DENTON CENTRAL APPRAISAL DISTRICT

ANNUAL FINANCIAL REPORT

DECEMBER 31, 2025

DENTON CENTRAL APPRAISAL DISTRICT

TABLE OF CONTENTS

This page left blank intentionally.

HankinsEastup

Deaton Tonn Seay & Scarborough | A Texas LLC

INDEPENDENT AUDITORS' REPORT

Board of Directors
Denton Central Appraisal District
Denton, Texas

Opinion

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, 2025, 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 District as of December 31, 2025, 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 Opinion

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, the budgetary comparison information, and the Texas County and District Retirement System Schedules as listed in the table of contents 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
CERTIFIED PUBLIC ACCOUNTANTS

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

April 30, 2026

This page left blank intentionally.

MANAGEMENT'S DISCUSSION & ANALYSIS

DENTON CENTRAL APPRAISAL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2025

As management of the Denton Central Appraisal District, we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the year ended December 31, 2025. 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, and the District's Basic Financial Statements as listed in the table of contents.

FINANCIAL HIGHLIGHTS

- The District's expenditures were under its 2025 budget by $3,975,240, due to cost savings in several expenditure categories.

- A total of $22,711,505 in revenues were realized in 2025, $450,991 more than originally budgeted.

- 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 $23,016,997 (total net position). Of this amount, $18,884,007 is unrestricted and may be used to meet the District's ongoing obligations and responsibilities to citizens, the supporting tax units, and creditors.

- The District's net capital assets decreased from $4,339,650 in the prior year to $4,132,990 as of December 31, 2025. This decrease is attributable to the District's new capital asset additions in 2025, which did not exceed 2025 depreciation expense.

- At the end of 2025, the District had $13,123,512 total fund balance in its General Fund, representing an increase of $2,865,103 over fund balance at the end of the previous year.

- A liability for compensated absences in the amount of $506,643 as of December 31, 2025, has been accrued to account for employee paid time off that can be carry-forwarded to future pay periods.

OVERVIEW OF THE FINANCIAL STATEMENTS

Management's discussion and analysis is intended to serve as an introduction to the 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 required 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 District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference between all these amounts 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 result in cash flows in future fiscal periods (e.g., earned but unused compensated absences).

The aforementioned government-wide financial statements normally identify and distinguish between governmental activities, which are supported primarily by general or intergovernmental revenues and business-type activities, which are typically self-supported by customer user fees and charges. The District has no business-type activities. Pursuant to the Texas Property Tax Code, the District's special purpose is to establish fair market values and administer 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 special purpose and these governmental activities.

The governmental-wide financial statements can be found on pages 14 and 15 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 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; there are no long-term assets or liabilities reported in governmental funds. Such information is useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of 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 reconciliations to facilitate a 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 related short-term liabilities.

The basic government fund financial statements can be found on pages 14 through 19 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 the District's approved budget. This comparison can be found under the "Required Supplementary Information" section of this report.

Notes to Basic Financial Statements: The notes to the basic financial statements 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 22 to 36 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net Position: As noted earlier, net position may serve over time as a useful indicator of a government's financial condition. As of December 31, 2025, the District's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources by $23,016,997.

As of December 31, 2025, $28,308,301 of total assets were recorded. Of that amount, current assets (cash and prepaid expenses) represented $18,836,517 of the balance.

Total liabilities as of December 31, 2025, equaled $6,219,248. Of that amount, $506,643 were long-term liabilities, consisting of accrued compensated absences. The remaining liabilities included accounts payable and unearned 2026 tax unit assessments.

Of the $23,016,997 in total net position, $4,132,990 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 that support the District. Capital assets are non-liquid assets and cannot be used to satisfy District obligations. The District's unrestricted net position of $18,884,007 may be used to meet the District's ongoing obligations and responsibilities.

FINANCIAL ANALYSIS OF GOVERNMENTAL FUNDS

Governmental Funds: The focus of the 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.

As of December 31, 2025, the District has $13,123,512 in total fund balance. This is $2,865,103 more than last year’s fund balance.

General Fund Budgetary Highlights: Actual expenditures for the year ended December 31, 2025, were $19,846,402, which were $3,975,240 less than the amount budgeted for 2025 expenditures. This decrease represents cost savings in several areas during fiscal year 2025.

Actual revenues for 2025 were $22,711,505 , which were $450,991 more than budgeted 2025 revenues. Assessment payments from taxing units account for the bulk of the District's revenues. For 2025, 97.1% came from assessment payments, 2.7% from interest earnings, and 0.2% 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, 2025, were $4,132,990 (net of accumulated depreciation). This represents a $72,482 decrease from the previous fiscal year. The following table presents the District's net capital assets as of December 31, 2025:

		% of Total
Non-depreciated Assets:		
Land	$ 435,108	10.5%
Depreciated Assets:		
Building and improvements	3,289,778	79.6%
Furniture and equipment	91,485	2.2%
Computers and software	316,619	7.7%
	$4,132,990	100.0%

Capital asset additions occurred during the 2025 year for security improvements

Debt Administration: At the end of the 2025 year, the District had $506,643 in long-term liabilities for accrued compensated absences.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND ASSESSMENTS

The District's 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 the District; and to provide an appeals process for the citizens/taxpayers who own property within Denton County. The 2026 budget includes the following:

- $24,696,576 in proposed General Fund expenditures, representing an $874,934 increase when compared with the 2025 budget. The 2026 budget makes strategic investments in technology modernization and workforce development. In addition, the 2026 budget includes the cost of a board of directors' election in 2026.

- The District serves over hundred entities. It is the goal of the District to provide excellent service to all entities served.

REQUEST FOR INFORMATION

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

BASIC FINANCIAL STATEMENTS

DENTON CENTRAL APPRAISAL DISTRICT

STATEMENT OF NET POSITION
DECEMBER 31. 2025

	Primary Government
	Governmental Activities
ASSETS	
Cash and cash equivalents	$ 18,710,976
Prepaid expenses	125,541
Capital assets:	
Land	435,108
Other capital assets, net of accumulated depreciation	3,697,882
Net pension assets	5,338,794
Total Assets	28,308,301
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows of resources related to pension plan	2,260,009
Total Deferred Outflows of Resources	2,260,009
LIABILITIES	
Accounts payable	306
Unearned assessment revenue	5,712,699
Noncurrent liabilities:	
Compensated absences	506,643
Total Liabilities	6,219,648
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows of resources related to pension plan	1,331,665
Total Deferred Inflows of Resources	1,331,665
NET POSITION	
Net investment in capital assets	4,132,990
Unrestricted	18,884,007
Total Net Position	$ 23,016,997

The accompanying notes are an integral part of these financial statements.

DENTON CENTRAL APPRAISAL DISTRICT

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31. 2025

		Program Revenues			Net (Expenses) Revenues 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	$ 16,288,991	$ 22,102,993	$ -	$ -	$ 5,814,002
Total Governmental Activities	16,288,991	22,102,993	-	-	5,814,002
Total Primary Government	$ 16,288,991	$ 22,102,993	$ -	$ -	$ 5,814,002
		General Revenues:			
		Interest income			608,512
		Total General Revenues			608,512
		Change in Net Position			6,422,514
		Net Position – Beginning of Year			16,594,483
		Net Position – End of Year			$ 23,016,997

The accompanying notes are an integral part of these financial statements.

DENTON CENTRAL APPRAISAL DISTRICT

BALANCE SHEET – GOVERNMENTAL FUND
DECEMBER 31. 2025

	General Fund
ASSETS	
Cash and cash equivalents	$ 18,710,976
Prepaid expenses	125,541
Total Assets	$ 18,836,517
LIABILITIES AND FUND BALANCES	
Liabilities:	
Accounts payable	$ 306
Unearned revenue	5,712,699
Total Current Liabilities	5,713,005
Fund Balances:	
Nonspendable Fund Balance:	
Prepaid items	125,541
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	5,334,903
Unassigned Fund Balance:	2,739,562
Total Fund Balance	13,123,512
Total Liabilities and Fund Balances	$ 18,836,517

The accompanying notes are an integral part of these financial statements.

DENTON CENTRAL APPRAISAL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET TO THE GOVERNMENT-WIDE STATEMENT OF NET POSITION
DECEMBER 31. 2025

Total fund balance – governmental fund	$ 13,123,512
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets, net of depreciation are not current financial resources and, therefore, are not reported in the governmental fund balance sheet.	4,132,990
Compensated absences are not reported in the fund financial statements.	(506,643)
The District's net pension assets/liability in the amount of $5,338,794, deferred outflows of resources in the amount of $2,260,009, and deferred inflows of resources in the amount of $1,331,665 are not reported in the fund financial statements. This increases net position by $6,267,138.	6,267,138
Net position of governmental activities	$23,016,997

The accompanying notes are an integral part of these financial statements.

DENTON CENTRAL APPRAISAL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – GOVERNMENTAL FUND
FOR THE YEAR ENDED DECEMBER 31. 2025

	General Fund
Revenues:	
Local support	$ 22,055,841
Interest income	608,512
Other revenues	47,152
Personal renditions	-
Total Revenues	22,711,505
Expenditures:	
Salaries	8,767,915
Longevity pay	68,917
Payroll taxes	680,180
Retirement	1,230,988
Workmens compensation insurance	31,938
Group health insurance	2,260,305
Registration and dues	48,823
Travel, conference and training	63,095
Appraisal Review Board	342,158
Oil & gas	154,230
Attorney fees and court costs	1,060,101
Accounting and auditing	43,368
Deed and sales information	602,195
Auto reimbursements	652,217
General insurance	50,913
Printing services	207,422
Postage	420,429
Legal notices and advertising	3,746
Supplies and materials	26,793
Equipment maintenance	7,065
Information services maintenance	2,003,707
Telephone and utilities	208,640
Janitorial and building maintenance	350,544
Capital outlay	34,282
Equipment lease	117,650
Seasonal labor	341,136
Miscellaneous	67,645
Total Expenditures	19,846,402
Excess Revenues over Expenditures	2,865,103
Other Financing Sources (Uses)	-
Net Change in Fund Balance	2,865,103
Fund Balance - Beginning of Year	10,258,409
Fund Balance - End of Year	$ 13,123,512

The accompanying notes are an integral part of these financial statements.

DENTON CENTRAL APPRAISAL DISTRICT

RECONCILIATION OF GOVERNMENTAL FUND STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE TO THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
DECEMBER 31. 2025

Net change in fund balance – governmental fund	$ 2,865,103
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 capitalized and allocated over their estimated useful lives as depreciation expense. This is the amount of capital asset additions in the current period.	173,584
Depreciation of capital assets is recognized as an expense in the statement of activities, but it is not recognized in governmental funds.	(380,243)
The current year change in compensated absences is not recognized as an expenditure in governmental funds.	(51,969)
Current year changes in notes payable are not reported as expenditures in governmental funds.	115,284
GASB 68 requires certain expenditures be de-expended and recorded as deferred resource outflows. The contributions made after the measurement date of 12/31/24 caused the change in ending net position to increase in the amount of $1,900,456. Contributions made before the measurement date but during 2024 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 $697,818. These contributions were replaced with the District's negative pension expense for the year of $1,102,481, which caused an increase in the change in net position. The impact these adjustments is to increase the change in net position by $3,700,755.	3,700,755
Change in net position of governmental activities	$ 6,422,514

The accompanying notes are an integral part of these financial statements.

This page left blank intentionally.

NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General

The legislative Act that created 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 District is governed by a board of nine directors. Five directors are appointed by the taxing entities and serve staggered four-year terms; three directors are elected by voters of the county and serve staggered four-year terms. The county assessor-collector serves as an ex-officio director. Individuals are ineligible for service on the board if they have served all or part of five terms.

Reporting Entity

For financial reporting purposes, management has considered potential component units. The decision to include a potential component unit is made by applying the criteria set forth in generally accepted accounting principles (GAAP) in the United States of America. The criteria used is:

Financial Accountability – The primary government is deemed to be financially accountable for another entity 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 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/or intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on outside-party user 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 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 related liabilities. The measurement focus is determination of changes in financial position rather than upon net income determination.

Measurement Focus and 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 measurements 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 all 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 position. Under the accrual basis of accounting, revenues are recognized when earned. Expenses are recognized when a 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 are recorded only when payment is due.

Interest income is recorded as earned, since it is measurable and available.

Budgetary Data

The District uses the following procedures in establishing the budget that is 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 through passage of a board 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 total 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 the end of the fiscal year.
5. Original budgeted amounts presented in the budgetary comparison schedule are as originally adopted by the Board of Directors. The final amended budget is as amended by the Board during the fiscal 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, 2025, 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 cost information is not available. Donated assets are valued at their fair market value on the date donated. Repairs and maintenance are recorded as expenses as incurred. Renewals and betterments are capitalized.

Assets capitalized have an original cost of $3,000 or more and over one-year useful life. Depreciation expense 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 paid leave that accumulates at 13.33 hours per month. Employees are allowed to carry a combined total of paid time off and compensatory time up to 320 hours from one year to the next. Any excess over 320 hours is forfeited after December 31 each year. Upon termination of employment, an employee is paid for unused accumulated leave time up to 160 hours. The liability for accumulated paid leave is recorded in the government-wide statement of net position.

Net Position

Net position represents the difference between assets, deferred outflows of resources and liabilities and deferred inflows of resources. 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 Classifications: 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:

- Non-spendable: 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 as of December 31, 2025.

- 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, building remodel and construction, entity allocation stabilization, future TCDRS payments, disaster recovery, and contingencies.

- 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 in the General Fund are considered non-spendable fund balance. The General Fund has $2,739,562 of unassigned fund balance as December 31, 2025.

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:

As of December 31, 2025, the carrying amount of the District's demand deposits in checking accounts and interest-bearing accounts was $18,710,976 and the bank balances were $19,477,992. The District's cash demand deposits as of December 31, 2025, were entirely covered by FDIC insurance.

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) banker's 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, 2025, the District's demand deposit bank balances totaled $18,710,976. 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, 2025.

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 recover the value of its investments or collateral securities that are in the possession of an outside party. As of December 31, 2025, 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 as of December 31, 2025.

d. Foreign Currency Risk: This is the risk that exchange rates will adversely affect the fair value of an investment. As of December 31, 2025, 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. As of December 31, 2025, 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, 2025, was as follows:

	December 31, 2024	Additions	Retirements	December 31, 2025
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	6,509,443	61,058	-	6,570,501
Furniture and equipment	306,493	65,077	-	371,570
Computers and software	919,090	47,449	-	966,539
Total capital assets, being depreciated	7,735,026	173,584	-	7,908,610
Less accumulated depreciation:				
Building and improvements	3,038,579	242,144	-	3,280,723
Furniture and equipment	260,821	19,264	-	280,085
Computer and software	531,085	118,835	-	649,920
Total accumulated depreciation	3,830,485	380,243	-	4,210,728
Total capital assets, being depreciated, net	3,904,542	(206,660)	-	3,697,882
Governmental activities capital assets, net	$4,339,650	$ (206,660)	$ -	$4,132,990

NOTE 5 – LONG-TERM DEBT

The following is a summary of long-term debt transactions of the District for the year ended December 31, 2025:

	December 31, 2024	Increase / (Decrease)	December 31 2025	Due in One Year
Government Type Activities				
Note payable	$ 115,284	$ (115,284)	$ -	$ -

NOTE 6 – DEFINED BENEFIT PENSION PLAN

A description of the pension plan pursuant to Paragraph 40 of GASB Statement No. 68 is as follows:

a. Denton Central Appraisal District participates in the Texas County & District Retirement System (TCDRS), which is a statewide, agent multiple-employer, public employee retirement system.

b. A brief description of benefit terms:
   1) All full- and part-time non-temporary employees participate in the plan, regardless of the number of hours they work in a year. Employees in a temporary position are not eligible for membership.
   2) The plan provides retirement, disability and survivor benefits.
   3) TCDRS is a savings-based plan. For the district's plan, 7% of each employee's pay is deposited into his or her TCDRS account. By law, employee accounts earn 7% interest on beginning of year balances annually. At retirement, the account is matched at an employer set percentage (current match is 250%) and is then converted to an annuity.
   4) There are no automatic COLAs. Each year, the district may elect an ad hoc COLA for its retirees (if any). There are two COLA types, each limited by actual inflation.
   5) Benefit terms are established under the TCDRS Act. They may be amended as of Jan. 1 each year, but must remain in conformity with the Act.

c. Membership information is shown in the chart below.

d. The district's contribution rate is calculated annually on an actuarial basis, although the employer may elect to contribute at a higher rate. The Denton Central Appraisal District contribution rate is based on the TCDRS funding policy adopted by the TCDRS Board of Trustees and must conform with the TCDRS Act. The employee contribution rates are set by the district and are currently 7%. Contributions to the pension plan from the district for 2024 are shown in the Schedule of Employer Contributions.

e. The most recent annual comprehensive financial report for TCDRS can be found at the following link, TCDRS.org/Employer.

Membership Information

Members	Dec. 31, 2023	Dec. 31, 2024
Number of inactive employees entitled to but not yet receiving benefits:	39	45
Number of active employees:	97	102
Average monthly salary*:	$7,068	$7,187
Average age*:	42.59	43.12
Average length of service in years*:	9.04	8.52

Inactive Employees (or their Beneficiaries) Receiving Benefits		
Number of benefit recipients:	53	55
Average monthly benefit:	$3,830	$3,796

**Averages reported for active employees.*

All actuarial methods and assumptions used for this GASB analysis were the same as those used in the December 31, 2024 funding valuation (see Appendix C, following, for details), except as noted below and throughout this report. Please see the Denton Central Appraisal District December 31, 2024 Summary Valuation Report for further details.

The following are the key assumptions and methods used in this GASB analysis.

Valuation Timing	Actuarially determined contribution rates are calculated on a calendar year basis as of December 31, two years prior to the end of the fiscal year in which the contributions are reported.
Actuarial Cost Method	Entry Age (level percent of pay)(1)
Amortization Method	
Recognition of economic/demographic gains or losses	Straight-Line amortization over Expected Working Life
Recognition of assumptions changes or inputs	Straight-Line amortization over Expected Working Life
Asset Valuation Method	
Smoothing period	5 years
Recognition method	Non-asymptotic
Corridor	None
Inflation	Same as funding valuation
Salary Increases	Same as funding valuation
Investment Rate of Return	7.60% (Gross of administrative expenses)
Cost-of-Living Adjustments	Cost-of-Living Adjustments for Denton Central Appraisal District are not considered to be substantively automatic under GASB 68. Therefore, no assumption for future cost-of-living adjustments is included in the GASB calculations. No assumption for future cost-of-living adjustments is included in the funding valuation.
Mortality	Same as funding valuation
Retirement Age	Same as funding valuation
Turnover	Same as funding valuation
Adjustment for Plans with the Partial-Lump Sum Payment Option (Liability and Normal Cost)	Same as funding valuation. For employers who have elected this option, a 0.75% increase is applied to the TPL related to the member deposit portion of the estimated monthly benefit for future retirees.

(1) *Individual entry age cost method, as required by GASB 68, used for GASB calculations. Note that the replacement life entry age cost method is used for the funding actuarial valuation, which differs from the GASB-required approach in that it assumes that the current benefit provisions always applied.*

Except where indicated in the section of this GASB 68 report entitled “Actuarial Methods and Assumptions Used for GASB Calculations”, the assumptions used in this analysis for the December 31, 2024 financial reporting metrics are the same as those used in the December 31, 2024 actuarial valuation analysis for Denton Central Appraisal District.

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 7.5% is net after investment and administrative expenses. It is assumed returns will equal the nominal annual rate of 7.5% 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. (See Table 1 for Merit Salary Increases.)

Employer-specific economic assumptions:

Growth in membership	0.00%
Payroll growth for funding calculations	2.50%

The payroll growth assumption is for the aggregate covered payroll of an employer.

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 2025 information for a 10-year time horizon.

Note that the valuation assumption for the long-term expected return is re-assessed in detail 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[2]
U.S. Equities	Dow Jones U.S. Total Stock Market Index	13.00%	5.35%
Global Equities	MSCI World (net) Index	4.00%	5.15%
Int'l Equities - Developed Markets	MSCI World Ex USA (net) Index	6.00%	4.75%
Int'l Equities - Emerging Markets	MSCI Emerging Markets (net) Index	0.00%	4.75%
Investment-Grade Bonds	Bloomberg U.S. Aggregate Bond Index	3.00%	2.55%
Strategic Credit	FTSE High-Yield Cash-Pay Index	9.00%	3.70%
Direct Lending	Morningstar LSTA US Leveraged Loan TR USD Index	16.00%	6.85%
Distressed Debt	Cambridge Associates Distressed Securities Index[3]	4.00%	6.80%
REIT Equities	67% FTSE NAREIT All Equity REITs Index + 33% S&P Global REIT (net) Index	2.00%	3.95%
Master Limited Partnerships	Alerian MLP Index	2.00%	4.95%
Commodities	Bloomberg Commodities Index	2.00%	1.00%
Private Real Estate Partnerships	Cambridge Associates Real Estate Index[4]	6.00%	5.75%
Private Equity	Cambridge Associates Global Private Equity & Venture Capital Index[5]	25.00%	8.15%
Hedge Funds	HFR, Inc. Fund of Funds Composite Index	6.00%	3.60%
Cash Equivalents	90-Day U. S. Treasury	2.00%	1.10%

(1) Target asset allocation adopted at the March 2025 TCDRS Board meeting.
(2) Geometric real rates of return equal the expected return for the asset class minus the assumed inflation rate of 2.35%, per Cliffwater's 2025 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.

Changes in Net Pension Liability / (Asset)

Changes in Net Pension Liability / (Asset)	Total Pension Liability (a)	Fiduciary Net Position (b)	Net Pension Liability / (Asset) (a) – (b)
Balances as of December 31, 2023	$47,507,016	$49,512,303	$(2,005,287)
Changes for the year:			
Service cost	1,521,808		1,521,808
Interest on total pension liability[1]	3,632,226		3,632,226
Effect of plan changes[2]	(2,103,363)		(2,103,363)
Effect of economic/demographic gains or losses	140,269		140,269
Effect of assumptions changes or inputs	0		0
Refund of contributions	(59,277)	(59,277)	0
Benefit payments	(2,459,594)	(2,459,594)	0
Administrative expenses		(29,242)	29,242
Member contributions		612,731	(612,731)
Net investment income		5,030,648	(5,030,648)
Employer contributions		1,137,930	(1,137,930)
Other[3]	0	(27,621)	27,621
Balances as of December 31, 2024	$48,179,084	$53,717,878	$(5,538,794)

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

Sensitivity Analysis

The following presents the net pension liability of the employer, calculated using the discount rate of 7.60%, as well as what the Denton Central Appraisal District 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	Current Discount Rate	1% Increase
	6.60%	7.60%	8.60%
Total pension liability	$54,827,623	$48,179,084	$42,688,698
Fiduciary net position	53,717,878	53,717,878	53,717,878
Net pension liability / (asset)	$1,109,745	($5,538,794)	($11,029,180)

Pension Expense / (Income)

Pension Expense / (Income)	January 1, 2024 to December 31, 2024
Service cost	$1,521,808
Interest on total pension liability[1]	3,632,226
Effect of plan changes	(2,103,363)
Administrative expenses	29,242
Member contributions	(612,731)
Expected investment return net of investment expenses	(3,732,156)
Recognition of deferred inflows/outflows of resources	
Recognition of economic/demographic gains or losses	73,346
Recognition of assumption changes or inputs	652,910
Recognition of investment gains or losses	(591,383)
Other[2]	27,621
Pension expense / (income)	$(1,102,481)

[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.

$1,900,456 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, 2025. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31:	
2025	$(369,930)
2026	562,704
2027	(755,871)
2028	(432,394)
2029	23,379
Thereafter[4]	0

[3] Any eligible employer contributions made subsequent to the measurement date through the employer's fiscal year end should be reflected as outlined in Appendix D of this report.

[4] Total remaining balance to be recognized in future years, if any. Note that additional future deferred inflows and outflows of resources may impact these numbers.

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 2025, the District provided $1,000 per eligible employee for health care reimbursement. The unused amount carries over to subsequent years. Any unused balances lapse 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 District 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 90 Degree Benefits 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 appraised values of taxpayer properties are excessive. The District believes any legal liability from these appeals will not materially affect its financial condition. No provision for any legal liability has been recorded in the 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 2025, 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 April 30, 2026, which is the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

This page left blank intentionally.

DENTON CENTRAL APPRAISAL DISTRICT

BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31. 2025

	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final	Amounts	Positive (Negative)
Revenues:				
Local support	$ 22,055,514	$ 22,055,514	$ 22,055,841	$ 327
Other revenues	5,000	5,000	608,512	603,512
Interest income	200,000	200,000	47,152	(152,848)
Total Revenues	22,260,514	22,260,514	22,711,505	450,991
Expenditures:				
Salaries	11,224,450	11,224,450	8,767,915	2,456,535
Longevity pay	87,775	87,775	68,917	18,858
Payroll taxes	921,215	921,215	680,180	241,035
Retirement	1,587,724	1,587,724	1,230,988	356,736
Workmens compensation insurance	82,331	82,331	31,938	50,393
Group health insurance	2,188,000	2,188,000	2,260,305	(72,305)
Registration and dues	38,130	38,130	48,823	(10,693)
Travel, conference and training	223,000	223,000	63,095	159,905
Appraisal Review Board	495,630	495,630	342,158	153,472
Oil & gas	200,000	200,000	154,230	45,770
Attorney fees and court costs	650,000	650,000	1,060,101	(410,101)
Accounting and auditing	55,000	55,000	43,368	11,632
Deed and sales information	1,076,122	1,076,122	602,195	473,927
Auto reimbursements	765,294	765,294	652,217	113,077
General insurance	55,785	55,785	50,913	4,872
Printing services	215,800	215,800	207,422	8,378
Postage	423,000	423,000	420,429	2,571
Legal notices and advertising	10,500	10,500	3,746	6,754
Supplies and materials	64,855	64,855	26,793	38,062
Equipment maintenance	17,700	17,700	7,065	10,635
Information services maintenance	2,182,995	2,182,995	2,003,707	179,288
Telephone and utilities	198,987	198,987	208,640	(9,653)
Janitorial and building maintenance	163,925	163,925	350,544	(186,619)
Capital outlay	334,850	334,850	34,282	300,568
Contingency	101,739	101,739	-	101,739
Equipment lease	103,475	103,475	117,650	(14,175)
Seasonal labor	280,000	280,000	341,136	(61,136)
Miscellanous	73,360	73,360	67,645	5,715
Total Expenditures	23,821,642	23,821,642	19,846,402	3,975,240
Excess Revenues over (under) Expenditures	(1,561,128)	(1,561,128)	2,865,103	4,426,231
OTHER FINANCING SOURECES (USES)				
Net Change in Fund Balance	(1,561,128)	(1,561,128)	2,865,103	4,426,231
Fund Balance Beginning	10,258,409	10,258,409	10,258,409	-
Fund Balance Ending	$ 8,697,281	$ 8,697,281	$ 13,123,512	$ 4,426,231

DENTON CENTRAL APPRAISAL DISTRICT

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
FOR THE YEAR ENDED DECEMBER 31. 2025

	2024	2023	2022
Total Pension Liability			
Service cost	$ 1,521,808	$ 1,231,150	$ 1,265,445
Interest on total pension liability	3,632,226	3,712,467	3,549,290
Effect of plan changes	(2,103,363)	(2,310,325)	-
Effect of assumption changes or inputs	-	-	-
Effect of economic/demographic (gains) or losses	140,269	(1,176,422)	(15,859)
Benefit payments/refunds of contributions	(2,518,872)	(3,077,555)	(2,174,013)
Net change in total pension liability	672,068	(1,620,685)	2,624,863
Total pension liability, beginning	47,507,015	49,127,700	46,502,837
Total pension liability, ending (a)	$ 48,179,083	$ 47,507,015	$ 49,127,700
Fiduciary Net Position			
Employer contributions	$ 1,137,930	$ 1,037,105	$ 1,181,145
Member contributions	612,731	558,441	488,637
Investment income net of investment expenses	5,030,648	5,044,261	(2,855,731)
Benefit payments/refunds of contributions	(2,518,872)	(3,077,555)	(2,174,013)
Administrative expenses	(29,242)	(25,854)	(26,975)
Other	(27,621)	(55,728)	(29,668)
Net change in fiduciary net position	4,205,574	3,480,670	(3,416,605)
Fiduciary net position, beginning	49,512,303	46,031,633	49,448,238
Fiduciary net position, ending (b)	$ 53,717,877	$ 49,512,303	$ 46,031,633
Net pension liability / (asset), ending = (a) - (b)	$ (5,538,794)	$ (2,005,288)	$ 3,096,067
Fiduciary net position as a % of total pension liability	111.50%	104.22%	93.70%
Pensionable covered payroll	$ 8,753,306	$ 7,977,727	$ 6,980,527
Net pension liability as a % of covered payroll	-63.28%	-25.14%	44.35%

This schedule is presented to illustrate the requirement to show information for 10 years. However, recalculations of prior years are not required, and if prior years are not reported in accordance with the standards of GASB 67/68, they should not be shown here. Therefore, we have shown only years for which the new GASB statements have been implemented.

Based on measurement date December, 31, 2024

2021	2020	2019	2018	2017	2016	2015
$ 1,288,483	$ 1,169,654	$ 1,114,104	$ 1,059,078	$ 1,041,409	$ 974,780	$ 892,437
3,898,086	3,633,109	3,345,367	3,073,591	2,907,674	2,614,126	2,421,449
(9,009,716)	(242,169)	-	-	-	-	(185,718)
(48,818)	3,313,370	-	-	(628,448)	-	587,567
1,213,314	(76,173)	127,521	3,345	(538,243)	160,366	(555,280)
(1,651,047)	(1,312,054)	(876,755)	(796,378)	(708,733)	(669,491)	(582,384)
(4,309,698)	6,485,737	3,710,237	3,339,636	2,073,659	3,079,781	2,578,071
50,812,535	44,326,798	40,616,561	37,276,925	35,203,266	32,123,485	29,545,414
$ 46,502,837	$ 50,812,535	$ 44,326,798	$ 40,616,561	$ 37,276,925	$ 35,203,266	$ 32,123,485
$ 1,143,987	$ 902,309	$ 1,038,088	$ 978,206	$ 913,800	$ 759,259	$ 705,047
485,870	451,154	443,070	411,275	392,153	379,629	352,523
8,910,025	3,797,766	5,099,912	(571,679)	3,887,843	1,796,322	(670,911)
(1,651,048)	(1,312,054)	(876,755)	(796,378)	(708,733)	(669,491)	(582,385)
(26,752)	(29,690)	(28,013)	(24,947)	(20,644)	(19,520)	(17,537)
10,574	4,869	25,814	20,788	7,809	86,593	13,480
8,872,656	3,814,354	5,702,116	17,265	4,472,228	2,332,792	(199,783)
40,575,582	36,761,228	31,059,112	31,041,847	26,569,619	24,236,827	24,436,610
$ 49,448,238	$ 40,575,582	$ 36,761,228	$ 31,059,112	$ 31,041,847	$ 26,569,619	$ 24,236,827
$ (2,945,401)	$ 10,236,953	$ 7,565,570	$ 9,557,449	$ 6,235,078	$ 8,633,647	$ 7,886,658
106.33%	79.85%	82.93%	76.47%	83.27%	75.47%	75.45%
$ 6,940,998	$ 6,445,063	$ 6,329,578	$ 5,875,362	$ 5,602,181	$ 5,423,278	$ 5,036,048
-42.43%	158.83%	119.53%	162.67%	111.30%	159.20%	156.60%

This page left blank intentionally.

DENTON CENTRAL APPRAISAL DISTRICT

SCHEDULE OF EMPLOYER CONTRIBUTIONS
FOR THE YEAR ENDED DECEMBER 31, 2025

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
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	(465,626)	5,602,181	16.3%
2018	506,456	978,206	(471,749)	5,875,362	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	940,574	1,037,105	(96,531)	7,977,727	13.0%
2024	1,050,397	1,137,930	(87,533)	8,753,306	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.*

This page left blank intentionally.

INTERNAL CONTROL AND COMPLIANCE

HankinsEastup

Deaton Tonn Seay & Scarborough | A Texas LLC

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

Board of Directors
Denton Central Appraisal District
Denton, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and major fund, of the Denton Central Appraisal District (the "District") as of and for the year ended December 31, 2025, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report dated Apri 30, 2026.

Report on Internal Control Over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

Purpose of this Report

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

Hankins Eastup
CERTIFIED PUBLIC ACCOUNTANTS

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

April 30, 2026