DENTON CENTRAL APPRAISAL DISTRICT

ANNUAL FINANCIAL REPORT

DECEMBER 31, 2020

DENTON CENTRAL APPRAISAL DISTRICT

TABLE OF CONTENTS

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INDEPENDENT AUDITORS' REPORT

The Board of Directors
Denton Central Appraisal District

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, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America. This includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and major fund information of the Denton Central Appraisal District as of December 31, 2020, 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.

Other Matters

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 41, and the Texas County & District Retirement System Schedules on pages 42-45, 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, PC

Hankins, Eastup, Deaton, Tonn & Seay, PC
Denton, Texas

May 14, 2021

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, 2020. 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 2020 budget by $1,839,631, due to cost savings in several expenditure categories.

- A total of $13,729,086 in revenues were realized, $9,417 or 0.07% more than originally budgeted, due to actual interest income exceeding 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 $374,274 (Total Net Position). Of this amount, $(3,601,362) 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 0.31%, from $3,988,101 in the prior year to $3,975,636 as of December 31, 2020. This decrease is attributable to the District's depreciation expense, which exceeded new capital asset additions in 2020.

- At the end of 2020, the District had $5,379,914 total fund balance in its General Fund, representing a 33.5% increase above the $4,030,866 fund balance in the previous year.

- The District's long-term debt decreased by $172,180 from $1,160,988 to $988,808 due to a decrease in Compensated Absences.

OVERVIEW OF THE FINANCIAL STATEMENTS

The management discussion and analysis are 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 12 and 13 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 14 and 16 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 19-38 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, 2020, the Denton Central Appraisal District's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources by $374,274.

At December 31, 2020, $12,810,310 in total assets were recorded. Of that amount, current and other assets (cash and prepaid expenses) represented 69% and capital assets (land, building, and equipment) constituted 31%.

Total liabilities at December 31, 2020 equaled $12,009,138. Of that amount, 71% were long-term liabilities, consisting of compensated absences and net pension liability. The other remaining liabilities included accounts payable and unearned 2021 tax unit assessments.

Of the $374,274 in total net position, $3,975,636 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 $(3,601,362) may be used to meet the District's ongoing obligations and responsibilities.

Net Position

	Governmental Activities	
	2019	2020
Assets:		
Current and other assets	$ 6,779,748	$ 8,807,674
Capital assets (net of depreciation)	3,988,101	3,975,636
Total Assets	10,767,849	12,783,310
Deferred outflows of resources	3,469,822	1,162,187
Liabilities:		
Current and other liabilities	2,748,882	3,454,760
Long-term liabilities	10,718,437	8,554,378
Total Liabilities	13,467,319	12,009,138
Deferred inflows of resources	1,018,444	1,589,085
Net Position:		
Net investment in capital assets	3,988,101	3,975,636
Unrestricted	(4,236,193)	(3,601,362)
Total Net Position	$ (248,092)	$ 374,274

Governmental Activities: The following table provides a summary of the District's operations for the years ended December 31, 2019 and 2020.

Changes in Net Position

	2019	2020
Program Revenues:		
Assessments and charges for services	$ 12,554,408	$ 13,704,410
General Revenues:		
Interest Income	57,804	24,676
Total Revenues	12,612,212	13,729,086
Expenses By Governmental Activity:		
Appraisal Services	13,274,846	13,106,720
Total Expenses	13,274,846	13,106,720
Change In Net Position	(662,634)	622,366
Net Position – Beginning	414,542	(248,092)
Net Position – Ending	$ (248,092)	$ 374,274

As shown above, the District experienced a $622,366 increase in net position. When added to the beginning net position at January 1, 2020, the District ended the 2020 year with a $374,274 net position balance.

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 the December 31, 2020 year end, the District has a $5,379,914 total fund balance. This is 33.5% more than the $4,030,866 prior-year fund balance.

General Fund Budgetary Highlights: Actual expenditures for the year ended December 31, 2020 were $12,380,038, which is $1,839,631 or 12.94% less than the $14,219,669 budgeted for the year. This decrease represents cost savings in several areas during fiscal year 2020.

Actual revenues for 2020 were $13,729,086 or 100.07% 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 2020, 99.79% came from assessment payments, 0.18% from interest earnings, and 0.03% 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, 2020 were $3,975,636 (net of accumulated depreciation). This represents a $12,465 decrease from the previous fiscal year. The following table presents the District's net capital assets at December 31, 2020:

		% of Total
Non-depreciated Assets:		
Land	$ 435,108	10.95%
Depreciated Assets:		
Building and improvements	3,508,671	88.25%
Furniture and equipment	31,857	0.80%
	$3,975,636	100.00%

Major capital asset additions occurred during the 2020 year for these items:

- Building Improvements & Renovation

Debt Administration: At the end of the 2020 year, the District had $988,808 in long-term debt. All of this debt was for accrued compensated absences.

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 2021 budget was prepared and ultimately adopted. It includes the following:

- $14,234,603 in proposed General Fund expenditures, representing a $14,934 increase when compared with the 2020 budget.
- Funding of 2.0% cost-of-living/merit pay increases and salary adjustments to market value.
- 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 or write to P.O. Box 2816, Denton, Texas 76202-2816.

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BASIC FINANCIAL STATEMENTS

DENTON CENTRAL APPRAISAL DISTRICT

STATEMENT OF NET POSITION
DECEMBER 31, 2020

	Primary Government
	Governmental Activities
ASSETS	
Cash and cash equivalents	$ 8,761,049
Prepaid insurance	43,631
Other prepaid costs	29,994
Capital assets:	
Land	435,108
Construction in progress	-
Other capital assets, net of accumulated depreciation	3,540,528
Total Assets	12,810,310
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows of resources related to pension plan	1,162,187
Total Deferred Outflows of Resources	1,162,187
LIABILITIES	
Accounts payable	94,612
Unearned assessment revenue	3,360,148
Noncurrent liabilities:	
Due within one year	-
Due in more than one year	988,808
Net pension liability	7,565,570
Total Liabilities	12,009,138
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows of resources related to pension plan	1,589,085
Total Deferred Inflows of Resources	1,589,085
NET POSITION	
Net investment in capital assets	3,975,636
Unrestricted	(3,601,362)
Total Net Position	$ 374,274

The accompanying notes are an integral part of this statement.

DENTON CENTRAL APPRAISAL DISTRICT

STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2020

Program Activities	Expenses	Program Revenues: Assessments And Charges for Services	Program Revenues: Net Assets Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expenses) Revenue and Changes in Net Assets: Governmental Activities
Governmental activities					
Appraisal services	$ 13,106,720	$ 13,704,410	$ -	$ -	$ 597,690
Total Government Activities	13,106,720	13,704,410	-	-	597,690
Total Primary Government	$ 13,106,720	$ 13,704,410	$ -	$ -	$ 597,690
General Revenues:					
Interest income					24,676
Total General Revenues					24,676
Change in Net Position					622,366
Net Position – beginning of year					(248,092)
Net Position – end of year					$ 374,274

The accompanying notes are an integral part of this statement.

DENTON CENTRAL APPRAISAL DISTRICT

BALANCE SHEET - GOVERNMENTAL FUND
DECEMBER 31, 2020

	General Fund
ASSETS	
Cash and cash equivalents	$ 8,761,049
Prepaid insurance	43,631
Other prepaid costs	29,994
Total Assets	$ 8,834,674
LIABILITIES AND FUND BALANCES	
Liabilities:	
Accounts payable	$ 94,612
Unearned revenue	3,360,148
Total Current Liabilities	3,454,760
Fund Balances:	
Nonspendable Fund Balance:	
Prepaid items	73,625
Committed Fund Balance:	
Future Insurance claims	400,000
Unusual legal services	700,000
Building remodel and construction	675,000
Land acquisition	600,000
Entity allocation stabilization	548,506
Future TCDRS payments	600,000
Disaster recovery	400,000
Contingency	1,382,783
Unassigned Fund Balance:	-
Total Fund Balance	5,379,914
Total Liabilities and Fund Balances	$ 8,834,674

The accomapnying notes are an integral part of this statement.

DENTON CENTRAL APPRAISAL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUND
BALANCE SHEET TO THE STATEMENT OF NET POSITION
DECEMBER 31, 2020

Total fund balance – governmental fund	$ 5,379,914
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.	3,975,636
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.	(988,808)
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 $7,565,570, Deferred Outflows of Resources related to TCDRS in the amount of $1,162,187 and Deferred Inflows of Resources in the amount of $1,589,085. This amounted to a decrease in Net Position in the amount of $7,992,468.	(7,992,468)
Net position of governmental activities	$ 374,274

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, 2020

	General Fund
Revenues:	
Local support	$ 13,699,892
Other revenues	4,518
Interest income	24,676
Total Revenues	13,729,086
Expenditures:	
Salaries	5,975,758
Longevity pay	102,044
Payroll taxes	461,111
Retirement	902,309
Seasonal labor	132,495
Professional services – valuations	176,000
Deed and sales information	56,248
Auto reimbursements	437,734
General insurance	27,377
Travel, conference and training	46,486
Group health insurance	1,282,967
Telephone and utilities	152,505
Supplies and materials	58,445
Postage	271,835
Accounting and auditing	32,610
Appraisal Review Board	225,657
Information services maintenance	716,583
Attorney fees and court costs	363,543
Workmens compensation insurance	25,867
Equipment maintenance	11,149
Legal notices and advertising	5,921
Janitorial and building maintenance	155,611
Registration and dues	22,579
Miscellaneous	37,290
Printing services	142,898
Equipment lease	67,893
Digital imaging	280,810
Capital outlay	208,313
Total Expenditures	12,380,038
Excess Expenditures over Revenues	1,349,048
Net Change in Fund Balance	1,349,048
Fund Balance Beginning	4,030,866
Fund Balance Ending	$ 5,379,914

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, 2020

Net change in fund balance – total governmental fund	$ 1,349,048
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.	208,313
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.	(220,778)
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.	172,180
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 12/31/19 caused the change in ending net position to increase in the amount of $902,309. Contributions made before the measurement date but during 2019 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 $1,038,088. These contributions were replaced with the District's pension expense for the year of $750,618, which caused a decrease in the change in net position. The impact of all of these is to decrease the change in net position by $886,397.	(886,397)
Change in net position of governmental activities	$ 662,366

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 District is governed by a board of five directors serving two year terms, plus a sixth statutorily designated non-voting member who is the County Tax Assessor-Collector. The directors are appointed by a vote of the taxing entities within Denton County.

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 May 30, 2019. 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, 2020, 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. 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, 2020.

- 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 $675,000, land acquisition $600,000, entity allocation stabilization $548,506, future TCDRS payments $600,000, disaster recovery $400,000, and contingency $1,382,783.

- 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 $73,625 in the General Fund are considered non-spendable fund balance.

The General Fund has no unassigned fund balance at December 31, 2020.

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, 2020, the carrying amount of the District's deposits in checking accounts and interest-bearing accounts was $8,761,049 and the bank balance was $9,457,421. The District's cash deposits at December 31, 2020 were entirely covered by FDIC insurance or by pledged collateral held by the District's agent bank in the District's name. There were forty-one days during the fiscal year when the District's cash deposits exceeded the pledged collateral and 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) 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.

The District had investments at December 31, 2020 consisting of a repurchase agreement with Wells Fargo Bank. The investment had a balance of $7,148,990 as of December 31, 2020.

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, 2020, the District's cash balances totaled $8,761,049. 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 deposits are not exposed to custodial credit risk as of December 31, 2020.

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, 2020, 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, 2020.

d. Foreign Currency Risk: This is the risk that exchange rates will adversely affect the fair value of an investment. At December 31, 2020, 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, 2020, 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, 2020, was as follows:

	Balance December 31, 2019	Additions	Retirements	Balance December 31, 2020
Governmental activities:				
Capital Assets not being depreciated:				
Land	$ 435,108	$ -	$ -	$ 435,108
Construction in progress	627,409	131,147	758,556	-
Total Capital Assets, not being depreciated	1,062,517	131,147	758,556	435,108
Capital Assets being depreciated:				
Building and improvements	4,907,051	835,722	-	5,742,773
Furniture and equipment	443,521	-	-	443,521
Computers and software	736,308	-	-	736,308
Total Capital Assets, being depreciated	6,086,880	835,722	-	6,922,602
Less accumulated depreciation:				
Building and improvements	2,031,608	202,677	-	2,234,285
Furniture and equipment	393,380	18,101	-	411,481
Computer and software	736,308	-	-	736,308
Total accumulated depreciation	3,161,296	220,778	-	3,382,074
Total Capital Assets, being depreciated, net	2,925,584	614,944	-	3,540,528
Governmental activities capital assets, net	$3,988,101	$ 746,091	$ 758,556	$3,975,636

NOTE 5 – LONG-TERM DEBT

The following is a summary of long-term debt transactions of the District for the year ended December 31, 2020:

	Interest Rate Payable	Balance Beginning of Year	Additions	Retirements	Balance End of Year	Due Within One Year
Government Type Activities						
Compensated Absences		$1,160,988	$ 233,591	$ 405,771	$ 988,808	$ -

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, 2019 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 2019 was 14.2%.
- 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, 2018	December 31, 2019
Discount rate [1]	8.10%	8.10%
Long-term expected rate of return, net of investment expense	8.10%	8.10%
Municipal bond rate [2]	Does not apply	Does not apply

[1] *This rate reflects the long-term rate of return funding valuation assumption of 8.00%, 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

All actuarial assumptions that determined the total pension liability as of December 31, 2019 were based on the results of an actuarial experience study for the period January 1, 2013 – December 31, 2016, except where required to be different by GASB Statement No. 68.

	Beginning Date	Ending Date
Valuation date	December 31, 2018	December 31, 2019
Measurement date	December 31, 2018	December 31, 2019
Employer's fiscal year	January 1, 2020	December 31, 2020

Actuarial Methods and Assumptions Used for Funding Valuation

Following is a description of the assumptions used in the December 31, 2019 actuarial valuation analysis for Denton Central Appraisal District. This information may also be found in the Denton Central Appraisal District December 31, 2019 Summary Valuation Report.

Economic Assumptions

TCDRS system-wide economic assumptions:

Real rate of return	5.25%
Inflation	2.75%
Long-term investment return	8.00%

The assumed long-term investment return of 8.0% is net of investment and administrative expenses. It is assumed returns will equal the nominal annual rate of 8.0% 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 3.25% (made up of 2.75% inflation and 0.5% productivity increase assumptions) and a merit, promotion and longevity component that on average approximates 1.6% per year for a career employee.

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 April 2020 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 30-year time horizon; the most recent analysis was performed in 2017. See Milliman's TCDRS Investigation of Experience report for the period January 1, 2013 - December 31, 2016 for more details.

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	14.50%	5.20%
Private Equity	Cambridge Associates Global Private Equity & Venture Capital Index[3]	20.00%	8.20%
Global Equities	MSCI World (net) Index	2.50%	5.50%
Int'l Equities-Developed Markets	MSCI World Ex USA (net) Index	7.00%	5.20%
Int'l Equities-Emerging Markets	MSCI EM Standard (net) Index	7.00%	5.70%
Investment-Grade Bonds	Bloomberg Barclays Capital Aggregate Bond Index	3.00%	-0.20%
Strategic Credit	FTSE High-Yield Cash-Pay Capped Index	12.00%	3.14%
Direct Lending	S&P/LSTA Leveraged Loan Index	11.00%	7.16%
Distressed Debt	Cambridge Associates Distressed Securities Index[4]	4.00%	6.90%
REIT Equities	67% FTSE NAREIT Equity REITs Index + 33% FTSE EPRA/NAREIT Global Real Estate Index	3.00%	4.50%
Master Limited Partnerships (MLPs)	Alerian MLP Index	2.00%	8.40%
Private Real Estate Partnerships	Cambridge Associates Real Estate Index[5]	6.00%	5.50%
Hedge Funds	Hedge Fund Research, Inc. (HFRI) Fund of Funds Composite Index	8.00%	2.30%

[1] *Target asset allocation adopted at the June 2020 TCDRS Board meeting.*

[2] *Geometric real rates of return equal the expected return minus the assumed inflation of 1.80%, per Cliffwater's 2020 capital market assumptions.*

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

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

[5] *Includes vintage years 2007-present of Quarter Pooled 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 8.10%. This rate reflects the long-term assumed rate of return on assets for funding purposes of 8.00%, net of all expenses, increased by 0.10% to be gross of administrative expenses.

Net Pension Liability / (Asset)

Net Pension Liability / (Asset)	December 31, 2018	December 31, 2019
Total pension liability	$40,616,563	$44,326,799
Fiduciary net position	31,059,113	36,761,229
Net pension liability / (Asset)	9,557,449	7,565,570
Fiduciary net position as a % of total pension liability	76.47%	82.93%
Pensionable covered payroll [1]	5,875,362	6,329,578
Net pension liability as a % of covered payroll	162.67%	119.53%

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)

Changes in the Net Pension Liability/(Asset)	Increase (Decrease) Total Pension Liability (a)	Fiduciary Net Position (b)	Net Pension Liability / (Asset) (a) – (b)
Balances as of December 31, 2018	$40,616,562	$31,059,113	$9,557,449
Changes for the year:			
Service cost	1,114,104		1,114,104
Interest on total pension liability[1]	3,345,367		3,345,367
Effect of plan changes[2]	0		0
Effect of economic/demographic gains or losses	127,521		127,521
Effect of assumptions changes or inputs	0		0
Refund of contributions	(28,121)	(28,121)	0
Benefit payments	(848,634)	(848,634)	0
Administrative expenses		(28,013)	28,013
Member contributions		443,070	(443,070)
Net investment income		5,099,912	(5,099,912)
Employer contributions		1,038,088	(1,038,088)
Other[3]	0	25,814	(25,814)
Balances as of December 31, 2019	$44,326,799	$36,761,229	$7,565,570

[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 8.10%, 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 (7.10%) or 1 percentage point higher (9.10%) than the current rate.

	1% Decrease 7.10%	Current Discount Rate 8.10%	1% Increase 9.10%
Total pension liability	$50,992,185	$44,326,799	$38,801,988
Fiduciary net position	36,761,229	36,761,229	36,761,229
Net pension liability / (Asset)	$14,230,956	$7,565,570	$2,040,759

Pension Expense / (Income)

	January 1, 2019 to December 31, 2019
Service cost	$ 1,114,104
Interest on total pension liability[1]	3,345,367
Effect of plan changes	0
Administrative expenses	28,013
Member contributions	(443,070)
Expected investment return net of investment expenses	(2,539,703)
Recognition of deferred inflows/outflows of resources	
Recognition of economic/demographic gains or losses	(40,628)
Recognition of assumption changes or inputs	8,150
Recognition of investment gains or losses	342,287
Other[2]	(25,814)
Pension expense / (income)	$ 1,788,706

[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, 2019, the deferred inflows and outflows of resources are as follows:

	Deferred Inflows of Resources	Deferred Outflows of Resources
Differences between expected and actual experience	$ 400,113	$ 161,951
Changes of assumptions	359,114	97,927
Net difference between projected and actual earnings	829,858	-
Contributions made subsequent to measurement date	-	902,309
	1,589,085	1,162,187

$902,309 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 year ended December 31, 2020. 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	
2020	$ (307,765)
2021	(350,783)
2022	(35,007)
2023	(656,903)
2024	21,251
Thereafter	-

Schedule of Deferred Inflows and Outflows of Resources

	Original Amount	Date Established	Original Recognition Period[1]	Amount Recognized in 12/31/2019 Expense	Balance of Deferred Inflows 12/31/2019	Balance of Deferred Outflows 12/31/2019
Investment (gains) or losses	$(2,560,209)	12/31/2019	5.0	$(512,042)	$2,048,167	$ -
	3,109,457	12/31/2018	5.0	621,891	-	1,865,675
	(1,712,497)	12/31/2017	5.0	(342,499)	685,000	-
	188,166	12/31/2016	5.0	37,633	-	37,634
	2,686,523	12/31/2015	5.0	537,304	-	-
	370,899	12/31/2014	5.0	-	-	-
Economic / Demographic (gains) or losses	127,521	12/31/2019	6.0	21,254	-	106,267
	3,345	12/31/2018	6.0	558	-	2,229
	(538,243)	12/31/2017	7.0	(76,892)	307,567	-
	160,366	12/31/2016	6.0	26,728	-	53,455
	(555,280)	12/31/2015	6.0	(92,547)	92,546	-
	481,622	12/31/2014	6.0	80,270	-	-
Assumption changes or inputs		12/31/2019		-	-	
	-	12/31/2018	6.0	-	-	-
	(628,448)	12/31/2017	7.0	(89,778)	359,114	-
	-	12/31/2016	6.0	-	-	-
	587,567	12/31/2015	6.0	97,928	-	97,927
	-	12/31/2014	6.0	-	-	-
Employer contributions made subsequent to measurement date	902,309	12/31/2019	1.0	-	-	902,309
	1,038,088	12/31/2018	1.0	1,038,088	-	-
	978,206	12/31/2017	1.0	-	-	-
	913,800	12/31/2016	1.0	-	-	-
	759,259	12/31/2015	1.0	-	-	-
	705,049	12/31/2014	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 2020 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 2020, 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 – COMMITMENTS UNDER LEASES

Commitments under operating (noncapitalized) lease agreements for copiers, printers and mailing equipment provides for minimum future lease payments as of December 31, 2020, as follows:

Year	Amount
2021	$ 66,767
2022	57,076
2023	2,682
2024	2,012
2025	-
Thereafter	-
Total Minimum Rentals	$128,537
Lease Expenditures in 2020	$ 67,893

NOTE 12 – 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 13 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through May 14, 2021, which is the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

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DENTON CENTRAL APPRAISAL DISTRICT

BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2020

	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final	Amounts	Positive (Negative)
Revenues:				
Local support	$ 13,700,169	$ 13,700,169	$ 13,699,892	$ (277)
Other revenues	5,000	5,000	4,518	(482)
Interest income	14,500	14,500	24,676	10,176
Total Revenues	13,719,669	13,719,669	13,729,086	9,417
Expenditures:				
Salaries	6,790,013	6,790,013	5,975,758	814,255
Longevity pay	143,630	143,630	102,044	41,586
Payroll taxes	571,708	571,708	461,111	110,597
Retirement	1,187,815	1,187,815	902,309	285,506
Seasonal labor	-	-	132,495	(132,495)
Professional services – valuations	180,000	180,000	176,000	4,000
Deed and sales information	127,505	127,505	56,248	71,257
Auto reimbursements	599,585	599,585	437,734	161,851
General insurance	39,219	39,219	27,377	11,842
Travel, conference and training	132,284	132,284	46,486	85,798
Group health coverage	1,275,893	1,275,893	1,282,967	(7,074)
Telephone and utilities	259,630	259,630	152,505	107,125
Supplies and materials	103,345	103,345	58,445	44,900
Postage	269,250	269,250	271,835	(2,585)
Accounting and auditing	34,000	34,000	32,610	1,390
Appraisal Review Board	181,185	181,185	225,657	(44,472)
Information services maintenance	797,840	797,840	716,583	81,257
Attorney fees and court costs	384,000	384,000	363,543	20,457
Workmens compensation insurance	71,357	71,357	25,867	45,490
Equipment maintenance	25,723	25,723	11,149	14,574
Legal notices and advertising	6,000	6,000	5,921	79
Janitorial and building maintenance	169,131	169,131	155,611	13,520
Registration and dues	36,428	36,428	22,579	13,849
Miscellaneous	35,345	35,345	37,290	(1,945)
Printing services	130,442	130,442	142,898	(12,456)
Equipment lease	71,970	71,970	67,893	4,077
Digital imaging	481,161	481,161	280,810	200,351
Contingency	65,210	65,210	-	65,210
Capital outlay	50,000	50,000	208,313	(158,313)
Total Expenditures	14,219,669	14,219,669	12,380,038	1,839,631
Excess Revenues over (under) Expenditures	(500,000)	(500,000)	1,349,048	1,849,048
Net Change in Fund Balance	(500,000)	(500,000)	1,349,048	1,849,048
Fund Balance Beginning	4,030,866	4,030,866	4,030,866	-
Fund Balance Ending	$ 3,530,866	$ 3,530,866	$ 5,379,914	$ 1,849,048

DENTON CENTRAL APPRAISAL DISTRICT

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
FOR THE YEAR ENDED DECEMBER 31, 2020

	2019	2018	2017
Total Pension Liability			
Service cost	$ 1,114,104	$ 1,059,078	$ 1,041,409
Interest on total pension liability	3,345,367	3,073,591	2,907,674
Effect of plan changes	-	-	-
Effect of assumption changes or inputs	-	-	(628,448)
Effect of economic/demographic (gains) or losses	127,521	3,345	(538,243)
Benefit payments/refunds of contributions	(876,755)	(796,378)	(708,733)
Net change in total pension liability	3,710,237	3,339,636	2,073,659
Total pension liability, beginning	40,616,561	37,276,925	35,203,266
Total pension liability, ending (a)	$ 44,326,798	$ 40,616,561	$ 37,276,925
Fiduciary Net Position			
Employer contributions	$ 1,038,088	$ 978,206	$ 913,800
Member contributions	443,070	411,275	392,153
Investment income net of investment expenses	5,099,912	(571,679)	3,887,843
Benefit payments/refunds of contributions	(876,755)	(796,378)	(708,733)
Administrative expenses	(28,013)	(24,947)	(20,644)
Other	25,814	20,788	7,809
Net change in fiduciary net position	5,702,116	17,265	4,472,228
Fiduciary net position, beginning	31,059,112	31,041,847	26,569,619
Fiduciary net position, ending (b)	$ 36,761,228	$ 31,059,112	$ 31,041,847
Net pension liability / (asset), ending = (a) - (b)	$ 7,565,570	$ 9,557,449	$ 6,235,078
Fiduciary net position as a % of total pension liability	82.93%	76.47%	83.27%
Pensionable covered payroll	$ 6,329,578	$ 5,875,362	$ 5,602,181
Net pension liability as a % of covered payroll	119.53%	162.67%	111.30%

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, 2019

	2016	2015	2014
	$ 974,780	$ 892,437	$ 814,566
	2,614,126	2,421,449	2,165,808
	-	(185,718)	-
	-	587,567	-
	160,366	(555,280)	481,622
	(669,491)	(582,384)	(501,443)
	3,079,781	2,578,071	2,960,553
	32,123,485	29,545,414	26,584,861
	$ 35,203,266	$ 32,123,485	$ 29,545,414
	$ 759,259	$ 705,047	$ 675,164
	379,629	352,523	337,582
	1,796,322	(670,911)	1,485,255
	(669,491)	(582,385)	(501,443)
	(19,520)	(17,537)	(18,082)
	86,593	13,480	15,126
	2,332,792	(199,783)	1,993,602
	24,236,827	24,436,610	22,443,009
	$ 26,569,619	$ 24,236,827	$ 24,436,611
	$ 8,633,647	$ 7,886,658	$ 5,108,803
	75.47%	75.45%	82.71%
	$ 5,423,278	$ 5,036,048	$ 4,822,600
	159.20%	156.60%	105.93%

DENTON CENTRAL APPRAISAL DISTRICT

SCHEDULE OF EMPLOYER CONTRIBUTIONS
DECEMBER 31, 2020

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
2010	423,553	566,135	(142,582)	4,193,590	13.5%
2011	389,266	763,837	(374,571)	4,428,513	17.2%
2012	412,566	815,563	(402,997)	4,604,529	17.7%
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	16.65%
2019	543,711	1,038,088	(494,377)	6,329,578	16.4%

[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	0.8 years (based on contribution rate calculated in 12/31/2019 valuation).
Asset Valuation Method	5-year smoothed market.
Inflation	2.75%
Salary Increases	Varies by age and service. 4.9% average over career including inflation.
Investment Rate of Return	8.00%, 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	130% of the RP-2014 Healthy Annuitant Mortality Table for males and 110% of the RP-2014 Healthy Annuitant Table for females, both projected with 110% of the MP-2014 Ultimate scale after 2014.
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.
Changes in Plan Provisions Reflected in the Schedule*	2015: Employer contributions reflect that a 100% CPI COLA was adopted. 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: Employer contributions reflect that a 100% CPI COLA was adopted. 2019: Employer contributions reflect that a 100% CPI COLA was adopted.

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