

**GALVESTON CENTRAL
APPRAISAL DISTRICT**

FINANCIAL STATEMENTS

For the Year Ended December 31, 2024

GALVESTON CENTRAL APPRAISAL DISTRICT

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Galveston Central Appraisal District
Texas City, Texas

Opinions

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

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and general fund of the District as of December 31, 2024, and the respective changes in financial position for the year then ended, in accordance with accounting principles generally accepted in the United States of America ("GAAP").

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America ("GAAS"). Our responsibilities under those standards 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 ethical responsibilities, in accordance with the relevant ethical requirement relating to our audits. 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

The District's management is responsible for the preparation and fair presentation of the financial statements in accordance with GAAP; 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.

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 dates, 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 GAAS 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 GAAS, we:

- Exercise professional judgement 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 reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgement, 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, budgetary comparison information and required pension system supplementary information 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.



Houston, Texas
May 14, 2025

GALVESTON CENTRAL APPRAISAL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

As Management of Galveston Central Appraisal District (the "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, 2024.

Overview of the Financial Statements

The discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements include three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

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 the four reported as net position. Over time, increases and 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 most recent 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 periods (e.g., depreciation and earned but unused vacation leave).

The government-wide financial statements present functions of the District that are provided from funding sources (governmental activities). The government-wide financial statements can be found on pages 9 and 10 of this report.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The District maintains one governmental fund, the General Fund.

Governmental Funds - Governmental funds are used to account for essentially the same function 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 on spendable resources available at the end of the year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of the governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented in the governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financial decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures and changes in fund balances provide an adjustments column to facilitate this comparison between the governmental funds and governmental activities. The basic governmental fund financial statements can be found on pages 9 and 10 of this report.

GALVESTON CENTRAL APPRAISAL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

Notes to the Financial Statements

The notes to the 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 the financial statements can be found beginning on page 11 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the District's General Fund budget and pension data. Required supplementary information can be found on pages 31 through 35 of this report.

Government-Wide Financial Analysis

The assets and deferred outflows of the District exceeded its liabilities and deferred inflows at the close of the most recent year by \$2,560,868, compared to \$2,674,103 from the prior year. This decrease of \$113,235 is due to more than anticipated expenses incurred during the fiscal year. Net investment in capital assets decreased by \$1,173 due to depreciation/amortization.

A comparative summary of net position for the District is presented as follows:

	2024	2023, as Restated	Change
Current Assets	\$ 5,262,239	\$ 5,753,118	\$ (490,879)
Capital assets, net	3,015,551	1,865,824	1,149,727
Total Assets	8,277,790	7,618,942	658,848
Total Deferred Outflows of Resources	1,018,123	1,406,606	(388,483)
Current Liabilities	1,785,455	1,961,489	(176,034)
Long-term liabilities	4,886,583	4,280,076	606,507
Total Liabilities	6,672,038	6,241,565	430,473
Total Deferred Inflows of Resources	63,007	109,880	(46,873)
Net investment in capital assets	233,714	234,887	(1,173)
Unrestricted	2,327,154	2,439,216	(112,062)
Total Net Position	\$ 2,560,868	\$ 2,674,103	\$ (113,235)

GALVESTON CENTRAL APPRAISAL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

Statement of Activities

This statement represents the activity of the District, which results from revenue, expenses, gains and losses during the year. In 2024, the District had revenues of \$7,416,108 and expenses of \$7,529,343. Compared to the prior year, revenues increased approximately \$787,000 and total expenses increased approximately \$1,182,000. The decrease in revenues is due to refunds provided to taxing entities for prior year excess appraisal fees. The increase in expenses is due to an increase in depreciation/amortization expense.

Changes in Net Position

	2024	2023	Change
Appraisal fees, net	\$ 7,165,380	\$ 6,621,425	\$ 543,955
Investment income	233,288	7,892	225,396
Other revenues and gains	17,440	168	17,272
Total Revenues	7,416,108	6,629,485	786,623
Personnel services	4,854,554	4,406,080	448,474
Contracted services	1,168,863	663,511	505,352
Materials and supplies	583,988	544,490	39,498
Other operating expenses	394,029	305,762	88,267
Interest expense	16,910	13,729	3,181
Depreciation/amortization expense	472,159	413,427	58,732
Total Expenses	7,529,343	6,346,999	1,182,344
Change in net position	(113,235)	282,486	(395,721)
Beginning Net Position	2,937,373	2,654,887	282,486
Restatement	(263,270)	-	(263,270)
Ending Net Position	\$ 2,560,868	\$ 2,937,373	\$ (376,505)

General Fund Analysis and Budgetary Highlights

As of December 31, 2024, the District's General fund reported an ending fund balance of \$3,476,784 or 47% of total General fund revenues and 36% of total General Fund expenditures.

The District's General Fund revenues were less than budgeted revenues by \$529,256 due to refunds provided to taxing entities for prior year excess appraisal fees. The General Fund expenditures were less than budgeted expenditures by \$214,411 primarily due to less than anticipated costs for salaries, health insurance, legal fees, and capital outlay. The budgetary comparison schedule as listed in the table of contents of this report provides variance information per financial statement line item.

GALVESTON CENTRAL APPRAISAL DISTRICT
MANAGEMENT’S DISCUSSION AND ANALYSIS (continued)

Capital Assets

The District’s capital assets as of December 31, 2024 amount to \$3,015,551 (net of accumulated depreciation/amortization). Changes in capital assets held by the District for the current and prior year are summarized as follows:

	2024	2023
Total Capital Assets	<u>\$ 5,157,708</u>	<u>\$ 3,987,899</u>
Less: accumulated depreciation/amortization	<u>(2,142,157)</u>	<u>(2,122,075)</u>
Capital Assets, Net of Accumulated Depreciation/Amortization	<u><u>\$ 3,015,551</u></u>	<u><u>\$ 1,865,824</u></u>

Long-Term Liabilities

The District has one active lease agreement for the right-to-use office space and three active subscription arrangements for the right-to-use software. Changes in long-term debt for the current and prior year are as follows:

	2024	2023
Lease payable	\$ 822,518	\$ 919,770
Subscription arrangement	<u>1,959,319</u>	<u>711,167</u>
	<u><u>\$ 2,781,837</u></u>	<u><u>\$ 1,630,937</u></u>

Economic Factors and Next Year’s Budgets and Rates

The District’s budget for 2025 decreased by \$1,180,682 to \$8,595,589. Because of the nature of the District’s primary source of revenues (appraisal fees charged to taxing entities within the District), an increase in anticipated revenues denotes an increase in budgeted expenditures. All costs are passed on to member entities. Budgeted expenditures have increased primarily due to an increase in anticipated legal fees.

Requests for Information

This financial report is designed to provide a general overview of the District’s finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Chief Appraiser
Galveston Central Appraisal District
9850 Emmett F. Lowry Expressway, Ste. A
Texas City, TX 77591

BASIC FINANCIAL STATEMENTS



GALVESTON CENTRAL APPRAISAL DISTRICT

STATEMENT OF NET POSITION AND GOVERNMENTAL FUND BALANCE SHEET

December 31, 2024

	General Fund	Adjustments	Governmental Activities - Statement of Net Position
Assets			
Current Assets:			
Cash and cash equivalents	\$ 5,206,594	\$ -	\$ 5,206,594
Other assets	55,645	-	55,645
Noncurrent Assets:			
Capital assets, net of accumulated depreciation/amortization	-	3,015,551	3,015,551
Total Assets	<u>5,262,239</u>	<u>3,015,551</u>	<u>8,277,790</u>
Deferred Outflows of Resources			
Deferred Outflows - Pension	-	1,018,123	1,018,123
Total Deferred Outflows of Resources	<u>-</u>	<u>1,018,123</u>	<u>1,018,123</u>
Liabilities			
Current Liabilities:			
Accounts payable	49,268	-	49,268
Unearned revenues	1,736,187	-	1,736,187
Noncurrent Liabilities:			
Compensated absences	-	397,624	397,624
Net pension liability	-	1,707,122	1,707,122
Payable due within one year	-	343,315	343,315
Payable due in more than one year	-	2,438,522	2,438,522
Total Liabilities	<u>1,785,455</u>	<u>4,886,583</u>	<u>6,672,038</u>
Deferred Inflows of Resources			
Deferred Inflows - Pension	-	63,007	63,007
Total Deferred Inflows of Resources	<u>-</u>	<u>63,007</u>	<u>63,007</u>
Fund Balance/Net Position			
Fund Balance			
Committed for future refunds	611,588	(611,588)	
Unassigned	2,865,196	(2,865,196)	
Total Fund Balance	<u>3,476,784</u>	<u>(3,476,784)</u>	
Total Liabilities and Fund Balances	<u>\$ 5,262,239</u>		
Net Position:			
Net investment in capital assets		233,714	233,714
Unrestricted		2,327,154	2,327,154
Total Net Position		<u>\$ 2,560,868</u>	<u>\$ 2,560,868</u>

GALVESTON CENTRAL APPRAISAL DISTRICT**STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUND****STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE****For the Year Ended December 31, 2024**

	General Fund	Adjustments	Governmental Activities - Statement of Activities
Revenues			
Appraisal fees	\$ 7,165,380	\$ -	\$ 7,165,380
Investment income	233,288	-	233,288
Other revenues	422	-	422
Total Revenues	7,399,090	-	7,399,090
Expenditures / Expenses			
Personnel services	5,057,337	(202,783)	4,854,554
Contracted services	1,168,863	-	1,168,863
Materials and supplies	583,988	-	583,988
Other expenditures/expenses	394,029	-	394,029
Debt service:			
Principal	453,968	(453,968)	-
Interest	16,910	-	16,910
Capital outlay	1,886,765	(1,847,925)	38,840
Depreciation/amortization expense	-	472,159	472,159
Total Expenditures / Expenses	9,561,860	(2,032,517)	7,529,343
Other Financing Sources (Uses)			
Issuance of debt - SBITA	1,847,925	(1,847,925)	-
Gain on lease/SBITA modification	-	17,018	17,018
Total Other Financing Sources (Uses)	1,847,925	(1,830,907)	17,018
Net change in fund balance / net position	(314,845)	201,610	(113,235)
Fund Balance / Net Position - Beginning of year, as previously presented	3,791,629	(854,256)	2,937,373
Restatement	-	(263,270)	(263,270)
Fund Balance / Net Position - Beginning of year, as restated	3,791,629	(1,117,526)	2,674,103
Fund Balance / Net Position - End of Year	\$ 3,476,784	\$ (915,916)	\$ 2,560,868

GALVESTON CENTRAL APPRAISAL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

Note 1 - Summary of Significant Accounting Policies

A. Reporting Entity

The Galveston Central Appraisal District (the District) was created in 1981 as an independent appraisal district under the Texas Property Tax Code for Galveston County, which was enacted into law by the 66th State Legislature in 1979. The District previously operated as part of Galveston County, Texas.

The District is a political subdivision of the State of Texas governed by an elected five-member board. The Governmental Accounting Standards Board has established the criteria for determining whether or not an entity is a primary government or a component unit of a primary government. The primary criteria are that it has a separately elected governing body; it is legally separate; and it is fiscally independent of other state and local governments. Under these criteria, the District is considered a primary government and is not a component unit of any other government. Additionally, no other entities meet the criteria for inclusion in the District's financial statements as component units.

The District's basic responsibility is to locate, list, and appraise property in the District for property tax purposes. The District is required to provide a single appraisal for each property in the District. This valuation should represent 100% of market value. Additional responsibilities include but are not limited to: recording property configuration changes, ownership changes, state and local exemptions, maintenance of ownership maps, and furnishing appraisal roll information to the Property Tax Division of the Comptroller's office.

The District's primary activities include property appraisals on real and personal property within its jurisdiction.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information about the District as a whole. These statements include all activities of the District. The fund based financial statements (i.e. the Balance Sheet and the Statement of Revenues, Expenditures and Changes in Fund Balance) report information of the District at the fund level. As a special-purpose government engaged in a single governmental program, the District has opted to combine its government-wide and fund financial statements in a columnar format showing an adjustments column for reconciling items between the two.

C. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

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

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures related to compensated absences are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds.

GALVESTON CENTRAL APPRAISAL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS (continued)

Note 1 - Summary of Significant Accounting Policies (continued)

D. Assets, Deferred Outflows and Inflows of Resources, Liabilities, and Equity

1. Cash and cash equivalents

The District’s cash and cash equivalents consist of cash on hand, amounts in demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. The District does not hold any investments with original maturities of greater than three months from the date of acquisition. The District reports all investments at fair value based on closing balance at year-end date.

2. Capital assets

Capital assets are recorded at cost at the date of acquisition. Donated capital assets are valued at their estimated acquisition value on the date received. Intangible right-to-use leased assets/SBITAs are recorded at the present value of the noncancellable lease payments. For equipment, the District’s capitalization policy includes all items with a unit cost of \$5,000 or more and an estimated useful life in excess of one year. The District also capitalizes groups of assets with a unit cost less than \$5,000, such as technology items, that exceed \$5,000 in the aggregate and also have a useful life of more than one year. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset’s life are charged to operating expense in the year in which the expense is incurred. Depreciation is computed using the straight-line method over the estimated useful lives of the assets applying the half-year convention. Intangible assets follow the same capitalization policies as tangible capital assets and are reported with tangible assets in the appropriate capital asset class. The following estimated useful lives are used:

<u>Type of Asset</u>	<u>Life (Years)</u>
Other Improvements	10
Furniture	7
Equipment	7-10
Computers	3-5
Right-to-use lease assets	Shorter of lease term or useful life
Right-to-use SBITAs	Subscription Term

3. Unearned revenues

Appraisal fees and other revenues received during the year that are related to the period after the year are reported as unearned revenues.

4. Compensated absences

Compensated absences are absences for which employees will be paid, such as sick leave. A liability for compensated absences that are attributable to services already rendered and that are not contingent on a specific event that is outside the control of the District and its employees is accrued as employees earn the rights to the benefits. Compensated absences that relate to future services or that are contingent on a specific event that is outside the control of the District and its employees are accounted for in the period in which such services are rendered or such events take place.

5. Net position flow assumption

Sometimes the District will fund outlays for a particular purpose from both externally restricted and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the District’s policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

GALVESTON CENTRAL APPRAISAL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (continued)

Note 1 - Summary of Significant Accounting Policies (continued)

D. Assets, Deferred Outflows and Inflows of Resources, Liabilities, and Equity (continued)

6. Deferred Outflows/Inflows of Resources

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

- Pension plan contributions made after the measurement date of the net pension liability will be recognized as a reduction of the net pension liability in the next year.
- Differences between projected and actual earnings on pension plan investments will be amortized over a closed five-year period.
- Assumption changes or inputs will be amortized over a closed four-year period.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District reports deferred inflows of resources for pension items resulting from the results of differences between expected and actual actuarial experiences. These amounts will be amortized over the expected remaining service lives of all employees (active and inactive employees) that are provided with pensions through the pension plan which is currently 4-5 years for the District plan.

7. Fund balance flow assumptions

Sometimes the District will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

8. Fund balance policies

Fund balance of governmental funds is typically reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The District itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the District's highest level of decision-making authority. The Board of Directors is the highest level of decision-making authority for the District that can, by adoption of a resolution prior to the end of the year, commit fund balance. Once adopted, the limitation imposed by the resolution remains in place until a similar action is taken (the adoption of another resolution) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as committed. The Board of Directors council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily.

GALVESTON CENTRAL APPRAISAL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (continued)

Note 1 - Summary of Significant Accounting Policies (continued)

D. Assets, Deferred Outflows and Inflows of Resources, Liabilities, and Equity (continued)

8. Fund balance policies (continued)

In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment. The Board of Directors has adopted a financial policy to maintain a minimum level of unassigned fund balance (fund balance reserve) in the general fund. The target level is set at six months of general fund annual operating expenditures. Amounts in excess of the fund balance reserve target are to be committed for future refunds to the taxing entities.

9. Estimates

The preparation of the 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.

10. Pensions

The District reports a liability for pension obligations and related deferred inflows and outflows of resources in accordance with Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27*. Changes in the net pension liability from year to year will be recognized as pension expense on the government-wide Statement of Activities or reported as deferred inflows or outflows of resources on the Statement of Net Position, depending on the nature of the change. Transactions giving rise to deferred inflows and outflows of resources are not entirely recognized in the Statement of Activities in the period in which they arise but are instead amortized over multiple years.

11. Leases and Subscription-Based Information Technology Arrangements (SBITAs)

The District has noncancellable contracts for the right-to-use lease assets and subscription software. The District recognizes a liability and an intangible right-to-use asset in the government-wide financial statements. The District recognizes lease/SBITA liabilities with an initial, individual value of \$5,000 or more. At the commencement of a lease/SBITA, the District initially measures the liability at the present value of payments expected to be made during the term. Subsequently, the liability is reduced by the principal portion of payments made. The asset is initially measured as the initial amount of the liability, adjusted for payments made at or before the lease commencement date, or subscription term, plus certain initial direct costs. Subsequently, the asset is amortized on a straight-line basis over its useful life or subscription term. Right-to-use lease and SBITA assets are reported with other capital assets and lease/SBITA liabilities are reported with long-term debt on the statement of net position.

GALVESTON CENTRAL APPRAISAL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (continued)

Note 1 - Summary of Significant Accounting Policies (continued)

D. Assets, Deferred Outflows and Inflows of Resources, Liabilities, and Equity (continued)

12. Implementation of New Accounting Standards

The following GASB pronouncements were effective during fiscal year 2024:

GASB issued Statement No. 99, *Omnibus 2022*, in April 2022. This Statement was issued to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements and accounting and financial reporting for financial guarantees. The requirements of this statement had various effective dates and specific provisions were implemented prior to fiscal year 2024. The remaining requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement 53 are effective for fiscal years beginning after June 15, 2023, and all reporting periods thereafter. The remaining requirements of this statement were implemented in fiscal year 2024 and did not have a material impact on the financial statements.

GASB issued Statement No. 100, *Accounting Changes and Error Corrections – an Amendment of GASB Statement No. 62*, in June 2022. The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. The requirements of this Statement are effective for accounting changes and error corrections made in fiscal years beginning after June 15, 2023, and all reporting periods thereafter. The requirements of this statement were implemented in fiscal year 2024 and did not have a material impact on the financial statements.

GASB issued Implementation Guide 2021-1, *Implementation Guidance Update – 2021*, in May 2021. The primary objective of this Implementation Guide is to provide guidance that clarifies, explains, or elaborates on GASB Statements. The requirements of this Implementation Guide had various effective dates and specific provisions were implemented prior to fiscal year 2024. The remaining requirement, an amendment to Question 7.9.8 in Implementation Guide 2015-1 effective for reporting periods beginning after June 15, 2023, requires governments to capitalize assets whose individual acquisition costs are less than the threshold for an individual asset if those assets in the aggregate are significant. The requirements of this statement were implemented in fiscal year 2024 and did not have a material impact on the financial statements.

GASB issued Implementation Guide 2023-1, *Implementation Guidance Update – 2023*, in June 2023. The primary objective of this Implementation Guide is to provide guidance that clarifies, explains, or elaborates on GASB Statements. This Implementation Guide amends Implementation Guide No. 2019-3, *Leases*, Question 4.16, and Implementation Guide No. 2021-1, *Implementation Guidance Update—2021*, Question 4.13. The requirements of this Implementation Guide are effective for fiscal years beginning after June 15, 2023, and all reporting periods thereafter. The requirements of this Implementation Guide were implemented in fiscal year 2024 and did not have a material impact on the financial statements.

GASB issued Statement No. 101, *Compensated Absences*, in June 2022. The primary objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The requirements of this Statement are effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter. The requirements of this statement were implemented in 2024 and the impact is reflected in the financial statements. See Note 7 for more information.

GALVESTON CENTRAL APPRAISAL DISTRICT**NOTES TO THE FINANCIAL STATEMENTS (continued)****Note 2 - Reconciliation of Government-Wide and Fund Financial Statements*****Reconciliation of the Governmental Fund Balance Sheet to the Statement of Net Position***

Total Fund Balance, Governmental Fund	\$ 3,476,784
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental fund.	3,015,551
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds, the difference consists of:	
Accrued compensated absences	(397,624)
Net pension liability	(1,707,122)
Lease/Subscription arrangements payable - principal	(2,781,837)
Deferred inflows and outflows of resources - pension related	955,116
Total Net Position - Governmental Activities	<u>\$ 2,560,868</u>

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance of the Governmental Funds to the Statement of Activities:

Change in Fund Balance, Governmental Fund	\$ (314,845)
The governmental fund reports capital outlays as expenditures. However, in the Statement of Activities, the cost of the assets are allocated over their estimated lives as depreciation/amortization expense.	
Capital outlay expenditures	1,847,925
Depreciation/amortization expense	(472,159)
Proceeds from issuance subscription arrangement is reported as an other financing source in the governmental funds. In the government-wide financial statements, proceeds are treated as an increase in long-term liabilities.	(1,847,925)
Compensated absences reported in the statement of activities do not require the use of current resources and therefore are not reported as expenditures in the governmental fund.	(30,975)
Contributions to the pension plan in the current year are not included on the Statement of Activities.	801,389
Some expenditures reported in the Statement of Activities do not require the use of current financial resources and are not reported as expenditures in the governmental fund.	
Principal payments on lease/subscription arrangements	453,968
Gain on lease/SBITA modification	17,018
Pension expense	(567,631)
Change in Net Position of Governmental Activities	<u>\$ (113,235)</u>

GALVESTON CENTRAL APPRAISAL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS (continued)

Note 3 - Cash and Cash Equivalents

Authorization for Deposits and Investments

The Texas Public Funds Investment Act (PFIA), as prescribed in Chapter 2256 of the Texas Government Code, regulates deposits and investment transactions of the District.

In accordance with applicable statutes, the District has a depository contract with an area bank (depository) providing for interest rates to be earned on deposited funds. The District has adopted a written investment policy regarding the investment of District funds as required by the PFIA (Chapter 2256, Texas Government Code). The investments of the District are in compliance with the District's investment policy. The District is authorized to invest in obligations and instruments as defined in the PFIA (Sec. 2256.001 Texas Government Code). Such investments include (1) obligations of the United States, its agencies and instrumentalities, (2) fully collateralized direct repurchase agreements secured by obligations of the United States or its agencies and instrumentalities, (3) money market mutual funds that are registered and regulated by the SEC, (4) certificates of deposit, and (5) local government investment pools which meet the requirements of the Public Funds Investment Act. The maximum maturity allowed is two years from date of purchase. The District's investment policy strictly prohibits investments such as interest-only or principal-only strips of obligations with underlying mortgage-backed security collateral and collateralized mortgage obligations with inverse floating interest rates or a maturity date of over ten years.

Cash and Cash Equivalent Amounts

The following schedule shows the District's recorded cash and investments at year-end:

	<u>Carrying Amount</u>
Demand deposits	\$ 21,840
Money market	5,184,754
Total Cash and Cash Equivalents	<u><u>\$ 5,206,594</u></u>

Custodial Credit Risk - Deposits

For deposits, this is the risk that in the event of bank failure, the District's deposits may not be returned to it. The District does not have a deposit policy for custodial credit risk. Collateral is required for all bank deposits at 110% of deposits not covered by federal depository insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of the State and its municipalities and school districts. Collateral pledged to cover the District's deposits is required to be held in the District's name by the trust department of a bank other than the pledging bank (the District's agent). Collateral securities must bear a Baa-1 or better rating to qualify for use in securing uninsured depository balances. Deposits at year-end are representative of the types of deposits maintained by the District during the year.

The District's deposits in banks at year-end were entirely covered by federal depository insurance or by acceptable collateral held by the District's agent in the District's name.

Investment Risks

To the extent possible, the District attempts to match investments with anticipated cash flow requirements. The District does not directly invest in securities with a stated maturity date more than two years or 730 days from date of purchase. The settlement date is considered the date of purchase.

GALVESTON CENTRAL APPRAISAL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (continued)

Note 4 - Capital Assets

Capital assets activities for the year ended December 31, 2024, were as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets:				
Other improvements	\$ 55,933	\$ -	\$ -	\$ 55,933
Equipment	37,015	-	-	37,015
Furniture	58,815	-	-	58,815
Mapping equipment	924,269	-	-	924,269
Computers	862,077	-	-	862,077
Right-to-use lease assets	1,111,865	-	-	1,111,865
Right-to-use SBITAs	937,925	1,847,925	(678,116)	2,107,734
Total Capital Assets	3,987,899	1,847,925	(678,116)	5,157,708
Accumulated Depreciation/Amortization:				
Other improvements	(55,933)	-	-	(55,933)
Equipment	(30,999)	(463)	-	(31,462)
Furniture	(52,244)	(1,314)	-	(53,558)
Mapping equipment	(924,269)	-	-	(924,269)
Computers	(611,743)	(64,973)	-	(676,716)
Right-to-use lease assets	(202,152)	(101,076)	-	(303,228)
Right-to-use SBITAs	(244,735)	(304,333)	452,077	(96,991)
Total Accumulated Depreciation/Amortization	(2,122,075)	(472,159)	452,077	(2,142,157)
Net Capital Assets	\$ 1,865,824	\$ 1,375,766	\$ (226,039)	\$ 3,015,551

Depreciation/amortization expense for the year ended December 31, 2024, was \$472,159.

GALVESTON CENTRAL APPRAISAL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS (continued)

Note 5 - Pension Plan

Plan Description: The District provides retirement and death benefits for all of its full-time employees through a non-traditional defined benefit pension plan in the statewide Texas County and District Retirement System (TCDRS). The Board of Trustees of TCDRS is responsible for the administration of the statewide agent multiple-employer public employee retirement system consisting of non-traditional defined benefit pension plans. TCDRS in the aggregate issues an annual comprehensive financial report (ACFR) on a calendar year basis. The ACFR is available upon written request from the TCDRS Board of Trustees at P.O. Box 2034, Austin, Texas 78768-2034 or online at www.tcdrs.org.

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

Benefit amounts are determined by the sum of the employee’s contributions to the plan, with interest, and employer-financed monetary credits. The level of these monetary credits is adopted by the governing body of the employer within the actuarial constraints imposed by the TCDRS Act so that the resulting benefits can be expected to be adequately financed by the employer’s commitment to contribute. At retirement or death, the benefit is calculated by converting the sum of the employee’s accumulated contributions and the employer-financed monetary credits to a monthly annuity using annuity purchase rates prescribed by the TCDRS Act.

At the December 31, 2023 valuation and measurement date, the employees participating in the plan were as follows:

	December 31, 2023
Number of inactive employees entitled to but not yet receiving benefits	33
Number of active employees	51
Inactive employees receiving benefits	41

Funding Policy: The employer has elected the Annually Determined Contribution Rate (ADCR) plan provisions of the TCDRS Act. The plan is funded by monthly contributions from both employee members and the employer based on the covered payroll of employee members. Under the TCDRS Act, the contribution rate of the employer is actuarially determined annually. It was 21.91% for the calendar year 2024. The contribution rate payable by the employee members is the rate of 7.00% as adopted by the District’s Board of Directors. The employee contribution rate and the employer contribution rate may be changed by the District’s Board of Directors within the options available in the TCDRS Act.

GALVESTON CENTRAL APPRAISAL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS (continued)

Note 5 - Pension Plan (continued)

Actuarial Assumptions: The actuarial assumptions that determined the total pension liability as of December 31, 2023 were based on the results of an actuarial experience study for the period January 1, 2017 to December 31, 2020, except where required to be different by GASB 68.

The following are the key assumptions and methods applied to this measurement period:

Valuation Date:	December 31, 2023
Actuarial Cost Method:	Entry Age
Amortization Method:	Level percentage of payroll, closed
Remaining Amortization Period	16.7 years
Asset Valuation Method:	5-year smoothed market
Inflation:	2.50%
Salary Increases:	Varies by age and service. 4.7% average over career including inflation.
Investment Rate of Return:	7.50%, net of administrative and investment expenses, including inflation.
Retirement Age:	Members who are eligible for service retirement are assumed to commence receiving benefit payments based on age. The average age at service retirement for recent retirees is 61.
Mortality:	135% of the Pub-2010 General Retirees Table for males and 120% of the Pub-2010 General Retirees Table for females, both projected with 100% of the MP-2021 Ultimate scale after 2010.
Changes in Assumptions and Methods Reflected in the Schedule of Employer Contributions*:	2015: New inflation, mortality and other assumptions were reflected. 2017: New mortality assumptions were reflected. 2019: New inflation, mortality and other assumptions were reflected. 2022: New Investment return and inflation assumptions were reflected
Changes in Plan Provisions Reflected in the Schedule of Employer Contributions*:	2015/2016: No changes in plan provisions. 2017: New Annuity Purchase Rates were reflected for benefits earned after 2017. 2018/2019/2020: No changes in plan provisions. 2021: Employer contributions reflect that a 2% flat COLA was adopted. 2022: Employer contributions reflect that a 1% flat COLA was adopted. 2023: No changes in plan provision were reflected in the Schedule.

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

Discount Rate: The discount rate used to measure the total pension liability was 7.60%. There was no change in the discount rate since the previous year. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers and the non-employer contributing entity made at the statutorily required rates. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

GALVESTON CENTRAL APPRAISAL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (continued)

Note 5 - Pension Plan (continued)

The long-term expected rate of return on pension plan investments is 7.60%. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the systems target asset allocation as of December 31, 2023 are summarized below:

Asset Class	Benchmark	Target Allocation¹	Geometric Real Rate of Return²
U.S. Equities	Dow Jones U.S. Total Stock Market Index	11.50%	4.75%
Global Equities	MSCI World (net) Index	2.50%	4.75%
Int'l Equities - Developed Markets	MSCI World Ex USA (net) Index	5.00%	4.75%
Int'l Equities - Emerging Markets	MSCI Emerging Markets (net) Index	6.00%	4.75%
Investment-Grade Bonds	Bloomberg U.S. Aggregate Bond Index	3.00%	2.35%
Strategic Credit	FTSE High-Yield Cash-Pay Index	9.00%	3.65%
	Morningstar LSTA US Leveraged Loan TR		
Direct Lending	USD Index	16.00%	7.25%
	Cambridge Associates Distressed Securities		
Distressed Debt	Index ⁽³⁾	4.00%	6.90%
	67% FTSE NAREIT All Equity REITs Index +		
REIT Equities	33% S&P Global REIT (net) Index	2.00%	4.10%
Master Limited Partnerships	Alerian MLP Index	2.00%	5.20%
Private Real Estate Partnerships	Cambridge Associates Real Estate Index ⁽⁴⁾	6.00%	5.70%
	Cambridge Associates Global Private		
Private Equity	Equity & Venture Capital Index ⁽⁵⁾	25.00%	7.75%
	Hedge Fund Research, Inc. (HFRI) Fund of		
Hedge Funds	Funds Composite Index	6.00%	3.25%
Cash Equivalents	90-Day U. S. Treasury	2.00%	0.60%
		<u>100.00%</u>	

¹ Target asset allocation adopted at the March 2024 TCDRS Board meeting.

² Geometric real rates of return equal the expected return for the asset class minus the assumed inflation rate of 2.2%, per Cliffwater's 2024 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.

GALVESTON CENTRAL APPRAISAL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (continued)

Note 5 - Pension Plan (continued)

Sensitivity Analysis: The following presents the net pension liability of the District, calculated using the discount rate of 7.60%, as well as what the District's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate.

	1% Decrease (6.60%)	Current Discount Rate (7.60%)	1% Increase (8.60%)
Total Pension Liability	\$ 28,628,400	\$ 25,903,257	\$ 23,570,118
Fiduciary net position	24,196,135	24,196,135	24,196,135
Net Pension Liability/(Asset)	<u>\$ 4,432,265</u>	<u>\$ 1,707,122</u>	<u>\$ (626,017)</u>

Changes in the Net Pension Liability

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
	(a)	(b)	(a) - (b)
Balance at December 31, 2022	\$ 24,860,203	\$ 22,577,712	\$ 2,282,490
Changes for the Year:			
Service Cost	371,198	-	371,198
Interest	1,856,885	-	1,856,885
Effect of plan changes	298,695	-	298,695
Effect of economic/demographic gains or losses	143,487	-	143,487
Refund of contributions	(62,462)	(62,462)	-
Benefit payments	(1,564,749)	(1,564,749)	-
Administrative expenses	-	(12,634)	12,634
Member contributions	-	197,701	(197,701)
Net investment income	-	2,473,293	(2,473,293)
Employer contributions	-	618,803	(618,803)
Other	-	(31,529)	31,529
Balance at December 31, 2023	<u>\$ 25,903,257</u>	<u>\$ 24,196,135</u>	<u>\$ 1,707,122</u>

GALVESTON CENTRAL APPRAISAL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (continued)

Note 5 - Pension Plan (continued)

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

For the year ended December 31, 2024, the District recognized pension expense of \$608,489.

At December 31, 2024, the District reported deferred outflows and inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 158,370	\$ (32,266)
Changes in assumptions	-	(30,741)
Net difference between projected and actual earnings	58,364	-
Contributions made subsequent to the measurement date	801,389	-
Totals	<u><u>\$ 1,018,123</u></u>	<u><u>\$ (63,007)</u></u>

The \$801,389 reported as deferred outflows of resources related to pensions 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, 2025. 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 as follows:

Year Ended December 31,	Amount
2025	\$ (141,263)
2026	(73,014)
2027	525,861
2028	(157,857)
	<u><u>\$ 153,727</u></u>

GALVESTON CENTRAL APPRAISAL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS (continued)

Note 6 - Other Postemployment Benefits

Group Term Life Insurance

The District participates in a cost-sharing multiple-employer defined-benefit group-term life insurance plan operated by the TCDRS. This plan is referred to as the Group Term Life Fund (GTLF). This optional plan provides group term life insurance coverage to current eligible employees and, if elected by employers, to retired employees. There are currently no employees that have elected for life insurance upon retirement.

The GTLF is a separate trust administered by the TCDRS board of trustees. TCDRS issues a publicly available annual comprehensive financial report (ACFR) that includes financial statements and required supplementary information for the GTLF. This report is available at www.tcdrs.org. TCDRS' ACFR may also be obtained by writing to the Texas County & District Retirement System; P.O. Box 2034, Austin, TX 78768-2034, or by calling 800-823-7782.

Funding Policy: Each participating employer contributes to the GTLF at a contractually required rate. An annual actuarial valuation is performed and the contractual rate is determined using the unit credit method for providing one-year term life insurance. The District's contributions to the GTLF for the years ended December 31, 2024, December 31, 2023, and December 31, 2022, were \$5,710, \$6,766, and \$5,605, respectively, which equaled the contractually required contribution.

Other Benefits

The District does not provide additional postemployment benefits except those mandated by the Consolidated Omnibus Budget Reconciliation Act (COBRA). The requirements established by COBRA are fully funded by employees who elect coverage under the Act, and no direct costs are incurred by the District.

Note 7 - Compensated Absences

Sick leave and vacation benefits are available only to full-time employees of the District. The long-term liability for compensated absences increased by \$30,975 from the amount previously reported of \$366,649 at December 31, 2023. The December 31, 2023, balance for the liability was restated during 2024 in the amount of \$263,270, in accordance with GASB Statement No. 101, *Compensated Absences*, for a restated beginning balance of \$366,649. As of December 31, 2024, the compensated absences balance was \$397,624.

Sick Leave

Full-time employees accrue paid sick leave at the rate of two hours per week. Unused benefits may be carried forward but may not exceed 96 hours per year. Employees separating from service with the District are not reimbursed for unused sick leave. The District anticipates that the accumulated balance of sick leave is more likely than not to be used prior to separation of service from the District. Therefore, the District records a liability for the balance of unused sick leave in accordance with GASB Statement No. 101, *Compensated Absences*.

GALVESTON CENTRAL APPRAISAL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (continued)

Note 7 - Compensated Absences (continued)

Vacation Leave

Full-time employees are eligible to accrue vacation leave according to the following schedule:

Months of Service	Hours Accrued per Month
0-59	6.66
60-119	10.00
120-239	13.33
240+	16.66

The maximum amount of unused vacation that may be carried over to the next year is 150% of the yearly entitlement; any unused vacation leave in excess of the 150% is forfeited. Employees separating from service with the District may be compensated for one year of unused vacation benefits. The District estimates the long-term portion of the vacation leave liability and records this amount in the financial statements as a long-term liability.

Note 8 - Appraisal Fees and Refunds

The District's revenues are primarily generated from appraisal services provided to the various taxing entities within the County of Galveston. Appraisal fees are billed on a quarterly basis.

In accordance with the Texas Property Tax code 6.06 (j), any excess funds collected but unspent in any given year is to be credited against each taxing entity's allocated payments in the proportion to the amount of each taxing entity's budget allocation no later than 150 days after the end of the year in which the payments were made. There were \$747,966 of refunds for the 2023 year applied in 2024. The calculation of anticipated refunds for 2024 to be applied in 2025 is as follows:

2025 Budgeted Expenditures	\$ 8,595,589
Four (4) Month Reserve per Fund Balance Policy	2,865,196
Fund Balance as of December 31, 2024	3,476,784
Fund Balance Over/(Under) Reserve	<u>\$ 611,588</u>
Excess Fund Balance Due for Future Refunds	\$ 611,588

GALVESTON CENTRAL APPRAISAL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (continued)

Note 9 - Contingencies and Risk Financing

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. These risks are covered through the Texas Municipal League (TML) Intergovernmental Risk Pool, a public entity risk pool for the benefit of in excess of 1,900 individual governmental units located within the state. TML Intergovernmental Risk Pool is considered a self-sustaining risk pool that provides coverage for its members. Settled claims have not exceeded insurance coverage limits for the past three years.

On December 31, 2024, various lawsuits and claims involving the District were pending. While the ultimate liability with respect to litigation and other claims asserted against the District cannot be reasonably estimated at this time, this liability, to the extent not provided for by insurance or otherwise, is not likely to have a material effect on the District's financial statements because the claims are for lower property valuations. Therefore, the financial impact to the District is in the form of attorneys' fees, which have been estimated and incorporated into the budget process.

Note 10 - Leases Payable

On April 5, 2011, the District signed a Lease Agreement commencing the 1st day of January 2012 with the County of Galveston for new office space for the District. The District moved to the County's Mid County Annex located at 9300 Emmet F. Lowry Expressway, Texas City, Texas in November 2011. The lease agreement is for 20 years with three 5-year renewals. The base rent is the District's pro rata share of the operating and maintenance cost of the office space which will be calculated on an annual basis. The actual base rent will be determined no later than October 31, of each year to be paid effective the following month (November). Minimum annual base rent as of December 31, 2024 is \$108,000 and there are no variable payments. In addition to the base rent, the District agrees to pay the County \$1,106,640 for improvement rent, to be paid in quarterly payments of \$15,370 beginning April 2012 for 20 years. In the unlikely event the District's revenues are not available to satisfy the obligation, the District may terminate the lease by providing written notice of termination to the County not less than 180 days prior to the first day of the period during which payments are scheduled. The District expects to exercise all renewal options as of December 31, 2024.

The following is a summary of the lease activity during the year:

	Balance, January 01, 2024	Additions	Retirements	Balance December 31, 2024	Due Within One Year
Lease Payable	\$ 919,770	\$ -	\$ (97,252)	\$ 822,518	\$ 98,453

The future principal and interest lease payments as of December 31, 2024 were as follows:

December 31,	Principal	Interest	Total
2025	\$ 98,453	\$ 9,547	\$ 108,000
2026	99,666	8,334	108,000
2027	100,900	7,100	108,000
2028	102,145	5,855	108,000
2029	103,407	4,593	108,000
2028 - 2030	317,947	6,053	324,000
	<u>\$ 822,518</u>	<u>\$ 41,482</u>	<u>\$ 864,000</u>

GALVESTON CENTRAL APPRAISAL DISTRICT**NOTES TO THE FINANCIAL STATEMENTS (continued)****Note 11 - Subscription-Based Information Technology Arrangements**

The following is a summary of the SBITA activity during the year:

Description	Start	End	Interest Rate	Beginning Balance	Additions	Retirements	Ending Balance	Due Within One Year
Pictometry Software	11/18/20	12/31/32	3.764%	\$ 467,935	\$ 1,847,925	\$ (467,935)	\$ 1,847,925	\$ 225,760
Trepp, inc Software	12/29/23	12/29/26	3.764%	178,795	-	(114,026)	64,769	-
Costar, inc Software	03/04/22	04/30/27	3.764%	64,437	-	(17,812)	46,625	19,102
				<u>\$ 711,167</u>	<u>\$ 1,847,925</u>	<u>\$ (599,773)</u>	<u>\$ 1,959,319</u>	<u>\$ 244,862</u>

During the year, the District amended the Pictometry Software SBITA. As a result, \$243,057 of the remaining liability was removed and \$226,039 of the right-to-use asset, resulting in a gain on the SBITA modification in the amount \$17,018.

In addition, the current year reduction for the Trepp, Inc. Software SBITA included an advance payment of \$59,296.

The future principal and interest SBITA payments as of December 31, 2024 were as follows:

December 31,	Principal	Interest	Total
2025	\$ 244,862	\$ 5,084	\$ 249,946
2026	319,256	95,291	414,547
2027	254,545	79,874	334,419
2028	261,713	65,588	327,301
2029	276,762	50,539	327,301
2030 - 2032	602,181	52,422	654,603
	<u>\$ 1,959,319</u>	<u>\$ 348,798</u>	<u>\$ 2,308,117</u>

All amounts paid were previously included in the measurement of the subscription liability and there were no other related outflows of resources for the period such as variable payments or termination penalties. In addition, there were no commitments incurred prior to commencement of any SBITA term and there were no impairment losses related to SBITA assets.

Note 12 - Subsequent Events

In preparing these financial statements, the District has evaluated events and transactions for potential recognition or disclosure through May 14, 2025, the date on which the financial statements were available to be issued. The District has no events to report as of this date.



REQUIRED SUPPLEMENTARY INFORMATION



GALVESTON CENTRAL APPRAISAL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL – GENERAL FUND
For the Year Ended December 31, 2024

	Original Budget	Amendments	GAAP Adjustments	Final Budget	Actual, Budget Basis	Variance with Final Budget
Revenues						
Appraisal Fees, gross	\$ 7,913,346	\$ -	\$ -	\$ 7,913,346	\$ 7,913,346	\$ -
Appraisal fee refunds	-	-	-	-	(747,966)	(747,966)
Interest Income	15,000	-	-	15,000	233,288	218,288
Other Revenue	-	-	-	-	422	422
Contributions from Reserves	-	-	-	-	314,845	314,845
Total Revenues	<u>7,928,346</u>	<u>-</u>	<u>-</u>	<u>7,928,346</u>	<u>7,713,935</u>	<u>(214,411)</u>
Expenditures						
Personnel Services:						
Salaries	3,319,152	-	-	3,319,152	3,209,260	109,892
Chief Appraiser Expense	2,500	-	-	2,500	2,218	282
Taxpayer Liaison Officer	9,000	-	-	9,000	9,000	-
Retirement	690,120	-	-	690,120	801,390	(111,270)
MC/FICA	232,700	-	-	232,700	237,593	(4,893)
Group Health Insurance	860,000	-	-	860,000	762,105	97,895
Workman's Comp	23,100	-	-	23,100	9,888	13,212
Employment Insurance	30,974	-	-	30,974	25,883	5,091
Contracted Services:						
Part Time/Contract Lab.	30,000	10,000	-	40,000	45,522	(5,522)
Appraisal Services	202,800	-	-	202,800	202,800	-
Travel/Auto Allowances	165,000	50,000	-	215,000	220,995	(5,995)
ARB Per Diem	130,000	-	-	130,000	88,448	41,552
Annual Audit	20,000	-	-	20,000	18,540	1,460
Legal Fees	300,000	250,000	-	550,000	592,558	(42,558)
Materials and Supplies:						
Office Supplies	40,000	-	-	40,000	10,657	29,343
Postage Freight	200,000	-	-	200,000	134,285	65,715
Janitorial Services/Supplies	40,000	-	-	40,000	26,259	13,741
Dues/Books/Subscriptions	16,000	-	-	16,000	15,772	228
Education/Registration	20,000	-	-	20,000	13,784	6,216
Capital Outlay	350,000	-	1,564,934	1,914,934	1,886,765	28,169
Forms/Printing	55,000	20,000	-	75,000	63,976	11,024
Telephone/Comm.	52,000	-	-	52,000	36,032	15,968
General Office	45,000	-	-	45,000	64,117	(19,117)
Mapping Services	30,000	10,000	-	40,000	31,599	8,401
Computer Supplies	80,000	-	(6,154)	73,846	86,957	(13,111)
Maintenance/Equip	100,000	30,000	-	130,000	100,550	29,450
Other Expenditures:						
Maint Agree - Computer	175,000	30,000	(73,733)	131,267	194,370	(63,103)
Office Space/Lease	200,000	-	(108,000)	92,000	138,565	(46,565)
Legal/News Notices	30,000	-	-	30,000	10,851	19,149
Insurance	45,000	-	-	45,000	50,243	(5,243)
Contingency	35,000	-	-	35,000	-	35,000
Election	400,000	(400,000)	-	-	-	-
Debt Service:						
Office Lease						
Principal	-	-	97,252	97,252	97,252	-
Interest	-	-	10,748	10,748	10,748	-
Subscription software						
Principal	-	-	356,716	356,716	356,716	-
Interest	-	-	6,162	6,162	6,162	-
Total Expenditures	<u>7,928,346</u>	<u>-</u>	<u>1,847,925</u>	<u>9,776,271</u>	<u>9,561,860</u>	<u>214,411</u>
Other Financing Sources (Uses)						
Issuance of debt - SBITA	-	-	1,847,925	1,847,925	1,847,925	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>1,847,925</u>	<u>1,847,925</u>	<u>1,847,925</u>	<u>-</u>
Net change in Fund Balance	-	-	-	-	-	-
Fund Balance - Beginning of Year	<u>3,791,629</u>	<u>-</u>	<u>-</u>	<u>3,791,629</u>	<u>3,791,629</u>	<u>-</u>
Fund Balance - End of Year	<u>\$ 3,791,629</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,791,629</u>	<u>\$ 3,791,629</u>	<u>\$ -</u>

GALVESTON CENTRAL APPRAISAL DISTRICT
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

Budgets and Budgetary Accounting

The modified accrual basis of accounting, which is in accordance with GAAP, is used for both financial reporting and budgeting purposes. The budget is approved annually by the District's Board of Directors. The budget is typically adopted in the fall and is later amended after all taxing entities have adopted their tax rates. Unused budget appropriations lapse at year-end. Encumbrance accounting is not utilized. Debt service expenditures for lease and subscription software are budgeted under operational line-items and are adjusted to debt service categories in accordance with GAAP.

Budget Amendments

Any amendments within line items of \$30,000 or greater must be approved by the Board of Directors. During the current year, a budget amendment was approved to decrease legal fees by \$300,000 and increase capital outlay by \$300,000.

Expenditures Exceeding Appropriations

The District's expenditures exceeded appropriations for various function expenditures during the year. However, total expenditures for all categories were less than appropriations.

GALVESTON CENTRAL APPRAISAL DISTRICT
TEXAS COUNTY & DISTRICT RETIREMENT SYSTEM
SCHEDULE OF CHANGES IN NET PENSIONS LIABILITY AND RELATED RATIOS
For the Last Ten Measurement Years

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Total Pension Liability										
Service cost	\$ 371,198	\$ 374,632	\$ 349,439	\$ 344,718	\$ 322,895	\$ 324,212	\$ 340,786	\$ 312,665	\$ 277,614	\$ 293,519
Interest on total pension liability	1,856,885	1,807,565	1,726,037	1,652,471	1,569,882	1,503,844	1,464,157	1,370,867	1,305,012	1,225,875
Effect of plan changes	298,695	-	105,986	200,353	-	-	-	-	(15,567)	-
Effect of assumption changes or inputs	-	-	(122,961)	1,146,580	-	-	82,427	-	175,442	-
Effect of economic/demographic (gains) or losses	143,487	(64,532)	203,017	63,305	172,849	25,354	(414,536)	105,893	(165,306)	(24,666)
Benefit payments/refunds of contributions	(1,627,210)	(1,309,181)	(1,122,205)	(1,081,306)	(1,054,877)	(1,019,434)	(915,190)	(738,629)	(668,685)	(511,000)
Net Change in Total Pension Liability	1,043,055	808,484	1,139,313	2,326,121	1,010,749	833,976	557,644	1,050,796	908,510	983,728
Total Pension Liability, Beginning	24,860,203	24,051,719	22,912,406	20,586,285	19,575,536	18,741,560	18,183,916	17,133,120	16,224,610	15,240,882
Total Pension Liability, Ending (a)	\$ 25,903,257	\$ 24,860,203	\$ 24,051,719	\$ 22,912,406	\$ 20,586,285	\$ 19,575,536	\$ 18,741,560	\$ 18,183,916	\$ 17,133,120	\$ 16,224,610
Fiduciary Net Position										
Employer contributions	\$ 618,803	\$ 639,322	\$ 534,586	\$ 483,664	\$ 432,158	\$ 445,048	\$ 431,341	\$ 370,013	\$ 340,315	\$ 364,090
Member contributions	197,701	182,143	170,561	162,226	153,951	148,491	146,502	140,080	129,749	131,239
Investment income net of investment expenses	2,473,293	(1,395,972)	4,455,697	1,962,227	2,750,919	(331,340)	2,273,177	1,093,883	(219,199)	950,515
Benefit payments/refunds of contributions	(1,627,210)	(1,309,181)	(1,122,205)	(1,081,306)	(1,054,877)	(1,019,434)	(915,190)	(738,629)	(668,685)	(511,000)
Administrative expenses	(12,634)	(13,231)	(13,267)	(15,003)	(14,481)	(13,452)	(11,658)	(11,854)	(10,774)	(11,349)
Other	(31,529)	(48,172)	(6,168)	(11,002)	(13,405)	(10,928)	(4,631)	16,078	(26,668)	26,241
Net Change in Fiduciary Net Position	1,618,424	(1,945,091)	4,019,204	1,500,806	2,254,265	(781,615)	1,919,541	869,571	(455,262)	949,736
Fiduciary Net Position, Beginning	22,577,713	24,522,804	20,503,600	19,002,794	16,748,529	17,530,144	15,610,603	14,741,032	15,196,294	14,246,558
Fiduciary Net Position, Ending (b)	\$ 24,196,135	\$ 22,577,713	\$ 24,522,804	\$ 20,503,600	\$ 19,002,794	\$ 16,748,529	\$ 17,530,144	\$ 15,610,603	\$ 14,741,032	\$ 15,196,294
Net Pension Liability / (Asset), Ending = (a) - (b)	\$ 1,707,122	\$ 2,282,490	\$ (471,085)	\$ 2,408,806	\$ 1,583,491	\$ 2,827,007	\$ 1,211,416	\$ 2,573,313	\$ 2,392,088	\$ 1,028,316
Fiduciary Net Position as a % of Total Pension Liability	93.41%	90.82%	101.96%	89.49%	92.31%	85.56%	93.54%	85.85%	86.04%	93.66%
Pensionable Covered Payroll	\$ 2,824,293	\$ 2,602,043	\$ 2,436,574	\$ 2,317,508	\$ 2,199,278	\$ 2,121,296	\$ 2,092,870	\$ 2,001,150	\$ 1,853,563	\$ 1,874,831
Net Pension Liability as a % of Covered Payroll	60.44%	87.72%	-19.33%	103.94%	72.00%	133.27%	57.88%	128.59%	129.05%	54.85%

GALVESTON CENTRAL APPRAISAL DISTRICT
TEXAS COUNTY & DISTRICT RETIREMENT SYSTEM
SCHEDULE OF EMPLOYER CONTRIBUTIONS
LAST TEN FISCAL YEARS

Year Ended December 31,	Actuarially Determined Contribution	Actual Employer Contribution	Contribution Deficiency (Excess)	Pensionable Covered Payroll	Actual Contribution as a % of Covered Payroll
2015	\$ 340,314	\$ 340,314	\$ -	\$ 1,853,563	18.36%
2016	370,013	370,013	-	2,001,150	18.49%
2017	386,972	386,972	-	2,092,870	18.49%
2018	445,048	445,048	-	2,121,296	20.98%
2019	432,158	432,158	-	2,199,278	19.65%
2020	483,664	483,664	-	2,317,508	20.87%
2021	534,584	534,584	-	2,436,574	21.94%
2022	639,322	639,322	-	2,602,043	24.57%
2023	618,803	618,803	-	2,824,293	21.91%
2024	801,389	801,389	-	3,358,718	23.86%

GALVESTON CENTRAL APPRAISAL DISTRICT
NOTES TO SCHEDULE OF EMPLOYER CONTRIBUTIONS

Methods and assumptions used to determine contribution rates:

Valuation Date:	December 31, 2023
Actuarial Cost Method:	Entry Age Normal
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:	2.50%
Salary Increases:	Varies by age and service. 4.7% average over career including inflation.
Investment Rate of Return:	7.60% (Gross of administrative expenses)
Cost-of-Living Adjustments:	No assumption for future cost-of-living adjustments is included in the funding valuation.
Mortality:	<p>Depositing members - 90% of the RP-2014 Active Employee Mortality Table for males and 90% of the RP-2014 Active Employee Mortality Table for females, projected with 110% of the MP-2014 Ultimate scale after 2014.</p> <p>Service retirees, beneficiaries and non-depositing members - 130% of the RP-2014 Healthy Annuitant Mortality Table for males and 110% of the RP-2014 Healthy Annuitant Mortality Table for females, both projected with 110% of the MP-2014 Ultimate scale after 2014.</p> <p>Disabled retirees - 130% of the RP-2014 Disabled Annuitant Mortality Table for males and 115% of the RP-2014 Disabled Annuitant Mortality Table for females, both projected with 110% of the MP-2014 Ultimate scale after 2014.</p>

