



***HARRIS COUNTY  
APPRAISAL DISTRICT***

***HARRIS COUNTY  
HOUSTON, TEXAS***

**2011  
Comprehensive  
Annual Financial  
Report**

*COMPREHENSIVE  
ANNUAL FINANCIAL REPORT*

of the

**HARRIS COUNTY  
APPRAISAL DISTRICT**

For the Year Ended  
December 31, 2011

Report Issued By:

Administration Department

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# HARRIS COUNTY APPRAISAL DISTRICT

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***INTRODUCTORY SECTION***

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# Harris County Appraisal District

13013 Northwest Freeway  
Houston TX 77040  
Telephone: (713) 812-5800

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

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*Board of Directors*

Glenn E. Peters, *Chair*  
Toni Trumbull, *Secretary*  
Ed Heathcott  
Ray Holtzapple  
Lawrence Marshall  
Don Sumners  
*Chief Appraiser*  
Jim Robinson

**Office of Chief Appraiser**

May 16, 2012

*Chief Deputy & Chief Legal Officer*

Sands L. Stiefer  
*Assistant Chief Appraisers*  
Roland Altinger  
Guy Griscom  
*Chief Information Officer*  
Al Garcia  
*Director of Information & Assistance*  
Bonnie Hebert  
*Taxpayer Liaison Officer*  
Teresa S. Terry

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, 2011.

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 financial statements for the year ended December 31, 2011. The independent auditors' report is located at the front of the financial section of this report.

Management's discussion and analysis (MD&A) immediately follows the independent auditors' 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 66<sup>th</sup> 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 488 taxing units.

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 2011 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 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 1<sup>st</sup> 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, appeals and corrections, residential, business and industrial property, and agricultural valuation. The Appraisal Department support functions include 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 12, 2011 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 taxable value for each of the 488 taxing unit appraisal rolls was \$2,261,855,946,428, resulting in a 2011 *ad valorem* tax levy of \$7,315,507,849, an increase of 3.63% over 2010.

The Houston housing market ended 2011 with seven consecutive months of increased home sales, 2011 bests 2010 in sales volume and pricing, putting 2011 solidly in the black. Year-end sales totaled 63,610 properties with dollar volume totaling over \$13 billion, compared to 60,871 properties worth \$12.3 billion for all of 2010. The median home price for a single-family home was \$155,000, or an increase of 0.7 percent compared to 2010. However, 2011 concluded with strengthened pricing compared to 2010 and increases of

4.0 percent in single-family home sales and 4.3 percent in total property sales. The average single-family sales price for all of 2011 increased by 0.9 percent. Harris County had over 13,573 foreclosure filings in 2011, a 71 percent decrease over 2010. The majority of residential appraisals were unchanged again for 2011.

Positive trends in the office building market contributed to a general stabilization in property values, such as, an increase in sales dollar volume and leasing activity, decreased vacancies, and increases in rental rates. Overall, office vacancies decreased to 12.8 percent, with the greatest decrease occurring in the Class "A" submarket. Year-end 2011 average capitalization rate for office buildings was 8.03 percent, a decrease from an average of 9.39 percent at year-end 2010.

The Houston apartment market is near top of investor demand. Rental rates increased 3.5 percent at year-end 2011 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 5.7 percent. There was a moderate increase in new construction over 2010, with twenty-six new complexes totaling 4,197 units. Of the twenty-six complexes that came online for 2011, ten were senior housing.

**Comparison of Appraised Values to Previous Year**

The change in appraised value of taxable property between years 2011 and 2010 is reflected in the table below.

<b>HARRIS COUNTY APPRAISAL DISTRICT APPRAISED VALUES</b>			
2011		2010	
Number of Accounts	Appraisal Value (in thousands)	Number of Accounts	Appraisal Value (in thousands)
1,552,502	\$365,450,661	1,542,759	\$359,326,951

*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 March 26, 2011. The change in the appraised and taxable values from 2010 to 2011 varied among taxing units, reflecting the mix of property types, exemptions, and market conditions within each unit.

<b>HARRIS COUNTY TAXABLE VALUES (in thousands \$)</b>				
	2011	2010	Change	Percentage Change
Appraised Value	\$365,450,661	\$359,326,951	\$6,123,710	1.70%
Taxable Value	\$276,887,747	\$273,325,352	\$3,562,395	1.30%

## 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 in the opposite year. 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 Texas Comptroller of Public Accounts released its 2011 PVS of all appraisal districts in Texas. The district's median level of appraisal for 2011, which is a preliminary result and will not be finalized until after the district's appeals have been heard, and the final median level of appraisal for 2010 are summarized in the following table:

<u>Property Category</u>	<u>Median Level of Appraisal</u>	
	<u>2011</u>	<u>2010</u>
Single Family Residential	.99	.99
Multi-Family Residential	.99	.98
Vacant Lots	1.00	.98
Acreage	.96	1.00
Commercial Real Property	.97	.98
Utilities	1.02	.97
Commercial Personal Property	.99	.99
Overall Median Level – All Properties	.99	.99

The preliminary results of the 2011 study reflect that appraisals within the district are generally uniform, with an average coefficient of dispersion of 11.74%. A coefficient of less than 10% is considered excellent in the more homogeneous urban areas, while 11%-15% is considered excellent in the more rural areas.

Since 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 99% appraisal level is considered to reflect very good appraisal performance.

### Property Owner Protests

During 2011 property owners and professional tax consultants filed 308,085 protests, resulting in a decrease of 4.23 percent from the 2010 protest volume of 321,685. 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 2011 protest activity data has been updated through April 5, 2012. The table below shows the protest activity for the last 10 years.

<b>PROTEST ACTIVITY</b> (dollars in millions)				
<u>Year</u>	<u>Reappraisal</u> <u>Year</u>	<u>Accounts</u> <u>Protested</u>	<u>Value of</u> <u>Accounts</u>	<u>Avg Percent</u> <u>Reduction</u>
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%
2011	Yes	308,085	\$184,712	8.1%

Property owners who are dissatisfied with their protest hearing result may appeal the appraisal review board decision by filing suit in state district court, filing an application for binding arbitration, or filing an application for a hearing with the State Office of Administrative Hearings

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

<b>LITIGATION VOLUME</b>					
<u>Year</u>	<u>Total</u> <u>Lawsuits</u>	<u>Number of</u> <u>Accounts</u>	<u>Value of</u> <u>Accounts</u>	<u>Number</u> <u>Resolved</u>	<u>Value</u> <u>Loss %</u>
2002	656	2,631	\$ 4,447,946,506	2,631	9.48%
2003	821	3,901	\$ 5,873,710,453	3,901	11.74%
2004	1,112	2,538	\$ 5,582,515,111	2,534	9.71%
2005	1,233	2,454	\$ -6,507,678,235	2,446	10.46%
2006	2,172	3,913	\$17,524,904,263	3,886	11.59%
2007	3,530	6,093	\$21,442,567,224	6,078	11.81%
2008	2,729	6,214	\$29,042,554,579	5,800	13.75%
2009	2,714	8,516	\$31,578,675,491	7,916	13.60%
2010	2,196	5,401	\$17,430,386,167	4,168	11.45%
2011	2,934	5,999	\$20,643,144,346	718	12.01%

Rather than filing suit in state district court, property owners may appeal the appraisal review board decision through binding arbitration. Arbitration is available for properties valued at \$1,000,000 or less. Arbitration volume for the last 7 years (first available in 2005) is summarized in the table below:

<b>ARBITRATION VOLUME</b>				
<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	206	58	0
2008	348	273	75	0
2009	360	307	51	2
2010	397	364	26	7
2011	514	231	29	254

### ***Financial Information***

The general fund's total fund balance was \$14,538,153 with an unassigned balance of \$11,670,886 at year-end, which is 26.78 percent below the district's financial policy recommendation for budgetary and planning purposes. Following the lease-purchase of the district's new building, \$150,929 was restricted for building improvements. Other assignments include \$1,116,504 for special projects, \$1,378,967 for future litigation, and \$220,867 is nonspendable due to prepaid items. 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 15. 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 488 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 31 of the year before the budget takes effect. The taxing units pay approximately 0.84% 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 2011 expenditure budget of \$63,760,911 on August 18, 2010. This amount represented an \$110,230 decrease over the 2010 budget. Taxing unit funding decreased from \$61,171,141 in

2010 to \$61,060,911 for 2011 a decrease of \$110,230. The district budgeted a decrease of \$2,000,000 in the overall fund balance for 2011.

### ***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 2011, 218,936 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 (9,600 in 2011). 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 Reporting to the Harris County Appraisal District for its comprehensive annual financial report (CAFR) for the fiscal year ended December 31, 2010. This was the twenty-fourth 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 satisfies 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 & Chief Legal Officer



Billy R. Garton  
Director of Administration & Finance



Theresa Ramirez  
Assistant Director of Administration & Finance

# HARRIS COUNTY APPRAISAL DISTRICT

## APPRAISAL PROCESS

December 31, 2011

### 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, 2011

# 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, 2010

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.



*Linda C. Davison*

President

*Jeffrey R. Egan*

Executive Director

# HARRIS COUNTY APPRAISAL DISTRICT

## *DISTRICT OFFICIALS*

December 31, 2011

GLENN PETERS

Chairman

TONI TRUMBULL

Secretary

ED HEATHCOTT

Member

RAY HOLTZAPPLE

Member

LAWRENCE MARSHALL

Member

DON SUMNERS

Member

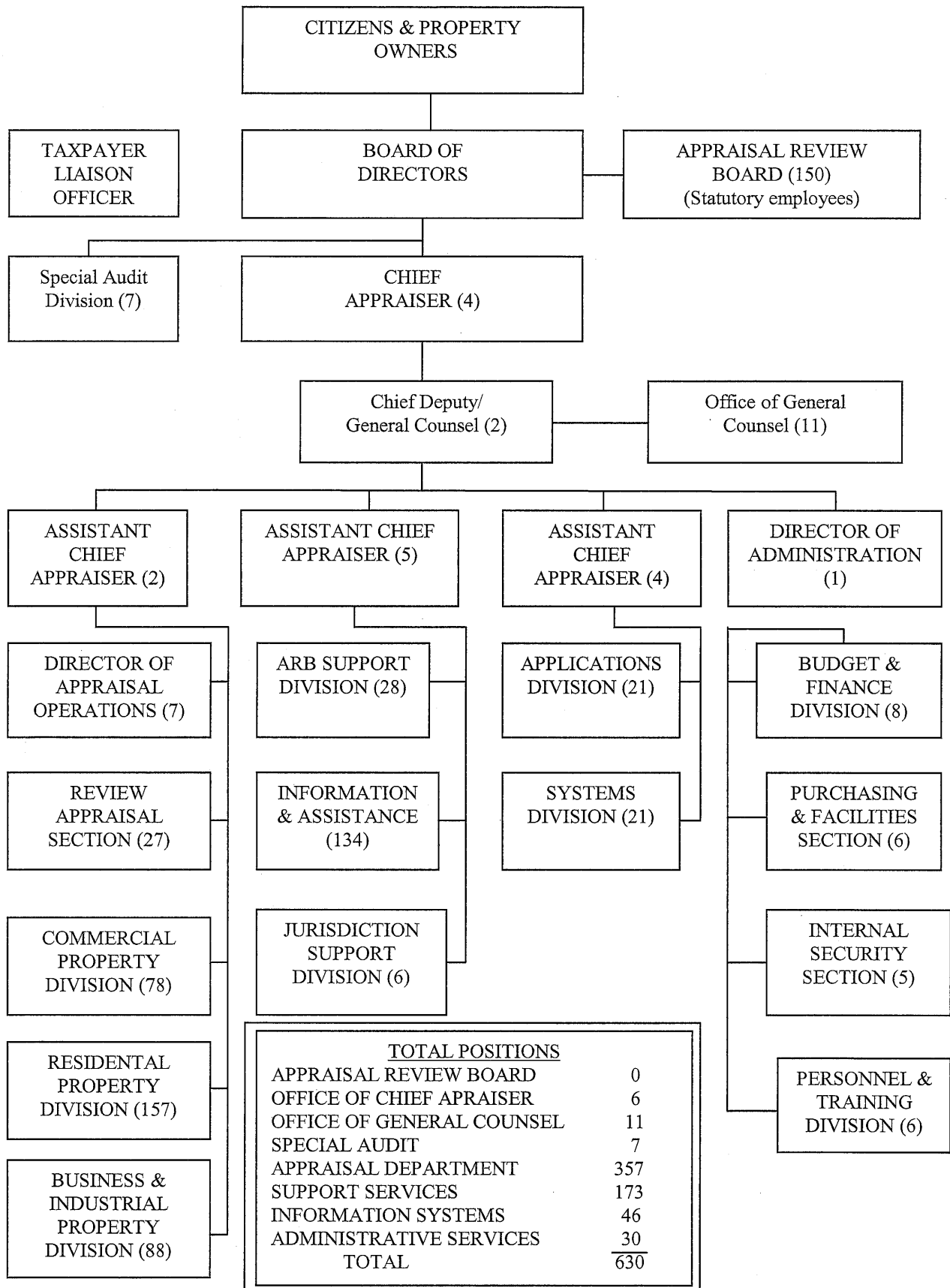
JIM ROBINSON

Chief Appraiser

# HARRIS COUNTY APPRAISAL DISTRICT

## PLAN OF ORGANIZATION

December 31, 2011

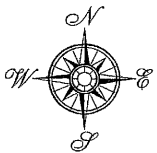
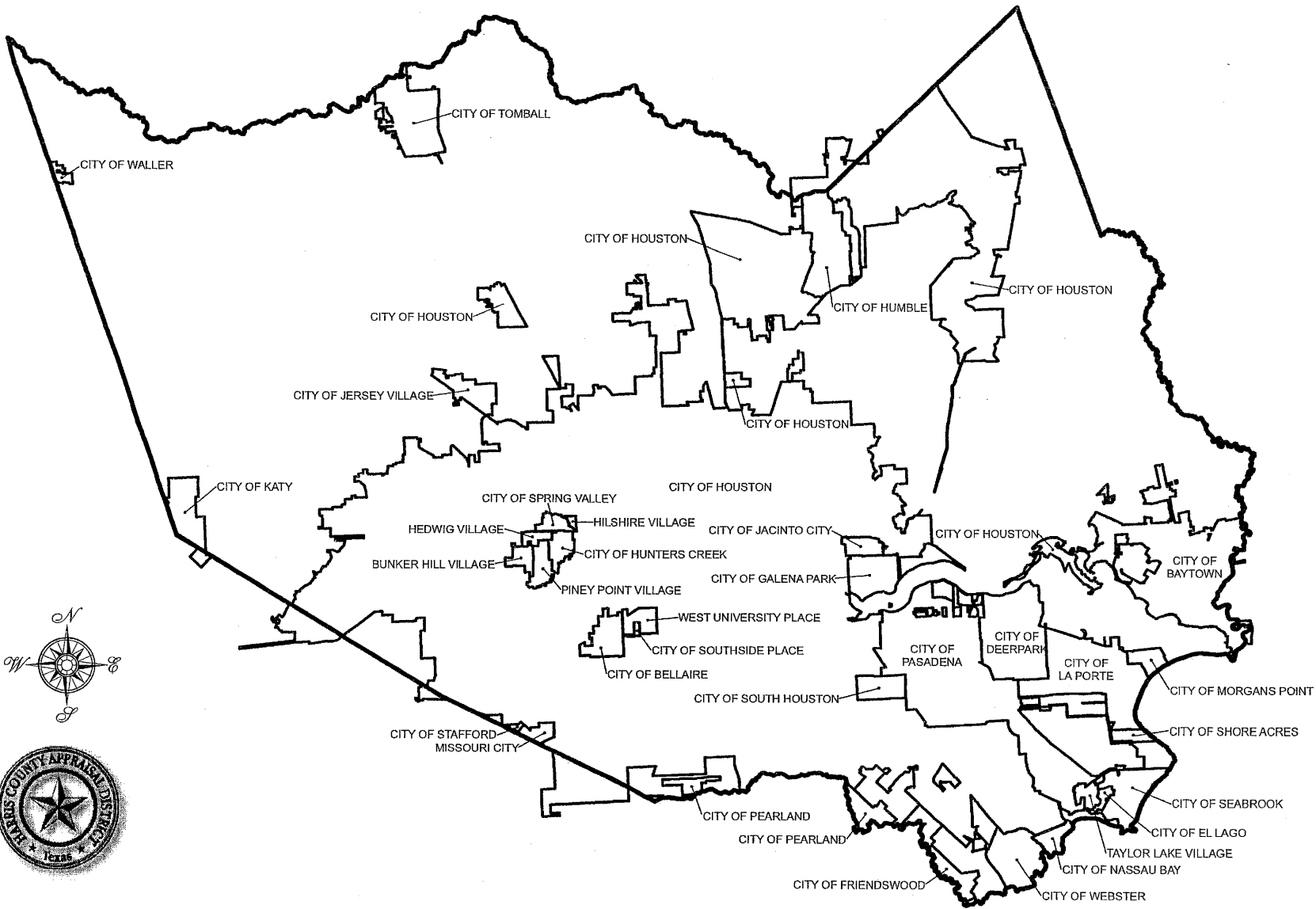




# HARRIS COUNTY APPRAISAL DISTRICT

## HARRIS COUNTY CITIES

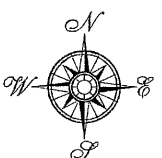
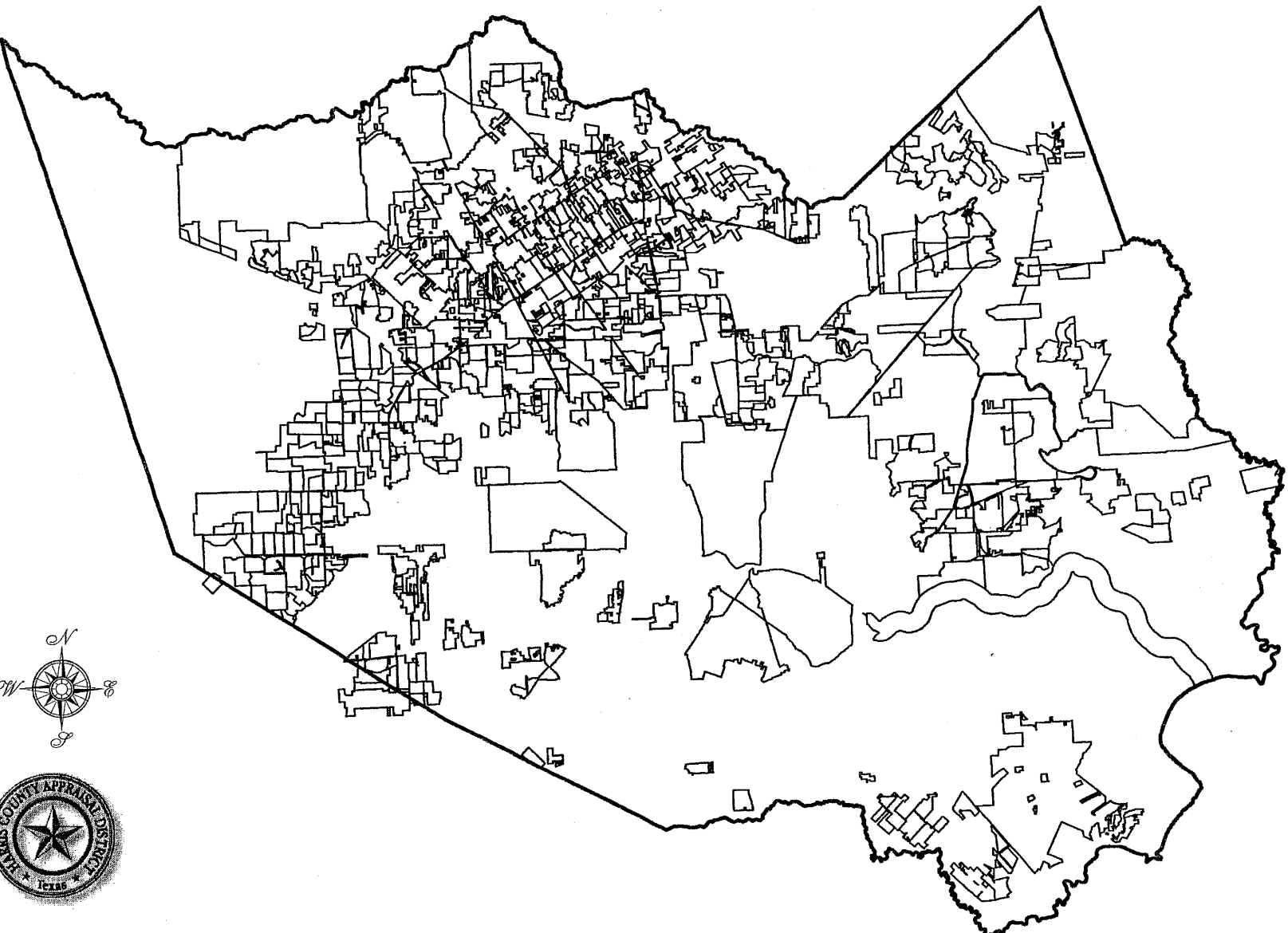
December 31, 2011



# HARRIS COUNTY APPRAISAL DISTRICT

## HARRIS COUNTY SPECIAL DISTRICTS

December 31, 2011



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***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, 2011, 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, 2011, 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, and schedules of funding progress, identified as Required Supplementary Information on the table of contents, are not required parts 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.

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**Partners**

Robert Belt, CPA  
Stephanie E. Harris, CPA  
Nathan Krupke, CPA

**Houston**

3210 Bingle Rd., Ste. 300  
Houston, TX 77055  
713.263.1123

**Bellville**

6100 Windy Hill Lane  
Bellville, TX 77418  
979.865.3169

**Austin**

100 Congress Ave., Ste. 2000  
Austin, TX 78701  
512.381.0222

**All Offices**

www.texasauditors.com  
info@txauditors.com  
713.263.1550 fax



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, 2012

***MANAGEMENT'S DISCUSSION  
AND ANALYSIS***

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# HARRIS COUNTY APPRAISAL DISTRICT

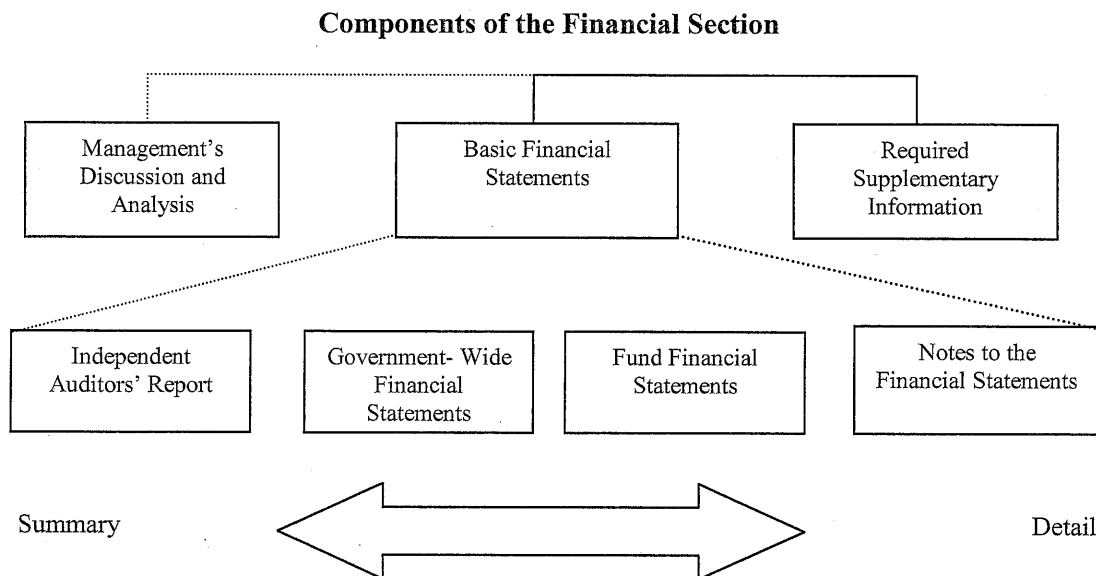
## MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended December 31, 2011

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, 2011. 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 the 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 (Continued)

For the Year Ended December 31, 2011

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 MD&A in this report.

### FUND FINANCIAL STATEMENTS

Funds may be considered as operating companies of the parent corporation which is the 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, the 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 the 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 (Continued)***

**For the Year Ended December 31, 2011**

### **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 a budgetary comparison schedule 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 \$13,742,605 as of year end.

A portion of the district's net assets, 71 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, 28 percent, are assets that may be used to meet the district's ongoing obligations to taxing units and creditors.



# HARRIS COUNTY APPRAISAL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

For the Year Ended December 31, 2011

### CONDENSED STATEMENT OF NET ASSETS

December 31, 2011 and 2010

	Governmental Activities		Percent Change
	2011	2010	
Current and other assets	\$ 34,895,738	\$ 37,925,192	-8%
Capital assets, net	22,775,758	23,317,765	-2%
<b>Total Assets</b>	<b>57,671,496</b>	<b>61,242,957</b>	<b>-6%</b>
Long-term liabilities	27,633,286	27,617,042	0%
Other liabilities	16,295,605	18,152,870	-10%
<b>Total Liabilities</b>	<b>43,928,891</b>	<b>45,769,912</b>	<b>-4%</b>
Net assets:			
Invested in capital assets, net of related debt	9,732,611	9,219,871	6%
Restricted	150,929	2,923,838	-95%
Unrestricted	3,859,065	3,329,336	16%
<b>Total Net Assets</b>	<b>\$ 13,742,605</b>	<b>\$ 15,473,045</b>	<b>-11%</b>

# HARRIS COUNTY APPRAISAL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

For the Year Ended December 31, 2011

### CONDENSED CHANGES IN NET ASSETS

For the Years Ended December 31, 2011 and 2010

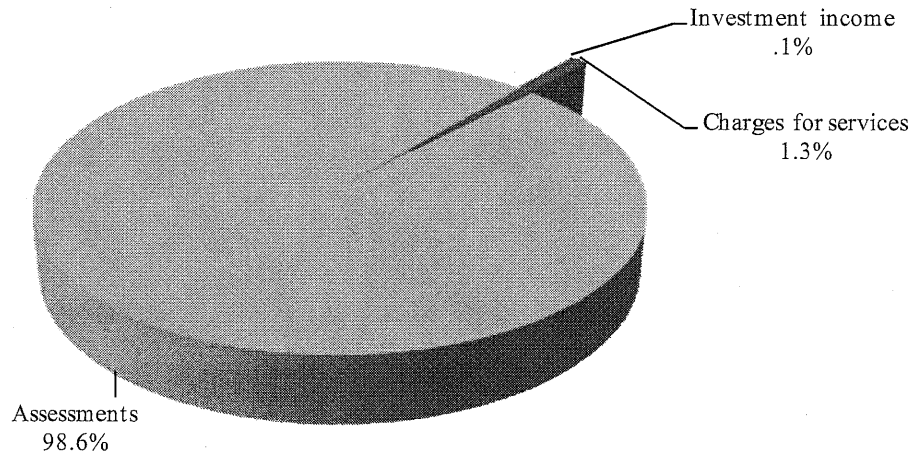
	Governmental Activities	
	2011	2010
<b>Revenues</b>		
Program revenues:		
Charges for services	\$ 549,947	\$ 743,712
General revenues:		
Assessments	61,060,911	61,171,142
Investment income	22,769	40,711
<b>Total Revenues</b>	<u>61,633,627</u>	<u>61,955,565</u>
<b>Expenses</b>		
Office of Chief Appraiser and		
Board of Directors	6,991,984	8,179,031
Appraisal support	10,323,347	10,566,860
Appraisal	24,341,084	24,831,948
Information systems	8,588,160	7,343,823
Administration	5,575,533	5,437,350
Administration/building services	6,229,802	2,745,811
Interest on long-term debt	1,314,157	1,255,167
<b>Total Expenses</b>	<u>63,364,067</u>	<u>60,359,990</u>
<b>Change in Net Assets</b>	(1,730,440)	1,595,575
Beginning Net Assets	<u>15,473,045</u>	<u>13,877,470</u>
<b>Ending Net Assets</b>	<u>\$ 13,742,605</u>	<u>\$ 15,473,045</u>

# HARRIS COUNTY APPRAISAL DISTRICT

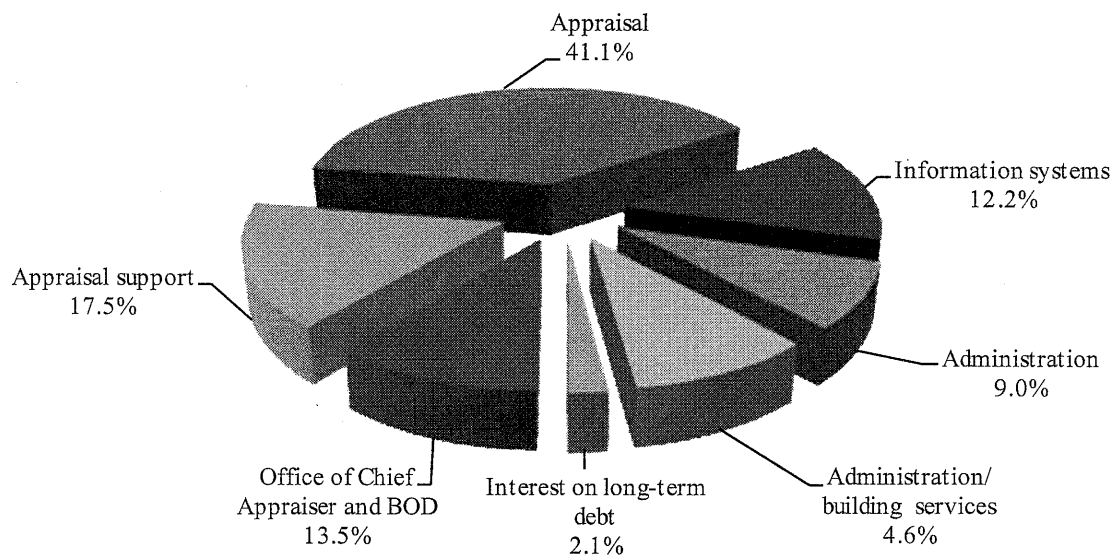
## MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

For the Year Ended December 31, 2011

### Governmental Activities - Revenues



### Governmental Activities - Expenses



### Governmental Activities

In comparison to the prior year, revenues decreased by 0.5 percent or \$321,938. Investment income experienced the greatest percentage decrease of all revenues, 44.1 percent, as a result of economic conditions.

Total expenses for the district increased in comparison to 2010 by \$3,004,077 or 5.0 percent. This was primarily due to building-related maintenance projects.

# HARRIS COUNTY APPRAISAL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

For the Year Ended December 31, 2011

### 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 fund 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 unassigned 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, unassigned fund balance of the general fund was \$11,670,886 while total fund balance was \$14,538,153. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 19 percent of total general fund expenditures, while total fund balance represents 23 percent of that same amount.

There was a decrease in fund balance for the general fund of \$1,437,144 due to a large increase in building and fixture maintenance projects.

**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 \$267,575 primarily as a result of decreased insurance claims.

### GENERAL FUND BUDGETARY HIGHLIGHTS

Actual general fund revenues were under final budgeted revenues by \$126,667 during the year. This net decrease is largely the result of less investment income and rendition penalty fees than projected. General fund expenditures were also less than the final budget by \$4,571,857 as a result of the district's 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 \$888,800 was to fund the additional \$1.5 million contribution made to the Texas County and District Retirement System (TCDRS). A significant variance was also noted for personnel expenditures in the appraisal division. The appraisal division's personnel expenditures decreased \$522,645 due to hiring freezes that occurred during the year. The administration division decreased the budget for office supplies and printing during the year by \$483,100 due to a large decrease in postage and handling costs as fewer inserts were required in protest notices.

### CAPITAL ASSETS AND DEBT ADMINISTRATION

**Capital Assets** – At the end of the year, the district's governmental activities funds had invested \$22,775,758 (net of accumulated depreciation) in a variety of capital assets. During the year, the district added to existing investments in vehicles.

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

# **HARRIS COUNTY APPRAISAL DISTRICT**

## ***MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)***

**For the Year Ended December 31, 2011**

**Long-Term Debt** – At the end of the current year, the district had total long-term debt of \$22,962,872, in addition to accrued compensated absences of \$2,988,679 and a net other post-employment benefit (OPEB) obligation of \$1,681,735.

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

### **ECONOMIC FACTORS AND NEXT YEAR'S BUDGET**

The district's Board of Directors approved a \$63.1 million budget for the 2012 fiscal year. There was no increase over the 2011 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, 2011

	<u>Primary Government Governmental Activities</u>
<b>Assets</b>	
Cash and cash equivalents	\$ 33,945,911
Receivables, net	578,031
Prepaid items	220,867
Cash with fiscal agent - restricted	150,929
	<u>34,895,738</u>
Capital assets - non-depreciable	8,365,075
Capital assets - depreciable, net of accumulated depreciation	14,410,683
	<u>22,775,758</u>
<b>Total Assets</b>	<u>57,671,496</u>
<b>Liabilities</b>	
Accounts payable and accrued liabilities	1,731,371
Unearned revenue	14,564,234
	<u>16,295,605</u>
Noncurrent liabilities:	
Due within one year	3,505,679
Due in more than one year	24,127,607
	<u>27,633,286</u>
<b>Total Liabilities</b>	<u>43,928,891</u>
<b>Net Assets</b>	
Invested in capital assets, net of related debt	9,732,611
Restricted	150,929
Unrestricted	3,859,065
<b>Total Net Assets</b>	<u>\$ 13,742,605</u>

See Notes to Financial Statements.



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# HARRIS COUNTY APPRAISAL DISTRICT

## STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2011

Functions/Programs	Expenses	Program Revenues Charges for Services	Net (Expense) Revenue and Change in Net Assets  Primary Government Governmental Activities
<b>Primary Government</b>			
<b>Governmental Activities</b>			
Office of Chief Appraiser and Board of Directors	\$ 6,991,984	\$ -	\$ (6,991,984)
Appraisal support	10,323,347	-	(10,323,347)
Appraisal	24,341,084	549,947	(23,791,137)
Information systems	8,588,160	-	(8,588,160)
Administration	5,575,533	-	(5,575,533)
Administration/building services	6,229,802	-	(6,229,802)
Interest on long-term debt	1,314,157	-	(1,314,157)
<b>Total Governmental Activities</b>	<u>\$ 63,364,067</u>	<u>\$ 549,947</u>	<u>(62,814,120)</u>
<b>Total Primary Government</b>	<u>\$ 63,364,067</u>	<u>\$ 549,947</u>	<u>(62,814,120)</u>
<b>General Revenues:</b>			
Assessments			61,060,911
Investment income			22,769
<b>Total General Revenues</b>			<u>61,083,680</u>
<b>Change in Net Assets</b>			<u>(1,730,440)</u>
Beginning Net Assets			15,473,045
<b>Ending Net Assets</b>			<u>\$ 13,742,605</u>

See Notes to Financial Statements.

# HARRIS COUNTY APPRAISAL DISTRICT

## BALANCE SHEET GOVERNMENTAL FUND

December 31, 2011

	<u>General</u>
<b>Assets</b>	
Cash and cash equivalents	\$ 30,034,043
Receivables, net	578,031
Prepaid items	220,867
Cash with fiscal agent - restricted	150,929
<b>Total Assets</b>	<u>\$ 30,983,870</u>
<b>Liabilities</b>	
Accounts payable and accrued liabilities	\$ 1,338,312
Deferred revenue	15,107,405
<b>Total Liabilities</b>	<u>16,445,717</u>
<b>Fund Balance</b>	
Nonspendable:	
Prepaid items	220,867
Restricted for:	
Building maintenance and repair	150,929
Assigned for:	
Special projects	1,116,504
Future litigation	1,378,967
Unassigned	11,670,886
<b>Total Fund Balance</b>	<u>14,538,153</u>
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	543,171
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	14,410,683
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.	
	3,518,809
Some liabilities are not reported as liabilities in the governmental funds:	
Non-current liabilities due within one year	(3,505,679)
Non-current liabilities due in more than one year	(24,127,607)
<b>Net Assets of Governmental Activities</b>	<u>\$ 13,742,605</u>

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, 2011

	<b>General</b>
<b>Revenues</b>	
Assessments	\$ 61,060,911
Investment income	20,993
Other revenue	269,021
Rendition penalty fee	283,546
<b>Total Revenues</b>	<b>61,634,471</b>
<b>Expenditures</b>	
<b>Current:</b>	
Office of Chief Appraiser and Board of Directors	6,931,647
Appraisal support	10,091,490
Appraisal	23,843,834
Information systems	8,052,079
Administration	5,368,780
Administration/building services	6,389,220
<b>Capital outlay</b>	25,661
<b>Debt service:</b>	
Principal	1,054,747
Interest and fiscal charges	1,314,157
<b>Total Expenditures</b>	<b>63,071,615</b>
<b>Net Change in Fund Balance</b>	<b>(1,437,144)</b>
Beginning Fund Balance	15,975,297
<b>Ending Fund Balance</b>	<b>\$ 14,538,153</b>

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, 2011**

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

Net changes in fund balance - governmental fund	\$ (1,437,144)
<p>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:</p>	
Capital outlay	25,661
Depreciation expense	(567,668)
<p>Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds:</p>	
Change in rendition penalty receivable	(2,620)
<p>The net revenue of certain activities of internal service funds is reported with governmental activities</p>	
	267,575
<p>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:</p>	
Principal paid	1,054,747
Change in accrued compensated absences	(517,271)
<p>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:</p>	
Change in net other post employment benefits obligation	<u>(553,720)</u>
<b>Change in Net Assets of Governmental Activities</b>	<b>\$ <u>(1,730,440)</u></b>

See Notes to Financial Statements.

# HARRIS COUNTY APPRAISAL DISTRICT

## STATEMENT OF NET ASSETS

### PROPRIETARY FUND

December 31, 2011

	<u>Governmental Activities</u>
	<u>Internal Service</u>
<b><u>Assets</u></b>	
Cash and cash equivalents	\$ 3,911,868
<b>Total Assets</b>	<u>3,911,868</u>
<b><u>Liabilities</u></b>	
Estimated claims payable	393,059
<b>Total Liabilities</b>	<u>393,059</u>
<b><u>Net Assets</u></b>	
Unrestricted	3,518,809
<b>Total Net Assets</b>	<u>\$ 3,518,809</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, 2011

	Governmental Activities
	Internal Service
<b><u>Operating Revenues</u></b>	
Charges for services	\$ 3,972,607
Claim refunds and other	239,762
<b>Total Operating Revenues</b>	<b>4,212,369</b>
 <b><u>Operating Expenses</u></b>	
Insurance claims	2,552,589
Prescription claims	1,093,280
Dental claims	300,701
<b>Total Operating Expenses</b>	<b>3,946,570</b>
<b>Operating Income</b>	<b>265,799</b>
 <b><u>Nonoperating Revenues</u></b>	
Investment income	1,776
<b>Total Nonoperating Revenues</b>	<b>1,776</b>
<b>Change in Net Assets</b>	<b>267,575</b>
Beginning Net Assets	3,251,234
<b>Ending Net Assets</b>	<b>\$ 3,518,809</b>

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, 2011

	<u>Governmental Activities Internal Service</u>
<b><u>Cash Flows from Operating Activities</u></b>	
Proceeds for charges for services	\$ 4,212,369
Claims paid	<u>(3,932,954)</u>
<b>Net Cash Provided by Operating Activities</b>	<u>279,415</u>
<b><u>Cash Flows from Investing Activities</u></b>	
Interest on investments	1,776
<b>Net Cash Provided by Investing Activities</b>	<u>1,776</u>
<b>Net Increase in Cash and Cash Equivalents</b>	281,191
Beginning Cash and Cash Equivalents	<u>3,630,677</u>
<b>Ending Cash and Cash Equivalents</b>	<u><u>\$ 3,911,868</u></u>
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities</b>	
Operating income	\$ 265,799
<b>Adjustments to reconcile operating income to net cash provided by operating activities:</b>	
Increase in estimated claims payable	13,616
<b>Net Cash Provided by Operating Activities</b>	<u><u>\$ 279,415</u></u>

See Notes to Financial Statements.

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# HARRIS COUNTY APPRAISAL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended December 31, 2011

### 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. 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

# HARRIS COUNTY APPRAISAL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the Year Ended December 31, 2011

separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate.

Following is a description of the various funds:

### ***Governmental Funds***

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 Funds***

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.

### **C. 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.

# HARRIS COUNTY APPRAISAL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the Year Ended December 31, 2011

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 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 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.

### **D. 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.

#### ***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.

# HARRIS COUNTY APPRAISAL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the Year Ended December 31, 2011

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

# HARRIS COUNTY APPRAISAL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the Year Ended December 31, 2011

### 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

Fund balances of governmental funds are classified as follows:

Nonspendable fund balance – represents amounts that cannot be spent because they are either in nonspendable form (such as inventory or prepaid insurance) or are legally required to remain intact (such as notes receivable or principal of a permanent fund).

Restricted fund balance – represents amounts that are constrained by external parties, constitutional provisions, or by enabling legislation.

Committed fund balance – represents amounts constrained to specific purposes by the district itself, using its highest level of decision-making authority (i.e., Board of Directors). To be reported as committed, amounts cannot be used for any other purpose unless the district takes the same highest level action to remove or change the constraint. The commitment must be made prior to year end.

Assigned fund balance – represents amounts the district intends to use for a specific purpose. Intent can be expressed by the Board of Directors or by an official or body to which the district delegates the authority. In governmental funds other than the general fund, assigned fund balance represents the amount that is not restricted or committed. This indicates that resources in other governmental funds are, at a minimum, intended to be used for the purpose of that fund. Assignments can be made at any time.

Unassigned fund balance – represents amounts that are available for any purpose. Positive amounts are reported only in the general fund. Other governmental funds might report a negative balance in this classification because of overspending for specific purposes for which amounts had been restricted, committed, or assigned.

When an expenditure is incurred for which restricted, committed, assigned, or unassigned fund balances are available, the district considers amounts to have been spent first out of restricted, then committed, then assigned funds, and finally unassigned funds.



# HARRIS COUNTY APPRAISAL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the Year Ended December 31, 2011

The Board of Directors is the government's highest level of decision-making authority and the formal action that is required to be taken to establish, modify, or rescind a fund balance commitment is a ordinance approved by the Board. The ordinance must either be approved or rescinded, as applicable, prior to the last day of the fiscal year for which the commitment is made. The amount subject to the constraint may be determined in the subsequent period.

## 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, 2011, was legally enacted through passage of board resolution 2010-7 on August 18, 2010.

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 \$25,000. Supplemental

# HARRIS COUNTY APPRAISAL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the Year Ended December 31, 2011

appropriations in excess of the total budget require budget amendments in the manner provided by law. No supplemental appropriations were made during 2011.

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 an assignment 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, 2011 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	\$ 150,929	0.22
State pool (TexPool)	19,712,091	0.00
Total fair value	<u>\$ 19,863,020</u>	
Portfolio weighted average maturity		0.00

*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, 2011, 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, 2011, market values of pledged securities and FDIC insurance 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.

# HARRIS COUNTY APPRAISAL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the Year Ended December 31, 2011

### *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, 2011, consist of the following:

Jurisdiction assessments	\$	557,765
Accounts receivable		20,266
Total Receivables	\$	<u>578,031</u>

# HARRIS COUNTY APPRAISAL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the Year Ended December 31, 2011

### C. Capital Assets

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

	Beginning Balance	Additions	Deletions/ Reclassifications	Ending Balance
<b>Governmental Activities:</b>				
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	709,101	-	(16,227)	692,874
Computers and peripherals	6,877,741	-	(207,372)	6,670,369
Vehicles and other	95,070	25,661	-	120,731
Total capital assets being depreciated	24,283,944	25,661	(223,599)	24,086,006
Less accumulated depreciation:				
Building	(1,992,244)	(332,041)	-	(2,324,285)
Furniture and equipment	(672,708)	(36,393)	16,227	(692,874)
Computers and peripherals	(6,583,538)	(192,651)	207,372	(6,568,817)
Vehicles and other	(82,764)	(6,583)	-	(89,347)
Total accumulated depreciation	(9,331,254)	(567,668)	223,599	(9,675,323)
Total capital assets, being depreciated, net	14,952,690	(542,007)	-	14,410,683
Governmental activities capital assets, net	\$ 23,317,765	\$ (542,007)	\$ -	22,775,758
				Less associated debt
				(13,043,147)
<b>Invested in capital assets, net of related debt</b>				<b>\$ 9,732,611</b>

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

Governmental activities:	
Office of chief appraiser and board of directors	\$ 3,520
Appraisal support	11,466
Appraisal	20,039
Information systems	312,218
Administration	114,044
Administration/ building services	106,381
<b>Total Depreciation Expense - Governmental Activities</b>	<b>\$ 567,668</b>

# HARRIS COUNTY APPRAISAL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the Year Ended December 31, 2011

### 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, 2011, there is a balance of \$150,929 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.

# HARRIS COUNTY APPRAISAL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the Year Ended December 31, 2011

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

Beginning balance	\$ 2,923,838
Building improvements	(2,773,136)
Interest earnings	227
Ending balance	\$ 150,929

Future combined minimum capital lease payments for this lease as of December 31, 2011, are as follows:

Year Ending Dec. 31	Capital lease				Total	
	\$21 M		\$7.5 M		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
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	1,031,445	652,595	360,035	324,828	1,391,480	977,423
2017-2021	6,032,779	2,387,424	2,213,672	1,210,642	8,246,451	3,598,066
2022-2025	6,075,893	660,271	2,394,453	344,999	8,470,346	1,005,270
<b>Total</b>	<b>\$ 16,774,468</b>	<b>\$ 6,802,100</b>	<b>\$ 6,188,404</b>	<b>\$ 3,399,674</b>	<b>\$ 22,962,872</b>	<b>\$ 10,201,774</b>

Capital assets acquired under capital lease obligations and the accumulated depreciation as of December 31, 2011, are as follows:

Land	\$ 2,335,000
Building	16,602,032
Less accumulated depreciation	(2,324,285)
<b>Total</b>	<b>\$ 16,612,747</b>

### 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
<b>Governmental Activities</b>					
Notes and other payables:					
Capital leases	\$ 24,017,619	\$ -	\$ 1,054,747	\$ 22,962,872	* \$ 1,114,736
Other liabilities:					
Net OPEB obligation	1,128,015	781,443	227,723	1,681,735	-
Compensated absences	2,471,408	2,237,620	1,720,349	2,988,679	2,390,943
<b>Total Governmental Activities</b>	<b>\$ 27,617,042</b>	<b>\$ 3,019,063</b>	<b>\$ 3,002,819</b>	<b>\$ 27,633,286</b>	<b>\$ 3,505,679</b>
<b>Long-term liabilities due in more than one year</b>				<b>\$ 24,127,607</b>	
<b>*Capital leases</b>				\$ 22,962,872	
Lease portion expended on noncapital costs				(9,919,725)	
<b>Debt associated with capital assets</b>				<b>\$ 13,043,147</b>	

# HARRIS COUNTY APPRAISAL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the Year Ended December 31, 2011

### 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 are 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:

	2011	2010
Beginning claims payable	\$ 379,443	\$ 319,782
Claims incurred	2,566,205	3,174,948
Claims paid	(2,552,589)	(3,115,287)
<b>Ending Claims Payable</b>	<b>\$ 393,059</b>	<b>\$ 379,443</b>

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 2011, the actual amount paid was \$37,100.

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 \$1,378,967 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. Prescription drug claims are not subject to either the aggregate or the specific stop-loss insurance. The risk of loss to the district in health claims is limited to the total aggregate stop-loss coverage of approximately \$3,346,034.

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

# HARRIS COUNTY APPRAISAL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the Year Ended December 31, 2011

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 2011, the district's expenditures were approximately \$2,010,704 (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 TCDRS is responsible for the administration of the statewide agent multiple-employer public employee retirement system consisting of 618 nontraditional defined benefit pension plans. TCDRS in the aggregate issues a comprehensive annual financial report (CAFR) on a calendar year basis. The CAFR is available upon written request from the TCDRS Board of Trustees at P. O. Box 2034, Austin, Texas 78768-2034.

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.

	<u>2011</u>	<u>2010</u>
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 12.49 percent for calendar year 2011. 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.



# HARRIS COUNTY APPRAISAL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the Year Ended December 31, 2011

### *Annual Pension Cost*

For the district's accounting year ending December 31, 2011, the annual pension cost for the TCDRS plan for its employees was \$5,115,219, which were the actual contributions. This includes an additional payment by the district in the amount of \$1,500,000 for 2011.

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 2011. The December 31, 2010 actuarial valuation is the most recent valuation.

	2011	2010	2009
Annual Req. Contrib. (ARC)	\$ 3,615,219	\$ 3,958,641	\$ 3,761,970
Contributions Made	3,615,219	3,958,641	3,761,970
NPO at the End of Period	\$ -	\$ -	\$ -

The required contribution rates for calendar year 2011 were determined as part of the December 31, 2009 actuarial valuations. Additional information as of the latest actuarial valuation, December 31, 2010, also follows:

	2011	2010	2009
Actuarial Valuation Date	12/31/2010	12/31/2009	12/31/2008
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	20 Years - Closed
Asset Valuation Method	10-yr Smoothed Value	10-yr Smoothed Value	10-yr Smoothed Value
Investment Rate of Return	8.00%	8.00%	8.00%
Projected Salary Increases	5.40%	5.40%	5.30%
Includes Inflation at	3.50%	3.50%	3.50%
Cost of Living Adjustmnets	0.00%	0.00%	0.00%

The funded status as of December 31, 2010, the most recent valuation date, is as follows:

	2011	2010	2009
Actuarial Valuation Date	12/31/2010	12/31/2009	12/31/2008
Actuarial Value of Assets	\$ 92,821,671	\$ 83,767,571	\$ 74,174,309
Actuarial Accrued Liability	\$ 108,131,426	\$ 99,429,918	\$ 89,870,806
Percentage Funded	85.84%	84.25%	82.53%
Unfunded Actuarial Accrued Liability (UAAL)	\$ 15,309,755	\$ 15,662,347	\$ 15,696,497
Annual Covered Payroll	\$ 30,012,450	\$ 30,612,473	\$ 26,790,518
UAAL as a Percentage of Covered Payroll	51.01%	51.16%	58.59%

The schedule of funding progress, presented as RSI 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 for benefits.

# HARRIS COUNTY APPRAISAL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the Year Ended December 31, 2011

### 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 65<sup>th</sup> birthday or the fifth anniversary of retirement, whichever is earliest. At age 65, retirees are eligible to participate in the Medicare supplemental 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.

##### *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	\$	777,712
Interest on OPEB obligation		50,761
Adjustment to ARC		(47,030)
Annual OPEB costs		<u>781,443</u>
Contributions made		<u>(227,723)</u>
Increase in net OPEB obligation		553,720
Net OPEB obligation - beginning of year		<u>1,128,015</u>
Net OPEB obligation - end of year	\$	<u><u>1,681,735</u></u>

# HARRIS COUNTY APPRAISAL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the Year Ended December 31, 2011

The district's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2011 and the two preceding years are as follows:

Fiscal year	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation	
			Beginning	Ending
2009	\$ 625,395	47.72%	\$ 426,198	\$ 753,125
2010	\$ 757,551	50.51%	\$ 753,125	\$ 1,128,015
2011	\$ 781,443	29.14%	\$ 1,128,015	\$ 1,681,735

### *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.

### *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%
Projected Salary Increases	4%
Inflation Rate	3%
Healthcare Cost Trend Rate (Initial/Ulimate)	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 & District Retirement System (TCDRS). This plan is referred to as the Group Term Life Fund (GTLF). This optional plan provides group term life insurance coverage to

# HARRIS COUNTY APPRAISAL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the Year Ended December 31, 2011

current eligible employees and, if elected by employers, to retired employees. The coverage provided to retired employees is a postemployment benefit other than pension benefits (OPEB). Retired employees are insured for \$5,000.

The GTLF 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 RSI for the GTLF. 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](http://www.tcdrs.org).

### *Funding Policy*

Each participating employer contributes to the GTLF at a contractually required rate. An annual actuarial valuation is performed and the contractual rate is determined using the unit credit method for providing one-year term life insurance. The district's contributions to the GTLF for the years ended December 31, 2011, 2010, and 2009 were \$85,949, \$105,045 and \$107,145, respectively, which equaled the contractually required contributions each year.

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***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, 2011  
 With Comparative Totals for the Year Ended December 31, 2010

	2011			2010	
	Budgeted Amounts		Actual (Budget Basis)	Variance	Actual (Budget Basis)
	Original Budget	Final Budget		Final Budget Positive (Negative)	
<b>Revenues</b>					
Assessments	\$ 61,060,911	\$ 61,060,911	\$ 61,060,911	\$ -	\$ 61,171,142
Investment income	100,000	100,000	20,766	(79,234)	39,065
Other	272,000	272,000	269,021	(2,979)	354,446
Rendition penalty fee	328,000	328,000	283,546	(44,454)	396,148
<b>Total Revenues</b>	<b>61,760,911</b>	<b>61,760,911</b>	<b>61,634,244</b>	<b>(126,667)</b>	<b>61,960,801</b>
<b>Expenditures</b>					
<b>Current:</b>					
Office of Chief Appraiser and Board of Directors (OCA and BOD)					
Personnel	934,730	918,725	856,376	62,349	960,582
Appraisal review board	2,450,000	2,369,900	1,813,936	555,964	1,987,950
Professional services	6,048,750	6,048,750	4,223,298	1,825,452	5,117,206
Office supplies and printing	23,600	15,400	13,227	2,173	11,752
Other	24,850	27,225	24,930	2,295	19,498
Total OCA and BOD	9,481,930	9,380,000	6,931,767	2,448,233	8,096,988
Appraisal Support					
Personnel	9,853,155	9,623,105	9,563,785	59,320	9,943,216
Professional services	451,665	451,665	451,053	612	451,033
Office supplies and printing	63,200	64,200	41,288	22,912	42,529
Other	38,100	35,600	36,752	(1,152)	26,538
Total Appraisal Support	10,406,120	10,174,570	10,092,878	81,692	10,463,316
Appraisal					
Personnel	22,924,577	22,401,932	22,212,365	189,567	23,072,042
Professional services	1,401,977	1,401,977	1,349,511	52,466	1,345,829
Office supplies and printing	225,342	243,472	212,837	30,635	211,048
Other	47,275	72,645	68,772	3,873	71,687
Total Appraisal	24,599,171	24,120,026	23,843,485	276,541	24,700,606
Information Systems					
Personnel	3,988,120	3,827,620	3,792,117	35,503	4,034,003
Professional services	1,200,100	1,200,100	720,500	479,600	692,726
Office supplies and printing	360,655	328,175	156,596	171,579	201,329
Data processing	1,211,347	1,211,347	1,020,225	191,122	2,996,514
Other	618,620	983,620	963,246	20,374	622,522
Total Information Systems	7,378,842	7,550,862	6,652,684	898,178	8,547,094
Administration					
Personnel	3,533,122	3,582,122	3,531,060	51,062	3,325,178
Professional services	58,000	58,000	42,997	15,003	56,786
Office supplies and printing	2,393,791	1,910,691	1,793,236	117,455	1,891,242
Other	42,139	39,479	26,041	13,438	28,591
Total Administration	6,027,052	5,590,292	5,393,334	196,958	5,301,797
Administration Services					
Personnel	790,600	1,679,400	1,591,360	88,040	1,000,000
Office supplies and printing	222,857	258,007	210,237	47,770	226,979
Rent and utilities	743,635	794,035	661,740	132,295	617,439
Other	1,466,400	1,610,815	1,209,004	401,811	1,126,146
Total Administration Services	3,223,492	4,342,257	3,672,341	669,916	2,970,564

**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, 2011  
 With Comparative Totals for the Year Ended December 31, 2010

	2011			Variance Final Budget Positive (Negative)	2010
	Budgeted Amounts		Actual (Budget Basis)		Actual (Budget Basis)
	Original Budget	Final Budget			
<b>Debt Service</b>					
Principal retirement and interest charges	2,419,304	2,368,904	2,368,904	-	2,438,068
<b>Capital outlay</b>	225,000	234,000	233,661	339	204,679
<b>Total Expenditures</b>	63,760,911	63,760,911	59,189,054	4,571,857	62,723,112
<b>Revenues Over (Under) Expenditures</b>	\$ (2,000,000)	\$ (2,000,000)	2,445,190	\$ 4,445,190	\$ (762,311)

**Notes to Required Supplementary Information:**

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

Timing differences:	
Encumbrances at the end of the year	1,116,504
Encumbrances at the beginning of the year that were incurred	(2,225,929)
Perspective differences:	
Building improvements related to capital reserve account	(2,773,136)
Interest income (cash with fiscal agent-restricted)	227

<b>Revenues and Other Financing Sources (Under) Expenditures and Other Financing Sources</b>	<b>\$ (1,437,144)</b>
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# HARRIS COUNTY APPRAISAL DISTRICT

## SCHEDULE OF FUNDING PROGRESS

### TEXAS COUNTY AND DISTRICT RETIREMENT SYSTEM

December 31, 2011

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll <sup>1</sup> (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
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%
12/31/10	\$ 92,821,671	\$ 108,131,426	\$ 15,309,755	85.8%	\$ 30,012,450	51.0%

<sup>1</sup> 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
12/31/07	\$ 3,648,486 <sup>1</sup>	100%	\$ -
12/31/08	\$ 4,761,970 <sup>2</sup>	100%	\$ -
12/31/09	\$ 5,215,336 <sup>3</sup>	100%	\$ -
12/31/10	\$ 4,958,641 <sup>4</sup>	100%	\$ -
12/31/11	\$ 5,115,219 <sup>5</sup>	100%	\$ -

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

<sup>2</sup> The annual pension cost (APC) for 2008 includes \$1,500,000 used to reduce the district's unfunded liability.

<sup>3</sup> The annual pension cost (APC) for 2009 includes \$1,000,000 used to reduce the district's unfunded liability.

<sup>4</sup> The annual pension cost (APC) for 2010 includes \$1,000,000 used to reduce the district's unfunded liability.

<sup>5</sup> The annual pension cost (APC) for 2011 includes \$1,500,000 used to reduce the district's unfunded liability.

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**HARRIS COUNTY APPRAISAL DISTRICT**  
**SCHEDULE OF FUNDING PROGRESS**  
**POST-EMPLOYMENT HEALTHCARE BENEFITS**  
 December 31, 2011

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.

<b>Contents</b>	<b><u>Page</u></b>
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 Ten Years  
(Accrual basis of accounting)

	Fiscal Year			
	2002 <sup>(1)</sup>	2003	2004	2005
Governmental activities				
Invested in capital assets, net of related debt	\$ 7,417,057	\$ 7,215,548	\$ 6,630,405	\$ 5,797,917
Restricted	-	464,227	4,971,599	6,568,731
Unrestricted	6,770,033	9,029,013	7,225,814	5,875,682
<b>Total Governmental Activities Net Assets</b>	<u>\$ 14,187,090</u>	<u>\$ 16,708,788</u>	<u>\$ 18,827,818</u>	<u>\$ 18,242,330</u>

(1) Information on restricted net asset amounts prior to 2003 is unavailable.

<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
\$ 6,731,571	\$ 7,207,791	\$ 7,517,575	\$ 8,229,698	\$ 9,219,871	\$ 9,732,611
3,447,102	3,316,820	3,249,079	3,203,151	2,923,838	150,929
5,941,966	4,698,792	1,998,921	2,444,621	3,329,336	3,859,065
<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>	<u>\$ 13,742,605</u>



# HARRIS COUNTY APPRAISAL DISTRICT

## CHANGES IN NET ASSETS

Last Ten Years

(accrual basis of accounting)

	Fiscal Year			
	2002	2003	2004	2005
<b>Expenses</b>				
Governmental activities				
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
Total governmental activities expenses	<u>37,622,650</u>	<u>39,254,014</u>	<u>39,462,309</u>	<u>42,406,963</u>
<b>Program Revenues</b>				
Governmental activities:				
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	<u>799,337</u>	<u>1,695,447</u>	<u>692,938</u>	<u>2,000,436</u>
<b>Net (Expense)/Revenue</b>				
Governmental activities	<u>\$ (36,823,313)</u>	<u>\$ (37,558,567)</u>	<u>\$ (38,769,371)</u>	<u>\$ (40,406,527)</u>
<b>General Revenues and Other</b>				
<b>Changes in Net Assets</b>				
Governmental activities:				
Assessments	\$ 36,969,245	\$ 39,710,089	\$ 39,694,405	\$ 40,561,015
Investment income	301,843	370,176	454,971	708,248
Total governmental activities	<u>\$ 37,271,088</u>	<u>\$ 40,080,265</u>	<u>\$ 40,149,376</u>	<u>\$ 41,269,263</u>
<b>Change in Net Assets</b>				
Governmental activities	<u>\$ 447,775</u>	<u>\$ 2,521,698</u>	<u>\$ 1,380,005</u>	<u>\$ 862,736</u>

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
\$	5,205,700	\$ 7,164,294	\$ 9,755,491	\$ 9,256,665	\$ 8,179,031	\$ 6,991,984
	7,018,490	7,686,395	9,802,213	10,311,720	10,566,860	10,323,347
	16,115,462	17,424,858	21,464,205	24,157,193	24,831,948	24,341,084
	6,338,746	6,409,167	6,929,962	6,663,816	7,343,823	8,588,160
	3,914,964	4,337,829	4,623,874	5,670,303	5,437,350	5,575,533
	7,724,416	4,610,783	3,759,466	3,442,034	2,745,811	6,229,802
	1,573,617	1,519,234	1,477,038	1,425,811	1,255,167	1,314,157
	<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>	<u>63,364,067</u>
\$	588,288	\$ -	\$ -	\$ -	\$ -	\$ -
	703,170	1,117,207	722,871	789,310	743,712	549,947
	-	-	-	-	-	-
	<u>1,291,458</u>	<u>1,117,207</u>	<u>722,871</u>	<u>789,310</u>	<u>743,712</u>	<u>549,947</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>	<u>(62,814,120)</u>
\$	42,294,633	\$ 45,662,193	\$ 53,997,326	\$ 61,190,821	\$ 61,171,142	\$ 61,060,911
	1,474,414	1,475,924	634,224	59,306	40,711	22,769
	<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>\$ 61,083,680</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>	<u>\$ (1,730,440)</u>

# HARRIS COUNTY APPRAISAL DISTRICT

## FUND BALANCES, GOVERNMENTAL FUNDS

Last Ten Years

(modified accrual basis of accounting)

	Fiscal Year				
	2002 <sup>(1)</sup>	2003	2004	2005	2006
General Fund					
Nonspendable	\$ -	\$ 401,555	\$ 484,911	\$ 482,064	\$ 216,691
Restricted	-	464,227	4,971,599	6,568,731	3,447,102
Assigned	1,195,985	718,216	918,588	2,336,942	1,786,597
Unassigned	6,247,853	8,040,870	9,580,882	10,354,500	11,319,012
Total General Fund	<u>\$ 7,443,838</u>	<u>\$ 9,624,868</u>	<u>\$ 15,955,980</u>	<u>\$ 19,742,237</u>	<u>\$ 16,769,402</u>

(1) Information on nonspendable and restricted fund balance amounts prior to 2003 is unavailable.

<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
\$ 263,953	\$ 286,906	\$ 274,612	\$ 224,819	\$ 220,867
3,316,820	3,249,079	3,203,151	2,923,838	150,929
1,963,770	724,499	1,082,429	3,250,513	2,495,471
11,188,636	10,611,680	11,032,679	9,576,127	11,670,886
<u>\$ 16,733,179</u>	<u>\$ 14,872,164</u>	<u>\$ 15,592,871</u>	<u>\$ 15,975,297</u>	<u>\$ 14,538,153</u>

# HARRIS COUNTY APPRAISAL DISTRICT

## CHANGES IN FUND BALANCE, GOVERNMENTAL FUNDS

Last Ten Years

(modified accrual basis of accounting)

	Fiscal Year			
	2002	2003	2004	2005
<b>Revenues</b>				
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
<b>Total revenues</b>	<b>37,695,928</b>	<b>41,000,933</b>	<b>40,759,664</b>	<b>42,667,822</b>
<b>Expenditures</b>				
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
<b>Total expenditures</b>	<b>38,640,602</b>	<b>38,919,903</b>	<b>55,428,552</b>	<b>46,540,196</b>
<b>Excess of revenues over (under) expenditures</b>	<b>(944,674)</b>	<b>2,081,030</b>	<b>(14,668,888)</b>	<b>(3,872,374)</b>
<b>Other Financing Sources</b>				
Capital lease proceeds	-	-	21,000,000	7,500,000
Transfers in	200,000	100,000	-	-
<b>Total other financing sources</b>	<b>200,000</b>	<b>100,000</b>	<b>21,000,000</b>	<b>7,500,000</b>
<b>Net change in fund balances</b>	<b>\$ (744,674)</b>	<b>\$ 2,181,030</b>	<b>\$ 6,331,112</b>	<b>\$ 3,627,626</b>
Debt service as a percentage of noncapital expenditures	3.56%	1.61%	1.46%	3.65%

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
\$	42,294,633	\$ 45,662,193	\$ 53,997,326	\$ 61,190,821	\$ 61,171,142	\$ 61,060,911
	-	-	-	-	-	-
	1,306,743	1,326,703	592,534	55,296	39,065	20,993
	415,013	418,762	480,123	405,486	354,446	269,021
	588,288	-	-	-	-	-
	376,155	557,545	269,397	353,101	396,148	283,546
	<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>	<u>61,634,471</u>
	5,206,976	7,151,961	9,699,915	9,217,871	8,099,641	6,931,647
	6,963,236	7,603,298	9,624,462	10,218,855	10,463,681	10,091,490
	16,067,803	17,296,546	21,080,167	23,948,617	24,703,329	23,843,834
	5,846,988	5,888,562	6,480,479	6,291,016	7,114,740	8,052,079
	3,753,254	4,059,326	4,399,795	5,520,413	5,302,049	5,368,780
	6,904,973	3,117,793	3,704,450	3,331,736	3,277,849	6,389,220
	161,635	515,036	65,118	220,591	179,018	25,661
	1,308,473	845,776	984,579	1,104,733	1,066,572	1,054,747
	1,581,698	1,523,128	1,481,155	1,430,165	1,371,496	1,314,157
	<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>	<u>63,071,615</u>
	(2,814,204)	(36,223)	(2,180,740)	720,707	382,426	(1,437,144)
	-	-	319,725	-	-	-
	-	-	-	-	-	-
	-	-	319,725	-	-	-
\$	<u>(2,814,204)</u>	<u>(36,223)</u>	<u>(1,861,015)</u>	<u>720,707</u>	<u>382,426</u>	<u>(1,437,144)</u>
	6.07%	4.99%	4.29%	4.15%	3.97%	3.76%

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

	2002	2003	2004	2005
Total adjusted levy for calculation of taxing unit assessments <sup>(1) (2)</sup>	\$ 4,791,251,072	\$ 5,021,165,739	\$ 5,350,422,513	\$ 5,598,434,724
Direct rate	100%	100%	100%	100%
Assessments	\$ 36,969,245	\$ 39,710,089	\$ 39,694,405	\$ 40,561,015

(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>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
\$ 6,003,582,726	\$ 6,278,466,241	\$ 6,586,789,240	\$ 7,349,553,692	\$ 7,467,082,380	\$ 7,228,564,513
100%	100%	100%	100%	100%	100%
\$ 42,294,558	\$ 45,662,191	\$ 53,997,326	\$ 61,189,143	\$ 61,171,141	\$ 61,060,911



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# HARRIS COUNTY APPRAISAL DISTRICT

## PRINCIPAL TAXING JURISDICTIONS

Current Year and Ten Years Ago<sup>(1)</sup>

Taxing Jurisdictions	2011			2001		
	Tax Levy	Rank	% of Taxable Assessed Value	Tax Levy	Rank	% of Taxable Assessed Value
Houston ISD	\$ 1,169,183,408	1	16.17%	\$ 881,616,378	1	20.35%
Harris County	1,054,319,418	2	14.59%	551,523,017	3	12.73%
City of Houston	905,031,554	3	12.52%	574,731,032	2	13.26%
Harris County Hospital Dist.	506,608,651	4	7.01%	311,355,036	4	7.19%
Cypress-Fairbanks ISD	439,918,065	5	6.09%	237,086,530	5	5.47%
Spring Branch ISD	237,717,460	6	3.29%	171,643,450	6	3.96%
Katy ISD	179,397,916	7	2.48%	n/a	n/a	-
Deer Park ISD	n/a	n/a	-	116,088,878	7	2.68%
Alief ISD	n/a	n/a	-	107,027,587	9	2.47%
Klein ISD	176,386,269	8	2.44%	95,984,536	10	2.22%
Aldine ISD	165,133,788	9	2.28%	110,467,626	8	2.55%
Humble ISD	156,307,625	10	2.16%	n/a	n/a	-
Subtotal	\$ 4,990,004,154		69.03%	\$ 3,157,524,070		72.87%
Other Taxing Jurisdictions	2,238,560,359		30.97%	1,175,721,424		27.13%
Total	\$ 7,228,564,513		100.00%	\$ 4,333,245,494		100.00%

Source: Harris County Appraisal District's departmental records.

(1) The requirement is for the current year and nine years ago; only ten years ago is currently available.

# HARRIS COUNTY APPRAISAL DISTRICT

## RATIOS OF OUTSTANDING DEBT BY TYPE

Last Ten Years

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

(1) 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>	<u>2011</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
27,699,553	26,853,777	25,960,063	25,015,651	24,017,619	22,962,872
<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>	<u>\$ 22,962,872</u>
429	429	477	476	485	488
\$ 64,568	\$ 62,596	\$ 54,424	\$ 52,554	\$ 49,521	47,055

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# HARRIS COUNTY APPRAISAL DISTRICT

## DEMOGRAPHIC AND ECONOMIC STATISTICS

Last Ten Years

<u>Fiscal Year Ended December 31</u>	(a) <u>Estimated Population (In Thousands)</u>	(a) <u>Personal Income (In Thousands)</u>	(a) <u>Per Capita Personal Income</u>	(a) <u>Unemployment Rate</u>
2000	3,401	\$ 121,592,842	\$ 35,617	4.3%
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	4,070	196,779,227	48,337	7.5%
2010	4,092	210,508,848	51,444	8.5%
2011	4,181 (b)	Not Available	Not Available	8.2%

Data sources:

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

(b) Source: <http://www.census.gov/popest/data/countines> (U.S. Census Bureau)

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# HARRIS COUNTY APPRAISAL DISTRICT

## PRINCIPAL CORPORATE EMPLOYERS

Prior Year and Nine Years Ago<sup>(1)</sup>

(amounts in thousands)

Employer	2010			2001		
	Employees	Rank	Percentage of Total County Employment	Employees	Rank	Percentage of Total County Employment
Continental Airlines	14,792	1	0.56%	17,010	1	0.74%
Exxon Mobil	13,500	2	0.51%			
Shell Oil Company	12,700	3	0.48%	6,933	9	0.30%
National Oilwell Varco Inc.	8,500	4	0.32%			
Chevron Companies	7,000	5	0.26%			
JP Morgan Chase	6,750	6	0.25%	6,295	10	0.27%
Jacobs Technology	6,500	7	0.25%			
AT&T Inc. (acquired SWB	6,214	8	0.23%			
Halliburton (KBR spun off)	5,675	9	0.21%	15,704	2	0.68%
CenterPoint Energy (spun off from Reliant Energy)	4,744	10	0.18%			
Compaq Computer				12,996	3	0.56%
Wal-Mart Stores, Inc.				9,700	4	0.42%
Kroger Food Stores				9,689	5	0.42%
Reliant Energy Inc./Center Point Energy				8,091	6	0.35%
Southwestern Bell/SWB				7,342	7	0.32%
Enron				7,311	8	0.32%
<b>Total</b>	<b>86,375</b>			<b>101,071</b>		

<sup>(1)</sup> Based on calendar year. Updated data for 2011 is not yet available.

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

Note: Total County Employment for 2010 was an estimated 2,650,000 and for 2001 was 2,307,099



# HARRIS COUNTY APPRAISAL DISTRICT

## EMPLOYED POSITIONS BY FUNCTION

Last Ten Years

<b>Positions (a):</b>				
<b>Number of regular positions</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>
Office of the Chief Appraiser	6	6	6	6
Support Services	147	142	143	140
Appraisal	313	280	299	303
Information Systems	51	47	46	53
Administration	26	36	38	34
<b>Regular positions</b>	<b>543</b>	<b>511</b>	<b>532</b>	<b>536</b>

Notes:

(a) Data represents employed positions at year end.

<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
6	7	7	7	6	6
143	157	177	176	173	173
305	313	363	368	359	357
51	47	49	48	48	46
37	37	34	41	44	48
<u>542</u>	<u>561</u>	<u>630</u>	<u>640</u>	<u>630</u>	<u>630</u>

**HARRIS COUNTY APPRAISAL DISTRICT**  
**STATE COMPTROLLER'S STUDY BY MEDIAN LEVEL OF APPRAISAL <sup>(1)</sup>**  
**Last Ten Years**

<b>Property Category</b>	<b>2000</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>
Single family residential	0.96	0.98	0.98	0.97	0.98
Multi-family residential	0.98	0.96	0.97	0.98	0.88
Vacant lots	0.96	0.95	0.96	0.85	0.9
Acreage	0.93	0.92	0.97	0.97	0.82
Commercial real property	0.97	1.00	0.98	0.99	0.97
Utilities	1.00	1.01	1.01	n/a	0.97
Commercial personal property	0.99	0.98	0.99	0.98	0.97
<b>Overall Median Level</b>	<b>0.97</b>	<b>0.98</b>	<b>0.98</b>	<b>0.98</b>	<b>0.98</b>

**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.

<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>
0.99	0.98	0.99	0.98	0.99	n/a	0.99
0.97	0.93	0.94	0.92	0.98	n/a	0.99
0.90	9.00	0.94	0.95	0.98	n/a	1.00
0.87	0.99	0.90	0.92	1.00	n/a	0.96
0.95	0.92	0.93	0.94	0.98	n/a	0.97
1.00	1.00	1.01	n/a	0.97	n/a	1.02
0.97	0.98	0.98	0.99	0.99	n/a	0.99
0.98	0.97	0.98	0.98	0.99	n/a (3)	0.99

# HARRIS COUNTY APPRAISAL DISTRICT

## *PROTEST ACTIVITY AND LITIGATION VOLUME*

Last Ten Years

<u>Property Category</u>	<u>2002</u>		<u>2003</u>		<u>2004</u>		<u>2005</u>	
Reappraisal year	No		Yes		No		Yes	
Accounts protested	146,924		180,757		181,662		202,860	
Value of accounts	\$	74,061,000,000	\$	77,496,000,000	\$	90,091,000,000	\$	102,692,000,000
Average percentage reduction	9.0%		9.5%		9.1%		8.0%	
Total lawsuits	656		821		1,112		1,233	
Number of accounts	2,631		3,901		2,538		2,454	
Value of accounts	\$	4,447,946,506	\$	5,873,710,453	\$	5,582,515,111	\$	6,507,678,235
Number of accounts resolved	2,631		3,901		2,534		2,446	
Average percentage reduction	9.5%		11.7%		9.7%		10.5%	

**NOTES:**

(a) Data from district's appraisal department.

2006		2007		2008		2009		2010		2011	
No	Yes	Yes	No	Yes	Yes	No	Yes	Yes	Yes	Yes	Yes
271,226	367,954	397,400	391,774	321,685	308,085	321,685	308,085	321,685	308,085	308,085	308,085
\$ 155,457,071,162	\$ 193,259,954,860	\$ 221,860,468,998	\$ 217,732,021,116	\$ 186,432,243,486	\$ 184,712,310,674	\$ 186,432,243,486	\$ 184,712,310,674	\$ 186,432,243,486	\$ 184,712,310,674	\$ 184,712,310,674	\$ 184,712,310,674
13.7%	12.3%	11.4%	9.1%	8.3%	8.1%	8.3%	8.1%	8.3%	8.1%	8.1%	8.1%
2,172	3,530	2,729	2,714	2,196	2,934	2,196	2,934	2,196	2,934	2,934	2,934
3,913	6,093	6,214	8,516	5,401	5,999	5,401	5,999	5,401	5,999	5,999	5,999
\$ 17,524,904,263	\$ 21,442,567,224	\$ 29,042,554,579	\$ 31,578,675,491	\$ 17,430,386,167	\$ 20,643,144,346	\$ 17,430,386,167	\$ 20,643,144,346	\$ 17,430,386,167	\$ 20,643,144,346	\$ 20,643,144,346	\$ 20,643,144,346
3,886	6,078	5,800	7,916	4,168	718	4,168	718	4,168	718	718	718
11.6%	11.8%	13.8%	13.6%	11.5%	12.0%	11.5%	12.0%	11.5%	12.0%	12.0%	12.0%

# HARRIS COUNTY APPRAISAL DISTRICT

## OPERATING INDICATORS BY FUNCTION/PROGRAM

Last Ten Years

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
<b>Function / Program</b>				
<b>Appraisal</b>				
Appraised value	\$ 226,954,190	\$ 221,058,310	\$ 233,384,358	\$ 271,036,688
Number of accounts	1,589,105	1,627,915	1,649,737	1,667,540

Source: Various district departments.

<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
\$ 293,384,510	\$ 327,590,375	\$ 364,711,001	\$ 372,664,071	\$ 359,326,951	\$ 365,450,661
1,470,831	1,486,328	1,522,251	1,541,287	1,542,759	1,552,502



# HARRIS COUNTY APPRAISAL DISTRICT

## CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM

Last Eight Years <sup>(1)</sup>

Function/Program	Fiscal Year			
	2004	2005	2006	2007
<b>General Fund:</b>				
Office of the Chief Appraiser	64	69	69	74
Support Services	273	294	294	268
Appraisal	515	570	570	560
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 eight years are available at this time.

Figures represent total capital assets by function.

<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
73	72	70	66
262	257	249	217
525	516	502	488
1,711	1,672	1,635	1,482
187	180	179	179