 0 | 1.482.190 | 0 | 0 | 0 | 0 |
| A5 | 55 | 6.036.660 | 615.130 | 0 | 0 | 5.421.530 | 0 | 0 | 0 | 0 |
| A6 | 62 | 3.040.380 | 266.360 | 0 | 0 | 2.774.020 | 0 | 0 | 0 | 0 |
| A7 | 16 | 143.580 | 0 | 0 | 0 | 143.580 | 0 | 0 | 0 | 0 |
| A - TOTAL | 1.071 | 62.402.553 | 3.716.450 | 3.330 | 155.360 | 58.530.743 | 541.060 | 0 | 0 | 172.150 |
| C1 | 615 | 1.035.780 | 773.360 | 50 | 830 | 261.590 | 20.250 | 0 | 0 | 53.900 |
| C3 | 124 | 1.905.582 | 1.508.402 | 800 | 30.000 | 367.180 | 0 | 0 | 0 | 14.270 |
| C4 | 247 | 2.078.239 | 1.788.049 | 0 | 0 | 290.190 | 0 | 0 | 0 | 1.550 |
| C - TOTAL | 986 | 5.019.601 | 4.069.811 | 850 | 30.830 | 918.960 | 20.250 | 0 | 0 | 69.720 |
| D1 | 3.744 | 747.044.507 | 1.540 | 50.144.792 | 747.042.967 | 0 | 0 | 0 | 0 | 0 |
| D2 | 751 | 16.531.038 | 464.690 | 0 | 0 | 16.066.348 | 338.700 | 0 | 0 | 0 |
| D - TOTAL | 4.495 | 763.575.545 | 466.230 | 50.144.792 | 747.042.967 | 16.066.348 | 338.700 | 0 | 0 | 0 |
| E | 28 | 506.710 | 0 | 0 | 0 | 506.710 | 425.800 | 0 | 0 | 0 |
| E1 | 579 | 43.340.779 | 863.276 | 0 | 0 | 42.477.503 | 770.370 | 0 | 0 | 0 |
| E2 | 45 | 1.757.670 | 52.070 | 0 | 0 | 1.705.600 | 16.090 | 0 | 0 | 0 |
| E4 | 78 | 2.030.580 | 1.731.580 | 10 | 60 | 298.940 | 10.380 | 0 | 0 | 0 |
| E - TOTAL | 730 | 47.635.739 | 2.646.926 | 10 | 60 | 44.988.753 | 1.222.640 | 0 | 0 | 0 |
| F1 | 196 | 8.590.860 | 453.490 | 0 | 0 | 8.137.370 | 3.250 | 0 | 0 | 186.300 |
| F2 | 52 | 169.595.344 | 281.440 | 0 | 0 | 1.228.380 | 17.050 | 168.085.524 | 0 | 53.000 |
| F - TOTAL | 248 | 178.186.204 | 734.930 | 0 | 0 | 9.365.750 | 20.300 | 168.085.524 | 0 | 239.300 |
| G1 | 1.329 | 27.094.182 | 0 | 0 | 0 | 0 | 0 | 0 | 27.094.182 | 0 |
| G - TOTAL | 1.329 | 27.094.182 | 0 | 0 | 0 | 0 | 0 | 0 | 27.094.182 | 0 |
| I3 | 7 | 19.365.987 | 0 | 0 | 0 | 0 | 0 | 19.365.987 | 0 | 0 |
| I4 | 13 | 1.163.187 | 0 | 0 | 0 | 0 | 0 | 1.163.187 | 0 | 0 |
| I6 | 48 | 19.056.262 | 0 | 0 | 0 | 0 | 0 | 19.056.262 | 0 | 0 |
| I7 | 3 | 2.372 | 0 | 0 | 0 | 0 | 0 | 2.372 | 0 | 0 |
| I - TOTAL | 71 | 39.587.808 | 0 | 0 | 0 | 0 | 0 | 39.587.808 | 0 | 0 |
| L1 | 142 | 3.048.810 | 0 | 0 | 0 | 0 | 0 | 3.048.810 | 0 | 0 |
| L2 | 103 | 15.718.135 | 0 | 0 | 0 | 0 | 0 | 15.718.135 | 0 | 13.119 |

| | | | | | | | | | | |
|-----------|-------|---------------|------------|------------|-------------|-------------|-----------|-------------|------------|------------|
| L - TOTAL | 245 | 18,766.945 | 0 | 0 | 0 | 0 | 0 | 18,766.945 | 0 | 13.119 |
| M1 | 47 | 1,685.650 | 0 | 0 | 0 | 1,685.650 | 20.940 | 0 | 0 | 0 |
| M - TOTAL | 47 | 1,685.650 | 0 | 0 | 0 | 1,685.650 | 20.940 | 0 | 0 | 0 |
| O | 3 | 166.410 | 164.180 | 0 | 0 | 2.230 | 0 | 0 | 0 | 0 |
| O - TOTAL | 3 | 166.410 | 164.180 | 0 | 0 | 2.230 | 0 | 0 | 0 | 0 |
| S1 | 1 | 203.800 | 0 | 0 | 0 | 0 | 0 | 203.800 | 0 | 0 |
| S - TOTAL | 1 | 203.800 | 0 | 0 | 0 | 0 | 0 | 203.800 | 0 | 0 |
| X | 22 | 1,745.200 | 72.010 | 0 | 0 | 1,640.960 | 20.730 | 32.230 | 0 | 1,745.200 |
| XA | 3 | 19.560 | 19.560 | 0 | 0 | 0 | 0 | 0 | 0 | 19.560 |
| XCY | 1 | 24.250 | 24.050 | 0 | 0 | 200 | 0 | 0 | 0 | 24.250 |
| XG | 30 | 3,565.680 | 209.220 | 0 | 0 | 1,205.920 | 0 | 2,150.540 | 0 | 3,565.680 |
| XN | 2 | 65.930 | 0 | 0 | 0 | 0 | 0 | 65.930 | 0 | 65.930 |
| XV | 378 | 25,544.880 | 20,916.700 | 0 | 0 | 4,628.180 | 0 | 0 | 0 | 25,539.900 |
| X - TOTAL | 436 | 30,965.500 | 21,241.540 | 0 | 0 | 7,475.260 | 20.730 | 2,248.700 | 0 | 30,960.520 |
| PTD TOTAL | 9,668 | 1,175,731.397 | 33,040.067 | 50,149.862 | 747,235.877 | 139,250.234 | 2,184.620 | 229,111.037 | 27,094.182 | 31,668.419 |
| MIXED PTD | 805 | 206,646.257 | 43,990 | 14,927.783 | 206,581.397 | 20,870 | 3,060 | 0 | 0 | 46,250 |

48-CONCHO COUNTY (2019)

Acreage Breakdown by Jurisdiction

Total D1 Acres 604,809
 Total D1 Market 747,235,877

| | Total Qualified Acres | Total Market Value | Total Productivity Value |
|------------------------------|-----------------------|--------------------|--------------------------|
| Irrigated Cropland | 1,994 | 2,546,244 | 714,193 |
| Dryland Cropland | 130,270 | 176,598,530 | 18,939,365 |
| Barren / Wasteland | 293,800 | 325,346,457 | 16,453,310 |
| Orchards | 30 | 76,053 | 12,160 |
| Improved Pastureland | 10,818 | 14,443,255 | 822,164 |
| Native Pastureland | 167,083 | 227,658,938 | 13,196,676 |
| Wildlife Management | 89 | 146,834 | 5,924 |
| Timberland (at productivity) | 0 | 0 | 0 |
| Timberland (at 1978 market) | 0 | 0 | 0 |
| Transition to Timber | 0 | 0 | 0 |
| Timberland at Restricted Use | 0 | 0 | 0 |
| Other Agricultural Land | 725 | 419,566 | 6,070 |
| Total | 604,809 | 747,235,877 | 50,149,862 |

2019 Partial Exemptions

| Taxing Entity | State-Mandated Homestead Exemption | | State-Mandated OV-65 Exemption | | State-Mandated Disability Exemption | | State-Mandated Veteran's Exemption | |
|------------------------------------|------------------------------------|----------------------|--------------------------------|----------------------|-------------------------------------|----------------------|------------------------------------|----------------------|
| | Total Number | Total Value Exempted | Total Number | Total Value Exempted | Total Number | Total Value Exempted | Total Number | Total Value Exempted |
| Concho County | N/A | N/A | N/A | N/A | N/A | N/A | 40 | \$1,316,450 |
| Lateral Road | 731 | \$2,138,514 | 0 | \$0 | 0 | \$0 | 39 | \$1,270,310 |
| City of Paint Rock | N/A | N/A | N/A | N/A | N/A | N/A | 4 | \$55,210 |
| Paint Rock ISD | 243 | \$5,613,320 | 115 | \$1,078,830 | 3 | \$24,230 | 10 | \$240,990 |
| City of Eden | N/A | N/A | N/A | N/A | N/A | N/A | 18 | \$412,660 |
| Eden CISD | 471 | \$10,944,152 | 205 | \$1,894,153 | 18 | \$159,000 | 25 | \$681,110 |
| Hospital District | N/A | N/A | N/A | N/A | N/A | N/A | 40 | \$1,316,450 |
| Lipan Kickapoo Water District | N/A | N/A | N/A | N/A | N/A | N/A | 17 | \$836,580 |
| Hickory Underground Water District | N/A | N/A | N/A | N/A | N/A | N/A | 19 | \$424,660 |
| Brady ISD | 17 | \$424,520 | 15 | \$140,240 | N/A | N/A | N/A | N/A |



**Financial Statements
December 31, 2018**

Concho Central Appraisal District

Concho Central Appraisal District
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December 31, 2018

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CPAs & BUSINESS ADVISORS

Independent Auditor's Report

The Board of Directors
Concho Central Appraisal District
Paint Rock, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the major fund and the aggregate remaining fund information of the Concho Central Appraisal 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

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund and the aggregate remaining fund information of the Concho Central Appraisal District as of December 31, 2018, and the respective changes in financial position and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the required supplementary information on pages 23-25 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.

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement 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. Our opinion on the basic financial statements is not affected by this missing information.

Eide Bailly LLP

Abilene, Texas
July 8, 2019

Concho Central Appraisal District
Statement of Net Position and Governmental Fund Balance Sheet
December 31, 2018

| | General Fund | Adjustments (Note A) | Statement of Net Position |
|--|-------------------|-------------------------|------------------------------|
| Assets | | | |
| Cash and cash equivalents | \$ 213,378 | \$ - | \$ 213,378 |
| Amounts due from taxing authorities | 110 | - | 110 |
| Due from agency fund | 17,297 | - | 17,297 |
| Capital assets, net | - | 102,958 | 102,958 |
| Net pension asset | - | 354 | 354 |
| Total assets | 230,785 | 103,312 | 334,097 |
| Deferred outflows of resources | | | |
| Deferred outflows - pension | - | 18,077 | 18,077 |
| Total assets and deferred outflows of resources | \$ 230,785 | 121,389 | 352,174 |
| Liabilities | | | |
| Accounts payable | \$ 3,000 | - | 3,000 |
| Employee benefits payable | 2,154 | - | 2,154 |
| Unearned revenue | 82,617 | - | 82,617 |
| Total liabilities | 87,771 | - | 87,771 |
| Fund balance/Net position | | | |
| Fund balances | | | |
| Assigned for litigation | 143,014 | (143,014) | - |
| Total fund balances | 143,014 | (143,014) | - |
| Total liabilities and fund balances | \$ 230,785 | (143,014) | 87,771 |
| Net position | | | |
| Investment in capital assets | | 102,958 | 102,958 |
| Unrestricted | | 161,445 | 161,445 |
| Total net position | | \$ 264,403 | \$ 264,403 |

Concho Central Appraisal District
Note A – Adjustments to the Governmental Fund Balance Sheet
December 31, 2018

| | |
|--|--------------------------|
| Total Fund Balances - Governmental Fund Balance Sheet | \$ 143,014 |
| Amounts reported for governmental activities in the statement of net position are different because: | |
| Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental fund. At the end of the year, the cost of these assets was \$126,945 and the accumulated depreciation was \$23,987. The net effect of including capital assets (net of depreciation) in the governmental activities is an increase to net position. | 102,958 |
| The District recognized a net pension asset in the amount of \$354 and deferred outflows of resources of \$18,077 related to its pension plan. The net effect of these is an increase to net position. | 18,431 |
| Total Net Position - Statement of Net Position | <u>\$ 264,403</u> |

Concho Central Appraisal District
Statement of Activities and Statement of Governmental Fund Revenues, Expenditures, and Changes in Fund
Balance
Year Ended December 31, 2018

| | General Fund | Adjustments (Note B) | Statement of Activities |
|--|-------------------|-------------------------|----------------------------|
| Revenues | | | |
| Appraisal assessments | \$ 328,622 | \$ - | \$ 328,622 |
| Interest income | 415 | - | 415 |
| Other income | 3,613 | - | 3,613 |
| Total revenues | 332,650 | - | 332,650 |
| Expenditures | | | |
| Current | | | |
| Salaries, benefits and payroll taxes | 171,116 | (6,310) | 164,806 |
| Computer services | 17,956 | - | 17,956 |
| Education | 3,040 | - | 3,040 |
| Insurance | 2,131 | - | 2,131 |
| Mapping | 9,857 | - | 9,857 |
| Office expense | 13,117 | - | 13,117 |
| Postage/meter rental | 3,227 | - | 3,227 |
| Professional services | 57,095 | - | 57,095 |
| Utilities | 8,403 | - | 8,403 |
| Miscellaneous | 21,860 | - | 21,860 |
| Capital outlay | 78,168 | (68,168) | 10,000 |
| Depreciation | - | 1,160 | 1,160 |
| Total expenditures | 385,970 | (73,318) | 312,652 |
| Change in fund balance/net position | (53,320) | 73,318 | 19,998 |
| Fund balance/net position | | | |
| Beginning of year | 196,334 | 48,071 | 244,405 |
| End of year | \$ 143,014 | \$ 121,389 | \$ 264,403 |

Concho Central Appraisal District
Note B – Adjustments to the Statement of Governmental Fund Revenues, Expenditures, and Changes in Fund
Balance
Year Ended December 31, 2018

| | |
|--|------------------|
| Net Change in Fund Balance - Governmental Fund | \$ (53,320) |
| Amounts reported for governmental activities in the statement of activities are different because: | |
| Current year capital outlays are expenditures in the fund financial statements but are shown as increases in capital assets in the government-wide financial statements. | 68,168 |
| Depreciation is not recognized as an expenditure in the governmental fund since it does not require the use of current financial resources. The effect of recording current year depreciation is to decrease net position. | (1,160) |
| Certain expenditures for the pension that are recorded to the fund financial statements must be recorded as deferred outflows of resources. Contributions made after the measurement date caused the change in net position to increase in the amount of \$14,508. The District's share of the unrecognized deferred outflows for TCDRS as of the measurement date must be amortized and the District's pension expense must be recognized. These cause the changes in net position to decrease in the amount of \$8,198. The net effect is an increase in net position. | <u>6,310</u> |
| Change in Net Position - Statement of Activities | <u>\$ 19,998</u> |

Concho Central Appraisal District
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund
Year Ended December 31, 2018

| | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Variance from Final Budget</u> |
|--------------------------------------|----------------------------|-------------------------|-----------------|---------------------------------------|
| Revenues | | | | |
| Appraisal assessments | \$ 328,622 | \$ 328,622 | \$ 328,622 | \$ - |
| Interest income | - | - | 415 | 415 |
| Other income | - | - | 3,613 | 3,613 |
| Total revenues | 328,622 | 328,622 | 332,650 | 4,028 |
| Expenditures | | | | |
| Current | | | | |
| Salaries, benefits and payroll taxes | 158,322 | 167,950 | 171,116 | (3,166) |
| Computer services | 32,150 | 15,832 | 17,956 | (2,124) |
| Education | 2,500 | 3,100 | 3,040 | 60 |
| Insurance | 3,000 | 2,250 | 2,131 | 119 |
| Mapping | 8,000 | 10,000 | 9,857 | 143 |
| Office expense | 20,500 | 17,050 | 13,117 | 3,933 |
| Postage/meter rental | 5,000 | 3,500 | 3,227 | 273 |
| Professional services | 66,000 | 61,300 | 57,095 | 4,205 |
| Utilities | 10,000 | 8,500 | 8,403 | 97 |
| Miscellaneous | 19,150 | 18,725 | 21,860 | (3,135) |
| Contingency | 3,000 | - | - | - |
| Capital outlay | 1,000 | 78,168 | 78,168 | - |
| Total expenditures | 328,622 | 386,375 | 385,970 | 405 |
| Change in fund balance | - | (57,753) | (53,320) | 4,433 |
| Fund balance | | | | |
| Beginning of year | 196,334 | 196,334 | 196,334 | - |
| End of year | \$ 196,334 | \$ 138,581 | \$ 143,014 | \$ 4,433 |

Concho Central Appraisal District
Statement of Fiduciary Net Position
December 31, 2018

| | <u>Agency Fund</u> |
|---------------------------|----------------------------|
| Assets | |
| Cash and cash equivalents | <u>\$ 1,106,474</u> |
| Total assets | <u><u>\$ 1,106,474</u></u> |
| Liabilities | |
| Due to taxing authorities | \$ 1,089,177 |
| Due to general fund | <u>17,297</u> |
| Total liabilities | <u><u>\$ 1,106,474</u></u> |

Note 1 - Reporting Entity

Concho Central Appraisal District (the District) was organized, created and established pursuant to rules established by the Texas Property Tax Code (the Code) Section 6.01. The Code established an appraisal district in each county of the State of Texas. The District is responsible for appraising property in the District for ad valorem tax purposes of each taxing unit that imposes ad valorem taxes on property in the District.

The District is a political subdivision of the State of Texas and is considered a primary government. The financial statements of the District consist only of the funds of the District. The District has no oversight responsibility for any other governmental entity since no other entities are considered to be controlled by or dependent on the District. Control or dependence is determined on the basis of budget adoption, taxing authority, funding, and appointment of the respective governing board. Additionally, as the District is considered a primary government for financial reporting purposes, its activities are not considered a part of any other governmental or other type of reporting entity.

Note 2 - Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e. the statement of net position and the statement of activities) report information on all of the activities of the primary government. The effect of interfund activity has been removed from these statements. Interfund balances between governmental funds and fiduciary funds remain as interfund receivables and payables on the government-wide statement of net position. Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

Note 3 - Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of timing of related cash flows.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenue to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

Interest income is considered to be susceptible to accrual and thus has been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when the District receives cash.

The District reports the following governmental fund:

The General Fund is the District's primary operating fund. It accounts for all financial resources of the general fund.

Additionally, the District reports the following fund type:

The Agency Fund is a fiduciary fund type which includes tax collections held for taxing authorities. The fund is purely custodial in nature and does not involve the measurement of the results of operations.

Note 4 - Assets, Liabilities and Net Position or Equity

Deposits and Investments

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the District to invest in certificates of deposit, fully collateralized repurchase agreements, public funds investment pools, obligations of the United States or its agencies, direct obligations of the State of Texas or its agencies, prime domestic bankers acceptances, commercial paper, SEC registered no-load money market mutual funds, other obligations which are unconditionally guaranteed or insured by the State of Texas or the United States or its agencies and instrumentalities, and obligations of states, agencies, counties, cities and other political subdivisions having been rated as to investment quality by a nationally recognized investment rating firm and having received a rating of not less than "A" or its equivalent. During the year ended December 31, 2018, the District did not own any types of securities other than those permitted by statute.

The Board of Directors of the District authorize the District to invest, with certain stipulations, in obligations of the U.S. Government, its agencies and instrumentalities, direct obligations of the State of Texas or its agencies, money market investment accounts with no load, negotiable order of withdrawal accounts, time deposits and certificates of deposit issued by banks located in Texas. In order to insure timely investment of District funds to obtain maximum interest benefit, the Investment Officer may invest, without prior approval, in the following investments: bank certificate of deposits that are guaranteed with a maximum allowable maturity of 365 days. At December 31, 2018, the District had \$1,163,230 (bank balances) invested in interest-bearing checking or savings accounts.

Capital Assets

Capital assets, which include property, plant and equipment, are reported in the statement of net position. The District does not currently have a capitalization threshold policy. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated assets are recorded at acquisition value. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Property, plant, and equipment of the District are depreciated using the straight-line method over the following estimated useful lives:

| Assets | Years |
|-------------------------------|-------|
| Buildings and Improvements | 30-40 |
| Office and computer equipment | 7 |

Compensated Absences

District employees are entitled to vacation and sick leave based on their length of employment. Vacation leave does not accumulate or vest. Sick leave may accrue but shall not exceed 30 days. Leave balances exceeding this maximum as of December 31 each year shall be reduced to the allowable limit without compensation. Employees are not paid for unused sick leave upon separation from service.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and deferred outflows of resources and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

Deferred Outflows

In addition to assets, the statement of net position will report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. The District has deferred outflows of resources related to its pension plan.

Deferred Inflows

In addition to liabilities, the statement of net position will report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District currently has no deferred inflows.

Pensions

The fiduciary net position of the Texas County & District Retirement System (TCDRS) has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. This includes for purposes of measuring the net pension liability (asset), deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, and information about assets, liabilities and additions to/deductions from TCERS' fiduciary net position. Benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Appraisal Assessments

The District is primarily supported by assessments from the taxing entities in the District. These assessments are calculated using each entity's percentage of the District's operating budget based on each entity's total appraised levy within the District.

Note 5 - Stewardship, Compliance and Accountability

Budgetary Information

A budget is adopted for the general fund on a basis consistent with generally accepted accounting principles. The operating budget was formally adopted by the Board of Directors ("the Board") at a public meeting prior to the start of the fiscal year in accordance with the Texas Property Tax Code Sections 6.06(a) and 6.06(b). The formally adopted budget may be legally amended by the Board with approval of the taxing entities in accordance with the Texas Property Tax Code Section 6.06(c). The budget was amended by the Board during the year. Budgetary preparation and control is exercised at the fund level.

Note 6 - Detailed Notes on All Funds

Deposits and Investments

Custodial Credit Risk for Deposits: State law requires governmental entities to contract with financial institutions in which funds will be deposited to secure those deposits with insurance or pledged securities with a fair value equaling or exceeding the amount on deposit at the end of each business day. The pledged securities must be in the name of the governmental entity and held by the entity or its agent. The District's deposits at December 31, 2018, were fully secured by federal deposit insurance coverage and by securities pledged to the District and held by an agent of the bank in the District's name. As such, the District has no custodial credit risk for deposits.

Compliance with the Public Funds Investment Act: The Public Funds Investment Act (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports and establishment of appropriate policies. Among other things, it requires the District to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, (9) and bid solicitation preferences for certificates of deposit.

The District is not exposed to custodial credit risk of investments, interest rate risk, or concentration credit risk as the District currently only invests in fully collateralized bank deposits. The District's investment policy does not address concentration of credit risk, interest rate risk and credit risk of investments. The District does not have any investments subject to recurring fair value measurements at December 31, 2018.

Interfund Receivables and Payables

The composition of interfund balances as of December 31, 2018 is as follows:

| | Due From Other Funds | Due to Other Funds |
|----------------|-------------------------|-----------------------|
| General Fund | | |
| Fiduciary Fund | \$ 17,297 | \$ - |
| Fiduciary Fund | | |
| General Fund | - | 17,297 |
| | \$ 17,297 | \$ 17,297 |

These interfund receivables and payables were recorded to record temporary borrowings until the general fund is reimbursed by the fiduciary fund.

Capital Assets

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

| | Balance January 1, 2018 | Additions | Retirements | Balance December 31, 2018 |
|---|-------------------------------|-----------|-------------|---------------------------------|
| Governmental Activities | | | | |
| Capital assets, not being depreciated | | | | |
| Land | \$ 300 | \$ - | \$ - | \$ 300 |
| Total capital assets, not being depreciated | 300 | - | - | 300 |
| Capital assets, being depreciated | | | | |
| Building and improvements | 43,717 | - | - | 43,717 |
| Office and computer equipment | 14,760 | 68,168 | - | 82,928 |
| Total capital assets being depreciated | 58,477 | 68,168 | - | 126,645 |
| Accumulated depreciation | | | | |
| Building and improvements | (8,067) | (1,160) | - | (9,227) |
| Office and computer equipment | (14,760) | - | - | (14,760) |
| Total accumulated depreciation | (22,827) | (1,160) | - | (23,987) |
| Total capital assets being depreciated, net | 35,650 | 67,008 | - | 102,658 |
| Total capital assets, net | \$ 35,950 | \$ 67,008 | \$ - | \$ 102,958 |

The District recognized depreciation expense of \$1,160 in the statement of activities.

Note 7 - Unearned Revenue

The District assesses appraisal fees for the first quarter of the following year, prior to year-end. At December 31, 2018, the District had recorded unearned revenue of \$82,617 for appraisal assessments received for 2019.

Note 8 - Fund Balance

The fund financial statements present fund balances classified in a hierarchy based on the strength of the constraints governing how these balances can be spent. These classifications are listed below in descending order of restrictiveness:

Nonspendable fund balance includes fund balances that cannot be spent either because it is not in spendable form or because of legal or contractual constraints. At December 31, 2018, the District had no nonspendable fund balance.

Restricted fund balance includes the amount that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation. At December 31, 2018, the District had no restricted fund balances.

Committed fund balance is established and modified by a resolution from the District's Board, the District's highest level of decision-making authority, and can be used only for the specific purposes determined by the Board's resolution. At December 31, 2018, the District had no committed fund balances.

Assigned fund balance is intended to be used by the District for specific purposes but does not meet the criteria to be classified as restricted or committed. At December 31, 2018, the District had \$143,014 assigned for future litigation services.

Unassigned fund balance is the residual classification for the District's general fund and includes all spendable amounts not contained in the other classifications.

The District uses restricted amounts first when both restricted and unrestricted fund balance are available. Additionally, the District would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

Note 9 - 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's risk management program encompasses obtaining property and liability insurance through Texas Municipal League (TML) Intergovernmental Risk Pool, a public entity risk pool for the benefit of governmental units located within the state. TML Intergovernmental Risk Pool ("Pool") is considered a self-sustaining risk pool that provides coverage for its members. The District's contributions to the Pool are limited to the amount of premiums as calculated at the beginning of each fund year. Premiums reflect the claims experience to date of the District. The Pool's liability is limited to the coverage that the District elects as stated in the Pool's Declarations of Coverage for that fund year. The District has not had any significant reduction in insurance coverage and the amounts of insurance settlements have not exceeded insurance coverage for any of the last three years.

Note 10 - Pension Plan

Plan Description

The District provides retirement, disability, and death benefits for all of its full-time employees through a nontraditional defined benefit pension plan in the state-wide Texas County and District Retirement System (TCDRS). The Board of Trustees of TCDRS is responsible for the administration of the state-wide agent multiple-employer public employee retirement system consisting of 760 nontraditional defined benefit pension plans. TCDRS in the aggregate issues a comprehensive annual financial report (CAFR) on a calendar year basis. The CAFR is available upon written request from the TCDRS Board of Trustees at Barton Oaks Plaza IV, Suite 500, 901 S Mopac Expressway, Austin, Texas 78746, or at <https://www.tcdrs.org>.

Benefits Provided

The plan provisions are adopted by the governing body of the District, within the options available in the Texas state statutes governing TCDRS (TCDRS Act). Members can retire at ages 60 and above with 8 or more years of service or with 30 years of service regardless of age or when the sum of their age and years of service equals 75 or more. Members are vested after 8 years but must leave their accumulated contributions in the plan to receive any employer-financed benefit. Members who withdraw their personal contributions in a lump-sum are not entitled to any amounts contributed by their employer.

Benefit amounts are determined by the sum of the employee's deposits to the plan, with interest, and employer-financed monetary credits. The level of these monetary credits is adopted by the governing body of the employer within the actuarial constraints imposed by the TCDRS Act so that the resulting benefits can be expected to be adequately financed by the employer's commitment to contribute. At retirement, death, or disability, the benefit is calculated by converting the sum of the employee's accumulated deposits and the employer-financed monetary credits to a monthly annuity using annuity purchase rates prescribed by the TCDRS Act. There are no automatic post-employment benefit changes, including automatic COLAs. Ad hoc post-employment benefit changes, including ad hoc COLAs, can be granted by the District's Board within certain guidelines.

Membership

District membership in the TCDRS plan at December 31, 2017 consisted of the following:

| | | |
|--|--|---|
| Inactive Employees' Accounts | | |
| Receiving benefits | | - |
| Entitled to but not yet receiving benefits | | 1 |
| | | 1 |
| Total | | 1 |
| Active Employees' Accounts | | 4 |

Contributions

The District has elected the annually determined contribution rate (Variable-Rate) plan provisions of the TCDRS Act. The plan is funded by monthly contributions from both employee members and the District based on the covered payroll of employee members. Under the TCDRS Act, the contribution rate of the District is actuarially determined annually. The employee contribution rate and the employer contribution rate may be changed by the governing body of the District within the options available in the TCDRS Act.

| | Contribution Rates | |
|------------------------|--------------------|-----------|
| | 2018 | 2017 |
| Member | 7.0% | 7.0% |
| Employer | 10.28% | 10.57% |
| Employer Contributions | \$ 14,508 | \$ 12,365 |
| Member Contributions | 9,856 | 8,190 |

Actuarial Assumptions

The total pension liability in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions:

| | |
|---|-------------------------------------|
| Valuation Date | December 31, 2017 |
| Actuarial Cost Method | Entry age normal |
| Amortization Method | Level percentage of payroll, closed |
| Remaining Amortization Period | 19.5 years |
| Asset Valuation Method | 5 year smoothed market |
| Discount Rate* | 8.10% |
| Long-term expected Investment Rate of Return* | 8.10% |
| Salary Increases* | 4.90%, average |
| Payroll Growth Rate | 0.00% |
| * Includes Inflation of 2.75% | |

The plan does not have an automatic cost-of-living adjustment and one is not considered to be substantively automatic under GASB No. 68. Therefore, no assumption for future cost-of-living adjustments is included in the GASB calculation or in the funding valuation. Each year, the plan may elect an ad-hoc COLA for its retirees.

Mortality rates for depositing members were based on 90% of the RP-2014 Active Employee Mortality Table for males and females as appropriate, with adjustments, projected with 110% of the MP-2014 Ultimate Scale after 2014. Service retirees, beneficiaries, and non-depositing members were based on 130% of the RP-2014 Healthy Annuitant Mortality Table for males and 110% of the RP-2014 Healthy Annuitant Mortality Table for females as appropriate, with adjustments, projected with 110% of the MP-2014 Ultimate Scale after 2014. Disabled retirees were based on 130% of the RP-2014 Disabled Annuitant Mortality Table for males and 115% of the MP-2014 Disabled Annuitant Mortality Table for females as appropriate, with adjustments, projected with 110% of the MP-2014 Ultimate Scale after 2014.

The actuarial assumptions were developed from an actuarial experience investigation of TCDRS over the years 2013 - 2016. Assumptions were recommended by Milliman, Inc., adopted by the TCDRS Board of Trustees in 2017 and first used in the December 31, 2017 actuarial valuation.

There were no changes in methods reflected in the December 31, 2017 actuarial valuation. The following changes in actuarial assumptions were reflected in the December 31, 2017 actuarial valuation:

- Inflation assumptions decreased from 3.00% per year to 2.75% per year, with a corresponding decrease in the general wage growth assumption from 3.5% to 3.25%.
- Slightly adjusted all mortality rates to better reflect anticipated experience.
- Adjusted retirement rates to reflect people retiring at older ages.
- Lowered disability retirement rates.
- Adjustments made to termination rates.
- Lowered probability of withdrawal of contributions upon termination.
- Adjusted merit salary scale to reflect anticipated future experience.
- Adjusted payroll increase assumption to reflect the changes in the general wage growth assumption and to reflect changes in anticipated experience.

Refer to the most recent CAFR issued by TCDRS for a complete discussion of all assumptions.

Discount Rate

The discount rate used to measure the total pension liability was 8.10%. There was no change in the discount rate since the previous year.

In order to determine the discount rate to be used, the actuary used an alternative method to determine the sufficiency of the fiduciary net position in all future years. This alternative method reflects the funding requirements under the funding policy and the legal requirements under the TCDRS Act:

1. TCDRS has a funding policy where the Unfunded Actuarial Accrued Liability (UAAL) shall be amortized as a level percent of pay over 20-year closed layered periods.

2. Under the TCDRS Act, the employer is legally required to make the contribution specified in the funding policy.
3. The employer's assets are projected to exceed its accrued liabilities in 20 years or less. When this point is reached, the employer is still required to contribute at least the normal cost.
4. Any increased cost due to the adoption of a cost-of-living adjustment is required to be funded over a period of 15 years, if applicable.

Based on the above, the projected fiduciary net position is determined to be sufficient compared to projected benefit payments. Based on the expected level of cash flows and investment returns to the system, the fiduciary net position as a percentage of total pension liability is projected to increase from its current level in future years.

Since the projected fiduciary net position is projected to be sufficient to pay projected benefit payments in all future years, the discount rate for purposes of calculating the total pension liability and net pension liability is equal to the long-term assumed rate of return on investments. This long-term assumed rate of return should be net of investment expenses, but gross of administrative expenses. Therefore, the actuary has used a discount rate of 8.10%. This rate reflects the long-term assumed rate of return on assets for funding purposes of 8.0%, net of all expenses, increased by 0.10% to be gross of administrative expenses.

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 a 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 based on a 30-year time horizon; the most recent analysis was performed in 2017 based on the period January 1, 2013 – December 31, 2016.

Concho Central Appraisal District
Notes to Financial Statements
December 31, 2018

Best estimates of geometric real rates of return for each major asset class included in the target asset allocation are summarized below:

| Asset Class | Benchmark | Target Allocation ¹ | Geometric Real Rate of Return (Expected minus Inflation) ² |
|--|---|--------------------------------|---|
| US Equities | Dow Jones U.S. Total Stock Market Index | 11.50% | 4.55% |
| Private Equity | Cambridge Associates Global Private Equity & Venture Capital Index ³ | 16.00% | 7.55% |
| Global Equities | MSCI World (net) Index | 1.50% | 4.85% |
| International Equities - Developed Markets | MSCI World Ex USA (net) Index | 11.00% | 4.55% |
| International Equities - Emerging Markets | MSCI Emerging Markets (net) Index | 8.00% | 5.55% |
| Investment-Grade Bonds | Bloomberg Barclays U.S. Aggregate Bond Index | 3.00% | 0.75% |
| Strategic Credit | FTSE High-Yield Cash-Pay Capped Index | 8.00% | 4.12% |
| Direct Lending | S&P/LSTA Leveraged Loan Index | 10.00% | 8.06% |
| Distressed Debt | Cambridge Associates Distressed Securities Index ⁴ | 2.00% | 6.30% |
| REIT Equities | 67% FTSE NAREIT Equity REITs Index+ 33% S&P Global REIT (net) Index | 2.00% | 4.05% |
| Master Limited Partnerships (MLPs) | Alerian MLP Index | 3.00% | 6.00% |
| Private Real Estate Partnerships | Cambridge Associates Real Estate Index ⁵ | 6.00% | 6.25% |
| Hedge Funds | Hedge Fund Research, Inc. (HFRI) Fund of Funds Composite Index | 18.00% | 4.10% |

¹ Target asset allocation adopted at the April 2018 TCDRS Board meeting.

² Geometric real rates of return equal the expected return minus the assumed inflation of 1.95%, per Cliffwater's 2018 capital market assumptions.

³ Includes vintage years 2006 - present of Quarter Pooled Horizon IRRs.

⁴ Includes vintage years 2005 - present of Quarter Pooled Horizon IRRs.

⁵ Includes vintage years 2007 - present of Quarter Pooled Horizons IRRs.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At December 31, 2018, the District reported a net pension asset of \$354 for its share of the TCDRS's net pension liability measured at December 31, 2017. For the year ended December 31, 2018, the District recognized pension expense of \$8,504.

New mortality assumptions were reflected in the December 31, 2017 valuation. New annuity purchase rates were reflected for benefits earned after 2017.

Concho Central Appraisal District
Notes to Financial Statements
December 31, 2018

There were no changes of benefit terms that affected measurement of the total pension liability during the measurement period.

Changes in the net pension liability for the measurement year ended December 31, 2017 are as follows:

| <u>Changes In Net Pension Liability / (Asset)</u> | <u>Increase (Decrease)</u> | | <u>Net Pension Liability/Asset (a) - (b)</u> |
|---|--|---------------------------------------|--|
| | <u>Total Pension Liability (a)</u> | <u>Fiduciary Net Position (b)</u> | |
| Balances at December 31, 2016 | \$ 1,400 | \$ 1,416 | \$ (16) |
| Changes for the year | | | |
| Service cost | 16,067 | - | 16,067 |
| Interest on total pension liability [1] | 1,415 | - | 1,415 |
| Effect of plan changes [2] | - | - | - |
| Effect of economic/demographic gains or losses | 3,326 | - | 3,326 |
| Effect of assumptions changes or inputs | 206 | - | 206 |
| Refund of contributions | - | - | - |
| Benefit payments | - | - | - |
| Administrative expenses | - | (15) | 15 |
| Member contributions | - | 8,190 | (8,190) |
| Net investment income | - | 537 | (537) |
| Employer contributions | - | 12,365 | (12,365) |
| Other [3] | - | 275 | (275) |
| Balances as of December 31, 2017 | <u>\$ 22,415</u> | <u>\$ 22,769</u> | <u>\$ (354)</u> |

[1] Reflects the change in the liability due to the time value of money. TCDRS does not charge fees or interest.

[2] No plan changes valued.

[3] Relates to allocation of system-wide items.

Discount Rate Sensitivity Analysis

The following presents the net pension liability / (asset) of the District, calculated using the discount rate of 8.10%, as well as what the District's net pension asset would be if it were calculated using a discount rate that is 1 percentage point lower (7.10%) or 1 percentage point higher (9.10%) than the current rate.

Concho Central Appraisal District
Notes to Financial Statements
December 31, 2018

| | 1% Decrease (7.10%) | Current Discount Rate (8.10%) | 1% Increase (9.10%) |
|--|------------------------|-------------------------------------|------------------------|
| Total pension liability | \$ 25,384 | \$ 22,415 | \$ 19,993 |
| Fiduciary net position | 22,769 | 22,769 | 22,769 |
| Net pension liability / (asset) | \$ 2,615 | \$ (354) | \$ (2,776) |

At December 31, 2018 the District reported its share of the TCDRS's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Inflows of Resources | Deferred Outflows of Resources |
|---|-------------------------------------|--------------------------------------|
| Differences between expected and actual economic experience | \$ - | \$ 3,025 |
| Changes in actuarial assumptions | - | 187 |
| Net difference between projected and actual investment earnings | - | 357 |
| Contributions paid to TCDRS subsequent to the measurement date | - | 14,508 |
| Total | \$ - | \$ 18,077 |

\$14,508 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as an increase of the net pension asset in the District's fiscal year ending December 31, 2019. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense in the District's fiscal years as follows:

| Year Ended December 31 | Pension Expense |
|------------------------|-----------------|
| 2019 | \$ 413 |
| 2020 | 413 |
| 2021 | 413 |
| 2022 | 402 |
| 2023 | 321 |
| Thereafter | 1,607 |
| | \$ 3,569 |

Note 11 - Operating Leases

The District has an operating lease agreement for a copier. Total lease expense for 2018 was \$3,927. Future minimum lease payments for the copier are as follows:

| | <u>Lease Payments</u> |
|------------------------|---------------------------|
| 2019 | \$ 3,927 |
| 2020 | <u>3,272</u> |
| Total minimum payments | <u>\$ 7,199</u> |

Note 12 - Contingencies

In the normal course of operations, the District is named as a defendant in various lawsuits regarding appraised values. The District's exposure is limited to attorney fees for the parties contesting their appraised taxable value.

Note 13 - Commitments

The District has contracted with a company for 2019 to provide the District with valuations of mineral, utility, and industrial properties for \$20,500. In addition, the District has contracted with a company for 2019 and 2020 to provide field appraisals on residential and commercial properties for \$29,000 and \$19,000 per year, respectively.



**Required Supplementary Information
December 31, 2018**

Concho Central Appraisal District

Concho Central Appraisal District
Schedule of Changes in Net Pension Liability and Related Ratios – Texas County & District Retirement System
Year Ended December 31, 2018

| | Year Ended December 31, 2016 | Year Ended December 31, 2017 |
|---|------------------------------------|------------------------------------|
| Total Pension Liability | | |
| Service cost | \$ 1,346 | \$ 16,067 |
| Interest on total pension liability | 53 | 1,415 |
| Effect of assumption changes or inputs | - | 206 |
| Effect of economic/demographic (gains) or losses | 1 | 3,326 |
| | <u>1,400</u> | <u>21,014</u> |
| Net change in total pension liability | 1,400 | 21,014 |
| Total pension liability, beginning | - | 1,401 |
| | <u>-</u> | <u>1,401</u> |
| Total pension liability, ending (a) | <u>\$ 1,400</u> | <u>\$ 22,415</u> |
| Fiduciary Net Position | | |
| Contributions - Employer | \$ 839 | \$ 12,365 |
| Contributions - Member | 556 | 8,190 |
| Investment income net of investment expense | - | 537 |
| Administrative expenses | - | (15) |
| Other | 21 | 275 |
| | <u>1,416</u> | <u>21,353</u> |
| Net change in fiduciary net position | 1,416 | 21,353 |
| Fiduciary net position, beginning | - | 1,416 |
| | <u>-</u> | <u>1,416</u> |
| Fiduciary net position, ending (b) | <u>\$ 1,416</u> | <u>\$ 22,769</u> |
| Net pension liability / (asset), ending = (a) - (b) | <u>\$ (16)</u> | <u>\$ (354)</u> |
| Fiduciary net position as a percentage of total pension liability | 101.11% | 101.58% |
| Pensionable covered payroll | \$ 7,940 | \$ 115,650 |
| Net pension asset as a percentage of covered payroll | (0.20%) | (0.31%) |

See Notes to Required Supplementary Information

Concho Central Appraisal District
Schedule of Employer Contributions – Texas County & District Retirement System
December 31, 2018

| <u>Year Ending December 31,</u> | <u>Actuarially Determined Contribution</u> | <u>Actual Employer Contribution</u> | <u>Contribution Deficiency (Excess)</u> | <u>Pensionable Covered Payroll</u> | <u>Actual Contribution as a Percentage of Covered Payroll</u> |
|-------------------------------------|--|---|---|--|---|
| 2009 | \$ - | \$ - | \$ - | \$ - | - |
| 2010 | - | - | - | - | - |
| 2011 | - | - | - | - | - |
| 2012 | - | - | - | - | - |
| 2013 | - | - | - | - | - |
| 2014 | - | - | - | - | - |
| 2015 | - | - | - | - | - |
| 2016 | 839 | 839 | - | 7,940 | 10.6% |
| 2017 | 12,224 | 12,365 | (141) | 115,650 | 10.7% |
| 2018 | 14,508 | 14,508 | - | 141,412 | 10.3% |

Note A: Net Pension Liability – Texas County & District Retirement System

Assumptions

The following methods and assumptions were used to determine contribution rates:

| | |
|--------------------------------------|--|
| Valuation date | Actuarially determined contribution rates are calculated as of December 31, two years prior to the end of the fiscal year in which contributions are reported. |
| Actuarial cost method | Entry age normal |
| Amortization method | Level percentage of payroll, closed |
| Remaining amortization period | 19.5 years (based on contribution rate calculated in 12/31/2017 valuation) |
| Asset valuation method | 5-year smoothed market |
| Inflation | 2.75% |
| Salary increases | Varies by age and service. 4.9% average over career, including inflation |
| Investment rate of return | 8.00%, including inflation, net of administrative and investment expense |
| Retirement age | Members who are eligible for service retirement are assumed to commence receiving benefit payments based on age. The average age at service retirement for recent retirees is 61. |
| Mortality | 130% of the RP-2014 Healthy Annuitant Mortality Table for males and 110% of the RP-2014 Health Annuitant Mortality Table for females, projected with 110% of the MP-214 Ultimate scale after 2014. |
| Changes in plan provisions | New annuity purchase rates were reflected for benefits earned after 2017. |
| Changes in assumptions | New mortality assumptions were reflected. |