DENTON CENTRAL APPRAISAL DISTRICT

ANNUAL FINANCIAL REPORT

DECEMBER 31, 2024

DENTON CENTRAL APPRAISAL DISTRICT

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Members:
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INDEPENDENT AUDITORS' REPORT

The Board of Directors
Denton Central Appraisal District

Opinions

We have audited the accompanying financial statements of the governmental activities and major fund information of the Denton Central Appraisal District (the District), as of and for the year ended December 31, 2024, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and major fund information of the Denton Central Appraisal District as of December 31, 2024, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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. Our responsibilities under those are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management 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, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the *management's discussion and analysis* on pages 4 through 9, the budgetary comparison information on page 39, and the Texas County & District Retirement System Schedules on pages 40-43, 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.

Hankins Eastup Deaton Tonn Seay & Scarborough

Hankins, Eastup, Deaton, Tonn, Seay & Scarborough, LLC
Denton, Texas

July 8, 2025

MANAGEMENT'S DISCUSSION & ANALYSIS

As management of the Denton Central Appraisal District, we offer readers of the District's financial statement this narrative overview and analysis of the financial activities of the District for the year ended December 31, 2024. The District has implemented Government Accounting Standards Board Statement 34 "Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments". Please read this narrative in conjunction with the independent auditors' report on page 1, and the District's Basic Financial Statements that begin on page 11.

FINANCIAL HIGHLIGHTS

- The District's expenditures were under its 2024 budget by $1,708,042, due to cost savings in several expenditure categories.
- A total of $20,364,730 in revenues were realized, $16,928 or .08% more than originally budgeted, due to actual other income above the budgeted amount.
- The assets and deferred outflows of resources of the Denton Central Appraisal District exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by $14,650,956 (Total Net Position). Of this amount, $10,311,306 is unrestricted and may be used to meet the District's ongoing obligations and responsibilities to citizens, supporting tax units, and creditors.
- The District's net capital assets decreased by 2.06%, from $4,430,742 in the prior year to $4,339,650 as of December 31, 2024. This decrease is attributable to a depreciation expense greater than capital asset additions in the current year.
- At the end of 2024, the District had $10,311,306 total fund balance in its General Fund, representing a 21% increase over the $8,473,354 fund balance at the end of the previous year.
- The District's long-term debt decreased by $143,805 from $713,763 to $569,958.

OVERVIEW OF THE FINANCIAL STATEMENTS

The management's discussion and analysis is intended to serve as an introduction to the Denton Central Appraisal District's basic financial statements. The District's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements: The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The Statement of Net Position presents information on all of the Denton Central Appraisal District's assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference between these reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The Statement of Activities presents information showing how the District's net position changed during the fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected assessments and earned but unused compensated absences).

With many other governmental entities, the aforementioned government-wide financial statements normally identify and distinguish between either governmental activities supported by general revenues or business-type activities which are typically self-supported by user fees and charges. The District has no business-type activities. Pursuant to the Texas Property Tax Code, the Denton Central Appraisal District's special purpose is to establish fair market values and administer associated lawful exemptions for all real and business personal property in Denton County, Texas. To accomplish this, the governmental activities of the District encompass several departments and divisions, including Residential Appraisal, Business Personal Property, Commercial/Special Appraisal, Information Systems, Data Services, Mapping/GIS, Support Services, Appraisal Review Board, Administration, and General Operations. All the revenues received by the District are used to financially support the District's established special purpose and these governmental activities.

The governmental-wide financial statements can be found on pages 11 and 12 of this report.

Fund Financial Statements: A fund is a grouping of related accounts used to maintain control over resources that have been segregated for specific activities or objectives. Depending upon their reporting needs and requirements, governmental entities utilize three types of funds, including governmental funds, proprietary funds, and fiduciary funds. The Denton Central Appraisal District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Since the District has no legitimate need or requirement to have either proprietary or fiduciary funds, all of its funds are maintained and reported as governmental funds.

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, the reader may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The District maintains a single governmental fund, its General Fund. The General Fund is used to account for the acquisition and use of the District's spendable financial resources and the related liabilities.

The basic government fund financial statements can be found on pages 13 and 15 of this report.

The District adopts an annual appropriated budget for its General Fund. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with this budget. It can be found under the "Required Supplementary Information" section of this report.

Notes to Basic Financial Statements: The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to financial statements can be found on pages 17-37 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net Assets: As noted earlier, net position may serve over time as a useful indicator of a government's financial position. As of December 31, 2024, the Denton Central Appraisal District's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources by $10,311,306.

At December 31, 2024, $22,017,156 of total assets were recorded. Of that amount, current and other assets (cash and prepaid expenses) represented 72.0% of the balance.

Total liabilities at December 31, 2024, equaled $5,983,768. Of that amount, 10% were long-term liabilities, consisting of compensated absences and financed purchases. The other remaining liabilities included accounts payable and unearned 2024 tax unit assessments.

Of the $14,650,956 in total net position, $4,339,650 represents investments in capital assets (land, building, and equipment). The District uses these capital assets to carry out its statutory property valuation responsibilities and to provide information and services to citizens and the taxing units which support the District. Capital assets are non-liquid and cannot be used to satisfy District obligations. The unrestricted net position of $10,311,306 may be used to meet the District's ongoing obligations and responsibilities.

Net Position

	Governmental Activities	
	2023	2024
Assets:		
Current and other assets	$ 10,732,439	$ 15,672,219
Capital assets (net of depreciation)	4,430,742	4,339,650
Net pension asset	-	2,005,287
Total Assets	15,163,181	22,017,156
Deferred outflows of resources	4,071,376	1,586,780
Liabilities:		
Current and other liabilities	2,259,085	5,413,810
Long-term liabilities	3,809,830	569,958
Total Liabilities	6,068,915	5,983,768
Deferred inflows of resources	239,645	1,025,684
Net Position:		
Net investment in capital assets	4,430,742	4,339,650
Unrestricted	12,925,997	10,311,306
Total Net Position	$ 17,356,739	$ 14,650,956

Governmental Activities: The following table provides a summary of the District's operations for the years ended December 31, 2023 and 2024.

Changes in Net Position

	2023	2024
Program Revenues:		
Assessments and charges for services	$ 16,741,205	$ 19,751,636
General Revenues:		
Interest Income	476,182	613,094
Total Revenues	17,217,387	20,364,730
Expenses By Governmental Activity:		
Appraisal Services	15,816,326	18,639,771
Total Expenses	15,816,326	18,639,771
Change In Net Position	1,401,061	1,724,959
Net Position – Beginning	11,524,936	12,925,997
Net Position – Ending	$ 12,925,997	$ 14,650,956

As shown above, the District experienced an $1,724,959 increase in net position. When added to the beginning net position at January 1, 2024, the District ended the 2024 year with $14,650,956 net position.

FINANCIAL ANALYSIS OF GOVERNMENTAL FUNDS

Governmental Funds: The focus of the Denton Central Appraisal District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing and budgeting requirements. In particular, the unassigned fund balance may serve as a useful measure of the District's net resources available for spending at the end of the fiscal year.

At December 31, 2024, the District has $10,198,187 in total fund balance. This is 20% more than the $8,473,354 prior-year fund balance.

General Fund Budgetary Highlights: Actual expenditures for the year ended December 31, 2024 were $18,639,771, which is $1,708,042 or 8.39% less than the $20,347,813 budgeted for the year. This decrease represents cost savings in several areas during fiscal year 2024.

Actual revenues for 2024 were $20,364,730 or 100.08% of the budgeted revenues for the year. In accordance with the provisions of the Texas Property Tax Code applicable to appraisal district budgets, assessment payments from tax units account for the bulk of the District's revenues. For 2024, 96.33% came from assessment payments, 3.01% from interest earnings, and 0.66% from the sale of public information material and miscellaneous income.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets: The District's investments in capital assets for its governmental activities as of December 31, 2024 were $4,339,650 (net of accumulated depreciation). This represents a $91,092 decrease from the previous fiscal year. The following table presents the District's net capital assets at December 31, 2024:

		% of Total
Non-depreciated Assets:		
Land	$ 435,108	10.03%
Depreciated Assets:		
Building and improvements	3,471,047	79.98%
Computers and software	398,367	9.18%
Furniture and equipment	35,128	0.81%
	$4,339,650	100.00%

Major capital asset additions occurred during the 2024 year for the following:

- Building Improvements & Renovation

Debt Administration: At the end of the 2024 year, the District had $569,958 in long-term debt. $454,674 of this debt was for accrued compensated absences and the remaining $115,284 was for financed purchases.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND ASSESSMENTS

The Denton Central Appraisal District (DCAD) annual budget is driven by two basic factors: the needs and requirements to efficiently and effectively carry out its lawfully-mandated responsibilities in establishing fair market values for real and business personal property within the boundaries of Denton County for the taxing entities (cities, school districts, county, and special districts) which financially support DCAD; and to provide an appeal process for the citizens/taxpayers who own property within Denton County. It was on this basis that the District's 2025 budget was prepared and ultimately adopted. The 2025 budget includes the following:

- $23,821,642 in proposed General Fund expenditures, representing a $3,473,840 increase when compared with the 2024 budget. The 2025 budget adds ten new full-time employees and increases the legal budget as well as the ARB budget. We continue to focus on building adequate staffing levels to keep pace with growth in the county and the ever-increasing parcel counts and property protests.

- Funding of 5.0% cost-of-living/merit pay increases.

- DCAD currently serves one hundred two entities. It is the goal of DCAD to provide excellent service to all entities served.

REQUEST FOR INFORMATION

This financial report is designed to provide the citizens, taxpayers, customers, supporting tax units, creditors, and DCAD Board of Directors with a general overview of the DCAD's finances and to show the accountability for the money it receives. If you have any questions about this report or need additional information, please contact Kim Collins at the DCAD, located at 3911 Morse Street, Denton, Texas 76208.

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DENTON CENTRAL APPRAISAL DISTRICT

STATEMENT OF NET POSITION
DECEMBER 31, 2024

	Primary Government
	Governmental Activities
ASSETS	
Cash and cash equivalents	$ 15,556,374
Prepaid expenses	115,845
Capital assets:	
Land	435,108
Other capital assets, net of accumulated depreciation	3,904,542
Net pension assets	2,005,287
Total Assets	22,017,156
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows of resources related to pension plan	1,586,780
Total Deferred Outflows of Resources	1,586,780
LIABILITIES	
Accounts payable	75,668
Unearned assessment revenue	5,338,142
Noncurrent liabilities:	
Due within one year	115,284
Due in more than one year	454,674
Total Liabilities	5,983,768
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows of resources related to pension plan	1,025,684
Total Deferred Inflows of Resources	1,025,684
NET POSITION	
Net investment in capital assets	4,339,650
Unrestricted	10,311,306
Total Net Position	$ 14,650,956

The accompanying notes are an integral part of this statement.

DENTON CENTRAL APPRAISAL DISTRICT

STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2024

		Program Revenues			Net (Expenses) Revenue and Changes in Net Assets
Program Activities	Expenses	Assessments And Charges for Services	Net Assets Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental activities					
Appraisal services	$ 18,639,771	$ 19,751,636	$ -	$ -	$ 1,111,865
Total Government Activities	18,639,771	19,751,636	-	-	1,111,865
Total Primary Government	$ 18,639,771	$ 19,751,636	$ -	$ -	$ 1,111,865
General Revenues:					
Interest income					613,094
Total General Revenues					613,094
Change in Net Position					1,724,959
Net Position – beginning of year					12,925,997
Net Position – end of year					$ 14,650,956

The accompanying notes are an integral part of this statement.

DENTON CENTRAL APPRAISAL DISTRICT

BALANCE SHEET - GOVERNMENTAL FUND
DECEMBER 31, 2024

	General Fund
ASSETS	
Cash and cash equivalents	$ 15,556,374
Prepaid expenses	115,845
Total Assets	$ 15,672,219
LIABILITIES AND FUND BALANCES	
Liabilities:	
Accounts payable	$ 75,668
Unearned revenue	5,338,142
Total Current Liabilities	5,413,810
Fund Balances:	
Nonspendable Fund Balance:	
Prepaid items	51,123
Committed Fund Balance:	
Future Insurance claims	400,000
Unusual legal services	700,000
Building remodel and construction	1,775,000
Entity allocation stabilization	1,048,506
Future TCDRS payments	600,000
Disaster recovery	400,000
Contingency	3,609,944
Unassigned Fund Balance:	1,613,614
Total Fund Balance	10,198,187
Total Liabilities and Fund Balances	$ 15,611,997

The accomapnying notes are an integral part of this statement.

BASIC FINANCIAL STATEMENTS

DENTON CENTRAL APPRAISAL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUND
BALANCE SHEET TO THE STATEMENT OF NET POSITION
DECEMBER 31, 2024

Total fund balance – governmental fund	$ 14,650,956
Amounts reported for governmental activities in the statement of net position is different because:	
Capital assets – net of depreciation used in governmental activities are not current financial resources and therefore are not reported in the governmental fund balance sheet.	4,430,742
Long-term liabilities, including note obligations and compensated absences are not due and payable in the current period and therefore are not reported in the fund financial statements.	(115,284)
Included in the items related to debt is the recognition of the District's net TCDRS pension liability required by GASB 68 in the amount of $3,096,067, Deferred Outflows of Resources related to TCDRS in the amount of $4,071,376 and Deferred Inflows of Resources in the amount of $239,645. This amounted to an increase in Net Position in the amount of $735,664.	3,096,067
Net position of governmental activities	$ 15,672,219

The accompanying notes are an integral part of this statement.

DENTON CENTRAL APPRAISAL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2024

	General Fund
Revenues:	
Local support	$ 19,617,928
Other revenues	133,708
Interest income	613,094
Total Revenues	20,364,730
Expenditures:	
Salaries	8,109,636
Longevity pay	66,381
Payroll taxes	630,670
Retirement	1,137,930
Workmens compensation insurance	27,852
Group health insurance	1,612,488
Registration and dues	44,251
Travel, conference and training	100,716
Appraisal Review Board	345,015
Oil & gas - overhead	240,410
Attorney fees and court costs	706,580
Accounting and auditing	46,943
Deed and sales information	875,870
Auto reimbursements	608,117
General insurance	52,898
Printing services	141,986
Postage	325,490
Legal notices and advertising	4,626
Supplies and materials	32,568
Equipment maintenance	7,173
Information services maintenance	2,221,600
Telephone and utilities	197,996
Janitorial and building maintenance	282,569
Capital outlay	196,773
Contingency	90,000
Miscellaneous	65,781
Seasonal labor	349,526
Equipment lease	117,926
Total Expenditures	18,639,771
Excess Revenues over Expenditures	1,724,959
Net Change in Fund Balance	1,724,959
Fund Balance Beginning	8,473,354
Fund Balance Ending	$ 10,198,313

The accompanying notes are an integral part of this statement.

DENTON CENTRAL APPRAISAL DISTRICT

RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCE OF THE
GOVERNMENTAL FUND TO THE STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2024

Net change in fund balance – total governmental fund	$ 1,724,956
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount of capital assets recorded in the current period.	268,048
Depreciation expense on capital assets is reported in the statement of activities, but does not require the use of current financial resources. Therefore, depreciation expense is not reported as expenditures in the governmental funds.	(340,530)
Current year changes in long-term liabilities for compensated absences does not require the use of current financial resources; therefore, it is not reported as an expenditure in governmental funds.	(28,521)
Current year changes in long-term liabilities for notes payable does not require the use of current financial resources, therefore, it is not reported as an expenditure in governmental funds.	(158,284)
The implementation of GASB 68 required that certain expenditures be de-expended and recorded as deferred resource outflows. The contributions made after the measurement date of 12/31/23 caused the change in ending net position to increase in the amount of $1,181,145. Contributions made before the measurement date but during 2021 were also recorded as a reduction in the net position liability for the District. This also caused a decrease in the change in net position in the amount of $1,143,987. These contributions were replaced with the District's negative pension expense for the year of $9,319,046, which caused an increase in the change in net position. The impact of all of these is to decrease the change in net position by $4,452,643.	(4,452,643)
Change in net position of governmental activities	$ 1,401,959

The accompanying notes are an integral part of this statement.

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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General

The Act creating the Denton Central Appraisal District (the "District") was enacted as a provision of the Property Tax Code by the 66th Texas State Legislature in 1979. The District is responsible for the appraisal of property subject to ad valorem taxation in Denton County, Texas. The District began operations in 1980.

The Denton Central Appraisal District is governed by a board of nine directors. Five directors are appointed by the taxing units that participate in the district in the manner prescribed by Section 6.03. Three directors are elected by majority vote at the general election for state and county officers by the voters of the county in which the district is established. The county assessor-collector serves as an ex officio director.

Members of the board of directors that are appointed by the participating taxing units serve staggered four-year terms commencing on January 1st of every other even-numbered year. Members elected through public election serve staggered four-year terms that begin on January 1st of every other odd-numbered year following the November general election. Individuals are ineligible for service on the board if they have served all or part of five terms, minus individuals who were the county assessor-collector during their time as a member.

Reporting Entity

For financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in all the reporting entity was made by applying the criteria set forth in GAAP. The criteria used is as follows:

Financial Accountability – The primary government is deemed to be financially accountable if it appoints a voting majority of the organization's governing body and (1) it is able to impose its will on that organization or (2) there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government. Additionally, the primary government may be financially accountable if an organization is fiscally dependent on the primary government regardless of whether the organization has a separately elected governing board, a governing board appointed by a higher level of government or a jointly appointed board.

There are no entities that are potential component units based upon the above criteria.

Basis of Presentation

The government-wide financial statements (the statement of net position and the statement of activities) report information on all of the activities of the District. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given program are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific program. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit form goods, services, or privileges provided by a given program and 2) operating or capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements:

The District segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Separate statements are presented for governmental and proprietary activities. These statements present each major fund as a separate column on the fund financial statements; all non-major funds are aggregated and presented in a singe column. The District has no proprietary activities, or non-major funds.

Governmental funds are those funds through which most governmental functions typically are financed. The measurement focus of governmental funds is on the sources, uses and balance of current financial resources. The District has presented the following major governmental fund:

General Fund

The General Fund is the only operating fund of the District. This fund is used to account for the acquisition and use of the District's expendable financial resources and the related liabilities. The measurement focus is based upon determination of changes in financial position rather than upon net income determination.

Measurement Focus/Basis of Accounting

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The government-wide statements are reported using the economic resources measurement focus and the accrual basis of accounting. The economic resources measurement focus means al assets and liabilities (whether current or non-current) are included on the statement of net position and the operating statements present increases (revenues) and decreases (expenses) in net total position. Under the accrual basis of accounting, revenues are recognized when earned. Expenses are recognized at the time the liability is incurred.

Governmental fund financial statements are reported using the current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual; i.e., when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter (within 60 days of year-end) to be used to pay liabilities of the current period. Expenditures are recorded when the related fund liability is incurred. However, debt service expenditures, as well as expenditures related to compensated absences are recorded only when payment is due.

Assessments and sales of public information material are recognized under the susceptible to accrual concept. Interest income is recorded as earned, since it is measurable and available.

Budgetary Data

The District uses the following procedures in establishing the budget reflected in the general purpose financial statements:

1. Prior to September 15, the Board of Directors is presented with a proposed budget for the year beginning on the following January 1. The budget includes proposed expenditures and the means of financing them. The budget also serves as a basis for determining the annual assessments due for the taxing jurisdictions. The budget is legally enacted though passage of a resolution.

2. Public hearings are conducted to obtain citizen's comments.

3. An annual budget is legally adopted for the General Fund. The budget is adopted on a basis consistent with accounting principles generally accepted in the United States of America.

4. The Chief Appraiser is authorized to transfer amounts between departments within the General Fund; however, revisions that alter General Fund expenditures must be approved by the Board of Directors and the taxing jurisdictions. The fund level is the legal level of budgetary control. Appropriations lapse at year-end.

5. Original budgeted amounts presented in the budgetary comparison schedule are as originally adopted by the Board of Directors on June 1, 2023. The final amended budget is as amended by the Board during the year.

Assessments

If the District accumulates unassigned excess funds, the Board of Directors may refund the excess to the taxing entities. In addition, state law requires the District to refund any assessment revenue in excess of expenditures if not waived by the taxing jurisdictions. During the year ended December 31, 2024, the District did not make any refunds.

Capital Assets

Capital assets, which include land, buildings and improvements, furniture and equipment and computers and peripherals, are reported in the government-wide financial statements. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated assets are valued at their fair market value on the date donated. Repairs and maintenance are recorded as expenses. Renewals and betterments are capitalized.

Assets capitalized have an original cost of $3,000 or more and over one year useful life. Depreciation has been calculated on each class of depreciable property using the straight-line method. Estimated useful lives are as follows:

Building and improvements	10-45 Years
Furniture and equipment	5-10 Years
Computers and software	5 Years

Compensated Absences

The District provides for paid leave which accumulates at the rate of 13.33 hours per month. Employees are allowed to carry a combined total of paid time off and comp time up to 320 hours from one year to the next. Any excess over 320 hours will be lost after December 31st each year. Upon termination of employment the employee will be paid for unused accumulated leave time. The liability for accumulated paid leave is recorded in the government-wide statement of net position. The amount expected to be liquidated with expendable available financial resources is not considered to be material.

Net Position

Net position represents the difference between assets, deferred outflows of resources and liabilities. Net position invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent proceeds. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislations adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

NOTE 2 – FUND BALANCE

The District has implemented GASB Statement No. 54, “Fund Balance Reporting and Governmental Fund Type Definitions.” This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government’s fund balances more transparent.

Fund Balance Classification: The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classification used in the governmental fund financial statements are as follows:

- Nonspendable: This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact.

- Restricted: This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. Debt service resources are to be used for future servicing of the District’s debt and are restricted through debt covenants. The District did not have any restricted funds at December 31, 2024.

- Committed: This classification includes amounts that can be used for specific purposes pursuant to constraints imposed by formal action of the District's Board of Directors. The Board of Directors establishes (and modifies or rescinds) fund balance commitments by passage of a resolution. This can also be done through adoption and amendment of the budget. These amounts cannot be used for any other purpose unless the Board removes or changes the specified use by taking the same type of action that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements. The Board of Directors has committed fund balances for unusual legal services $700,000, building remodel and construction $1,775,000, entity allocation stabilization $1,048,506, future TCDRS payments $600,000, disaster recovery $400,000, and contingency $3,609,944.

- Assigned: This classification includes amounts that are constrained by the District's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the Board of Directors or through the Board of Directors delegating this responsibility to other individuals in the District. Under the District's adopted policy, only the Board of Directors may assign amounts for specific purposes.

- Unassigned: This classification includes all amounts not included in other spendable classifications, including the residual fund balance for the General Fund.

General Fund

Prepaid items of $115,845 in the General Fund are considered non-spendable fund balance.

The General Fund has $1,613,614 of unassigned fund balance at December 31, 2024.

NOTE 3 – DEPOSITS AND INVESTMENTS WITH FINANCIAL INSTITUTIONS

The District's funds are required to be deposited and invested under the terms of a depository agreement. The depository bank deposits for safekeeping and trust with the District's agent bank approved pledged securities in an amount sufficient to protect District funds on a day-to-day basis during the period of the agreement. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance.

1. Cash Deposits:

At December 31, 2024, the carrying amount of the District's demand deposits in checking accounts and interest-bearing accounts was $15,556,374 and the bank balances were $15,555,875. The District's cash demand deposits at December 31, 2024 were entirely covered by FDIC insurance. $15,467,885 of the bank balance were invested in an investment sweep account that purchases a Government Money Market Fund. This money market fund is not FDIC insured. The Government Money Market Fund invests over 99% of its assets in very liquid U.S. Government backed securities or in cash.

2. Investments:

The Public Funds Investment Act (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports and establishment of appropriate policies. Among other things, it requires the District to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, (9) and bid solicitation preferences for certificates of deposit. Statutes authorize the City to invest in (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas, (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers acceptance, (7) Mutual Funds, (8) Investment pools, (9) guaranteed investment contracts, (10) and common trust funds.

The Act also requires the District to have independent auditors perform test procedures related to investment practices as provided by the Act. The District is in substantial compliance with the requirements of the Act and with local policies.

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

a. Custodial Credit Risk – Deposits: In the case of deposits, this is the risk that, in the event of a bank failure, the District's deposits may not be returned to it. As of December 31, 2024, the District's demand deposit cash balances totaled $88,489. This entire amount was either collateralized with securities held by the District's financial institution's agent in the Districts name or covered by FDIC insurance. Thus, the District's demand deposits were not exposed to custodial credit risk as of December 31, 2024.

b. Custodial Credit Risk – Investments: For an investment, this 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 the possession of an outside party. At December 31, 2024, the District was not exposed to custodial credit risk.

c. Credit Risk: This is the risk that an issuer or other counterparty to an investment will be unable to fulfill its obligations. The rating of securities by nationally recognized rating agencies is designed to give an indication of credit risk. The District was not exposed to credit risk at December 31, 2024.

d. Foreign Currency Risk: This is the risk that exchange rates will adversely affect the fair value of an investment. At December 31, 2024, the District was not exposed to foreign currency risk.

e. Concentration of Credit Risk: This is the risk of loss attributed to the magnitude of the District's investment in a single issuer (i.e., lack of diversification). Concentration risk is defined as positions of 5 percent or more in the securities of a single issuer. At December 31, 2024, the District had all of its investments at Wells Fargo Bank and was exposed to concentration of credit risk.

NOTE 4 – CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2024, was as follows:

	Balance December 31, 2023	Additions	Retirements	Balance December 31, 2024
Governmental activities:				
Capital Assets not being depreciated:				
Land	$ 435,108	$ -	$ -	$ 435,108
Construction in progress	-	-	-	-
Total Capital Assets, not being depreciated	435,108	-	-	435,108
Capital Assets being depreciated:				
Building and improvements	6,241,395	268,048	-	6,509,443
Furniture and equipment	306,493	-	-	306,493
Computers and software	919,090	-	-	919,090
Total Capital Assets, being depreciated	7,466,978	268,048	-	7,735,026
Less accumulated depreciation:				
Building and improvements	2,807,912	230,667	-	3,038,579
Furniture and equipment	254,425	6,396	-	260,821
Computer and software	409,007	122,078	-	531,085
Total accumulated depreciation	3,471,344	359,141	-	3,830,485
Total Capital Assets, being depreciated, net	3,995,634	(91,093)	-	3,904,542
Governmental activities capital assets, net	$4,430,742	$ (91,093)	$ -	$4,339,650

NOTE 5 – LONG-TERM DEBT

The following is a summary of long-term debt transactions of the District for the year ended December 31, 2024:

	Balance Beginning of Year	Increase/ (Decrease)	Balance End of Year	Due Within One Year
Government Type Activities				
Compensated absences	$ 483,195	$(28,521)	$ 454,674	$ -
Financed purchases	$ 230,568	$(115,284)	$ 115,284	$115,284

The following schedule lists the property financed and the financing terms:

Note Payable Details	Interest Rate	Date of Agreement	Original Note Amount	Property Purchased	Payment
Dell Financial Services	0%	05/09/23	$ 345,852	Technology	$115,284/year

Future principal payments under the note payable as of December 31, 2023, are as follows:

2025	$ 115,284
2026	-
Thereafter	-
Total future principal payments	$ 115,284

NOTE 6 – DEFINED BENEFIT PENSION PLAN

Introduction – Summary of TCDRS Funding Policy

The funding policy governs how the Texas County & District Retirement System (TCDRS) determines the employer contributions required to ensure that benefits provided to TCDRS members are funded in a reasonable and equitable manner. The goals of TCDRS's funding policy are to fully fund benefits over the course of employees' careers to ensure intergenerational equity, and to balance rate and benefit stability with the need for the plan funding to be reflective of current plan conditions. This policy documents the current funding policies in effect for the December 31, 2022, actuarial valuation as established by state law, administrative rule and action by the TCDRS Board of Trustees (the board). The policy serves as a comprehensive funding overview and complies with the GASB reporting requirements for an agent multiple-employer plan.

TCDRS Funding Overview

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 the employer's governing body. The District has adopted the 7% rate.

- 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 Trustees. The District's rate for 2022 was 16.9%.

- 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, DCAD annually reviews its plans and may adjust benefits and costs based on local needs and budgets. Although accrued benefits may not be reduced, employers may reduce future benefit accruals and immediately reduce costs.

Methodology for Determining Employer Contribution Rates

The TCDRS Board hires independent outside consulting actuaries to conduct the annual valuation to measure funding status and to determine the required employer contribution rate for each employer plan. In order to calculate the employer contribution rate, the actuary does the following:

- Studies each employer's adopted plan of benefits and the profile of its plan participants, and uses assumptions established by the board to estimate future benefit plan payments.

- Discounts the estimate of future benefit payments to the present based on the long-term rate of investment return to determine the present value of future benefits.

- Compares the present value of future benefits with the plan's assets to determine the difference that needs to be funded based on the funding policy.

The valuation of each employer plan is based on the system funding policy and the assets, benefits and participant profile of each participating employer plan. The four key components in the determination of employer contribution rates are: the actuarial cost method, amortization policy, the asset valuation method and the actuarial assumptions.

Actuarial Cost Method

TCDRS has adopted the replacement life entry age cost method, a conservative cost method and an industry standard. The goal of this cost method is to fund benefits in an orderly manner for each participant over his or her career so that sufficient funds are accumulated by the time benefit payments begin. Under this approach, benefits are funded in advance as a level percentage of pay. This portion of the contribution rate is called the normal cost rate and generally remains stable from year to year.

Amortization Policy

The portion of the contribution rate that funds any remaining unfunded amounts for benefits that are not covered by the normal cost is called the unfunded actuarial accrued liability (UAAL) rate. UAAL amounts occur when benefit enhancements are adopted that have not been funded in advance, or when actual investment or demographic experience varies from the actuarial assumptions (actuarial gains and losses). UAAL amounts are amortized on a level-percentage-of-covered-payroll basis over a closed period with a layered approach. The closed periods ensure all unfunded liabilities are financed over no more than 20 years from the time they occur. Each year new layers are established to amortize changes in the UAAL due to actuarial gains or losses, as well as any plan benefit changes elected by an employer for that year.

Benefit enhancements are amortized over a 15-year closed period. All other changes in the UAAL are amortized over 20-year closed periods. These amortization periods are generally more conservative than those of most other public retirement plans and are stricter than the minimum amortization period required under state law.

For newly participating districts that have five or fewer employees who are all within five years of retirement eligibility, any initial UAAL and any subsequent adoption of prior service credits are amortized over a five-year closed amortization period. This ensures that benefits are appropriately funded over the current generation of employees. Notwithstanding the layered approach, the total UAAL payment may not be less than the required payment obtained by amortizing the entire UAAL over a 20-year period. If a plan is overfunded, the overfunded actuarial accrued liability (OAAL) is calculated annually using a 30-year open amortization period.

Asset Valuation Method

When determining the actuarial value of assets used for measuring a plan's funded status. TCDRS smoothes each year's actuarial investment gains and losses and recognizes them over a five-year period to better reflect the system's long-term investment horizons and to keep employer contribution rates more stable. As actuarial asset investment gains and losses are recognized, they become part of the actuarial gains and losses for the year and are funded according to the amortization policy. The five-year period helps stabilize employer rates while still ensuring that rates are reflective of current market conditions.

In addition, the TCDRS Board has the option to set aside reserves from investment earnings to help offset future negative economic cycles. These reserves are held separately and are not counted as part of a participating employer's plan assets until they are passed through to employers when determined necessary by the TCDRS board. Reserves help maintain rate stability for employers. In addition, reserves ensure that employers do not adopt benefit increases based on a temporarily lower plan cost at a high point in a market cycle and, conversely, are not as pressured to immediately reduce benefit levels during a low point in a market cycle.

Actuarial Assumptions

Demographic and economic assumptions are used to estimate employer liabilities and to determine the amount of funding required from employer contributions as opposed to investment earnings. These assumptions reflect a long-term perspective of 30 years or more. Examples of key economic assumptions include long-term investment return, long-term inflation and annual payroll increase. Demographic assumptions are the actuary's best estimate of what will happen to TCDRS members and retirees. Examples of demographic assumptions are employment termination rates, retirement rates and retiree mortality rates. A complete listing of all actuarial assumptions can be found in the annual system-wide valuation report.

Oversight

The TCDRS Board established review policies to ensure that actuarial assumptions are appropriate and that the methodology for determining employer contribution rates is being correctly applied.

Review of Actuarial Assumptions

TCDRS' actuarial assumptions are periodically reviewed and revised as deemed necessary to reflect best estimates of future experience. Every four years, the TCDRS consulting actuary conducts an investigation of experience. TCDRS assumptions are compared to plan experience and future expectations, and changes to the assumptions are recommended as needed. The board adopts actuarial assumptions to be used in the valuation based on the results of this study.

An actuarial audit of every investigation of experience is required and must be performed by an independent auditing actuary to review the consulting actuary's analysis, conclusions and recommendations for accuracy, appropriateness and reasonableness. These audits alternate between a peer review and a full replication audit of the investigation of experience. In a peer review audit of the investigation, the reviewing actuary uses the raw results of the investigation for demographic assumptions as calculated by the consulting actuary to test the conclusions and recommendations. In addition, the reviewing actuary independently analyzes economic assumptions to test the results and recommendations of the consulting actuary. The reviewing actuary also examines the consulting actuary's methods and assumptions for reasonableness and internal consistency. In a full replication audit of the investigation, in addition to performing all of the steps of a peer review, the auditing actuary fully replicates the calculation of the investigation's raw results.

Review of Employer Contribution Rates

In order to test accuracy and ensure that the actuarial methods and assumptions are being correctly applied, an audit of the valuation is required every four years. These audits are conducted by an independent reviewing actuary and alternate between a peer review and a full replication audit of the valuation. In the peer review audit of the valuation, the actuary uses a sample of participant data and TCDRS plans to test the results of the valuation. The reviewing actuary also examines the consulting actuary's methods and assumptions for reasonableness and internal consistency. In a full replication audit of the valuation, the auditing actuary performs all the steps of a peer review audit but instead of analyzing sample data and plans, the auditing actuary fully replicates the original actuarial valuation.

Review and Modification of Funding Policy

The TCDRS Board reviews the funding policy on a regular basis and may modify such policy at its discretion. Modifications to the policy may be submitted for consideration to the TCDRS Board by staff and/or outside consulting actuaries as circumstances warrant.

Discount Rate	December 31, 2022	December 31, 2023
Discount rate [1]	7.60%	7.60%
Long-term expected rate of return, net of investment expense	7.60%	7.50%
Municipal bond rate [2]	Does not apply	Does not apply

[1] *This rate reflects the long-term rate of return funding valuation assumption of 7.50%, plus 0.10% adjustment to be gross of administrative expenses as required by GASB 68.*
[2] *The plan's fiduciary net position is projected to be available to make all projected future benefit payments of current active, inactive, and retired members. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return, and the municipal bond rate does not apply.*

Other Key Actuarial Assumptions

The demographic assumptions were developed from an actuarial experience investigation of TCDRS over the years 2017-2020. They were recommended by Milliman and adopted by the TCDRS Board of Trustees in December of 2021. All economic assumptions were recommended by Milliman and adopted by the TCDRS Board of Trustees in March of 2021. These assumptions, except where required to be different by GASB 68, are used to determine the total pension liability as of December 31, 2023. The assumptions are reviewed annually for continued compliance with the relevant actuarial standards of practice.

	Beginning Date	Ending Date
Valuation date	December 31, 2022	December 31, 2023
Measurement date	December 31, 2022	December 31, 2023
Employer's fiscal year	January 1, 2024	December 31, 2024

Actuarial Methods and Assumptions Used for Funding Valuation

The following is a description of the assumptions used in the December 31, 2024 actuarial valuation analysis for Denton Central Appraisal District. This information may also be found in the Denton Central Appraisal District December 31, 2024 Summary Valuation Report.

Economic Assumptions

TCDRS system-wide economic assumptions:

Real rate of return	5.00%
Inflation	2.50%
Long-term investment return	7.50%

The assumed long-term investment return of 8.5% is net of investment and administrative expenses. It is assumed returns will equal the nominal annual rate of 8.5% for calculating the actuarial accrued liability and the normal cost contribution rate for the retirement plan of each participating employer.

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 3.00% (made up of 2.50% inflation and 0.5% productivity increase assumptions) and a merit, promotion and longevity component that on average approximates 1.7% per year for a career employee.

Employer-specific economic assumptions:

Growth in membership	0.0%
Payroll growth	2.5%

The payroll growth assumption is for the aggregate covered payroll of the DCAD.

Long-Term Expected Rate of Return

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 2023 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 set based on a long-term time horizon. The TCDRS Board of Trustees adopted the current assumption at their March 2021 meeting. The assumption for the long-term expected return is reviewed annually for continued compliance with the relevant actuarial standards of practice. Milliman relies on the expertise of Cliffwater in this assessment.

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%	4.95%
Global Equities	MSCI World (net) Index	2.50%	4.95%
Int'l Equities-Developed Markets	MSCI World Ex USA (net) Index	5.00%	3.80%
Int'l Equities-Emerging Markets	MSCI EM Standard (net) Index	6.00%	4.30%
Investment-Grade Bonds	Bloomberg Barclays U.S. Aggregate Bond Index	3.00%	-0.85%
Strategic Credit	FTSE High-Yield Cash-Pay Capped Index	9.00%	1.77%
Direct Lending	S&P/LSTA Leveraged Loan Index	16.00%	6.25%
Distressed Debt	Cambridge Associates Distressed Securities Index[3]	4.00%	4.50%
REIT Equities	67% FTSE NAREIT All Equity REITs Index + 33% S&P Global REIT Index	2.00%	3.10%
Master Limited Partnerships (MLPs)	Alerian MLP Index	2.00%	3.85%
Private Real Estate Partnerships	Cambridge Associates Real Estate Index[4]	6.00%	5.10%
Private Equity	Cambridge Associates Global Private Equity & Venture Capital Index[5]	25.00%	6.80%
Hedge Funds	Hedge Fund Research, Inc. (HFRI) Fund of Funds Composite Index	6.00%	1.55%
Cash Equivalents	90-Day U.S. Treasury	2.00%	-1.05%

[1] *Target asset allocation adopted at the March 2023 TCDRS Board meeting.*
[2] *Geometric real rates of return equal the expected return minus the assumed inflation of 2.3%, per Cliffwater's 2023 capital market assumptions.*
[3] *Includes vintage years 2005-present of Quarter Pooled Horizon IRRs.*
[4] *Includes vintage years 2007-present of Quarter Pooled Horizon IRRs.*
[5] *Includes vintage years 2006-present of Quarter Pooled Horizon IRRs.*

Depletion of Plan Assets/GASB Discount Rate

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:

1. 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.

2. The actuarial present value of projected benefit payments not included in (1), calculated using the municipal bond rate.

Therefore, if plan investments in a given future year are greater than projected benefit payments in that year and are invested such that they are expected to earn the long-term rate of return, the discount rate applied to projected benefit payments in that year should be the long-term expected rate of return on plan investments. If future years exist where this is not the case, then an index rate reflecting the yield on a 20-year, tax-exempt municipal bond should be used to discount the projected benefit payments for those years.

The determination of a future date when plan investments are not sufficient to pay projected benefit payments is often referred to as a depletion date projection. A depletion date projection compares projections of the pension plan's fiduciary net position to projected benefit payments and aims to determine a future date, if one exists, when the fiduciary net position is projected to be less than projected benefit payments. If an evaluation of the sufficiency of the projected fiduciary net position compared to projected benefit payments can be made with sufficient reliability without performing a depletion date projection, alternative methods to determine sufficiency may be applied.

In order to determine the discount rate to be used by each employer TCDRS used an alternative method to determine the sufficiency of the fiduciary net position in all future years. Our alternative method reflects the funding requirements under the DCAD's 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 District is legally required to make the contribution specified in the funding policy.

3. The District's assets are projected to exceed its accrued liabilities in 20 years or less. When this point is reached, the District is still required to contribute at least the normal cost.

4. Any increased cost due to the adoption of a COLA 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 of the employer 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 for GASB 68 purposes. Therefore, TCDRS used a discount rate of 7.60%. This rate reflects the long-term assumed rate of return on assets for funding purposes of 7.50%, net of all expenses, increased by 0.10% to be gross of administrative expenses.

Net Pension Liability / (Asset)

Net Pension Liability / (Asset)	December 31, 2022	December 31, 2023
Total pension liability	$49,127,700	$47,507,016
Fiduciary net position	46,031,633	49,512,303
Net pension liability / (Asset)	3,096,067	(2,005,287)
Fiduciary net position as a % of total pension liability	93.70%	104.22%
Pensionable covered payroll [1]	6,980,527	7,977,727
Net pension liability as a % of covered payroll	(44.35%)	(25.14%)

The total pension liability was determined by an actuarial valuation as of the valuation date, calculated based on the discount rate and actuarial assumptions below.

Note: Rounding differences may exist above or in other tables in this report.
[1] Payroll is calculated based on contributions as reported to TCDRS.

Changes in the Net Pension Liability / (Asset)

	Increase (Decrease)		
Changes in the Net Pension Liability/(Asset)	Total Pension Liability (a)	Fiduciary Net Position (b)	Net Pension Liability / (Asset) (a) – (b)
Balances as of December 31, 2022	$49,127,700	$46,031,633	$3,906,067
Changes for the year:			
Service cost	1,231,150		1,231,150
Interest on total pension liability[1]	3,712,467		3,712,467
Effect of plan changes[2]	(2,310,325)		(2,310,325)
Effect of economic/demographic gains or losses	(1,176,422)		(1,176,422)
Effect of assumptions changes or inputs			
Refund of contributions	(58,781)	(58,781)	0
Benefit payments	(3,018,774)	(3,018,774)	0
Administrative expenses		(25,854)	25,854
Member contributions		558,441	(558,441)
Net investment income		5,044,261	(5,044,261)
Employer contributions		1,037,105	(1,037,105)
Other[3]	0	(55,728)	55,728
Balances as of December 31, 2023	$47,507,016	$49,512,303	$(2,005,287)

[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.*

Sensitivity Analysis

The following presents the net pension liability of DCAD, calculated using the discount rate of 7.60%, as well as what the DCAD net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.60%) or 1 percentage point higher (8.60%) than the current rate.

	1% Decrease 6.60%	Current Discount Rate 7.60%	1% Increase 8.60%
Total pension liability	$54,100,324	$47,507,016	$42,058,675
Fiduciary net position	49,512,303	49,512,303	49,512,303
Net pension liability / (Asset)	$4,588,021	$(2,005,287)	$(7,453,628)

Pension Expense / (Income)

	January 1, 2023 to December 31, 2023
Service cost	$ 1,231,150
Interest on total pension liability[1]	3,712,467
Effect of plan changes	(2,310,325)
Administrative expenses	25,854
Member contributions	(558,441)
Expected investment return net of investment expenses	(3,440,076)
Recognition of deferred inflows/outflows of resources	
Recognition of economic/demographic gains or losses	(26,367)
Recognition of assumption changes or inputs	563,130
Recognition of investment gains or losses	(843,728)
Other[2]	55,728
Pension expense / (income)	$ (1,590,608)

[1] *Reflects the change in the liability due to the time value of money. TCDRS does not charge fees or interest.*
[2] *Relates to allocation of system-wide items.*

As of December 31, 2023, the deferred inflows and outflows of resources are as follows:

	Deferred Inflows of Resources	Deferred Outflows of Resources
Differences between expected and actual experience	$ 1,006,158	$ 506,576
Changes of assumptions	19,526	662,674
Net difference between projected and actual earnings	-	177,418
Contributions made subsequent to measurement date	-	1,137,928
	1,025,684	2,484,596

$1,756,789 reported as deferred outflows of resources resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the measurement year ended December 31, 2024. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Amounts currently reported as deferred outflows of resources and deferred inflows of resources related to pensions, excluding contributions made subsequent to the measurement date, will be recognized in pension expense in:

Years ended December 31:	
2024	$ 371,193
2025	(133,610)
2026	799,024
2027	(519,551)
2828	(196,072)
Thereafter	-

Schedule of Deferred Inflows and Outflows of Resources

	Original Amount	Date Established	Original Recognition Period[1]	Amount Recognized in 12/31/2023 Expense	Balance of Deferred Inflows 12/31/2023	Balance of Deferred Outflows 12/31/2023
Investment (gains) or losses	$ (1,604,185)	12/31/2023	5.0	$ (320,837)	$ 1,283,348	$ 0
	6,592,874	12/31/2022	5.0	1,318,575	0	3,955,724
	(5,827,675)	12/31/2021	5.0	(1,165,535)	2,331,070	-
	(819,448)	12/31/2020	5.0	(168,890)	163,888	-
	(2,560,209)	12/31/2019	5.0	512,041	-	-
Economic / Demographic (gains) or losses	(1,176,422)	12/31/2023	6.0	(196,070)	980,352	-
	(15,859)	12/31/2022	6.0	(2,643)	10,573	-
	1,213,314	12/31/2021	5.0	242,663	-	485,325
	(76,173)	12/31/2020	5.0	(15,235)	15,233	-
	127,521	12/31/2019	6.0	21,254	-	21,251
	3,345	12/31/2018	6.0	555	-	-
	(538,243)	12/31/2017	7.0	(76,891)	-	-
Assumption changes or inputs	-	12/31/2023	6.0	-	-	-
	-	12/31/2022	6.0	-	-	-
	(48,818)	12/31/2021	5.0	(9,764)	19,526	-
	3,313,370	12/31/2020	5.0	662,674	-	662,674
	-	12/31/2019	6.0	-	-	-
	-	12/31/2018	6.0	-	-	-
	(628,448)	12/31/2017	7.0	(89,780)	-	-
Employer contributions made subsequent to measurement date	1,137,928	12/31/2023	1.0	-	-	1,137,928
	1,037,105	12/31/2022	1.0	1,037,105	-	-
	1,181,145	12/31/2021	1.0	1,181,145	-	-
	1,143,987	12/31/2020	1.0	-	-	-
	902,309	12/31/2019	1.0	-	-	-
	1,038,088	12/31/2018	1.0	-	-	-
	978,206	12/31/2017	1.0	-	-	-

[1] *Investment (gains)/losses are recognized in pension expense over a period of five years; economic/demographic (gains)/loses and assumption changes or inputs are recognized over the average remaining service life for all active, inactive, and retired members.*

NOTE 7 – HEALTH REIMBURSEMENT PLAN

In 2005 the District implemented a health reimbursement plan that qualifies as an employer provided medical reimbursement plan under Internal Revenue Service Code sections 105 and 106. In 2024 the District provided $1,000 per eligible employee for health care reimbursement. The unused amount carries over to the following year. Any unused amounts expire upon termination of the employee.

NOTE 8 – SELF-FUNDED HEALTH CARE PLAN

In October 2011 the District established a self-funded health care plan for the benefit of eligible employees and their eligible dependents. The purpose of the DCAD Health Benefit plan is to provide reimbursement for covered charges incurred as a result of medically necessary treatment for illness or injury of the Company's eligible employees and their eligible dependents. The District has contracted with Group Resources for assistance as a third party administrator.

NOTE 9 – LITIGATION

The District and Appraisal Review Board are defendants in a number of property owner appeals pursuant to Chapter 42 of the State Tax Code. Such legal proceedings allege that the appraised values placed on taxpayers' properties are excessive. The potential liability to the District in each of these appeals is for recovery of attorney's fees and court costs. The District believes that any ultimate liability on these appeals will not materially affect its financial position. No provisions for any liability that might result from these appeals has been recorded in the general purpose financial statements.

NOTE 10 – 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. During 2024, the District purchased commercial insurance to cover general liabilities. There were no significant reductions in coverage in the past fiscal year, and there were no settlements exceeding insurance coverage for each of the past three years.

NOTE 11 – LEASES

In June 2017, GASB issued Statement No. 87 – Leases. This statement increased the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contracts. The initial adoption date was postponed to fiscal years beginning after June 15, 2021 (FY 2022) by GASB Statement No. 95 – Postponement of the Effective Dates of Certain Authoritative Guidance, which was issued in May of 2020.

Per review of the agreements identified by the District as potential leases, the leases were determined to either not meet the definition of a lease or were immaterial to the financial statements.

NOTE 12 – SUBSCRIPTION-BASED IT ARRANGEMENTS

In May 2020, GASB issued Statement No. 96 – Subscription-based Information Technology Arrangements. This statement will improve financial reporting by establishing a definition for SBITA's and providing uniform guidance for accounting and financial reporting for transactions that meet that definition. Statement No. 96 establishes standards for recognizing and measuring assets, liabilities, deferred outflows of resources, deferred inflows of resources, and expenses related to SBITA's in the basic financial statements, along with additional note disclosure requirements.

Per review of the agreements identified by the District as potential SBITA's, the agreements were determined to either not meet the definition of a SBITA or were immaterial to the financial statements.

NOTE 13 – ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 14 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through July 8, 2025, which is the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

DENTON CENTRAL APPRAISAL DISTRICT

BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2024

	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final	Amounts	Positive (Negative)
Revenues:				
Local support	$ 19,617,802	$ 19,617,802	$ 19,617,928	$ 126
Other revenues	550,000	550,000	133,708	(416,292)
Interest income	180,000	180,000	613,094	433,094
Total Revenues	20,347,802	20,347,802	20,364,730	16,928
Expenditures:				
Salaries	9,906,250	9,906,250	8,109,636	1,796,614
Longevity pay	78,870	78,870	66,381	12,489
Payroll taxes	815,670	815,670	630,670	185,000
Retirement	1,404,755	1,404,755	1,137,930	266,825
Workmens compensation insurance	72,560	72,560	27,852	44,708
Group health insurance	1,886,580	1,886,580	1,612,488	274,092
Registration and dues	35,000	35,000	44,251	(9,251)
Travel, conference and training	162,500	162,500	100,716	61,784
Appraisal Review Board	451,290	451,290	345,015	106,275
Oil & gas - overhead	190,000	190,000	240,410	(50,410)
Attorney fees and court costs	500,000	500,000	706,580	(206,580)
Accounting and auditing	62,500	62,500	46,943	15,557
Deed and sales information	1,026,500	1,026,500	875,870	150,630
Auto reimbursements	683,449	683,449	608,117	75,332
General insurance	45,627	45,627	52,898	(7,271)
Printing services	229,400	229,400	141,986	87,414
Postage	452,800	452,800	325,490	127,310
Legal notices and advertising	8,700	8,700	4,626	4,074
Supplies and materials	79,300	79,300	32,568	46,732
Equipment maintenance	17,400	17,400	7,173	10,227
Information services maintenance	1,329,665	1,329,665	2,221,600	(891,935)
Telephone and utilities	191,996	191,996	197,996	(6,000)
Janitorial and building maintenance	163,465	163,465	282,569	(119,104)
Capital outlay	93,150	93,150	196,773	(103,623)
Contingency	89,271	89,271	90,000	(729)
Miscellaneous	64,760	64,760	65,781	(1,021)
Seasonal labor	245,000	245,000	349,526	(104,526)
Equipment lease	61,355	61,355	117,926	(56,571)
Total Expenditures	20,347,813	20,347,813	18,639,771	1,708,042
Excess Revenues over (under) Expenditures	(11)	(11)	1,724,959	1,724,970
OTHER FINANCING SOURECES (USES)				
Net Change in Fund Balance	(11)	(11)	1,724,959	1,724,970
Fund Balance Beginning	8,473,354	8,473,354	8,473,354	-
Fund Balance Ending	$ 8,473,343	$ 8,473,343	$ 10,198,313	$ 1,724,970

DENTON CENTRAL APPRAISAL DISTRICT

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
FOR THE YEAR ENDED DECEMBER 31, 2024

	2023	2022	2021
Total Pension Liability			
Service cost	$ 1,231,150	$ 1,265,445	$ 1,288,483
Interest on total pension liability	3,712,467	3,549,290	3,898,086
Effect of plan changes	(2,310,325)	-	(9,009,716)
Effect of assumption changes or inputs	-	-	(48,818)
Effect of economic/demographic (gains) or losses	(1,176,422)	(15,859)	1,213,314
Benefit payments/refunds of contributions	(3,077,555)	(2,174,013)	(1,651,047)
Net change in total pension liability	(1,620,685)	2,624,863	(4,309,698)
Total pension liability, beginning	49,127,700	46,502,837	50,812,535
Total pension liability, ending (a)	$ 47,507,015	$ 49,127,700	$ 46,502,837
Fiduciary Net Position			
Employer contributions	$ 1,037,105	$ 1,181,145	$ 1,143,987
Member contributions	558,441	488,637	485,870
Investment income net of investment expenses	5,044,261	(2,855,731)	8,910,025
Benefit payments/refunds of contributions	(3,077,555)	(2,174,013)	(1,651,048)
Administrative expenses	(25,854)	(26,975)	(26,752)
Other	(55,728)	(29,668)	10,574
Net change in fiduciary net position	3,480,670	(3,416,605)	8,872,656
Fiduciary net position, beginning	46,031,633	49,448,238	40,575,582
Fiduciary net position, ending (b)	$ 49,512,303	$ 46,031,633	$ 49,448,238
Net pension liability / (asset), ending = (a) - (b)	$ (2,005,289)	$ 3,096,067	$ (2,945,401)
Fiduciary net position as a % of total pension liability	104.22%	93.70%	106.33%
Pensionable covered payroll	$ 7,977,727	$ 6,980,527	$ 6,940,998
Net pension liability as a % of covered payroll	-25.14%	44.35%	-42.43%

Based on measurement date December, 31, 2023

2020	2019	2018	2017	2016	2015	2014
$ 1,169,654	$ 1,114,104	$ 1,059,078	$ 1,041,409	$ 974,780	$ 892,437	$ 814,566
3,633,109	3,345,367	3,073,591	2,907,674	2,614,126	2,421,449	2,165,808
(242,169)	-	-	-	-	(185,718)	-
3,313,370	-	-	(628,448)	-	587,567	-
(76,173)	127,521	3,345	(538,243)	160,366	(555,280)	481,622
(1,312,054)	(876,755)	(796,378)	(708,733)	(669,491)	(582,384)	(501,443)
6,485,737	3,710,237	3,339,636	2,073,659	3,079,781	2,578,071	2,960,553
44,326,798	40,616,561	37,276,925	35,203,266	32,123,485	29,545,414	26,584,861
$ 50,812,535	$ 44,326,798	$ 40,616,561	$ 37,276,925	$ 35,203,266	$ 32,123,485	$ 29,545,414
$ 902,309	$ 1,038,088	$ 978,206	$ 913,800	$ 759,259	$ 705,047	$ 675,164
451,154	443,070	411,275	392,153	379,629	352,523	337,582
3,797,766	5,099,912	(571,679)	3,887,843	1,796,322	(670,911)	1,485,255
(1,312,054)	(876,755)	(796,378)	(708,733)	(669,491)	(582,385)	(501,443)
(29,690)	(28,013)	(24,947)	(20,644)	(19,520)	(17,537)	(18,082)
4,869	25,814	20,788	7,809	86,593	13,480	15,126
3,814,354	5,702,116	17,265	4,472,228	2,332,792	(199,783)	1,993,602
36,761,228	31,059,112	31,041,847	26,569,619	24,236,827	24,436,610	22,443,009
$ 40,575,582	$ 36,761,228	$ 31,059,112	$ 31,041,847	$ 26,569,619	$ 24,236,827	$ 24,436,611
$ 10,236,953	$ 7,565,570	$ 9,557,449	$ 6,235,078	$ 8,633,647	$ 7,886,658	$ 5,108,803
79.85%	82.93%	76.47%	83.27%	75.47%	75.45%	82.71%
$ 6,445,063	$ 6,329,578	$ 5,875,362	$ 5,602,181	$ 5,423,278	$ 5,036,048	$ 4,822,600
158.83%	119.53%	162.67%	111.30%	159.20%	156.60%	105.93%

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DENTON CENTRAL APPRAISAL DISTRICT

SCHEDULE OF EMPLOYER CONTRIBUTIONS
DECEMBER 31, 2024

Year Ending December 31	Actuarially Determined Contribution[1]	Actual Employer Contribution[1]	Contribution Deficiency (Excess)	Pensionable Covered Payroll[2]	Actual Contribution as a % of Covered Payroll
2013	403,883	1,127,969	(724,086)	4,443,155	25.4%
2014	435,481	675,164	(239,683)	4,822,600	14.0%
2015	365,617	705,047	(339,430)	5,036,048	14.0%
2016	367,156	759,259	(392,103)	5,423,278	14.0%
2017	448,175	913,800	(465,326)	5,602,181	16.3%
2018	506,456	978,206	(471,749)	5,875,361	16.6%
2019	543,711	1,038,088	(494,377)	6,329,578	16.4%
2020	597,457	902,309	(304,851)	6,445,063	14.0%
2021	626,078	1,143,987	(517,909)	6,940,998	16.5%
2022	886,527	1,181,145	(294,618)	6,980,527	16.9%
2023	834,470	1,137,105	(202,635)	7,977,727	13.0%

[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.*

[2] *Payroll is calculated based on contributions as reported to TCDRS.*

Valuation Date: Actuarially determined contribution rates are calculated each December 31, two years prior to the end of the fiscal year which contributions are reported.

Methods and assumptions used to determine contribution rates:

Actual Cost Method	Entry Age
Amortization Method	Level percentage of payroll, closed.
Remaining Amortization Period	9.7 years (based on contribution rate calculated in 12/31/2022 valuation).
Asset Valuation Method	5-year smoothed market.
Inflation	2.50%
Salary Increases	Varies by age and service. 4.7% average over career including inflation.
Investment Rate of Return	7.50%, net of investment expenses, including inflation.
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	135% of the Pub-2010 General Retirees Table for males and 120% of the Pub-2010 General Retirees Table for females, both projected with 100% of the MP-2021 Ultimate scale after 2010.
Changes in Assumptions and Methods Reflected in the Schedule of Employer Contributions*	2015: New inflation, mortality and other assumptions were reflected. 2017: New mortality assumptions were reflected. 2019: New inflation, mortality and other assumptions were reflected. 2022: New investment return and inflation assumptions were reflected.
Changes in Plan Provisions Reflected in the Schedule*	2015 & 2016: Employer contributions reflect that a 100% CPI COLA was adopted. 2017: Employer contributions reflect that a 100% CPI COLA was adopted. Also, new Annuity Purchase Rates were reflected for benefits earned after 2017. 2018-2020: Employer contributions reflect that a 100% CPI COLA was adopted. 2021: No changes in plan provisions were reflected in the schedule. 2022: Employer contributions reflect that a 1% flat COLA was adopted.

* Only changes effective 2015 and later are shown in the Notes to Schedule.