

*COMPREHENSIVE
ANNUAL FINANCIAL REPORT*

of the

**HARRIS COUNTY
APPRAISAL DISTRICT**

**For the Year Ended
December 31, 2010**

Report Issued By:

Administration Department

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HARRIS COUNTY APPRAISAL DISTRICT

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HARRIS COUNTY APPRAISAL DISTRICT

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INTRODUCTORY SECTION

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Harris County Appraisal District

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Houston TX 77040
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P.O. Box 920975
Houston TX 77292-0975
Information Center: (713) 957-7800

Office of Chief Appraiser

May 16, 2011

Presiding Officers of Harris County Taxing Units
Members of the Board of Directors,
Harris County Appraisal District
Citizens of Harris County

Section 6.063, Texas Tax Code, requires an audit of the financial affairs of an appraisal district by an independent certified public accountant. This report is published to fulfill that requirement for the fiscal year ended December 31, 2010.

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that it has established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

Belt Harris Pechacek, L.L.L.P., Certified Public Accountants, have issued an unqualified (“clean”) opinion on the Harris County Appraisal District’s (the “district”) financial statements for the year ended December 31, 2010. The independent auditor’s report is located at the front of the financial section of this report.

Management’s discussion and analysis (MD&A) immediately follows the independent auditor’s report and provides a narrative introduction, overview, and analysis of the basic financial statements. MD&A complements this letter of transmittal and should be read in conjunction with it.

Profile of the District

The Harris County Appraisal District is a political subdivision of the State of Texas established in 1980, following the codification of property tax laws by the 66th Texas Legislature in 1979. The 1979 codification established one appraisal district in each of the state’s 254 counties for the purpose of discovering and appraising property for *ad valorem* tax purposes for each taxing unit within the boundaries of that appraisal district. The district, the largest in the state, serves 485 taxing units.

Board of Directors

Glenn E. Peters, *Chair*
Lawrence Marshall, *Secretary*
Ed Heathcott
Gary W. Stein
Toni Trumbull
Don Summers

Chief Appraiser

Jim Robinson
Chief Deputy & Chief Legal Officer
Sands L. Stiefer
Assistant Chief Appraisers
Guy Griscom
Teresa S. Terry
Glenn Traylor
Director of Information & Assistance
Roland Altinger

Texas appraisal districts are permitted to contract with their taxing units to perform tax collection functions. The Harris County Appraisal District has not contracted with any of its taxing units to provide these services through 2010 and does not anticipate any collection contracts in the foreseeable future.

A six-member board of directors, appointed by the taxing units within the boundaries of the district, constitutes the governing body. The board members are appointed as follows: Harris County Commissioners' Court appoints one member; the City of Houston City Council appoints one member; the other 33 cities appoint one member; the Houston Independent School District Board of Trustees appoints one member; the other 25 school districts appoint one member; and, all conservation and reclamation districts appoint one member.

The board of directors has general policy-making authority. It appoints the chief appraiser, who is chief administrator of the district. The board appoints the taxpayer liaison officer. Beginning in 2010, the administrative judge of the Harris County Civil District Courts appoints members of the appraisal review board. The board of directors appoints the chairman and secretary of the appraisal review board from among the serving members. The board of directors has primary responsibility for fiscal matters, including approval of major contracts and adoption of the annual budget.

The primary purpose and responsibility of the district is to provide to the taxing units and property owners within its boundaries fair and equitable appraisals of property subject to *ad valorem* taxation.

In Texas, the property tax is the primary source of funding for local governmental units (school districts, cities, counties, junior college districts, and other special districts). Property taxes pay much of the cost of public schools, police and fire protection, courts, health services, streets, water and sewage, parks, and most other local government activities. The Harris County Appraisal District does not determine how much each of these local governments will spend to provide services, nor does it set their tax rates. Each local government adopts its own budget, then sets a tax rate that will generate the amount of money required to pay for its services. The district provides each local government with a list of its taxable property, together with the January 1st value of each property and appropriate exemptions. The appraisals serve to allocate the tax burden among all property owners on an equitable basis, based upon market value.

The Office of the Chief Appraiser is primarily responsible for the overall planning, organizing, staffing, and controlling district operations as required by the Texas Property Tax Code. The Support Services Department coordinates support functions, including records maintenance, exemptions, customer service to property owners, support for the Appraisal Review Board, and records management. The Appraisal Department is responsible for the valuation of all real and personal property accounts. The appraisal divisions include commercial, residential, business and industrial property, appeals and corrections, and agricultural valuation. The Appraisal Department support functions include review appraisal, and appraisal operations. The Information Systems Department maintains the district's main computer system, local area networks, software applications, and imaging. The Administration Department is responsible for the business support functions relating to human resources, budget, finance, employee benefits, purchasing, fixed assets, facilities, security, and postal services.

Local Economy

The district's activities for the previous twelve months led up to the major event of certification of the appraisal roll. The appraisal roll was certified on August 20, 2010 with less than 5.10 percent of the total value in the district remaining under protest. State law requires that not more than 10 percent of the total value remain in unresolved property owner protests at the time the records are approved and certified as the appraisal roll. The sum of the 485 taxing unit appraisal rolls was

\$2,363,583,012,088, resulting in a 2010 *ad valorem* tax levy of \$7,590,883,983, an increase of 1.89 percent over 2009.

The Houston housing market ended 2010 with signs of improvement despite six consecutive months of declining sales. Year-end sales totaled 60,871 properties with dollar volume totaling close to \$12.3 billion, compared to 63,667 properties worth \$12.5 billion for all of 2009. The median home price for a single-family home was \$153,990, or an increase of 0.7 percent compared to 2009. However, 2010 concluded with strengthened pricing compared to 2009 and declines of 5.7 percent in the number of single-family home sales and 4.6 percent in the number of total property sales. The average single-family sales price for all of 2010 increased by 4.0 percent. Harris County had over 47,000 foreclosure filings in 2010, a 16 percent increase over 2009. The majority of residential appraisals were unchanged for 2010.

Positive trends in the office building market, such as, an increase in sales dollar volume and leasing activity, decreased vacancies, and flattening of rental rates, contributed to a general stabilization in property values. Overall, office vacancies decreased to 13.5 percent, with the greatest decrease occurring in the Class “A” submarket. Year-end 2010 average capitalization rate for office buildings was 7.5 percent, a decrease from an average of 9.8 percent at year-end 2009.

The Houston apartment market began to rebound after experiencing one of its weakest years in recent history. Rental rates increased 1.9 percent at year-end 2010 and occupancy rates and absorption also increased, resulting in a decrease in concession offerings. The average capitalization rate consistently decreased every quarter, with an ending twelve-month rolling capitalization rate of 6.71 percent. There was a continued decrease in new construction due to the oversupply of units. Of the seven complexes that came online for 2010, four were senior housing.

Comparison of Appraised Values to Previous Year

The change in appraised value of taxable property between years 2010 and 2009 is reflected in the following table.

HARRIS COUNTY APPRAISAL DISTRICT APPRAISED VALUES			
2010		2009	
Number of Accounts	Appraisal Value (in thousands)	Number of Accounts	Appraisal Value (in thousands)
1,542,759	\$359,326,951	1,541,287	\$372,664,071

Note: Land that is valued using productivity valuation methodology, such as agricultural and timber use, is not included in the total appraised values. All other land is included. Since more than one property parcel is included on some accounts, the actual number of parcels appraised by the district is more than the number of accounts listed above.

Taxable Values

The following table compares the taxable values (appraised values less exemptions and special valuations) for the government of Harris County. The information presented here has been updated through February 25, 2010. The change in the appraised and taxable values from 2009 to 2010 varied among taxing units, reflecting the mix of property types, exemptions, and market conditions within each unit.

HARRIS COUNTY TAXABLE VALUES (in thousands \$)				
	<u>2010</u>	<u>2009</u>	<u>Change</u>	<u>Percentage Change</u>
Appraised Value	\$359,326,951	\$372,664,071	-\$13,337,120	-3.58%
Taxable Value	\$273,325,352	\$287,166,061	-\$13,840,709	-4.82%

Texas Comptroller of Public Accounts Ratio Study and Governance Review

Prior to 2010, the Texas Comptroller of Public Accounts was required by statute to study appraisal districts in Texas each year to determine the degree of uniformity of property tax appraisals to market value (Property Value Study or PVS). Study results are used by the State of Texas in a complex formula for allocating state funds for education. For 2010, legislation was enacted requiring the annual study to be conducted every two years and established the requirement for a review of appraisal districts.

The Comptroller is required to review the governance of each appraisal district, taxpayer assistance provided, and the operating and appraisal standards, procedures, and methodology used by each appraisal district, to determine compliance with generally accepted standards, procedures, and methodology (Methods and Assistance Program or MAP). The district's first review was conducted in 2010. The MAP review is designed to determine whether appraisal districts are meeting minimum requirements for performing statutory and appraisal duties, and help appraisal districts come into compliance with existing laws, rules, and regulations.

The Comptroller released the results of the district's 2010 MAP review and it is summarized below:

Mandatory Requirements	PASS/FAIL
1. Does the appraisal district have up-to-date appraisal maps from which property may be located pursuant to Comptroller rule 9.3002?	PASS
2. Do property inspections match appraisal district records?	PASS
3. Does the appraisal district have written procedures for appraisal?	PASS
4. Are values reproducible using the written procedures and appraisal records?	PASS
5. Were all appraisal districts documents requested by PTAD made available to the reviewer by the required date?	PASS

Appraisal District Activities	RATING
Governance	EXCEEDS
Taxpayer Assistance	EXCEEDS
Operating Procedures	EXCEEDS
Appraisal Standards, Procedures and Methodology	EXCEEDS

The comprehensive review includes documentation and analysis of the district's compliance with state law. It also includes a detailed review of the district's performance in four critical areas: governance, taxpayer assistance, operating procedures, and appraisal standards, procedures, and methodology.

The Texas Comptroller determined that the district had exceeded standards in the four major categories cited above, earning its highest score in the category of taxpayer assistance.

Property Owner Protests

During 2010 property owners and professional tax consultants filed 321,685 protests, resulting in a decrease of 17.89 percent from the 2009 protest volume of 391,774. Generally, property owners may protest appraised values placed on their property before the time the appraisal rolls are approved and certified. The protest period is conducted from May to August each year. Property owners usually resolve disagreements about their appraised value, exemptions, or other issues in an informal meeting with a district appraiser. If no agreement is reached informally, the property owner is heard before a 3-member panel of the appraisal review board. The panel makes the final determination. The 2010 protest activity data has been updated through March 9, 2011. The table below shows the protest activity for the last 10 years.

PROTEST ACTIVITY (dollars in millions)				
<u>Year</u>	<u>Reappraisal Year</u>	<u>Accounts Protested</u>	<u>Value of Accounts</u>	<u>Avg Percent Reduction</u>
2001	Yes	165,638	\$70,633	11.4%
2002	No	146,924	\$74,061	9.0%
2003	Yes	180,757	\$77,496	9.5%
2004	No	181,662	\$90,091	9.1%
2005	Yes	202,860	\$102,692	8.0%
2006	No	271,226	\$155,457	13.7%
2007	Yes	367,954	\$193,260	12.3%
2008	Yes	397,400	\$221,860	11.4%
2009	No	391,774	\$217,732	9.1%
2010	Yes	321,685	\$186,432	8.3%

Property owners who are dissatisfied with their protest hearing result may appeal the appraisal review board decision by filing suit in state district court. Rather than filing suit, owners of residence homesteads or of real or personal property valued at \$1 million or less may file an application with the chief appraiser for a determination of the appraisal review board decision by binding arbitration. Under a three year pilot program that began in 2010, owners of property valued at more than \$1 million may have an appraisal review board decision reviewed by the State Office of Administrative Hearings.

The volume of litigation for the last 10 years is summarized in the table below:

LITIGATION VOLUME					
<u>Year</u>	<u>Total Lawsuits</u>	<u>Number of Accounts</u>	<u>Value of Accounts</u>	<u>Number Resolved</u>	<u>Value Loss %</u>
2001	587	1,490	\$4,024,007,150	1,490	10.60%
2002	656	2,631	\$4,447,946,506	2,631	9.48%
2003	821	3,901	\$5,873,710,311	3,901	11.75%
2004	1,112	2,538	\$5,582,057,311	2,527	9.59%
2005	1,233	2,454	\$6,507,678,235	2,446	10.49%
2006	2,172	3,924	\$17,549,492,552	3,839	11.98%
2007	3,530	6,094	\$21,442,897,224	5,994	12.12%
2008	2,727	6,214	\$28,915,014,863	5,244	13.75%
2009	2,705	8,143	\$31,081,210,855	4,623	11.94%
2010	2,186	4,817	\$15,840,159,430	388	10.90%

Binding arbitration is available for properties valued at \$1,000,000 or less. Arbitration volume for the last 6 years (first available in 2005) is summarized in the table below:

ARBITRATION VOLUME				
<u>Year</u>	<u>Number of Accounts</u>	<u>Determined</u>	<u>Dismissed/Withdrawn</u>	<u>Pending</u>
2005	30	22	8	0
2006	100	73	27	0
2007	264	205	58	1
2008	348	272	75	1
2009	360	304	50	6
2010	380	125	15	240

The final avenue to appeal the appraisal review board decision is through a determination with the State Office of Administrative Hearings (SOAH). In 2009, the legislature added this provision beginning with the 2010 tax year.

SOAH VOLUME								
<u>Year</u>	<u>Total Accounts</u>	<u>Tried</u>	<u>Dismissed/Withdrawn</u>	<u>Pending</u>	<u>Settled</u>	<u>Wins</u>	<u>Losses</u>	<u>Costs</u>
2010	44	18	8	3	15	13	5	\$7,482.65

Unlike binding arbitration where costs are limited to not more than \$500, costs for this method of appeal is for the time spent by the SOAH judge on the case. Presently, a bill pending before the Texas Legislature (82nd Regular Session) would allow property owners to recover attorney fees in SOAH appeals. Therefore, the number of appeals for 2012, the last year of the 3-year pilot project, is expected to rise dramatically. It is estimated that the number of SOAH appeals will quadruple and the costs may exceed \$250,000.

Financial Information

The general fund's total fund balance was \$15,975,297 with an unreserved and undesignated balance of \$9,576,127 at year-end, which is below the district's financial policy for budgetary and planning purposes. Following the lease-purchase of the district's new building, \$2,923,838 was restricted for building improvements. Other restrictions include \$2,231,867 for encumbrances, \$224,819 for prepaid items, and \$1,018,646 for future litigation. The district maintains a limited risk management program for health benefits through a separate fund to account for the district's self-insurance activities and the accumulation of resources to satisfy potential claims of subsequent periods.

The district uses a detailed line item budget developed in a modified zero-based budgeting system. The emphasis of the budget process is to identify the activities requiring resources and to rank those administratively according to the needs of the particular department. Department directors submit their budget recommendations to the chief appraiser in early April during internal workshops. Section 6.06 of the Texas Property Tax Code requires the chief appraiser to formulate his proposed budget and submit it to the board of directors and presiding officers of the taxing units before June 15th. The statute also provides that the board of directors must conduct a public hearing after giving notice in a ¼ page advertisement, and finally adopt a budget before September 15. Texas law also provides that each of the 485 taxing units entitled to vote on the appointment of board members is required to maintain a copy of the proposed budget for public inspection at its principal administrative office.

The taxing units participating in the appraisal district fund the district. The annual allocation to the taxing units is based upon the proportion that each taxing unit's property tax levy bears to the sum of the tax levies of all participating taxing units. Taxing units pay their share quarterly with the first quarter due on December 31st of the year before the budget takes effect. The taxing units pay approximately 0.80 percent of their property tax levy for appraisal district services.

The appropriated budget is prepared by fund and by divisions (unit of a department). An annual budget is legally adopted for the General Fund only. The chief appraiser may transfer budgeted amounts among divisions or line items; however, transfers which increase or decrease the district's totals for the object line items (legal level of budgetary control) by more than \$25,000 must be approved by the board of directors. In addition, supplemental appropriations require the approval of the board of directors.

The board of directors adopted a 2010 expenditure budget of \$63,871,141 on August 19, 2009. This amount represented an \$18,002 decrease from the 2009 budget. Taxing unit funding decreased from \$61,189,143 in 2009 to \$61,171,141 for 2010 a decrease of \$18,002. The district budgeted a decrease of \$2,000,000 in the overall fund balance for 2010.

Major Initiatives

The Harris County Appraisal District continues its online iFile program that allows property owners and agents to protest their noticed values through the district's website. During 2010, 230,529 property owners and agents participated in iFile.

The iSettle program was developed to provide a way for property owners to resolve protests on-line through the district's website rather than appear in person to meet with a district appraiser. Residential property owners not represented by agents, who participate in iFile may use iSettle. Participation requires the property owner to give an opinion of value and a reason for the change requested. A district appraiser reviews the information and decides whether to offer the property owner relief. Acceptance of the appraiser's offer binds the property owner for the tax year. If the

appraiser determines that an offer is not warranted, the protest is scheduled for an informal meeting with an appraiser. Rejection of the appraiser's offer or failure to respond, automatically schedules the property owner to appear for a formal hearing.

iFile and iSettle programs have reduced the number of property owners needing to appear in person at the district's office (12,000 in 2010). Also, much of the paper handling, data entry, scanning, and filing tasks were eliminated. In 2010, the district introduced the iReschedule program allowing property owners already scheduled for appraiser conferences or hearings to reschedule their appointments online.

As a result of legislation requiring re-inspection of each taxable property once every three years, the district initiated a pilot project in 2006 which involved combining high-resolution digital images from the front of a parcel with oblique images taken from all four sides by low-flying aircraft. The resulting photographic array permits detailed viewing of properties and accurate measurement of the improvements located on each parcel. The 2006 pilot project was successful and led to contracts to image the entire county in 2007. In addition to the street level imagery, in 2008 the district was flown following hurricane Ike and again in both 2009 and 2010 to provide updated oblique imagery. The resulting product has been used to assist in updating property characteristics, defining neighborhoods, and defend values in hearings.

In 2009 the district purchased ChangeFindr software and change detection service that identifies changes after comparing two sets of aerial photography. The service and software provided district appraisers another tool to identify new structures and determine how existing structures have changed between image captures. The second capture and software service occurred in late 2010 and will allow yearly comparisons of building outlines.

Street level, oblique, and aerial imaging have provided tools to 1) reduce field visits and allocate staff time resources more efficiently; 2) view properties restricted from view or when denied access to property; 3) capture previously undetected taxable property changes in a region; 4) increase accuracy by ensuring all changes are recorded; and 5) verify or correct existing information.

Awards and Acknowledgements

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Report to the Harris County Appraisal District for its comprehensive annual financial report (CAFR) for the fiscal year ended December 31, 2009. This was the twenty-third consecutive year that the district has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized CAFR that satisfied both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

The preparation of this report would not have been accomplished without the efficient and dedicated service of the entire staff of the finance and administration department. We wish to express our appreciation to all members of the department who assisted and contributed to the preparation of this report. Credit must also be given to the board of directors for their unfailing support for maintaining the highest standards of professionalism in the management of the district's finances.

Respectfully submitted,



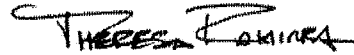
Jim Robinson
Chief Appraiser



Sands Stiefer
Chief Deputy & General Counsel



Billy R. Garton
Director of Administration



Theresa Ramirez
Assistant Director of Administration

HARRIS COUNTY APPRAISAL DISTRICT

APPRAISAL PROCESS

December 31, 2010

RECORDS MAINTENANCE

Maintain the accuracy of the appraisal records concerning: REAL PROPERTY: 1) Update ownership based on property transfers; 2) Update legal descriptions as a result of a replat or combinations of property; 3) Maintain proper taxing jurisdiction listed on each account. PERSONAL PROPERTY: 1) Update ownership records. 2) Add and delete accounts based on existence of business.

DATA COLLECTION

REAL PROPERTY: 1) Capture and list the construction of all new improvements built each year; 2) Periodically review and update existing property characteristics. PERSONAL PROPERTY: 1) Assign Standard Industrial Codes; 2) Properly classify all property characteristics such as quality and quantity of inventory.

DATA ENTRY

Enter all property characteristics to the appraisal database after data collection.

MARKET ANALYSIS

Collect and analyze market information such as 1) Sales of residential and commercial, property and vacant land; 2) Occupancy and rental rates associated with commercial properties; and 3) Current construction costs associated with residential and commercial properties. Update cost schedules and market and income models associated with the mass appraisal model of all property.

APPRAISE ALL REAL AND PERSONAL PROPERTY

Determine appraisals for all properties using schedules and models tailored to specific property in defined neighborhoods.

REVIEW AND MAKE A FINAL APPRAISAL

Review all computer-generated values using automated and manual techniques, and select the most appropriate value for each property.

REVIEW REQUESTS FOR SPECIAL VALUATION AND DETERMINE VALUES

PROCESS EXEMPTION APPLICATIONS AND APPLICATIONS FOR DEFERRAL AND TAX ABATEMENTS

NOTIFY PROPERTY OWNERS

Submit appraisal records to the Appraisal Review Board by May 15 or as soon thereafter as practical

PROCESS HEARINGS ASSOCIATED WITH PROPERTY OWNER PROTESTS - May - August

PRODUCE AND DELIVER CERTIFIED ROLLS TO TAXING UNITS

By July 20 or when 95 percent of the total appraisal roll value is ready to be certified

PROCESS CHANGES TO CERTIFIED ACCOUNTS AND ADDITION OF NEW ACCOUNTS

1) Failure of notice 2) Late protests 3) Correction motions 4) Litigation 5) Omitted property

PERIODICALLY PRODUCE CORRECTION AND SUPPLEMENT APPRAISAL ROLLS FOR EACH YEAR

HARRIS COUNTY APPRAISAL DISTRICT
*CERTIFICATE OF ACHIEVEMENT FOR
EXCELLENCE IN FINANCIAL REPORTING*
December 31, 2010

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to
Harris County
Appraisal District, Texas

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
December 31, 2009

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



A stylized handwritten signature in black ink.

President

A handwritten signature in black ink, appearing to read "Jeffrey R. Emer".

Executive Director

HARRIS COUNTY APPRAISAL DISTRICT

DISTRICT OFFICIALS

December 31, 2010

GLENN PETERS

Chairman

LAWRENCE MARSHALL

Secretary

ED HEATHCOTT

Member

GARY W. STEIN

Member

TONI TRUMBULL

Member

LEO VASQUEZ

Member

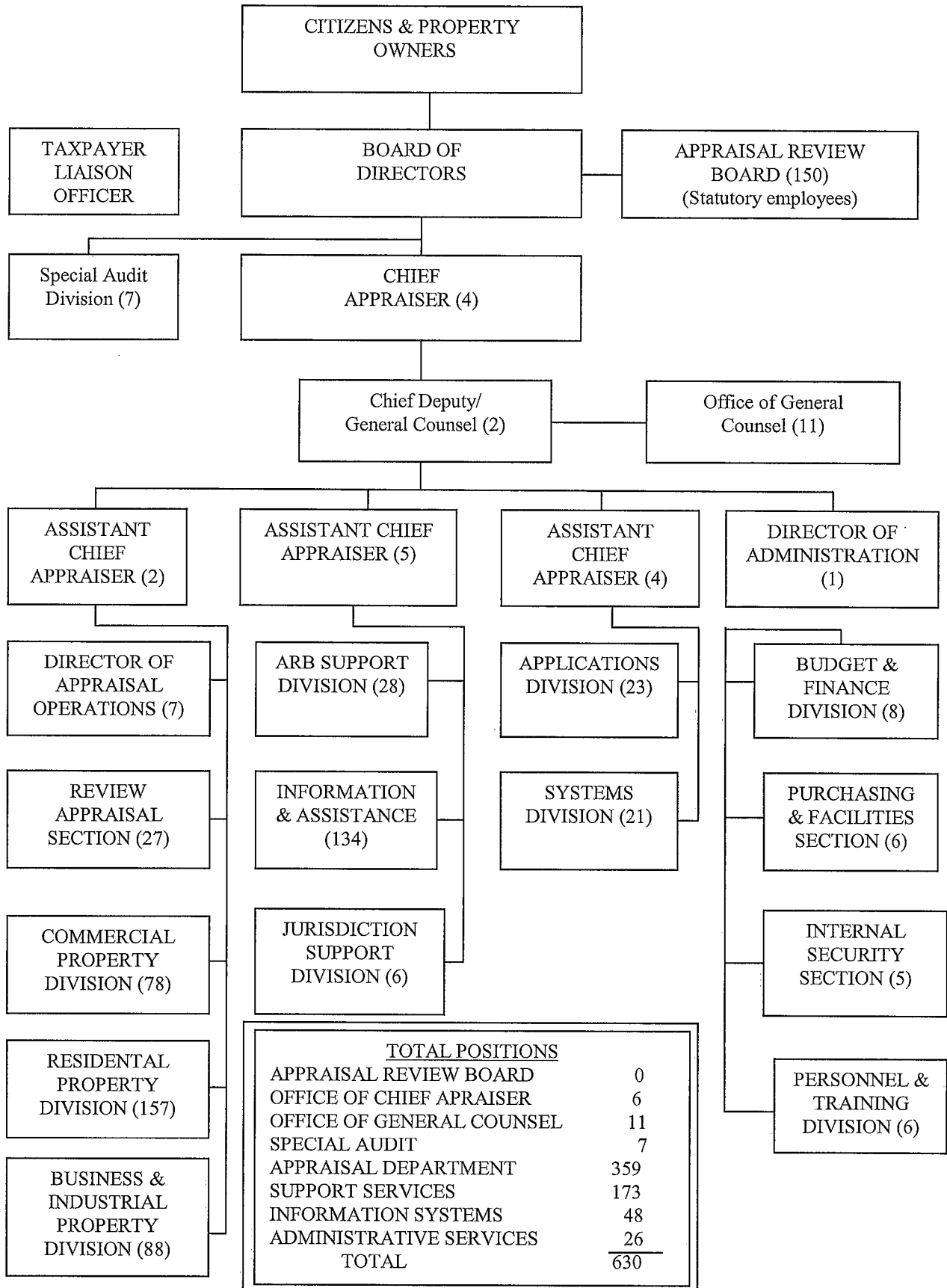
JIM ROBINSON

Chief Appraiser

HARRIS COUNTY APPRAISAL DISTRICT

PLAN OF ORGANIZATION

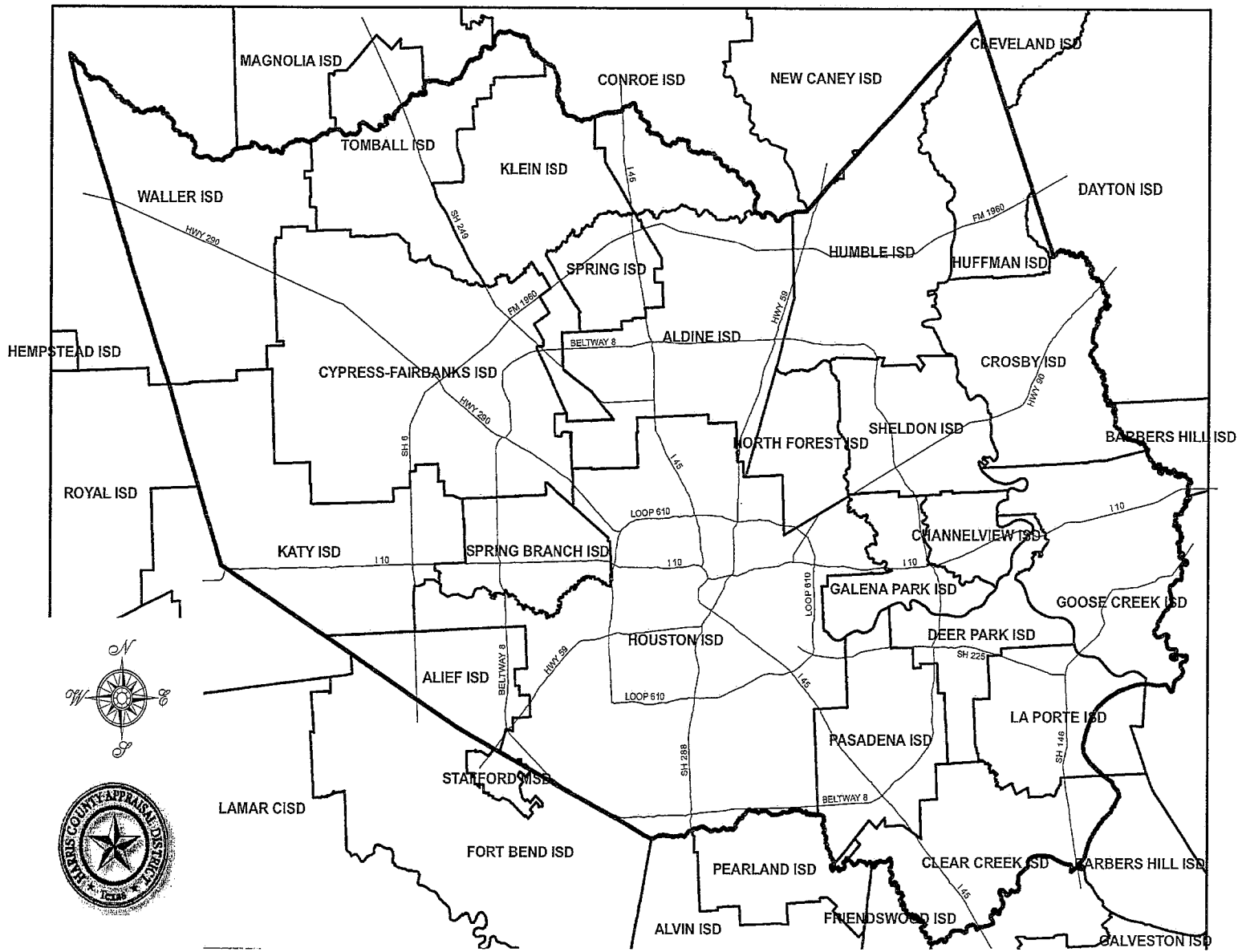
December 31, 2010



HARRIS COUNTY APPRAISAL DISTRICT

HARRIS COUNTY SCHOOL DISTRICTS

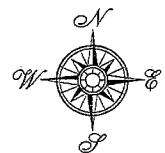
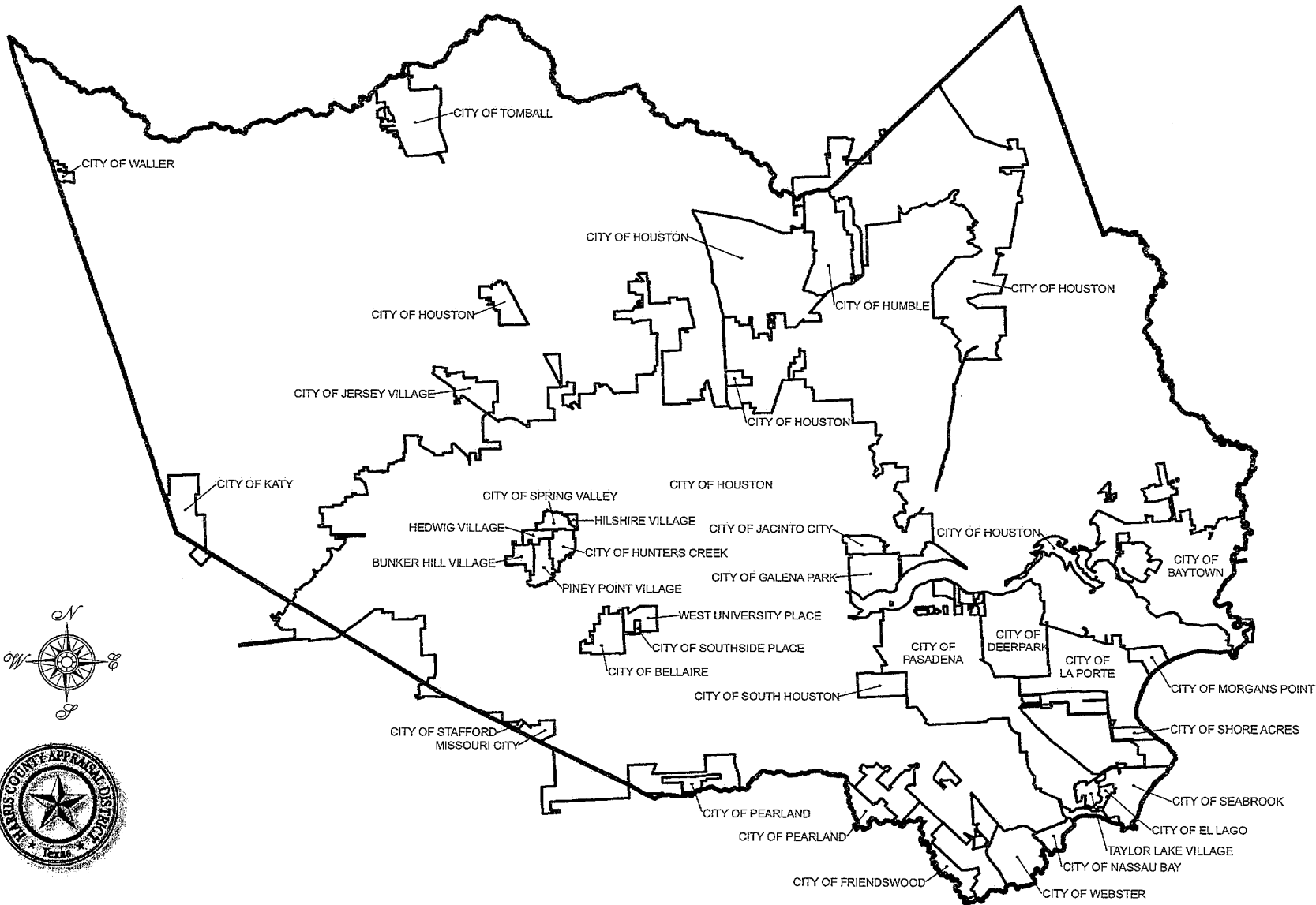
December 31, 2010



HARRIS COUNTY APPRAISAL DISTRICT

HARRIS COUNTY CITIES

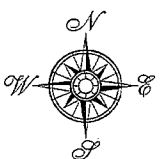
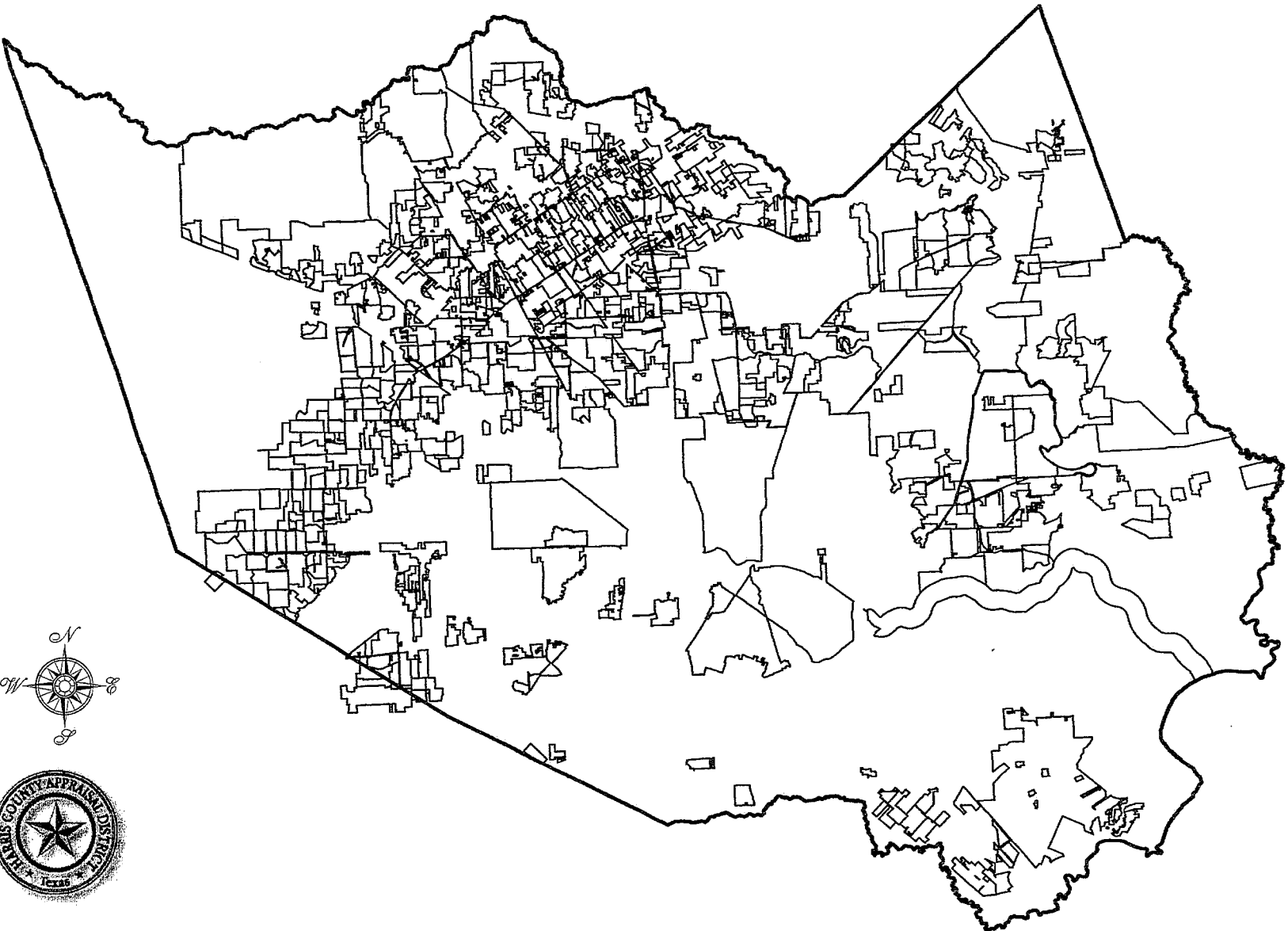
December 31, 2010



HARRIS COUNTY APPRAISAL DISTRICT

HARRIS COUNTY SPECIAL DISTRICTS

December 31, 2010



FINANCIAL SECTION

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INDEPENDENT AUDITORS' REPORT

To the Audit Committee and Board of Directors of the
Harris County Appraisal District:

We have audited the accompanying financial statements of the governmental activities, the major fund, and the remaining fund information of the Harris County Appraisal District (the "district") as of and for the year ended December 31, 2010, which collectively comprise the district's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the district's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the remaining fund information of the district as of December 31, 2010, and the respective changes in financial position and, where applicable, cash flows, thereof for the year then ended in conformity with generally accepted accounting principles in the United States of America.

The Management's Discussion and Analysis, budgetary comparison information, pension information, and post employment healthcare benefit information are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. 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.

Providing Governmental & Nonprofit Audits Sealed with Excellence

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the district's financial statements as a whole. The introductory and statistical sections are presented for purposes of additional analysis and are not a required part of the financial statements. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

BELT HARRIS PECHACEK, LLLP

Belt Harris Pechacek, LLLP
Certified Public Accountants
Houston, Texas
May 16, 2011

*MANAGEMENT'S DISCUSSION
AND ANALYSIS*

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HARRIS COUNTY APPRAISAL DISTRICT

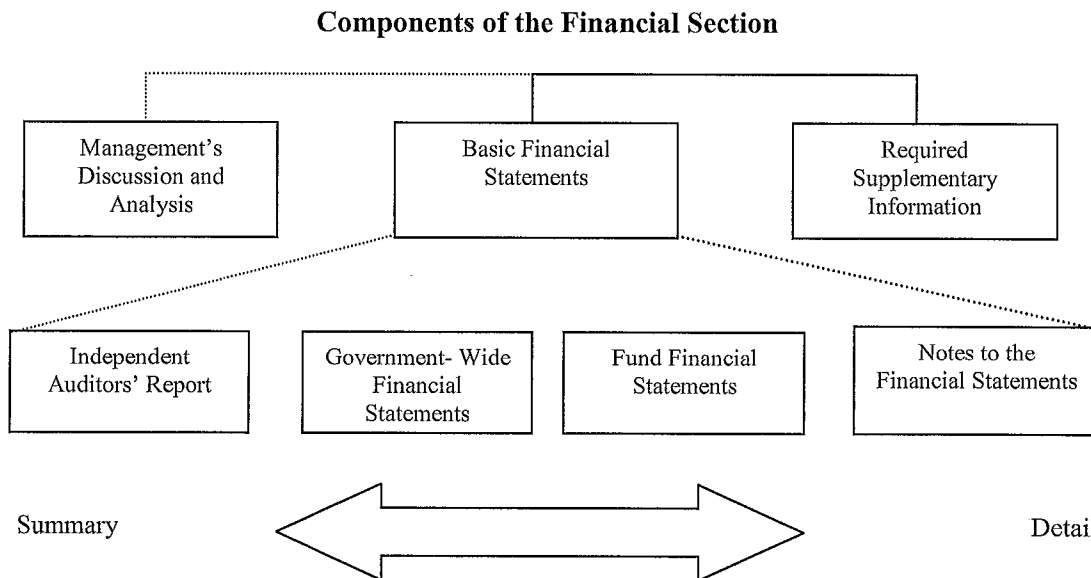
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

For the Year Ended December 31, 2010

The purpose of the Management's Discussion and Analysis (MD&A) is to give the readers an objective and easily readable analysis of the financial activities of the Harris County Appraisal District (the "district"), for the year ended December 31, 2010. The analysis is based on currently known facts, decisions, or economic conditions. It presents short and long-term analysis of the district's activities, compares current year results with those of the prior year, and discusses the positive and negative aspects of that comparison. Governmental Accounting Standards Board (GASB) Statement No. 34 establishes the content of the minimum requirements for MD&A. Please read the MD&A in conjunction with the transmittal letter at the front of this report and the district's financial statements, which follow this section.

THE STRUCTURE OF OUR ANNUAL REPORT

The table of contents presented at the beginning of this report provides an overview of the structure of the district's report, as well as the page numbers where the respective sections can be located within the report, as more fully described below.



The comprehensive annual financial report (CAFR) is presented as compliant with the financial reporting model in effect pursuant to GASB Statement No. 34. This financial reporting model requires governments to present certain basic financial statements as well as a Management's Discussion and Analysis (MD&A) and certain other Required Supplementary Information (RSI). The basic financial statements include (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements.

Government-Wide Statements

The government-wide statements report information for the district as a whole. These statements include transactions and balances relating to all assets, including capital assets. These statements are designed to provide information about cost of services, operating results and financial position of the district as an economic entity. The Statement of Net Assets and the Statement of Activities, which appear first in the district's financial statements, report information on the district's activities that enable the reader to understand the financial condition of the district. These statements are prepared using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken

HARRIS COUNTY APPRAISAL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A), Continued
For the Year Ended December 31, 2010

into account even if cash has not yet changed hands. The Statement of Net Assets presents information on all of the district's assets and liabilities. The difference between the two is reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the district is improving or deteriorating. Other non-financial factors, such as the district's assessment tax base and the condition of the district's capital assets, need to be considered in order to assess the overall health of the district.

The Statement of Activities presents information showing how the district's net assets changed during the most recent year. All changes in the net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows – the accrual method rather than modified accrual that is used in the fund level statements.

The Statement of Net Assets and the Statement of Activities distinguish functions of the district that are principally supported by the district's taxing units and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). All of the district's activities are governmental. The district is the *primary government* and has no component units.

The government-wide financial statements can be found after the Management's Discussion and Analysis in this report.

FUND FINANCIAL STATEMENTS

Funds may be considered as operating companies of the parent corporation which is the Harris County Appraisal District. They are usually segregated for specific activities or objectives. The district uses fund accounting to ensure and demonstrate compliance with finance-related legal reporting requirements. The two categories of district funds are governmental and proprietary. The district maintains an internal service fund, which is used for a governmental function and is included within governmental activities in the government-wide financial statements.

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 year. Such information may be useful in evaluating the district'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, readers may better understand the long-term impact of the district'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 one governmental fund, its general fund. This fund is presented in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances. The governmental fund financial statements can be found after the government-wide financial statements of this report.

The district adopts an annual appropriated budget for its general fund. A budgetary comparison schedule has been provided for the general fund to demonstrate compliance with this budget.

HARRIS COUNTY APPRAISAL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A), Continued
For the Year Ended December 31, 2010

Proprietary Funds

The district maintains one of the two types of proprietary funds. Enterprise funds are used to report business-type activities. The district does not maintain an enterprise fund. An internal service fund is an accounting device used to accumulate revenue and allocate costs. The district's internal service fund is used in the administration of the district's employee benefits self-insurance program. Since this fund benefits governmental activities rather than a business-type function, it has been included with governmental activities in the government-wide financial statements. The proprietary fund financial statements can be found after the governmental fund financial statements of this report.

Notes to 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 can be found after the proprietary fund financial statements.

Other Information

In addition to basic financial statements and accompanying notes, this report also presents certain other RSI. The RSI that GASB Statement No. 34 requires includes budgetary comparison schedules for the general fund and schedules of funding progress for the Texas County and District Retirement System as well as the district's post-employment healthcare benefits. RSI can be found after the notes to the financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of the district's financial position. For the district, assets exceed liabilities by \$15,473,045 as of year end.

A portion of the district's net assets, 60 percent, reflects its investments in capital assets (e.g., the geographical information system, land, building, furniture, equipment, vehicles, and computers and peripherals), less any debt used to acquire those assets that is still outstanding. The district uses these capital assets to provide services to the taxing units and the citizens and property owners of Harris County; consequently, these assets are not available for future spending. Although the district's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the assets themselves cannot be used to liquidate these liabilities. The unrestricted portion of the district's net assets, 40 percent, are assets that may be used to meet the district's ongoing obligation to taxing units and creditors.

HARRIS COUNTY APPRAISAL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A), Continued
For the Year Ended December 31, 2010

CONDENSED STATEMENT OF NET ASSETS
December 31, 2010 and 2009

	<u>Governmental Activities</u>		<u>Percent Change</u>
	<u>2010</u>	<u>2009</u>	
Current and other assets	\$ 37,925,192	\$ 36,337,919	4%
Capital assets, net	23,317,765	23,394,163	0%
Total Assets	<u>61,242,957</u>	<u>59,732,082</u>	<u>3%</u>
Long-term liabilities	27,617,042	28,215,593	-2%
Other liabilities	18,152,870	17,639,019	3%
Total Liabilities	<u>45,769,912</u>	<u>45,854,612</u>	<u>0%</u>
Net Assets:			
Invested in capital assets, net of related debt	9,219,871	8,229,698	12%
Unrestricted	6,253,174	5,647,772	11%
Total Net Assets	<u>\$ 15,473,045</u>	<u>\$ 13,877,470</u>	<u>11%</u>

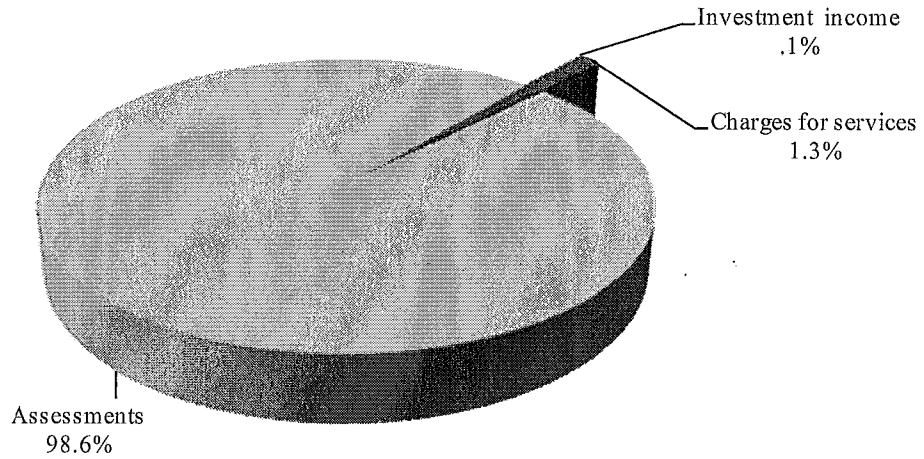
HARRIS COUNTY APPRAISAL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A), Continued
For the Year Ended December 31, 2010

CONDENSED CHANGES IN NET ASSETS
For the Years Ended December 31, 2010 and 2009

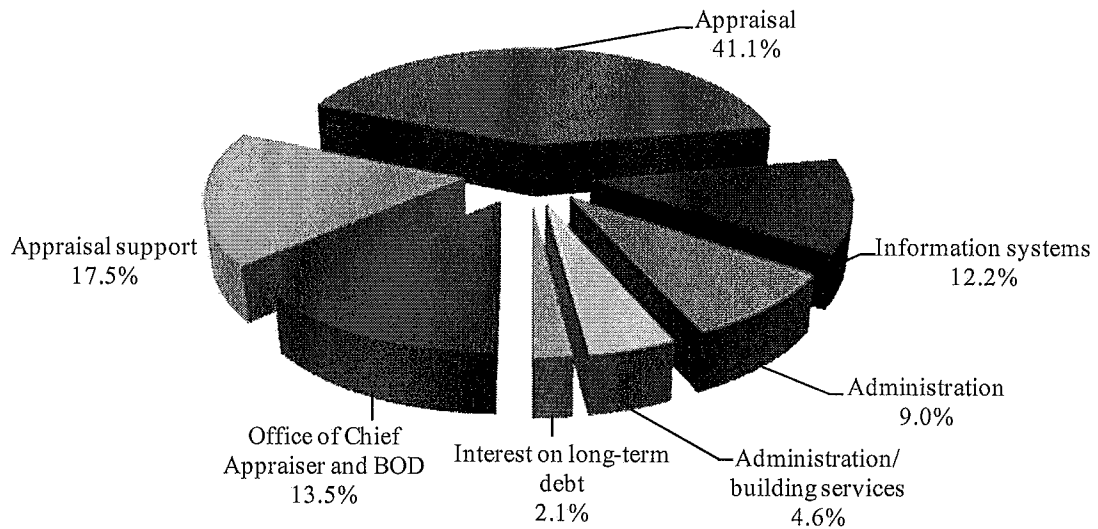
	Governmental Activities	
	2010	2009
Revenues		
Program revenues:		
Charges for services	\$ 743,712	\$ 789,310
General revenues:		
Assessments	61,171,142	61,190,821
Investment income	40,711	59,306
Total Revenues	61,955,565	62,039,437
Expenses		
Office of Chief Appraiser and Board of Directors	8,179,031	9,256,665
Appraisal support	10,566,860	10,311,720
Appraisal	24,831,948	24,157,193
Information systems	7,343,823	6,663,816
Administration	5,437,350	5,670,303
Administration/building services	2,745,811	3,442,034
Interest on long-term debt	1,255,167	1,425,811
Total Expenses	60,359,990	60,927,542
Change in Net Assets	1,595,575	1,111,895
Beginning Net Assets	13,877,470	12,765,575
Ending Net Assets	\$ 15,473,045	\$ 13,877,470

HARRIS COUNTY APPRAISAL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A), Continued
For the Year Ended December 31, 2010

Governmental Activities - Revenues



Governmental Activities - Expenses



HARRIS COUNTY APPRAISAL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A), *Continued*
For the Year Ended December 31, 2010

Governmental Activities

In comparison to the prior year, revenues decreased by 0.14 percent or \$83,872. Investment income experienced the greatest percentage decrease of all revenues, 31.4 percent, as a result of economic conditions.

Total expenses for the district were down in comparison to 2009 by \$567,552 or 0.9 percent.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

As noted earlier, fund accounting is used to demonstrate and ensure compliance with finance-related legal requirements.

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

The general fund is the district's primary operating fund. At the end of the year, unreserved undesignated fund balance of the general fund was \$9,576,127 while total fund balance was \$15,975,297. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 16 percent of total general fund expenditures, while total fund balance represents 26 percent of that same amount.

There was an increase in fund balance for the general fund of \$382,426 as a result of additional other revenue and rendition penalty fees received.

Proprietary Funds – The district's internal service fund is used in the administration of the district's employee benefits self-insurance program. This fund is presented as a governmental activity rather than a business-type function. The net assets increased by \$581,548 primarily as a result of claim refunds and other revenues.

GENERAL FUND BUDGETARY HIGHLIGHTS

Actual general fund revenues were over final budgeted revenues by \$89,660 during the year. This net increase is largely the result of higher amounts collected for rendition penalty fee and other revenues than projected. General fund expenditures were also less than the final budget by \$1,148,029 as a result of the districts effort to keep expenditures at or below budget.

Significant variances between the original budget and final budget occurred for personnel expenditures in the administrative services division. The increase of \$750,000 was to fund the additional \$1 million contribution made to the Texas County and District Retirement System (TCDRS).

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets – At the end of the year, the district's governmental activities funds had invested \$23,317,765 (net of accumulated depreciation) in a variety of capital assets. During the year, the district added to existing investments in computers and peripherals and vehicles.

Additional information on the district's capital assets can be found in the notes to the financial statements.

HARRIS COUNTY APPRAISAL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A), Continued
For the Year Ended December 31, 2010

Long-Term Debt – At the end of the current year, the district had total long-term debt of \$24,017,619, in addition to accrued compensated absences of \$2,471,408 and a net other post-employment benefit (OPEB) obligation of \$1,128,015.

More detailed information about the district's long-term debt can be found in the notes to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The district's Board of Directors approved a \$63.7 million budget for the 2011 fiscal year. There was no increase over the 2010 fiscal year.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the district's finances. Questions concerning this report or requests for additional financial information should be directed to Billy R. Garton, Director of Administration, Harris County Appraisal District, 13013 Northwest Freeway, Houston, Texas, 77040-6305. For information about services, property values, the appraisal process, exemptions, and other appraisal information, visit the district's website at <http://www.hcad.org>.

BASIC FINANCIAL STATEMENTS

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HARRIS COUNTY APPRAISAL DISTRICT

STATEMENT OF NET ASSETS

December 31, 2010

	<u>Primary Government Governmental Activities</u>
<u>Assets</u>	
Cash and cash equivalents	\$ 31,297,877
Receivables, net	3,478,658
Prepaid items	224,819
Cash with fiscal agent - restricted	2,923,838
	<u>37,925,192</u>
Capital assets - non-depreciable	8,365,075
Capital assets - depreciable, net of accumulated depreciation	14,952,690
	<u>23,317,765</u>
Total Assets	<u>61,242,957</u>
<u>Liabilities</u>	
Accounts payable and accrued liabilities	2,887,589
Unearned revenue	15,265,281
	<u>18,152,870</u>
Noncurrent liabilities:	
Due within one year	1,977,126
Due in more than one year	25,639,916
	<u>27,617,042</u>
Total Liabilities	<u>45,769,912</u>
<u>Net Assets</u>	
Invested in capital assets, net of related debt	9,219,871
Unrestricted	6,253,174
Total Net Assets	<u>\$ 15,473,045</u>

See Notes to Financial Statements.

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HARRIS COUNTY APPRAISAL DISTRICT

STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2010

Functions/Programs	Expenses	Program Revenues Charges for Services	Net (Expense) Revenue and Change in Net Assets Primary Government Governmental Activities
Primary Government			
Governmental Activities			
Office of Chief Appraiser and Board of Directors	\$ 8,179,031	\$ -	\$ (8,179,031)
Appraisal support	10,566,860	-	(10,566,860)
Appraisal	24,831,948	743,712	(24,088,236)
Information systems	7,343,823	-	(7,343,823)
Administration	5,437,350	-	(5,437,350)
Administration/building services	2,745,811	-	(2,745,811)
Interest on long-term debt	1,255,167	-	(1,255,167)
Total Governmental Activities	\$ 60,359,990	\$ 743,712	(59,616,278)
Total Primary Government	\$ 60,359,990	\$ 743,712	(59,616,278)
		General Revenues:	
		Assessments	61,171,142
		Investment income	40,711
		Total General Revenues	61,211,853
		Change in Net Assets	1,595,575
		Beginning Net Assets	13,877,470
		Ending Net Assets	\$ 15,473,045

See Notes to Financial Statements.

HARRIS COUNTY APPRAISAL DISTRICT

BALANCE SHEET GOVERNMENTAL FUND

December 31, 2010

	<u>General</u>
<u>Assets</u>	
Cash and cash equivalents	\$ 27,667,200
Receivables, net	3,478,658
Prepaid items	224,819
Cash with fiscal agent - restricted	2,923,838
Total Assets	\$ 34,294,515
<u>Liabilities</u>	
Accounts payable and accrued liabilities	\$ 2,508,146
Deferred revenue	15,811,072
Total Liabilities	18,319,218
<u>Fund Balance</u>	
Reserved for:	
Building maintenance and repair	2,923,838
Encumbrances	2,231,867
Prepaid items	224,819
Unreserved and designated for future litigation	1,018,646
Unreserved and undesignated	9,576,127
Total Fund Balance	15,975,297
 Adjustments for the Statement of Net Assets:	
Other assets are not available to pay for current period expenditures and, therefore, are deferred in the fund:	
Rendition penalty receivable, net	545,791
 Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental fund:	
Capital assets - non-depreciable	8,365,075
Capital assets - depreciable, net of accumulated depreciation	14,952,690
 Internal service funds are used by management to charge the costs of certain activities such as insurance, therefore, the assets and liabilities of the internal service fund are included in governmental activities in the Statement of Net Assets.	
	3,251,234
 Some liabilities are not reported as liabilities in the governmental funds:	
Non-current liabilities due within one year	(1,977,126)
Non-current liabilities due in more than one year	(25,639,916)
Net Assets of Governmental Activities	\$ 15,473,045

See Notes to Financial Statements.

HARRIS COUNTY APPRAISAL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUND
For the Year Ended December 31, 2010

<u>Revenues</u>	<u>General</u>
Assessments	\$ 61,171,142
Investment income	39,065
Other revenue	354,446
Rendition penalty fee	396,148
Total Revenues	<u>61,960,801</u>
<u>Expenditures</u>	
Current:	
Office of Chief Appraiser and Board of Directors	8,099,641
Appraisal support	10,463,681
Appraisal	24,703,329
Information systems	7,114,740
Administration	5,302,049
Administration/building services	3,277,849
Capital outlay	179,018
Debt service:	
Principal	1,066,572
Interest and fiscal charges	1,371,496
Total Expenditures	<u>61,578,375</u>
Net Change in Fund Balance	<u>382,426</u>
Beginning Fund Balance	15,592,871
Ending Fund Balance	<u><u>\$ 15,975,297</u></u>

See Notes to Financial Statements.

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HARRIS COUNTY APPRAISAL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2010

Amounts reported for governmental activities in the Statement of Activities are different because:

Net changes in fund balance - governmental fund	\$	382,426
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:		
Capital outlay		179,018
Depreciation expense		(432,833)
Net effect of capital asset retirements		177,417
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds:		
Change in rendition penalty receivable		(6,882)
The net revenue of certain activities of internal service funds is reported with governmental activities		
		581,548
The issuance of long-term debt (e.g., leases, note payables) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when they are first issued, whereas these amounts are deferred and amortized in the Statement of Activities:		
Principal paid		1,066,572
Change in accrued compensated absences		(93,130)
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental fund:		
Change in accrued interest		116,329
Change in net OPEB obligation		(374,890)
Change in Net Assets of Governmental Activities	\$	<u>1,595,575</u>

See Notes to Financial Statements.

HARRIS COUNTY APPRAISAL DISTRICT

STATEMENT OF NET ASSETS

PROPRIETARY FUND

December 31, 2010

	<u>Governmental Activities</u>
	<u>Internal Service</u>
<u>Assets</u>	
Cash and cash equivalents	\$ 3,630,677
Total Assets	<u>3,630,677</u>
<u>Liabilities</u>	
Estimated claims payable	379,443
Total Liabilities	<u>379,443</u>
<u>Net Assets</u>	
Unrestricted	3,251,234
Total Net Assets	<u>\$ 3,251,234</u>

See Notes to Financial Statements.

HARRIS COUNTY APPRAISAL DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUND

For the Year Ended December 31, 2010

	Governmental Activities
	Internal Service
<u>Operating Revenues</u>	
Charges for services	\$ 4,396,257
Claim refunds and other	599,552
Total Operating Revenues	4,995,809
 <u>Operating Expenses</u>	
Insurance claims	3,115,287
Prescription claims	1,025,423
Dental claims	275,196
Total Operating Expenses	4,415,906
Operating Income	579,903
 <u>Nonoperating Revenues</u>	
Investment income	1,645
Total Nonoperating Revenues	1,645
Change in Net Assets	581,548
Beginning Net Assets	2,669,686
Ending Net Assets	\$ 3,251,234

See Notes to Financial Statements.

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HARRIS COUNTY APPRAISAL DISTRICT

STATEMENT OF CASH FLOWS

PROPRIETARY FUND

For the Year Ended December 31, 2010

	<u>Governmental Activities</u>
	<u>Internal Service</u>
<u>Cash Flows from Operating Activities</u>	
Proceeds for charges for services	\$ 4,995,809
Claims paid	(4,356,244)
Net Cash Provided by Operating Activities	<u>639,565</u>
<u>Cash Flows from Investing Activities</u>	
Interest on investments	1,645
Net Cash Provided by Investing Activities	<u>1,645</u>
Net Increase in Cash and Cash Equivalents	641,210
Beginning Cash and Cash Equivalents	<u>2,989,467</u>
Ending Cash and Cash Equivalents	<u><u>\$ 3,630,677</u></u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities	
Operating income	\$ 579,903
Adjustments to reconcile operating income to net cash provided by operating activities:	
Increase in estimated claims payable	59,662
Net Cash Provided by Operating Activities	<u><u>\$ 639,565</u></u>

See Notes to Financial Statements.

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HARRIS COUNTY APPRAISAL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2010

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. District Formation and Reporting Entity

The Harris County Appraisal District (“the district”) was created upon the enactment of the Texas Property Tax Code by the 66th Texas State Legislature in 1979. The district’s first year of full operations was 1984. The district was created to provide various taxing jurisdictions with appraisals of property subject to *ad valorem* taxation in Harris County, Texas. The district’s board of directors is appointed by the taxing jurisdictions within its boundaries.

As required by generally accepted accounting principles, these financial statements present the Harris County Appraisal District and do not include any component units (entities for which the district is considered to be financially accountable). Blended component units, although legally separate entities, are, in substance, part of a government’s operations and so data from these units would be combined with data of the government. Each discretely presented component unit, on the other hand, would be reported in a separate column in the combined financial statements to emphasize it is legally separate from the government.

The district did not have any entities which meet the component unit criteria. Therefore, the reporting entity is limited to those departments that comprise the district’s legally adopted jurisdiction.

B. Financial Statement Presentation

In June 1999, the Governmental Accounting Standards Board (GASB) issued Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*. This statement, known as the “reporting model” statement, affects the way the district prepares and presents financial information. State and local governments traditionally have used a financial reporting model substantially different from the one used to prepare private sector financial information.

GASB Statement No. 34 established standards for external financial reporting for all state and local governmental entities, which includes a Statement of Net Assets and a Statement of Activities. The statement was developed to make annual reports easier to understand and more useful to the people who use governmental financial information to make decisions.

Management’s Discussion and Analysis – GASB Statement 34 requires that financial statements be accompanied by a narrative introduction and analytical overview of the government’s financial activities in the form of the “Management’s Discussion and Analysis” (MD&A). This analysis is similar to the analysis that private sector companies provide in their annual reports.

Government-Wide Financial Statements – The reporting model includes financial statements prepared using full accrual accounting for all of the government’s activities. This approach includes not just current assets and liabilities, but also capital assets (such as buildings and infrastructure) and long-term liabilities. Accrual accounting reports all of the revenues and costs of providing services each year, not just those received or paid in the current period or soon thereafter, as is the case with the modified accrual basis of accounting.

Statement of Net Assets – The schedule of net assets is designed to display the financial position of the primary government (governmental and business-type activities) and its discretely presented component units. Governments report all capital assets, including infrastructure, in the government-wide Statement of Net Assets and report related depreciation expense, the cost of “using up” capital assets, in the Statement of Activities. The net assets of a government are divided into three categories: 1) invested in capital assets, net of related debt; 2) restricted; and 3) unrestricted.

HARRIS COUNTY APPRAISAL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS, *Continued*

December 31, 2010

Statement of Activities – The government-wide Statement of Activities reports expenses and revenues in a format that focuses on the cost of each of the government’s functions. The expense of individual function is compared to the revenues generated directly by the function (such as user charges or intergovernmental grants).

Budgetary comparison schedules – Demonstrating compliance with the adopted budget is an important component of a government’s accountability to the public. Many governments revise their original budgets throughout the year for a variety of reasons. Under the GASB 34 reporting model, governments will continue to provide budgetary comparison information in their annual reports. An important change, however, is a requirement to add the government’s original budget to the current comparison of the final budget and actual results.

C. Government-Wide and Fund Accounting

The basic financial statements include both government-wide (based on the district as a whole) and fund financial statements. While the previous reporting model emphasized fund types (the total of all funds of a particular type), the GASB 34 reporting model focuses on either the district as a whole or on major individual funds (within the fund financial statements). Both the government-wide and fund financial statements (within the basic financial statements) categorize primary activities as governmental. In the government-wide Statement of Net Assets, the governmental activity column is presented on a consolidated basis, and is reflected on a full accrual, economic resource basis, which incorporates long-term assets and receivables, as well as long-term debt and obligations. The district generally first uses restricted assets for expenses incurred for which both restricted and unrestricted assets are available. The district may defer the use of restricted assets based on a review of the specific transaction.

The government-wide Statement of Activities reflects both the gross and net cost per functional category, which are otherwise being supported by general government revenues. The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants, and contributions. The program revenues must be directly associated with the function or a business-type activity. The district does not allocate indirect expenses.

Governmental fund financial statements are presented on a current financial resource and modified accrual basis of accounting. This is the manner in which these funds are normally budgeted. Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statement’s governmental column, a reconciliation is presented which briefly explains the adjustments necessary to reconcile fund-based financial statements with the governmental column of the government-wide presentation.

The focus of the revised reporting model is on the district as a whole and the fund financial statements, including the major individual funds of the governmental category. Each presentation provides valuable information that can be analyzed and compared to enhance the usefulness of the information.

In the fund financial statements, the accounts of the district are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate.

HARRIS COUNTY APPRAISAL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS, *Continued*

December 31, 2010

Following is a description of the various funds:

Governmental Fund

Governmental funds are those funds through which most governmental functions are typically financed.

General Fund

The general fund is used to account for all financial transactions not properly includable in other funds. The principal source of revenues is assessments to taxing jurisdictions. Expenditures include related appraisal activities and support.

Proprietary Fund

Proprietary funds are used to account for activities that are similar to those often found in the private sector. The measurement focus is on determination of net income, financial position, and cash flows. Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues include charges for services and claims and refunds. Operating expenses include various insurance claims. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. All fund types follow GAAP prescribed by the Governmental Accounting Standards Board (GASB) and all Financial Accounting Standards Board's (FASB) standards issued prior to November 30, 1989.

The proprietary fund type used by the district includes the following:

Internal Service Fund

The internal service fund is used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the district on a cost-reimbursement basis. Goods and services provided by the district's internal service fund include employee health and dental benefits. The internal service fund is included in governmental activities for government-wide reporting purposes.

D. Basis of Accounting

The accounting and financial report treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

The district utilizes the modified accrual basis of accounting in the governmental fund types. Under the modified accrual basis of accounting, revenues are recognized in the accounting period when they are susceptible to accrual (i.e., when they are measurable and available). Measurable means the amount of transaction can be determined and available means collectible within the current period, or soon enough thereafter, to pay liabilities of the current period. For this purpose, the district considers revenues available if they are collected within 60 days of the end of the current period. Revenues susceptible to accrual include charges for services and interest on temporary investments.

Under modified accrual accounting, expenditures are recognized in the accounting period in which the liability is incurred, if measurable, except for interest on general long-term debt, which is recognized when due.

Deferred revenue is recorded when the potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when resources are received before earned. In subsequent periods, when both revenue criteria are met, or when the district

HARRIS COUNTY APPRAISAL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS, *Continued*

December 31, 2010

has earned the resources, the liability for deferred revenue is removed from the balance sheet and revenue is recognized.

The deferred revenue reported on the accrual basis of accounting on the government-wide Statement of Net Assets is different from the deferred revenue reported on the modified accrual basis of accounting on the governmental fund balance sheet due to the recognition of revenue related to rendition penalties receivable.

The accrual basis of accounting is used for the proprietary fund types. This basis of accounting recognizes revenues in the accounting period in which they are earned and become measurable, and expenses in the accounting period in which they are incurred and become measurable.

The Statements of Net Assets, Statements of Activities, and financial statements of proprietary fund types are presented on the accrual basis of accounting. Under this method of accounting, revenues are recognized in the accounting period in which they are earned and expenses in the accounting period in which they are incurred.

Generally, the effect of interfund activity has been eliminated from the government-wide financial statements.

E. Assets, Liabilities, and Net Assets or Equity

1. Deposits and Investments

For district investments, both the statutes of the State of Texas and policies mandated by the district's Board of Directors, where more restrictive, authorize the district to invest only in (1) certificates of deposit issued by federally insured banks or savings and loan associations in Harris County, Texas, (2) obligations of the United States or its agencies and instrumentalities, (3) repurchase agreements, and (4) TexPool, which is a public funds investment pool.

In accordance with GASB Statement No. 31, the district reports all investments at fair value, except for "money market investments" and "2a7-like pools." Money market investments, which are short-term highly liquid debt instruments that may include U.S. Treasury and agency obligations, are reported at amortized costs. Investment positions in external investment pools that are operated in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940, such as TexPool, are reported using the pools' share price.

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

2. Receivables and Payables

The district's primary revenue source is from assessments to taxing jurisdictions for services provided by the district. Assessments are imposed annually based on the amount approved by the Board of Directors in the annual budget. As required by law, the assessment is allocated in four equal payments due on the last day of each quarter, with the first quarterly payment due before January 1 of the year in which the budget takes effect. Such assessments become delinquent if unpaid on the due date. Assessments that are applicable to the district's subsequent fiscal year are recorded as deferred revenue.

HARRIS COUNTY APPRAISAL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS, *Continued*

December 31, 2010

3. *Inventories and Prepaid Items*

Supplies inventories are recognized as an expenditure as soon as the corresponding liability is incurred, i.e., the purchase method.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items, except for photo imaging which would result in inconsistencies in amounts reported. The district obtains photographic images county-wide using a combination of direct overhead aerials, oblique aerials (from an overhead angle), as well as street-level imagery. In certain instances, the district is licensed to use the images for a period greater than one year but the district does not recognize these licenses as a prepaid item to keep the recording of these expenditures consistent with other photographic services hired directly by the district.

4. *Restricted Assets*

Restricted cash represents unexpended debt proceeds held in escrow accounts at year end and is restricted to be used for the acquisition of goods and services per the contracts related to the borrowed funds.

5. *Capital Assets*

Capital assets, which include land, buildings and improvements, equipment, and vehicles, are reported in the governmental activities column in the government-wide financial statements. The district defines capital assets as assets with an initial, individual cost of more than \$10,000 (amount not rounded) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Property, plant, and equipment of the district are depreciated using the straight-line method over the following estimated useful years.

<u>Asset Description</u>	<u>Estimated Useful Life</u>
Computers and peripherals	5 years
Vehicles	5 years
Furniture and equipment	5 years
Buildings and improvements	5 to 50 years

6. *Compensated Absences*

All full-time employees are granted vacation and sick leave benefits in varying amounts. Exempt employees earn compensatory time for overtime worked. In the event of voluntary termination, an employee is entitled to receive accumulated vacation pay and 50 percent of compensatory benefits up to 80 hours in a lump sum cash payment. In the event of discharge, an employee receives no compensatory time payment. There is no liability for unpaid accumulated sick leave since these benefits are lost in the event of an employee's termination. All vested or accumulated vacation and compensatory time is accrued when incurred in the government-wide financial statements. Vested or accumulated compensatory time that is expected to be liquidated with expendable, available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it when it has matured. Amounts of vested or accumulated vacation leave that are not expected to be liquidated with expendable, available

HARRIS COUNTY APPRAISAL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS, *Continued*

December 31, 2010

financial resources are maintained separately and represent a reconciling item between the fund and government-wide presentations.

7. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities Statement of Net Assets. The long-term debt consists primarily of notes payable, capital leases, and accrued compensated absences. Long-term debt for governmental funds is not reported as a liability in the fund financial statements until due. The debt proceeds are reported as other financing sources and payment of principal and interest reported as expenditures. However, claims and judgments and compensated absences paid from governmental funds are reported as a liability in the fund financial statements only for the portion expected to be financed from expendable available financial resources.

Assets acquired under the terms of capital leases are recorded as liabilities and capitalized in the government-wide financial statements at the present value of net minimum lease payments at inception of the lease. In the year of acquisition, capital lease transactions are recorded as other financing sources and as capital outlay expenditures in the general fund. Lease payments representing both principal and interest are recorded as expenditures in the general fund upon payment, with an appropriate reduction of principal recorded in the government-wide financial statements.

8. Fund Equity

Classification of Net Assets

In the government-wide financial statements, net assets are classified in the following categories:

Invested in capital assets, net of related debt – This category groups all capital assets into one component of net assets. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction, or improvement of these assets reduce this category.

Restricted net assets – This category presents external restrictions imposed by creditors, grantors, contributors, laws or regulations of other governments, and restrictions imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets – This category represents the net assets of the district which are not restricted for any project or other purpose.

The district applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

In the fund financial statements, reserves and designations segregate portions of fund balance that are either not available or have been earmarked for specific purposes. The district has provided the following reserves:

Building maintenance and repair – Segregates a portion of fund balance for eligible expenditures related to maintenance and repair of the district's new administrative facilities from restricted cash held by the district's lessor as a result of a capital lease.

Encumbrances – Segregates a portion of fund balance for expenditures upon vendor performance.

HARRIS COUNTY APPRAISAL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS, *Continued*

December 31, 2010

Prepaid expenditures -- Segregates a portion of fund balance to indicate that prepaid expenditures do not represent available, expendable resources even though they are components of current assets.

Unreserved fund balance is that portion of fund balance which is undesignated and available for budgeting in future periods.

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. Explanation of Certain Differences Between the Governmental Fund Balance Sheet and the Government-Wide Statement of Net Assets

The governmental fund balance sheet includes a reconciliation between *fund balance – total governmental funds* and *net assets – governmental activities* as reported in the government-wide Statement of Net Assets. One element of that reconciliation explains that long-term liabilities, including notes payable and capital leases, are not due and payable in the current period and, therefore, are not reported in the funds.

B. Explanation of Certain Differences Between the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances and the Government-Wide Statement of Activities

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances – total governmental funds and changes in net assets of governmental activities which states that “the issuance of long-term debt (e.g., bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities.”

III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

The district uses the following procedures in establishing the budget reflected in the financial statements:

Prior to June 15, the Board of Directors and taxing units are presented with a proposed budget for the fiscal 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 from the taxing jurisdictions.

Public hearings are conducted to obtain citizens' comments.

The budget must be approved before September 15. The budget for the fiscal year ended December 31, 2010, was legally enacted through passage of board resolution 2009-3 on July 15, 2009.

The budget is considered a management control and planning tool and as such is incorporated into the accounting system of the district. Appropriations lapse at fiscal year end, except that portion related to encumbered amounts. An annual budget is legally adopted for the general fund only.

The chief appraiser is authorized to transfer budgeted amounts between divisions or line items (legal level of budgetary control), for example, a budget transfer from the salaries and wages account in the information and assistance division to the contract labor account in the field operations division. However, the Board of Directors must approve transfers of more than \$10,000. Supplemental

HARRIS COUNTY APPRAISAL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS, *Continued*

December 31, 2010

appropriations in excess of the total budget require budget amendments in the manner provided by law. No supplemental appropriations were made during 2010.

Encumbrance accounting is employed in the general fund. Under this system, purchase orders, contracts, and other commitments for the expenditure of funds are recorded in the accounting system in order to reserve the applicable portion of appropriations. Open encumbrances are reported as a reservation of fund balance since the related appropriations do not lapse at year end. Encumbrances do not constitute expenditures or liabilities.

B. Budget/GAAP Reconciliation

The district prepares its annual budget on a basis which differs from generally accepted accounting principles (GAAP basis). Therefore, the actual column presented in the budget to actual comparison has been adjusted to the district's budget basis of accounting to provide a meaningful comparison of actual results with the budget. The district's budget basis of accounting differs from GAAP basis because of timing and perspective differences. Timing differences result from the recognition of encumbrances (i.e., purchase orders outstanding at year end) as expenditures that have not been recognized as expenditures for GAAP purposes. Perspective differences result from the district's use of sub-funds that are combined for GAAP reporting purposes with the district's general fund, but budgets are not adopted for these sub-funds. Sub-funds are used by the district to account for the proceeds of notes payable and the related use of funds, which are not budgeted but are approved by the Board of Directors. Adjustments necessary to convert results of operations for the general fund for the year ended December 31, 2010 from the budget basis to GAAP basis are presented in the notes to RSI.

IV. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Years)</u>
U.S. treasuries	\$ 2,923,838	0.04
State pool (TexPool)	19,692,197	0.00
Total fair value	<u>\$ 22,616,035</u>	
Portfolio weighted average maturity		0.01

Credit risk. The district's investment policy limits investments in money market mutual funds rated as to investment quality not less than AAA by Standard & Poor's. As of December 31, 2010, the district's investment in TexPool was rated AAAM by Standard & Poor's. All other investments are guaranteed (either express or implied) by the full faith and credit of the United States government or the issuer U.S. agency.

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. The district's investment policy requires funds on deposit at the depository bank to be collateralized by securities with a collective market value of at least 100 percent. As of December 31, 2010, market values of pledged securities and FDIC exceeded bank balances.

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. The district's investment policy requires that all trades, where applicable, are executed by delivery versus payment to ensure that securities are deposited in the district's safekeeping account prior to the release of funds.

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NOTES TO THE FINANCIAL STATEMENTS, *Continued*

December 31, 2010

TexPool

TexPool was established as a trust company with the Treasurer of the State of Texas as trustee, segregated from all other trustees, investments, and activities of the trust company. The State Comptroller of Public Accounts exercises oversight responsibility over TexPool. Oversight includes the ability to significantly influence operations, designation of management, and accountability for fiscal matters. Additionally, the State Comptroller has established an advisory board composed of both participants in TexPool and other persons who do not have a business relationship with TexPool. The advisory board members review the investment policy and management fee structure. Finally, Standard & Poor's rate TexPool AAAM. As a requirement to maintain the rating, weekly portfolio information must be submitted to Standard & Poor's, as well as to the office of the Comptroller of Public Accounts for review.

TexPool operates in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. TexPool uses amortized costs rather than market value to report net assets to compute share prices. Accordingly, the fair value of the position in the pool is the same as the value of the pool.

B. Receivables

Receivables at December 31, 2010, consist of the following:

Jurisdiction assessments	\$	2,922,143
Accounts receivable		10,724
Rendition penalties		545,791
Total Receivables	\$	<u>3,478,658</u>

HARRIS COUNTY APPRAISAL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS, *Continued*

December 31, 2010

C. Capital Assets

A summary of changes in capital assets for governmental activities follows:

	Beginning Balance	Additions	Deletions/ Reclassifications	Ending Balance
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 2,335,000	\$ -	\$ -	\$ 2,335,000
GIS database	6,030,075	-	-	6,030,075
Total capital assets, not being depreciated	8,365,075	-	-	8,365,075
Capital assets being depreciated:				
Building	16,602,032	-	-	16,602,032
Furniture and equipment	728,733	111,946	(131,578)	709,101
Computers and peripherals	6,763,195	244,488	(129,942)	6,877,741
Vehicles and other	106,445	-	(11,375)	95,070
Total capital assets being depreciated	24,200,405	356,434	(272,895)	24,283,944
Less accumulated depreciation:				
Building	(1,660,203)	(332,041)	-	(1,992,244)
Furniture and equipment	(728,733)	(75,553)	131,578	(672,708)
Computers and peripherals	(6,692,856)	(20,624)	129,942	(6,583,538)
Vehicles and other	(89,524)	(4,615)	11,375	(82,764)
Total accumulated depreciation	(9,171,316)	(432,833)	272,895	(9,331,254)
Total capital assets, being depreciated, net	15,029,089	(76,399)	-	14,952,690
Governmental activities capital assets, net	\$ 23,394,164	\$ (76,399)	\$ -	23,317,765
			Less associated debt	(14,097,894)
			Invested in capital assets, net of related debt	\$ 9,219,871

Depreciation expense was charged to functions/programs of the district as follows:

Governmental activities:	
Office of chief appraiser and board of directors	\$ 2,684
Appraisal support	8,743
Appraisal	15,279
Information systems	238,058
Administration	86,956
Administration/ building services	81,113
Total depreciation expense - governmental activities	\$ 432,833

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NOTES TO THE FINANCIAL STATEMENTS, *Continued*

December 31, 2010

D. Leases

Capital Lease – Building

In 2005, the district entered into a series of agreements to finance the purchase and renovation of a building to house its operations. In addition, commitments remaining under an existing operating lease were also included in the financing package to reduce the cash flow requirements over the remainder of the operating lease. The agreements provided for the establishment of draw and capital reserve accounts to be maintained by the lender for monies restricted to making renovations to the building and to the payment of operating lease payments. Included in the agreement are provisions for use of these monies if a reduction in the remaining lease payments could be negotiated. To preserve the tax-exempt status of a portion of the financing, thereby resulting in a lower interest rate to the district, a new entity, 13013 NWF, Inc., was created to serve as the lessor and secure financing from the lender, Bank of America. This entity is not a component unit of the district.

On April 14, 2005, the Board of Directors approved Resolution 2005-4 authorizing the district to enter into a lease and purchase option agreement as lessee with 13013 NWF, Inc. for financing a new administrative office facility and other costs for a total of \$28,500,000 meeting the criteria of a capital lease. At the conclusion of the 20 year agreement, there is an option to purchase the facility for \$100. This agreement was signed on April 30, 2005, and the district thereby became obligated for making interest only payments with scheduled lease payments commencing on January 1, 2006.

Included in the lease and purchase agreements, 13013 NWF, Inc., the lessor, entered into a loan agreement with Bank of America, N.A. The agreements were structured in two parts, the initial financing of the building and renovations to be made for a total of \$21,000,000 (nontaxable) and funds to finance the termination payments by the district for their existing noncancelable operating lease not to exceed \$7,500,000 (taxable) as a lease inducement.

In the event that the district was able to negotiate with its previous landlord payment(s) for the district's previous facilities for an amount less than \$7,500,000, remaining payments would be transferred into a capital reserve account.

The agreements called for the creation of a capital reserve account ("reserve fund") to be maintained by Bank of America, N.A. for the benefit of both 13013 NWF, Inc. and the district. Deposits in this account will include any excess funds remaining from the design or relocation allowance included in the \$21,000,000 as well as any excess funds used for the termination payments for the existing noncancelable operating lease from the \$7,500,000. All interest earned from investment of the funds deposited in the capital reserve account shall be credited to the reserve fund. Disbursements shall be made from the reserve fund to reimburse the district only for the costs of alterations to the building or garage and replacement of or other maintenance and repair expenditures related to the building systems. As of December 31, 2010, there is a balance of \$2,923,838 in the capital reserve account.

As a part of the agreements, any monies held as part of the draw and or capital reserve account will be invested or reinvested by the lender, at the written direction of 13013 NWF, Inc. and the district, in permitted investments. If not otherwise directed, the lender shall invest cash balances in the money market fund of the lender, or if such fund is not available, in a comparable cash management fund. The interest accruing and any profit realized from such investments will be credited pro rata to the draw account from which such investments were made, and any loss resulting from such investment shall be charged pro rata to the draw account as well. In addition, the lender shall have no responsibility or liability for the amount of interest earned on the reserve fund.

As of year end, the balance of the capital reserve account was split between an operating or demand deposit account with a financial institution and a U.S. Treasury investment held by a separate financial institution, both in the name of 13013 NWF, Inc.

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NOTES TO THE FINANCIAL STATEMENTS, *Continued*

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Activity in the capital reserve account for the year was as follows:

Beginning balance	\$ 3,203,151
Building improvements	(280,823)
Interest earnings	2,103
Bank service fees and attorney fees	(593)
Ending balance	\$ 2,923,838

Future combined minimum capital lease payments for this lease as of December 31, 2010, are as follows:

Year Ending Dec. 31	Capital lease					
	\$21 M		\$7.5 M		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2011	\$ 797,728	\$ 886,313	\$ 257,019	\$ 427,844	\$ 1,054,747	\$ 1,314,157
2012	839,794	844,246	274,942	409,921	1,114,736	1,254,167
2013	884,079	799,961	294,114	390,748	1,178,193	1,190,709
2014	930,700	753,341	314,624	370,238	1,245,324	1,123,579
2015	979,778	704,262	336,564	348,298	1,316,342	1,052,560
2016-2020	5,730,586	2,689,616	2,069,367	1,354,948	7,799,953	4,044,564
2021-2025	7,409,531	1,010,674	2,898,793	525,521	10,308,324	1,536,195
Total	\$ 17,572,196	\$ 7,688,413	\$ 6,445,423	\$ 3,827,518	\$ 24,017,619	\$ 11,515,931

Capital assets acquired under capital lease obligations and the accumulated depreciation as of December 31, 2010, are as follows:

General capital assets acquired under capital leases	
Land	\$ 2,335,000
Building	16,602,035
Less accumulated depreciation	(1,992,244)
Net	\$ 16,944,791

HARRIS COUNTY APPRAISAL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS, *Continued*

December 31, 2010

E. Long-Term Liabilities

During the year, the following changes occurred in liabilities reported in governmental activities:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due within One Year
Governmental Activities					
Notes and other payables:					
Capital leases	\$ 25,084,190	\$ -	\$ 1,066,571	\$ 24,017,619	* \$ 1,054,747
Other liabilities:					
Net OPEB obligation	753,125	1,262,121	887,231	1,128,015	-
Compensated absences	2,378,278	1,822,660	1,729,530	2,471,408	1,977,126
Total Governmental Activities	\$ 3,131,403	\$ 3,084,781	\$ 2,616,761	\$ 27,617,042	\$ 1,977,126
			Long-term liabilities due in more than one year	\$ 25,639,916	
			*Capital leases	\$ 24,017,619	
			Lease portion expended on noncapital costs	(9,919,725)	
			Debt associated with capital assets	\$ 14,097,894	

F. Reserved Equity and Restricted Asset Accounts

Reserved and designated fund balance as of December 31, 2010, is as follows:

General Fund	
Reserved for building maintenance and repair	\$ 2,923,838
Reserved for encumbrances	2,231,867
Reserved for prepaid items	224,819
Designated for future litigation	1,018,646
Total reserved and designated fund balance	\$ 6,399,170

V. OTHER INFORMATION

A. 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; natural disasters; and workers' compensation claims for which the district participates in the Texas Municipal League's General Liability and Workers' Compensation Funds along with approximately 2,617 other entities. Insurance provided by the pool is similar to commercial insurance and the district has no additional responsibilities as a result of its participation.

The Texas Municipal League - Intergovernmental Risk Pool Workers' Compensation Self-Insurance Fund provides medical and indemnity payments as required by law for on-the-job related injuries. Premiums are paid to the fund based on a percentage of payroll, which is determined by considering such items as employee job descriptions, employer's experience and the fund's performance.

The district established a limited risk management program for health benefits claims in 1993. During 1994, a separate fund was established to account for the district's self-insurance activities and the accumulation of resources to satisfy potential claims of subsequent periods. The district's exposure is limited due to stop-loss protection and re-insurance. Changes in the balance of claim liabilities during the past two years are as follows:

HARRIS COUNTY APPRAISAL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS, *Continued*

December 31, 2010

	<u>2010</u>	<u>2009</u>
Beginning claims payable	\$ 319,782	\$ 420,230
Claims incurred	3,174,948	2,614,375
Claims paid	(3,115,287)	(2,714,823)
Ending claims payable	<u><u>\$ 379,443</u></u>	<u><u>\$ 319,782</u></u>

Claims payable for year end are estimated based upon prior year actual claims and claims activity at year end. A detailed analysis is not performed.

B. Contingent Liabilities

The district and the appraisal review board are defendants in numerous property owner appeals taken to the district court pursuant to Chapter 42 of the Texas 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 attorneys' fees, provided such fees may not exceed the greater of \$15,000 or 20 percent of the total amount of taxes in dispute, provided that such fees may not exceed the amount of taxes saved as a result of the appeal, and further provided that the fees may not exceed \$100,000 for each tax year appealed. Neither the district's management nor legal counsel is able to predict the outcome of these legal proceedings. Accordingly, no provision for any liability that might result there from has been recorded in the financial statements. However, during 2010, the actual amount paid was \$50,425.

As a result of a legislative change the number of cases in which the district will be a defendant is expected to increase. The district has set aside \$1,018,646 to cover its estimated increase in legal expenses as a result of this change.

The district has not significantly reduced insurance coverage or had settlements that exceeded coverage amounts for the past three years. The risk of loss to the district in health claims is limited to the total aggregate stop-loss coverage of approximately \$3,967,122.

Section 6.06 of the Texas Property Tax Code provides certain restrictions concerning an appraisal district's assessment to taxing jurisdictions within its district. Generally, this amendment requires any charges assessed to a taxing jurisdiction during a fiscal year over the expenditures made or obligated to be made by the appraisal district during such year be credited against the taxing jurisdiction assessments in the following year or refunded to the taxing jurisdiction in certain circumstances. During 2010, the district's expenditures were approximately \$407,233 (GAAP basis) more than assessments to the taxing jurisdictions. Accordingly, no refund or credit is due to the taxing jurisdictions.

C. Employee Retirement Systems and Plans

Plan Description

The district provides pension, disability, and death benefits for all of its full-time employees through a nontraditional defined benefit plan in the statewide Texas County and District Retirement System (TCDRS). The board of trustees of TCERS is responsible for the administration of the statewide agent multiple-employer public employee retirement system consisting of 602 nontraditional defined benefit pension plans. TCERS in the aggregate issues a comprehensive annual financial report (CAFR) on a calendar year basis. The CAFR is available upon written request from the TCERS Board of Trustees at P. O. Box 2034, Austin, Texas 78768-2034.

HARRIS COUNTY APPRAISAL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS, *Continued*

December 31, 2010

The plan provisions are adopted by the district's Board of Directors, within the options available in the Texas state statutes governing TCDRS (TCDRS Act, Title 8, Texas Government Code). Members can retire at ages 60 and above with eight 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 eight 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 district's Board of Directors within the actuarial constraints imposed by the TCDRS Act so that the resulting benefits can be expected to be adequately financed by the employer's commitment to contribute. At retirement, death, or disability, the benefit is calculated by converting the sum of the employee's accumulated contributions and the employer-financed monetary credits to a monthly annuity using annuity purchase rates prescribed by the TCDRS Act.

	2010	2009
Employee deposit rate	7%	7%
Years required for vesting	8	8
Service requirement eligibility (expressed as age/yrs of service)	60/8, 0/30	60/8, 0/30

Funding Policy

The district has elected the annually determined contribution rate (ADCR) plan provisions of the TCDRS Act. The plan is funded by monthly contributions from both the employee members and the employer based on the covered payroll of employee members. The employer's contribution rate was 13.19 percent for calendar year 2010. The contribution rate payable by the employee members is seven percent as adopted by the Board of Directors.

The employee contribution rate and the employer contribution rate may be changed by the Board of Directors within the options available in the TCDRS Act.

Annual Pension Cost

For the district's accounting year ending December 31, 2010, the annual pension cost for the TCDRS plan for its employees was \$4,958,641, which were the actual contributions. This includes an additional payment by the district in the amount of \$1,000,000 for 2010.

The annual required contributions were actuarially determined as a percent of the covered payroll of the participating employees, and were in compliance with the GASB Statement No. 27 parameters based on the actuarial valuation as of December 31, 2009, the basis for determining the contribution rate for calendar year 2010. The December 31, 2009 actuarial valuation is the most recent valuation.

	2010	2009	2008
Annual Req. Contrib. (ARC)	\$ 4,958,641	\$ 5,215,336	\$ 4,761,970
Contributions Made	4,958,641	5,215,336	4,761,970
NPO at the End of Period	\$ -	\$ -	\$ -

HARRIS COUNTY APPRAISAL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS, *Continued*

December 31, 2010

The required contribution rates for calendar year 2010 were determined as part of the December 31, 2009 actuarial valuations. Additional information as of the latest actuarial valuation, December 31, 2009, also follows:

	<u>2010</u>	<u>2009</u>	<u>2008</u>
Actuarial Valuation Date	12/31/2009	12/31/2008	12/31/2007
Actuarial Cost Method	Entry Age	Entry Age	Entry Age
Amortization Method	Level % of Payroll	Level % of Payroll	Level % of Payroll
Remaining Amortization Period	20 Years - Closed	20 Years - Closed	15 Years - Closed
Asset Valuation Method	10-yr Smoothed Value	10-yr Smoothed Value	10-yr Smoothed Value
Investment Rate of Return	8.0%	8.0%	8.0%
Projected Salary Increases	5.40%	5.30%	5.30%
Includes Inflation at	3.50%	3.50%	3.50%
Cost of Living Adjustments	0.00%	0.00%	0.00%

The funded status as of December 31, 2009, the most recent valuation date, is as follows:

	<u>2010</u>	<u>2009</u>	<u>2008</u>
Actuarial Valuation Date	12/31/2009	12/31/2008	12/31/2007
Actuarial Value of Assets	\$ 83,767,571	74,174,309	70,258,733
Actuarial Accrued Liability	\$ 99,429,918	89,870,806	82,501,723
Percentage Funded	84.3%	82.5%	85.2%
Unfunded Actuarial Accrued Liability (UAAL)	\$ 15,662,347	15,682,658	12,242,990
Annual Covered Payroll	\$ 30,612,473	26,790,518	23,562,155
UAAL as a Percentage of Covered Payroll	51.16%	58.59%	51.96%

The schedule of funding progress, presented as following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability of benefits.

D. Post Employment Benefits

Healthcare Plan

Plan Description

The district provides a defined benefit Other Post Employment Benefits (OPEB) plan, the Harris County Appraisal District Retiree Health Care Plan, that pays a portion of the premium for continuation of the medical and dental insurance coverage of certain retirees. The district's Board of Directors has the authority to establish and amend benefits. The plan provides medical benefits to eligible retired district employees and their beneficiaries.

The plan offers the same coverage and options as the health plan for current employees and a Medicare advantage plan. The plan is available to retirees age 64 and under and retirees are eligible to participate until the retiree's 65th birthday or the fifth anniversary of retirement, whichever is earliest. At age 65, retirees are eligible to participate in the Medicare advantage plan.

Beginning with retirement and ending when the person is eligible for Medicare coverage, the district shall pay a portion of the retiree medical and dental coverage premiums and claims. Rates paid by retirees are slightly higher than rates paid by active employees.

HARRIS COUNTY APPRAISAL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS, *Continued*

December 31, 2010

Funding Policy

The contribution requirements of plan members and the district are established and may be amended by the Board of Directors. The district has elected to subsidize premiums and rates for both plans and funding is provided on a pay-as-you-go basis. Reserves for active employees and retirees are set aside in the district's internal service fund.

Annual OPEB Cost

The district's annual OPEB cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The following table shows the components of the district's annual OPEB cost of the year, the amount actually contributed to the plan, and the district's net OPEB obligation.

Annual required contribution	\$	755,060
Interest on OPEB Obligation		33,891
Adjustment to ARC		(31,399)
Contributions made		(382,662)
Increase in net OPEB obligation		374,890
Net OPEB obligation-beginning of year		753,125
Net OPEB obligation-end of year	\$	1,128,015

The district's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2010 and the two preceding years are as follows:

Fiscal year	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation	
			Beginning	Ending
2008	\$ 605,811	29.65%	\$ -	\$ 426,198
2009	\$ 625,395	47.72%	\$ 426,198	\$ 753,125
2010	\$ 757,551	50.51%	\$ 753,125	\$ 1,128,015

Funded Status and Funding Progress

As of July 1, 2010, the most recent actuarial valuation date, the plan was 0.00 percent funded. The actuarial accrued liability for benefits was \$7,310,861, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$7,310,861. The covered payroll (annual payroll of active employees covered by the plan) was \$30,612,473, and the ratio of the UAAL to the covered payroll was 23.88 percent.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as RSI following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

HARRIS COUNTY APPRAISAL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS, *Continued*

December 31, 2010

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The following is a summary of the actuarial assumptions:

Actuarial Cost Method	Projected unit credit
Amortization Method	Level % of payroll
Amortization Period	30 years-Open
Asset Valuation Method	Market value
Investment Rate of Return	3.0%
Projected Salary Increases	4.0%
Healthcare Cost Trend Rate (Initial/Ultimate)	10.0%/4.0%

Life Insurance Plan

Plan Description

The district participates in a cost-sharing multiple-employer defined-benefit group-term life insurance plan operated by the Texas County and District Retirement System (TCDRS). This plan is referred to as the Optional Group Term Life Fund (OGTLF). This optional plan provides group term life insurance coverage to current eligible employees and, if elected by employers, to retired employees. The coverage provided to retired employees is a post employment benefit other than pension benefits (OPEB). Retired employees are insured for \$5,000.

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

Funding Policy

Each participating employer contributes to the OGTLF 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 OGTLF for the year ended December 31, 2010, 2009, and 2008 were \$105,045, \$107,145 and \$91,073, respectively, which equaled the contractually required contributions each year.

REQUIRED SUPPLEMENTARY INFORMATION

HARRIS COUNTY APPRAISAL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (Page 1 of 2)
GENERAL FUND (BUDGET BASIS)

For the Year Ended December 31, 2010
 With Comparative Totals for the Year Ended December 31, 2009

	Budgeted Amounts		2010 Actual (Budget Basis)	Variance	2009 Actual (Budget Basis)
	Original Budget	Final Budget		Final Budget Positive (Negative)	
Revenues					
Assessments	\$ 61,171,141	\$ 61,171,141	\$ 61,171,142	\$ 1	\$ 61,190,821
Investment income	500,000	500,000	39,065	(460,935)	52,296
Other	200,000	200,000	354,446	154,446	405,486
Rendition penalty fee	-	-	396,148	396,148	353,101
Total Revenues	61,871,141	61,871,141	61,960,801	89,660	62,001,704
Expenditures					
Current:					
Office of Chief Appraiser and Board of Directors					
Personnel	1,819,706	1,008,256	960,582	47,674	1,068,664
Appraisal review board	2,450,000	2,009,000	1,987,950	21,050	2,716,781
Professional services	5,952,000	5,162,500	5,117,206	45,294	5,394,657
Office supplies and printing	24,300	12,550	11,752	798	17,662
Other	24,350	21,950	19,498	2,452	22,957
Total OCA and BOD	10,270,356	8,214,256	8,096,988	117,268	9,220,721
Appraisal Support					
Personnel	9,722,203	10,014,653	9,943,216	71,437	9,707,435
Professional services	502,605	494,605	451,033	43,572	455,915
Office supplies and printing	69,784	70,034	42,529	27,505	38,395
Other	39,240	38,240	26,538	11,702	16,945
Total Appraisal Support	10,333,832	10,617,532	10,463,316	154,216	10,218,690
Appraisal					
Personnel	22,836,209	23,301,309	23,072,042	229,267	22,313,710
Professional services	1,438,011	1,382,011	1,345,829	36,182	1,383,734
Office supplies and printing	165,871	231,971	211,048	20,923	209,730
Other	38,255	74,755	71,687	3,068	44,515
Total Appraisal	24,478,346	24,990,046	24,700,606	289,440	23,951,689
Information Systems					
Personnel	3,954,755	4,130,305	4,034,003	96,302	3,842,233
Professional services	950,100	716,100	692,726	23,374	773,872
Office supplies and printing	373,855	248,655	201,329	47,326	223,963
Data processing	1,613,342	3,025,324	2,996,514	28,810	1,179,074
Other	605,400	651,900	622,522	29,378	592,035
Total Information Systems	7,497,452	8,772,284	8,547,094	225,190	6,611,177
Administration					
Personnel	3,490,308	3,427,358	3,325,178	102,180	3,182,385
Professional services	58,000	58,000	56,786	1,214	42,999
Office supplies and printing	2,376,761	1,944,061	1,891,242	52,819	2,276,695
Other	50,020	54,619	28,591	26,028	18,172
Total Administration	5,975,089	5,484,038	5,301,797	182,241	5,520,251
Administration Services					
Personnel	250,000	1,000,000	1,000,000	-	1,000,000
Office supplies and printing	244,398	256,898	226,979	29,919	254,566
Rent and utilities	895,000	717,415	617,439	99,976	617,660
Other	1,388,600	1,175,585	1,126,146	49,439	1,410,914
Total Administration Services	2,777,998	3,149,898	2,970,564	179,334	3,283,140

HARRIS COUNTY APPRAISAL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (Page 2 of 2)
GENERAL FUND (BUDGET BASIS)
For the Year Ended December 31, 2010
With Comparative Totals for the Year Ended December 31, 2009

	Budgeted Amounts		2010	Variance	2009
	Original Budget	Final Budget	Actual (Budget Basis)	Final Budget Positive (Negative)	Actual (Budget Basis)
Debt Service					
Principal retirement and interest charges	2,438,068	2,438,068	2,438,068	-	2,368,904
Capital outlay	100,000	205,019	204,679	340	220,591
Total Expenditures	<u>63,871,141</u>	<u>63,871,141</u>	<u>62,723,112</u>	<u>1,148,029</u>	<u>61,395,163</u>
Revenues Over					
(Under) Expenditures	<u>\$ (2,000,000)</u>	<u>\$ (2,000,000)</u>	(762,311)	<u>\$ 1,237,689</u>	<u>\$ 606,541</u>

Notes to Required Supplementary Information:

1. Reconciliation to Net Change in Fund Balance (GAAP Basis)

Timing differences:	
Encumbrances at the end of the year	2,231,867
Encumbrances at the beginning of the year that were incurred	(807,817)
Perspective differences:	
Building improvements related to capital reserve account	(280,823)
Fees related to capital reserve account	(593)
Interest income (cash with fiscal agent-restricted)	<u>2,103</u>

**Revenues and Other Financing Sources Over
Expenditures and Other Financing Sources** \$ 382,426

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HARRIS COUNTY APPRAISAL DISTRICT

SCHEDULE OF FUNDING PROGRESS

TEXAS COUNTY AND DISTRICT RETIREMENT SYSTEM

December 31, 2010

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll ¹ (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
12/31/05	\$ 55,490,284	\$ 65,344,250	\$ 9,853,966	84.9%	\$ 20,624,222	47.8%
12/31/06	\$ 63,099,926	\$ 72,420,618	\$ 9,320,692	87.1%	\$ 21,708,152	42.9%
12/31/07	\$ 70,258,733	\$ 82,501,723	\$ 12,242,990	85.2%	\$ 23,562,155	52.0%
12/31/08	\$ 74,174,309	\$ 89,870,806	\$ 15,696,497	82.5%	\$ 26,790,518	58.59%
12/31/09	\$ 83,767,571	\$ 99,429,918	\$ 15,662,347	84.3%	\$ 30,612,473	51.2%

¹ The annual covered payroll is based on the employee contributions received by TCDRS for the year ending with the valuation date.

EMPLOYER PENSION LIABILITY AT TRANSITION AND PREVIOUSLY REPORTED PENSION LIABILITY

Accounting Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
12/31/06	\$ 3,440,056 ¹	100%	\$ -
12/31/07	\$ 3,648,486 ²	100%	\$ -
12/31/08	\$ 4,761,970 ³	100%	\$ -
12/31/09	\$ 5,215,336 ⁴	100%	\$ -
12/31/10	\$ 4,958,641 ⁵	100%	\$ -

¹ The annual pension cost (APC) for 2006 includes \$1,000,000 used to reduce the district's unfunded liability.

² The annual pension cost (APC) for 2007 includes \$1,000,000 used to reduce the district's unfunded liability.

³ The annual pension cost (APC) for 2008 includes \$1,500,000 used to reduce the district's unfunded liability.

⁴ The annual pension cost (APC) for 2009 includes \$1,000,000 used to reduce the district's unfunded liability.

⁵ The annual pension cost (APC) for 2010 includes \$1,000,000 used to reduce the district's unfunded liability.

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HARRIS COUNTY APPRAISAL DISTRICT
SCHEDULE OF FUNDING PROGRESS
POST-EMPLOYMENT HEALTHCARE BENEFITS

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Projected Unit Credit (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
07/01/08	\$ -	\$ 5,075,155	\$ 5,075,155	0.0%	\$ 26,898,089	18.9%
07/01/10	\$ -	\$ 7,310,861	\$ 7,310,861	0.0%	\$ 30,612,473	23.9%

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STATISTICAL SECTION

This part of the district's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and Required Supplementary Information says about the district's overall financial health.

Contents	<u>Page</u>
Financial Trends	74
<i>These schedules contain trend information to help the reader understand how the district's financial performance and well-being have changed over time.</i>	
Revenue Capacity	82
<i>These schedules contain information to help the reader assess the district's most significant local revenue source, assessments.</i>	
Debt Capacity	86
<i>These schedules present information to help the reader assess the affordability of the district's current levels of outstanding debt and the district's ability to issue additional debt in the future.</i>	
Demographic and Economic Information	89
<i>These schedules offer demographic and economic indicators to help the reader understand the environment within which the district's financial activities take place.</i>	
Operating Information	92
<i>These schedules contain service and infrastructure data to help the reader understand how the information in the district's financial report relates to the services the district provides and the activities it performs.</i>	

HARRIS COUNTY APPRAISAL DISTRICT

NET ASSETS BY COMPONENT

Last Nine Years ⁽¹⁾
(accrual basis of accounting)

	Fiscal Year			
	2002	2003	2004	2005
Governmental activities				
Invested in capital assets, net of related debt	\$ 7,417,057	\$ 7,215,548	\$ 5,891,380	\$ 6,170,049
Restricted	-	464,227	-	-
Unrestricted	6,770,033	9,029,013	12,197,413	12,781,480
Total governmental activities net assets	<u>\$ 14,187,090</u>	<u>\$ 16,708,788</u>	<u>\$ 18,088,793</u>	<u>\$ 18,951,529</u>

(1) The requirement for statistical data is ten years; only nine years are available at this time.

<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
\$ 6,731,571	\$ 7,207,791	\$ 7,517,575	\$ 8,229,698	\$ 9,219,871
-	-	-	-	-
9,389,068	8,015,612	5,248,000	5,647,772	6,253,174
<u>\$ 16,120,639</u>	<u>\$ 15,223,403</u>	<u>\$ 12,765,575</u>	<u>\$ 13,877,470</u>	<u>\$ 15,473,045</u>

HARRIS COUNTY APPRAISAL DISTRICT

CHANGES IN NET ASSETS

Last Nine Years ⁽¹⁾

(accrual basis of accounting)

	Fiscal Year			
	2002	2003	2004	2005
Office of Chief Appraiser and Board of Directors	\$ 3,064,544	\$ 3,401,992	\$ 3,669,425	\$ 4,990,225
Appraisal support	4,919,054	6,994,530	6,639,415	6,532,122
Appraisal	13,061,203	15,790,075	16,197,473	16,091,866
Information systems	5,574,048	5,250,409	5,323,366	4,512,215
Administration	2,360,987	3,417,496	3,444,984	3,488,042
Administration/building services	8,574,893	4,379,556	3,403,036	5,651,629
Interest and fiscal agent fees on long-term debt	67,921	19,956	784,610	1,140,864
	37,622,650	39,254,014	39,462,309	42,406,963
Charges for services				
Administration/building services	343,734	751,661	48,018	23,898
Appraisal	455,603	393,786	644,920	1,976,538
Operating grants and contributions				
Information systems	-	550,000	-	-
Total Governmental Activities				
Program Revenues	799,337	1,695,447	692,938	2,000,436
Total Primary Government				
Program Revenues	\$ (36,823,313)	\$ (37,558,567)	\$ (38,769,371)	\$ (40,406,527)
Assessments	\$ 36,969,245	\$ 39,710,089	\$ 39,694,405	\$ 40,561,015
Investment income	301,843	370,176	454,971	708,248
	\$ 37,271,088	\$ 40,080,265	\$ 40,149,376	\$ 41,269,263
Change in Net Assets	\$ 447,775	\$ 2,521,698	\$ 1,380,005	\$ 862,736

(1) The requirement for statistical data is ten years; only nine years are available at this time.

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
\$	5,205,700	\$ 7,164,294	\$ 9,755,491	\$ 9,256,665	\$ 8,179,031
	7,018,490	7,686,395	9,802,213	10,311,720	10,566,860
	16,115,462	17,424,858	21,464,205	24,157,193	24,831,948
	6,338,746	6,409,167	6,929,962	6,663,816	7,343,823
	3,914,964	4,337,829	4,623,874	5,670,303	5,437,350
	7,724,416	4,610,783	3,759,466	3,442,034	2,745,811
	1,573,617	1,519,234	1,477,038	1,425,811	1,255,167
	<u>47,891,395</u>	<u>49,152,560</u>	<u>57,812,249</u>	<u>60,927,542</u>	<u>60,359,990</u>
	588,288	-	-	-	-
	703,170	1,117,207	722,871	789,310	743,712
	-	-	-	-	-
	<u>1,291,458</u>	<u>1,117,207</u>	<u>722,871</u>	<u>789,310</u>	<u>743,712</u>
\$	<u>(46,599,937)</u>	<u>(48,035,353)</u>	<u>(57,089,378)</u>	<u>(60,138,232)</u>	<u>(59,616,278)</u>
\$	42,294,633	\$ 45,662,193	\$ 53,997,326	\$ 61,190,821	\$ 61,171,142
	1,474,414	1,475,924	634,224	59,306	40,711
\$	<u>43,769,047</u>	<u>47,138,117</u>	<u>54,631,550</u>	<u>61,250,127</u>	<u>61,211,853</u>
\$	<u>(2,830,890)</u>	<u>(897,236)</u>	<u>(2,457,828)</u>	<u>1,111,895</u>	<u>1,595,575</u>

HARRIS COUNTY APPRAISAL DISTRICT

FUND BALANCES, GOVERNMENTAL FUNDS

Last Nine Years ⁽¹⁾

(modified accrual basis of accounting)

	Fiscal Year			
	2002	2003	2004	2005
General Fund				
Reserved	\$ 1,195,985	\$ 1,583,998	\$ 6,375,098	\$ 8,457,573
Unreserved	6,247,853	8,040,870	9,580,882	11,126,033
Total General Fund	\$ 7,443,838	\$ 9,624,868	\$ 15,955,980	\$ 19,583,606

(1) The requirement for statistical data is ten years; only nine years are available at this time.

<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
\$ 4,144,071	\$ 3,680,689	\$ 4,183,710	\$ 4,285,580	\$ 5,380,524
12,625,331	13,052,490	10,688,454	11,307,291	10,594,773
<u>\$ 16,769,402</u>	<u>\$ 16,733,179</u>	<u>\$ 14,872,164</u>	<u>\$ 15,592,871</u>	<u>\$ 15,975,297</u>

HARRIS COUNTY APPRAISAL DISTRICT

CHANGES IN FUND BALANCE, GOVERNMENTAL FUNDS

Last Nine Years (1)

(modified accrual basis of accounting)

	Fiscal Year			
	2002	2003	2004	2005
Revenues				
Assessments	\$ 36,969,245	\$ 39,710,089	\$ 39,694,405	\$ 40,561,015
Intergovernmental	-	550,000	-	-
Investment income	271,081	347,058	420,339	625,967
Other revenues	455,602	393,786	644,920	550,676
Escalation settlement	-	-	-	-
Rendition penalty fee	-	-	-	930,164
Total revenues	<u>37,695,928</u>	<u>41,000,933</u>	<u>40,759,664</u>	<u>42,667,822</u>
Expenditures				
Office of Chief Appraiser and				
Board of Directors	3,091,528	3,344,198	3,648,478	4,970,652
Appraisal support	5,000,629	6,597,847	6,471,698	6,444,757
Appraisal	12,844,017	15,566,866	16,022,351	16,013,549
Information systems	4,818,982	4,596,644	4,664,510	4,704,992
Administration	2,040,121	3,410,792	3,350,170	3,518,432
Administration services/building services	8,503,871	4,399,528	4,199,702	5,220,686
Capital outlay	1,002,122	385,169	16,501,583	4,117,373
Debt service				
Principal	1,225,155	550,939	522,096	490,875
Interest	114,177	67,920	47,964	1,058,880
Total expenditures	<u>38,640,602</u>	<u>38,919,903</u>	<u>55,428,552</u>	<u>46,540,196</u>
Excess of revenues over (under) expenditures	(944,674)	2,081,030	(14,668,888)	(3,872,374)
Other Financing Sources				
Capital lease proceeds	-	-	21,000,000	7,500,000
Transfers in	200,000	100,000	-	-
Total other financing sources	<u>200,000</u>	<u>100,000</u>	<u>21,000,000</u>	<u>7,500,000</u>
Net change in fund balances	<u>\$ (744,674)</u>	<u>\$ 2,181,030</u>	<u>\$ 6,331,112</u>	<u>\$ 3,627,626</u>
Debt service as a percentage of noncapital expenditures	3.56%	1.61%	1.46%	3.65%

(1) The requirement for statistical data is ten years; only nine years are available at this time.

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
\$	42,294,633	\$ 45,662,193	\$ 53,997,326	\$ 61,190,821	\$ 61,171,142
	-	-	-	-	-
	1,306,743	1,326,703	592,534	55,296	39,065
	415,013	418,762	480,123	405,486	354,446
	588,288	-	-	-	-
	376,155	557,545	269,397	353,101	396,148
	<u>44,980,832</u>	<u>47,965,203</u>	<u>55,339,380</u>	<u>62,004,704</u>	<u>61,960,801</u>
	5,206,976	7,151,961	9,699,915	9,217,871	8,099,641
	6,963,236	7,603,298	9,624,462	10,218,855	10,463,681
	16,067,803	17,296,546	21,080,167	23,948,617	24,703,329
	5,846,988	5,888,562	6,480,479	6,291,016	7,114,740
	3,753,254	4,059,326	4,399,795	5,520,413	5,302,049
	6,904,973	3,117,793	3,704,450	3,331,736	3,277,849
	161,635	515,036	65,118	220,591	179,018
	1,308,473	845,776	984,579	1,104,733	1,066,572
	1,581,698	1,523,128	1,481,155	1,430,165	1,371,496
	<u>47,795,036</u>	<u>48,001,426</u>	<u>57,520,120</u>	<u>61,283,997</u>	<u>61,578,375</u>
	(2,814,204)	(36,223)	(2,180,740)	720,707	382,426
	-	-	319,725	-	-
	-	-	-	-	-
	-	-	<u>319,725</u>	-	-
\$	<u>(2,814,204)</u>	<u>(36,223)</u>	<u>(1,861,015)</u>	<u>720,707</u>	<u>382,426</u>
	6.07%	4.99%	4.29%	4.15%	3.97%

HARRIS COUNTY APPRAISAL DISTRICT
ADJUSTED LEVY FOR ASSESSMENTS AND ASSESSMENTS COLLECTED
Last Ten Years

	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>
Total adjusted levy for calculation of taxing unit assessments ^{(1) (2)}	\$ 4,334,150,911	\$ 4,791,251,072	\$ 5,021,165,739	\$ 5,350,422,513
Direct rate	100%	100%	100%	100%
Assessments	\$ 33,369,630	\$ 36,969,245	\$ 39,710,089	\$ 39,694,405

(1) According to Sec 6.06 of the Texas Tax Code, each taxing unit participating in the district is allocated a portion of the amount of the budget equal to the proportion that the total dollar amount of property taxes imposed in the district by the unit for the tax year in which the budget proposal is prepared bears to the sum of the total dollar amount of property taxes imposed in the district by each participating unit for that year.

(2) Adjusted levy reported is for the fourth quarter billing at year end.

<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
\$ 5,598,434,724	\$ 6,003,582,726	\$ 6,278,466,241	\$ 6,586,789,240	\$ 7,349,553,692	\$ 7,467,082,380
100%	100%	100%	100%	100%	100%
\$ 40,561,015	\$ 42,294,558	\$ 45,662,191	\$ 53,997,326	\$ 61,189,143	\$ 61,171,142

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HARRIS COUNTY APPRAISAL DISTRICT
PRINCIPAL TAXING JURISDICTIONS
 Current Year and Nine Years Ago

Taxing Jurisdictions	2010			2001		
	Tax Levy	Rank	% of Taxable Assessed Value	Tax Levy	Rank	% of Taxable Assessed Value
Houston ISD	\$ 1,190,008,256	1	15.94%	\$ 881,616,378	1	20.34%
Harris County	1,116,323,146	2	14.95%	551,523,017	2	12.73%
City of Houston	953,585,007	3	12.77%	574,731,032	3	13.26%
Harris County Hospital Dist.	530,538,020	4	7.11%	311,355,036	4	7.18%
Cypress-Fairbanks ISD	446,300,217	5	5.98%	237,086,530	5	5.47%
Spring Branch ISD	243,084,561	6	3.26%	171,643,450	6	3.96%
Katy ISD	182,452,498	7	2.44%	n/a	n/a	n/a
Deer Park ISD	n/a	n/a		116,088,878	7	
Aldine ISD	176,771,130	8	2.37%	110,467,626	8	-
Klein ISD	175,920,321	9	2.36%	95,984,536	9	2.21%
Humble ISD	157,302,289	10	2.11%	n/a	n/a	n/a
Alief ISD	n/a	n/a	n/a	107,027,587	10	2.47%
Subtotal	\$ 5,172,285,445		69.27%	\$ 3,157,524,070		67.62%
Other Taxing Jurisdictions	2,294,796,935		30.73%	1,176,626,841		27.15%
Total	\$ 7,467,082,380		100.00%	\$ 4,334,150,911		94.77%

Source: Harris County Appraisal District's departmental records.

HARRIS COUNTY APPRAISAL DISTRICT

RATIOS OF OUTSTANDING DEBT BY TYPE

Last Nine Years ⁽¹⁾

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
Governmental Activities:				
Notes payable	\$ 2,071,935	\$ 1,520,997	\$ 998,901	\$ 508,026
Capital leases	-	-	2,100,000	28,500,000
Total	<u>\$ 2,071,935</u>	<u>\$ 1,520,997</u>	<u>\$ 3,098,901</u>	<u>\$ 29,008,026</u>
Taxing jurisdictions in district	398	401	411	419
Debt per taxing unit ⁽²⁾	\$ 5,206	\$ 3,793	\$ 7,540	\$ 69,232

(1) The requirement for statistical data is ten years; only nine years are available at this time.

(2) This does not represent the applicable portion of debt per taxing jurisdiction as the district's budget is allocated among the taxing jurisdictions according to their property taxes levied for the corresponding budget year.

Note: Details regarding the district's outstanding debt can be found in the notes to the financial statements.

<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
\$ -	\$ -	\$ -	\$ -	\$ -
27,699,553	26,853,777	25,960,063	25,015,651	24,017,619
<u>\$ 27,699,553</u>	<u>\$ 26,853,777</u>	<u>\$ 25,960,063</u>	<u>\$ 25,015,651</u>	<u>\$ 24,017,619</u>
429	429	477	476	485
\$ 64,568	\$ 62,596	\$ 54,424	\$ 52,554	\$ 49,521

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HARRIS COUNTY APPRAISAL DISTRICT

DEMOGRAPHIC AND ECONOMIC STATISTICS

Last Ten Years

Fiscal Year Ended December 31	(a) Estimated Population (In Thousands)	(a) Personal Income (In Thousands)	(a) Per Capita Personal Income	(a) Unemployment Rate
2001	3,484	\$ 129,728,437	\$ 37,238	4.7%
2002	3,559	\$ 128,298,585	\$ 36,049	6.1%
2003	3,617	\$ 133,463,543	\$ 36,900	6.8%
2004	3,673	\$ 146,158,087	\$ 39,796	6.3%
2005	3,735	\$ 160,710,955	\$ 43,028	5.7%
2006	3,858	\$ 177,998,800	\$ 46,132	5.1%
2007	3,912	\$ 194,177,877	\$ 49,634	4.3%
2008	3,984	\$ 190,226,395	\$ 47,788	4.8%
2009	4,071 (b)	\$ 185,938,854	45,674	7.6%
2010	4,092 (b)	Not Available	Not Available	8.5%

Data sources:

(a) Source: <http://www.tracer2.com> (Texas Workforce Commission)

(b) Source: <http://quickfacts.census.gov> (U.S. Census Bureau)

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HARRIS COUNTY APPRAISAL DISTRICT

PRINCIPAL EMPLOYERS

Prior Year and Ten Years Ago*

(amounts in thousands)

Employer	2009			2000		
	Employees	Rank	Percentage of Total Employment	Employees	Rank	Percentage of Total Employment
Continental Airlines	14,651	1	0.54%	16,779	1	0.74%
Exxon Mobil	13,353	2	0.49%			
Shell Oil Company	11,855	3	0.44%	7,425	10	0.33%
Chevron/Texas	7,000	4	0.26%			
JP Morgan Chase (former Texas Commerce Bank)	6,500	5	0.24%			
AT&T, Inc. (former SBC/Southwestern Bell)	6,047	6	0.22%			
Baker Hughes, Inc.	5,369	7	0.20%			
KBR Inc.	5,089	8	0.0019	15,550	3	0.68%
CenterPoint Energy (former Houston Industries)	4,750	9	0.17%			
Aramark	4,500	10	0.17%			
Halliburton	4,500	10	0.17%			
Administaff, Inc.				16,458	2	0.72%
Enron				13,669	4	0.60%
Compaq Computer				13,400	5	0.59%
Wal-Mart Stores, Inc.				9,560	6	0.42%
Kroger Food Stores				9,100	7	0.40%
Southwestern Bell/SWB				7,800	8	0.34%
Reliant Energy Inc./Center Point Energy				7,670	9	0.34%
	<u>83,614</u>			<u>117,411</u>		

* Based on calendar year. Updated data for 2010 is not yet available.

Source: Houston Business Journal, Business First Survey/Greater Houston Partnership/HBJ, Harris County Flood Control District CAFR

Note: Total County Employment for 2009 was approximately 2,715,000 and for 2000 was 2,278,600

HARRIS COUNTY APPRAISAL DISTRICT

EMPLOYED POSITIONS BY FUNCTION

Last Ten Years

Positions (a):				
Number of regular positions	2001	2002	2003	2004
Office of the Chief Appraiser	6	6	6	6
Support Services	157	147	142	143
Appraisal	299	313	280	299
Information Systems	48	51	47	46
Administration	29	26	36	38
Regular positions	539	543	511	532

Notes:

(a) Data represents employed positions at year end.

<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
6	6	7	7	7	6
140	143	157	177	176	173
303	305	313	363	368	359
53	51	47	49	48	48
34	37	37	34	41	44
<u>536</u>	<u>542</u>	<u>561</u>	<u>630</u>	<u>640</u>	<u>630</u>

HARRIS COUNTY APPRAISAL DISTRICT
STATE COMPTROLLER'S STUDY BY MEDIAN LEVEL OF APPRAISAL ⁽¹⁾
Last Ten Years

Property Category	2001	2002	2003	2004
Single family residential	0.98	0.98	0.97	0.98
Multi-family residential	0.96	0.97	0.98	0.88
Vacant lots	0.95	0.96	0.85	0.9
Acreage	0.92	0.97	0.97	0.82
Commercial real property	1.00	0.98	0.99	0.97
Utilities	1.01	1.01	n/a	0.97
Commercial personal property	0.98	0.99	0.98	0.97
Overall Median Level	0.98	0.98	0.98	0.98

NOTES:

(1) The statistical median reflects the mid-point of a sample, it is generally desirable to maintain median appraisal levels at or slightly below 1.00 to avoid over-appraisal of properties. The International Association of Assessing Officers (IAAO) guidelines state that the overall level of appraisal for all parcels in the jurisdiction should be within 10 percent of the legal level. Based on these criteria, the district's appraisal level for the current year is considered to reflect very good appraisal performance.

(2) Data from district's appraisal department.

(3) Prior to 2010, the Texas Comptroller of Public Accounts was required by statute to study appraisal districts in Texas each year to determine the degree of uniformity of property tax appraisals to market value (Property Value Study or PVS). Study results are used by the State of Texas in a complex formula for allocating state funds for education. For 2010, legislation was enacted requiring the annual study to be conducted every two years and established the requirement for a review of appraisal districts.

2005	2006	2007	2008	2009	2010
0.99	0.98	0.99	0.98	0.99	n/a
0.97	0.93	0.94	0.92	0.98	n/a
0.90	9.00	0.94	0.95	0.98	n/a
0.87	0.99	0.90	0.92	1.00	n/a
0.95	0.92	0.93	0.94	0.98	n/a
1.00	1.00	1.01	n/a	0.97	n/a
0.97	0.98	0.98	0.99	0.99	n/a
0.98	0.97	0.98	0.98	0.99	n/a (3)

HARRIS COUNTY APPRAISAL DISTRICT

PROTEST ACTIVITY AND LITIGATION VOLUME

Last Ten Years

<u>Property Category</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>
Reappraisal year	Yes	No	Yes	No
Accounts protested	165,638	146,924	180,757	181,662
Value of accounts	\$ 70,633,000,000	\$ 74,061,000,000	\$ 77,496,000,000	\$ 90,091,000,000
Average percentage reduction	11.4%	9.0%	9.5%	9.1%
Total lawsuits	587	656	814	1,110
Number of accounts	1,490	2,631	3,899	2,518
Value of accounts	\$ 4,082,849,430	\$ 4,461,957,606	\$ 5,864,656,743	\$ 5,569,590,014
Number of accounts resolved	1,490	2,515	3,801	2,333
Average percentage reduction	9.9%	9.6%	11.9%	10.5%

NOTES:

(a) Data from district's appraisal department.

2005		2006		2007		2008		2009		2010	
	Yes		No		Yes		Yes		No		Yes
	218,053		259,040		374,860		379,060		391,774		321,685
\$	113,953,000,000	\$	152,044,000,000	\$	189,374,000,000	\$	216,401,984,383	\$	217,732,021,116	\$	186,432,243,486
	8.0%		7.9%		11.0%		18.0%		9.1%		8.3%
	1,276		2,134		3,439		2,592		2,705		2,186
	2,385		3,299		5,497		5,604		7,170		4,817
\$	6,266,206,462	\$	14,254,012,916	\$	18,469,488,665	\$	25,388,766,249	\$	28,122,962,069	\$	15,840,159,430
	1,927		470		523		308		1,420		388
	1.1%		10.7%		13.7%		17.3%		11.9%		10.9%

HARRIS COUNTY APPRAISAL DISTRICT

OPERATING INDICATORS BY FUNCTION/PROGRAM

Last Ten Years

	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>
Function / Program				
Appraisal				
Appraised value	\$ 216,627,233	\$ 226,954,190	\$ 221,058,310	\$ 233,384,358
Number of accounts	1,563,763	1,589,105	1,627,915	1,649,737

Source: Various district departments.

<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
\$ 271,036,688	\$ 293,384,510	\$ 327,590,375	\$ 364,711,001	\$ 372,664,071	\$ 359,326,951
1,667,540	1,470,831	1,486,328	1,522,251	1,541,287	1,542,759

HARRIS COUNTY APPRAISAL DISTRICT

CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM

Last Seven Years ⁽¹⁾

Function/Program	Fiscal Year			
	2004	2005	2006	2007
General Fund:				
Office of the Chief Appraiser	64	69	69	74
Support Services	273	294	294	268
Appraisal Support	172	217	217	240
Appraisal	343	353	353	320
Information Systems	789	1,275	1,279	1,734
Administration	191	199	199	191

Source: Various district departments.

(1) The requirement for statistical data is ten years; only seven years are available at this time.

Figures represent total capital assets by function.

<u>2008</u>	<u>2009</u>	<u>2010</u>
73	72	72
262	257	249
231	230	230
294	286	272
1,711	1,672	1,635
187	180	179