



***HARRIS COUNTY
APPRAISAL DISTRICT***

***HARRIS COUNTY
HOUSTON, TEXAS***

**2012
Comprehensive
Annual Financial
Report**

*COMPREHENSIVE
ANNUAL FINANCIAL REPORT*

of the

**HARRIS COUNTY
APPRAISAL DISTRICT**

For the Year Ended
December 31, 2012

Report Issued By:

Administration Department

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HARRIS COUNTY APPRAISAL DISTRICT

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HARRIS COUNTY APPRAISAL DISTRICT

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INTRODUCTORY SECTION

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Harris County Appraisal District

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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 31, 2013

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, 2012.

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, LLLP, Certified Public Accountants, have issued an unqualified ("clean") opinion on the Harris County Appraisal District's financial statements for the year ended December 31, 2012. The independent auditor's report is located at the front of the financial section of this report.

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

Profile of the District

The Harris County Appraisal District is a political subdivision of the State of Texas established in 1980, following the codification of property tax laws by the 66th Texas Legislature in 1979. The 1979 codification established one appraisal district in each of the state's 254 counties for the purpose of discovering and appraising property for *ad valorem* tax purposes for each taxing unit within the boundaries of that appraisal district. The district, the largest in the state, serves 492 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 2012 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 1st value of each property and appropriate exemptions. The appraisals serve to allocate the tax burden among all property owners on an equitable basis, based upon market value.

The Office of the Chief Appraiser is primarily responsible for the overall planning, organizing, staffing, and controlling district operations as required by the Texas Property Tax Code. The Support Services Department coordinates support functions, including records maintenance, exemptions, customer service to property owners, support for the Appraisal Review Board, and records management. The Appraisal Department is responsible for the valuation of all real and personal property accounts. The appraisal divisions include commercial, 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 10, 2012 with less than 4.73 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 492 taxing unit appraisal rolls was \$2,293,662,820,395, resulting in a 2012 *ad valorem* tax levy of \$7,472,936,807, an increase of 2.11 percent over 2011.

The Houston housing market ended 2012 with nineteen consecutive months of increased home sales. Housing inventory shrunk and prices rose, with both median and average prices achieving historic highs. The single-family home average price jumped 11.3 percent year-over-year to \$243,787 while the median home price rose 7.8 percent to \$172,500. All housing segments saw gains except for homes priced at \$80,000 and below. Sales of foreclosure properties diminished to 14.2 percent of all property sales, half the share reported at the beginning of 2012. The majority of residential appraisals were unchanged again for 2012.

Positive trends in the office building market indicated a shift from recovery to expansion in 2012. Overall, office vacancies decreased to 10.6 percent from 12.0 percent in 2011, with the greatest decrease occurring in the Class "A" submarket. Year-end 2012 average capitalization rate for office buildings was 7.39 percent, a decrease from an average of 8.43 percent at year-end 2011.

The Houston apartment market shifted from recovery into growth and development mode. Rental rates increased 5.7 percent in 2012 and occupancy rates and absorption also increased, resulting in a decrease in concession offerings. The twelve-month rolling capitalization rate was 6.1 percent as of 3rd quarter 2012, down from 7.5 percent in 2011. The biggest changes in capitalization rates occurred in the Class A high-rise and garden-style apartments. Construction activity was on the rise with twenty-nine new complexes totaling 5,606 units. Of the twenty-nine complexes that came online for 2012, ten were senior housing. Appraisal values for apartments increased almost 20.0 percent for tax year 2012.

Comparison of Appraised Values to Previous Year

The change in appraised value of taxable property between years 2012 and 2011 is reflected in the table below.

HARRIS COUNTY APPRAISAL DISTRICT APPRAISED VALUES			
2012		2011	
Number of Accounts	Appraisal Value (in thousands)	Number of Accounts	Appraisal Value (in thousands)
1,560,322	\$383,443,914	1,555,477	\$363,527,388

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 08, 2013. The change in the appraised and taxable values from 2011 to 2012 varied among taxing units, reflecting the mix of property types, exemptions, and market conditions within each unit.

HARRIS COUNTY TAXABLE VALUES (in thousands \$)				
	<u>2012</u>	<u>2011</u>	<u>Change</u>	Percentage <u>Change</u>
Appraised Value	\$383,443,914	\$363,527,388	\$19,916,526	5.48%
Taxable Value	\$290,912,249	\$274,606,228	\$16,306,021	5.94%

Texas Comptroller of Public Accounts Ratio Study and Governance Review

Government Code Section 403.302 requires the Comptroller to conduct a study to determine the degree of uniformity and the median level of appraisals by the appraisal district with each major category of property, as required by Section 5.10, Tax Code. This study is required every other year. If the locally appraised value in a school district is within the statistical margin of error of the state value, the Comptroller's Property Tax Assistance Division (PTAD) certifies a school district's local tax roll value to the Commissioner of Education. A 5 percent margin of error is used to establish the upper and lower value limit for each school district. If the local value is outside the acceptable range, the PTAD certifies the state value, unless the school district is eligible for a grace period, which is a period when local value is used even though it is determined to be invalid. A property value study will be conducted for 2013.

Section 5.102, Tax Code requires the Comptroller of Public Accounts to review county appraisal district (CAD) governance, taxpayer assistance, operating standards and appraisal standards, procedures and methodology at least once every two years. School districts located in counties that do not receive the Methods and Assistance Program (MAP) reviews in a year will be subject to property value studies in that year. A MAP review was completed for 2012 and the district received a perfect score of 100, which exceeds the mandatory standard of evaluation established by the Texas Comptroller.

The district's median level of appraisal for 2011 is summarized in the following table:

STATE COMPTROLLER'S STUDY	
<u>Property Category</u>	<u>Median Level of Appraisal</u>
	<u>2011</u>
Single Family Residential	.99
Multi-Family Residential	.99
Vacant Lots	1.00
Acreage	N/A
Commercial Real Property	.98
Utilities	1.02
Commercial Personal Property	.99
Overall Median Level – All Properties	.99

The final results of the 2011 study reflect that appraisals within the district are generally uniform, with an average coefficient of dispersion of 11.49 percent. A coefficient of less than 10 percent is considered excellent in the more homogeneous urban areas, while 11-15 percent 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 percent appraisal level is considered to reflect very good appraisal performance.

Property Owner Protests

During 2012 property owners and professional tax consultants filed 299,568 protests, resulting in a decrease of 3.82 percent from the 2011 protest volume of 311,005. 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 2012 protest activity data has been updated through April 30, 2013. The table below shows the protest activity for the last 10 years.

PROTEST ACTIVITY				
(dollars in millions)				
<u>Year</u>	<u>Reappraisal Year</u>	<u>Accounts Protested</u>	<u>Value of Accounts</u>	<u>Avg Percent Reduction</u>
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	311,005	\$185,658	8.1%
2012	Yes	299,568	\$199,719	8.13%

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:

LITIGATION VOLUME					
<u>Year</u>	<u>Total Lawsuits</u>	<u>Number of Accounts</u>	<u>Value of Accounts</u>	<u>Number Resolved</u>	<u>Value Loss %</u>
2003	821	3,901	\$ 5,873,710,453	3,901	11.74%
2004	1,112	2,538	\$ 5,581,943,682	2,538	9.70%
2005	1,233	2,454	\$ 6,507,678,235	2,454	10.46%
2006	2,172	3,913	\$17,463,622,646	3,888	11.84%
2007	3,530	6,094	\$21,444,067,224	6,087	11.78%
2008	2,730	6,214	\$29,042,553,781	5,869	13.76%
2009	2,713	8,647	\$31,600,968,025	8,196	13.63%
2010	2,196	5,424	\$17,589,424,637	5,218	11.25%
2011	2,938	6,550	\$23,299,505,024	5,071	11.05%
2012	2,861	6,346	\$26,098,484,252	1,308	11.31%

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 8 years (first available in 2005) is summarized in the table below:

ARBITRATION VOLUME				
<u>Year</u>	<u>Number of Accounts</u>	<u>Determined</u>	<u>Dismissed/ Withdrawn</u>	<u>Pending</u>
2005	30	22	8	0
2006	100	73	27	0
2007	264	206	58	0
2008	348	273	75	0
2009	360	307	53	0
2010	398	369	27	2
2011	522	465	45	12
2012	780	379	27	374

Financial Information

The general fund's total fund balance was \$15,348,529 with an unassigned balance of \$11,247,535 at year-end, which is 28.73 percent below the district's financial policy recommendation for budgetary and planning purposes. Following the lease-purchase of the district's new building, \$151,013 was restricted for building improvements. Other assignments include \$1,342,003 for special projects, \$1,378,967 for future litigation, and \$1,000,000 for future capital improvements of facilities. 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 492 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 percent of their property tax levy for appraisal district services.

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

The board of directors adopted a 2012 expenditure budget of \$63,129,426 on August 17, 2011. This amount represented a \$631,485 decrease from the 2011 budget. Taxing unit funding decreased from \$61,060,911 in 2011 to \$60,429,426 for 2012 a decrease of \$631,485. The district budgeted a decrease of \$2,070,000 in the overall fund balance for 2012.

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 2012, 67,971 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 (10,545 in 2012). 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.

The Harris County Appraisal District earned a perfect score from the Texas Comptroller of Public Accounts in its 2012 Methods and Assistance Program (MAP) review of how well the district performs. The comprehensive MAP review examines the district's compliance with state laws, regulations, appraisal practices and operating best practices. The Comptroller announced the findings for the district in late December after an extensive review of the district's operations. The Texas legislature enacted legislation that requires the comptroller's office to conduct a formal MAP review every other year on a rotating schedule for every central appraisal district in Texas. The comprehensive review includes documentation and analysis of a district's compliance with state laws, rules and regulations. In the latest review, the comptroller determined that HCAD had exceeded its standards in the four major categories of governance, taxpayer assistance, operating procedures, and appraisal standards, procedures and methodology. HCAD received a perfect score of 100.

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, 2011. This was the twenty-fifth consecutive year that the district has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized CAFR that satisfied both generally accepted accounting principles and applicable legal requirements.

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

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

Respectfully submitted,



Jim Robinson
Chief Appraiser



Sands Stiefer
Chief Deputy & Chief Legal Officer



Billy R. Garton
Director of Administration & Finance



Theresa Paul
Assistant Director of Administration & Finance

HARRIS COUNTY APPRAISAL DISTRICT

APPRAISAL PROCESS

December 31, 2012

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, 2012

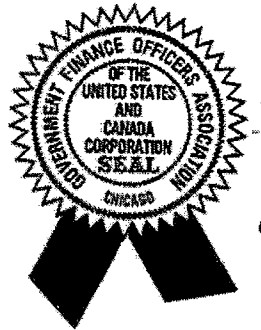
Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

Harris County
Appraisal District, Texas

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
December 31, 2011

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.



Christopher P. Morrell

President

Jeffrey R. Emmer

Executive Director

HARRIS COUNTY APPRAISAL DISTRICT

DISTRICT OFFICIALS

December 31, 2012

GLENN PETERS

Chairman

TONI TRUMBULL

Secretary

ED HEATHCOTT

Member

RAY HOLTZAPPLE

Member

LAWRENCE MARSHALL

Member

MIKE SULLIVAN

Member

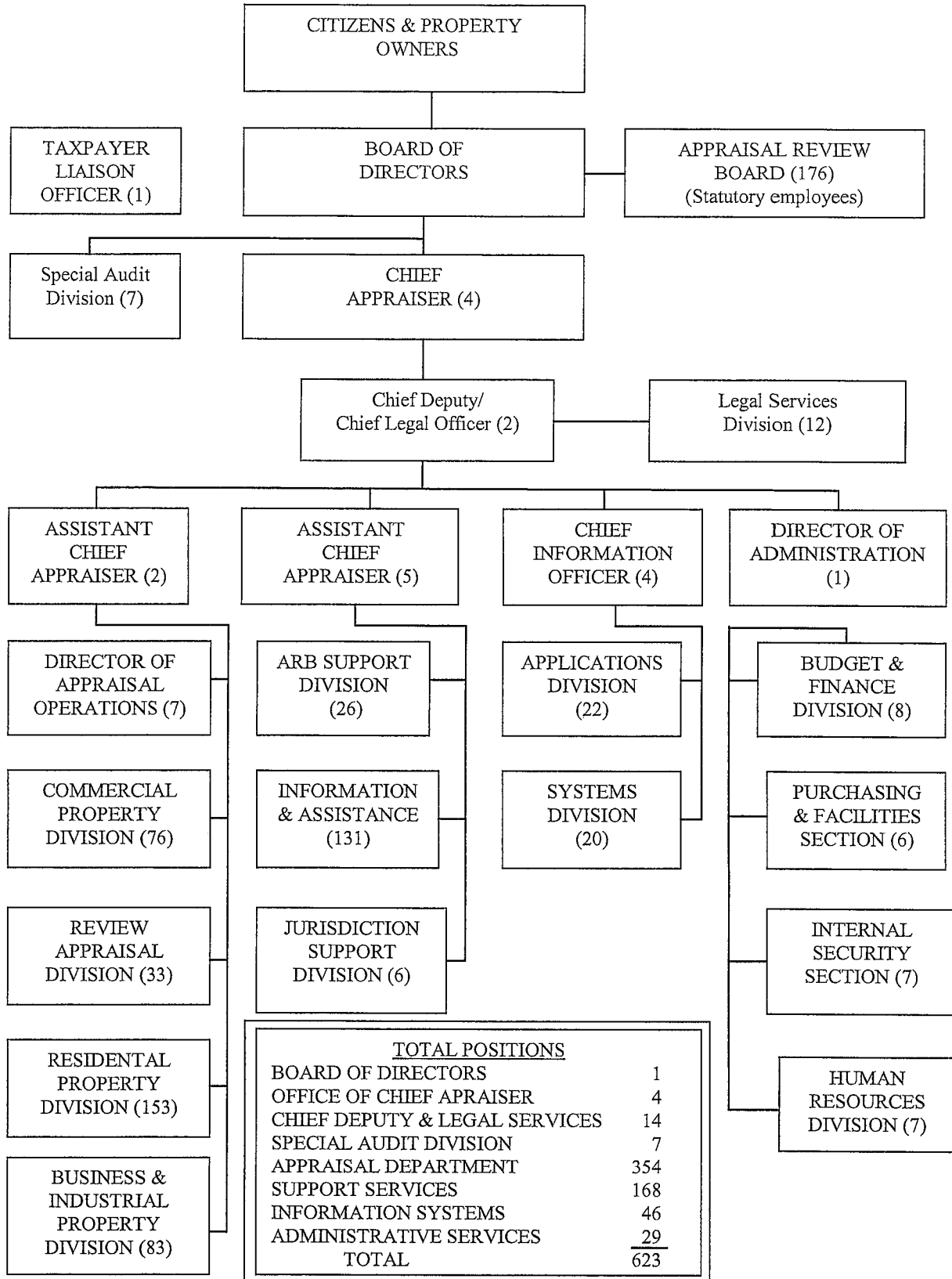
JIM ROBINSON

Chief Appraiser

HARRIS COUNTY APPRAISAL DISTRICT

PLAN OF ORGANIZATION

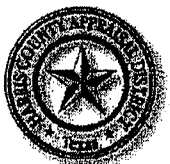
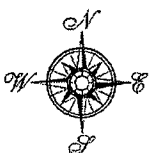
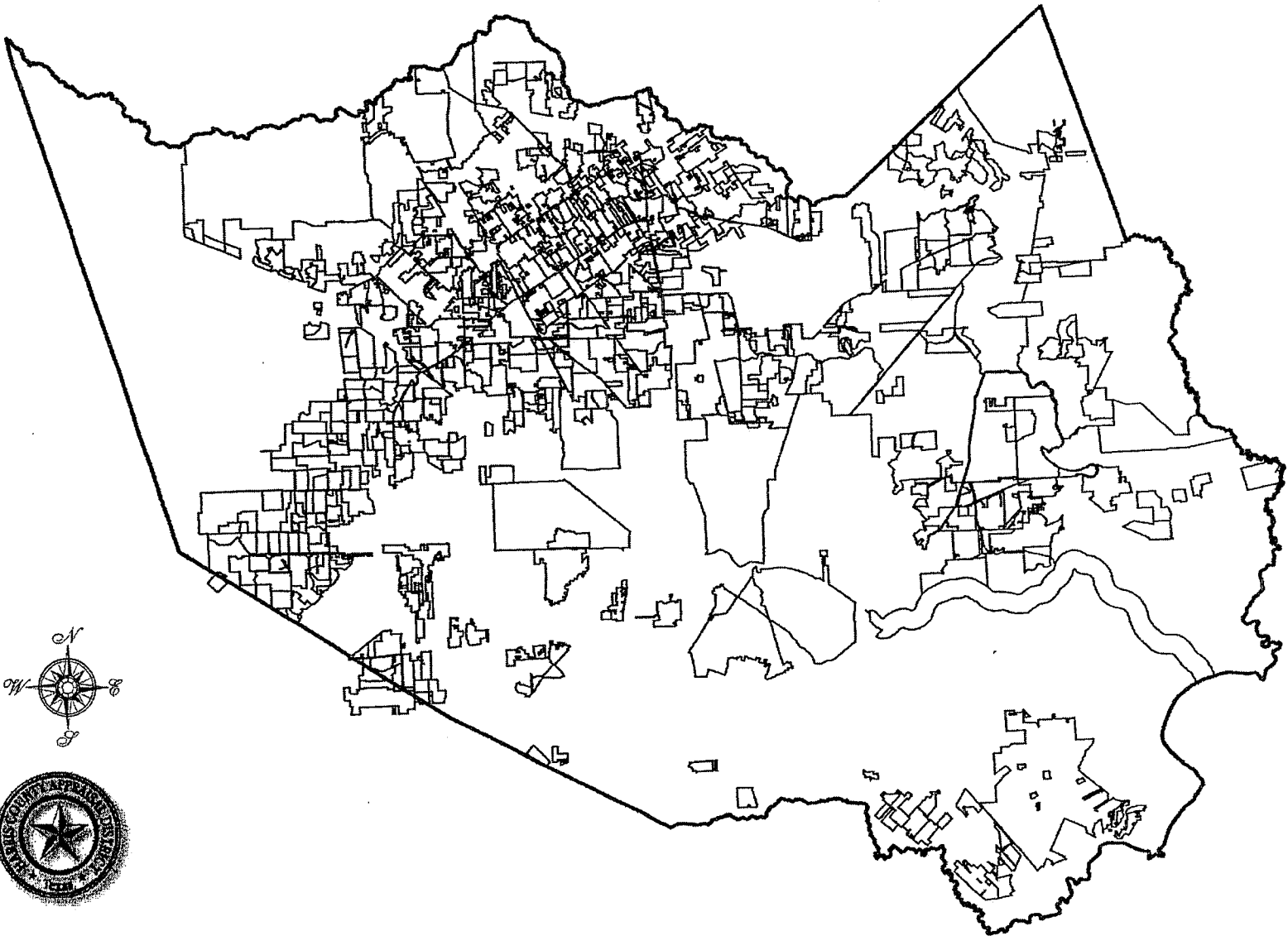
December 31, 2012



HARRIS COUNTY APPRAISAL DISTRICT

HARRIS COUNTY SPECIAL DISTRICTS

December 31, 2012



FINANCIAL SECTION

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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, and each major fund of the Harris County Appraisal District (the "district"), as of and for the year ended December 31, 2012, and the related notes and financial statements, which collectively comprise the district's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, and each major fund of the district as of December 31, 2012, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and schedules of funding progress, identified as Required Supplementary Information on the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the Required Supplementary Information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the district's basic financial statements. The introductory section and statistical section are presented for purposes of additional analysis and are not required parts 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 31, 2013

*MANAGEMENT'S DISCUSSION
AND ANALYSIS*

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HARRIS COUNTY APPRAISAL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

For the Year Ended December 31, 2012

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 government-wide financial statements should 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 within 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 for the general fund, which is always considered to be a major fund.

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.

Proprietary Funds

The district maintains one type of proprietary fund, an internal service 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.

HARRIS COUNTY APPRAISAL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

For the Year Ended December 31, 2012

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 are the last section of the basic financial statements.

Other Information

In addition to basic financial statements, MD&A, and accompanying notes, this report also presents certain Required Supplementary Information (RSI). The RSI includes a budgetary comparison schedule for the general fund and schedules of funding progress for the Texas Municipal Retirement System and other post employment benefits for healthcare. RSI can be found after the notes to the basic financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of the district's financial position. Assets and deferred outflows of resources exceed liabilities and deferred inflows of resources by \$16,604,412 as of year end. This compares with \$14,377,565 from the prior fiscal year.

The largest portion of the district's net position, 51 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.

Statement of Net Position:

The following table reflects the condensed Statement of Net Position:

	Governmental Activities		Percent Change
	2012	2011	
Current and other assets	\$ 37,956,382	\$ 34,895,738	9%
Capital assets, net	22,858,362	22,775,758	0%
Total Assets	60,814,744	57,671,496	5%
Long-term liabilities	26,421,808	26,998,326	-2%
Other liabilities	17,788,524	16,295,605	9%
Total Liabilities	44,210,332	43,293,931	2%
Net Position:			
Net investment in capital assets	8,438,593	9,732,611	-13%
Restricted	151,013	150,929	0%
Unrestricted	8,014,806	4,494,025	78%
Total Net Position	\$ 16,604,412	\$ 14,377,565	15%

A portion of the primary government's net position, \$151,013 or one percent represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net position, \$8,014,806 or 48 percent, may be used to meet the district's ongoing obligation to citizens and creditors.

HARRIS COUNTY APPRAISAL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

For the Year Ended December 31, 2012

The district's total net position increased by \$2,226,847 during the current fiscal year. This primarily was a result of a decrease in building related maintenance project expenses for the administration/building services function.

Statement of Activities:

The following table provides a summary of the district's changes in net position:

	Governmental Activities	
	2012	2011
Revenues		
Program revenues:		
Charges for services	\$ 1,536,783	\$ 549,947
General revenues:		
Assessments	59,473,306	61,060,911
Investment income	30,942	22,769
Total Revenues	<u>61,041,031</u>	<u>61,633,627</u>
Expenses		
Office of Chief Appraiser and		
Board of Directors	7,144,120	6,964,757
Appraisal support	10,325,083	10,210,883
Appraisal	24,162,142	24,092,912
Information systems	6,476,683	8,389,895
Administration	5,755,421	5,526,701
Administration/building services	3,696,567	6,229,802
Interest on long-term debt	1,254,168	1,314,157
Total Expenses	<u>58,814,184</u>	<u>62,729,107</u>
Change in Net Position	2,226,847	(1,095,480)
Beginning net position	<u>14,377,565</u>	<u>15,473,045</u>
Ending Net Position	<u>\$ 16,604,412</u>	<u>\$ 14,377,565</u>

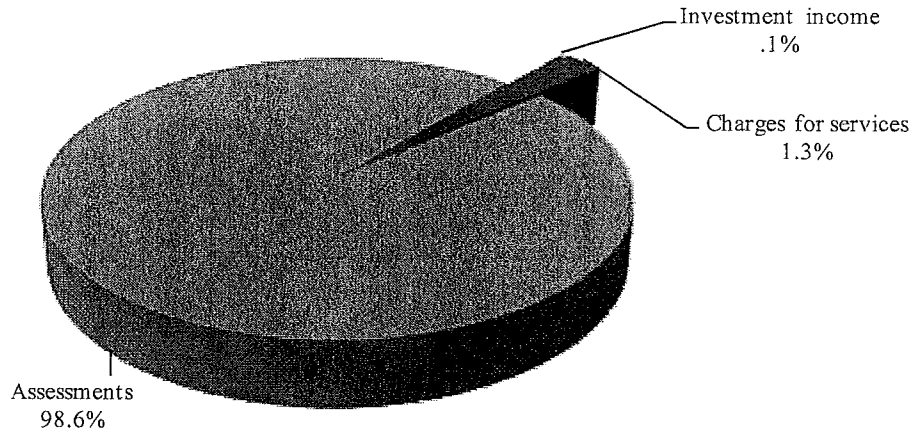
HARRIS COUNTY APPRAISAL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

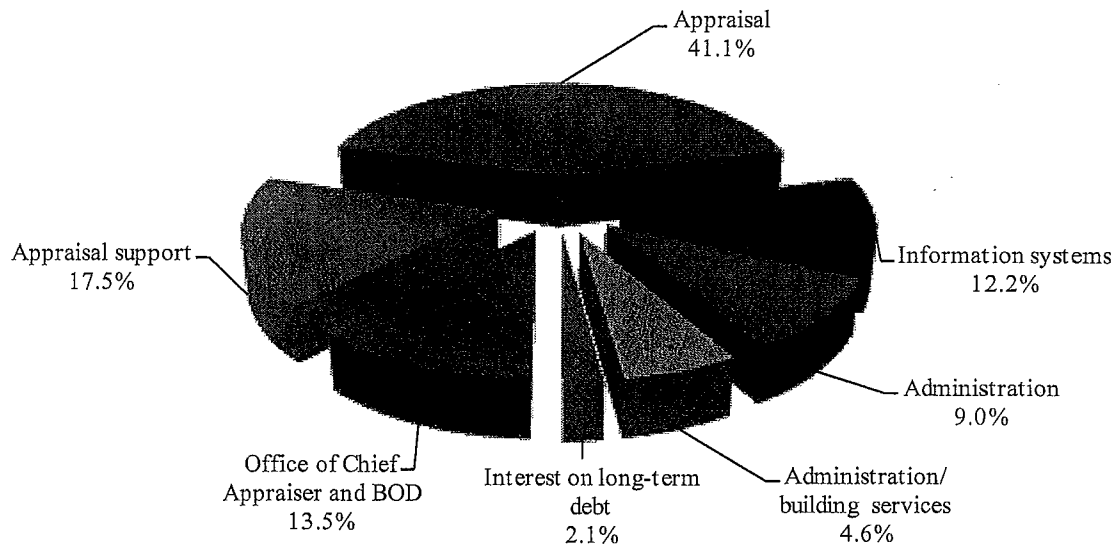
For the Year Ended December 31, 2012

Graphic presentations of selected data from the summary tables follow to assist in the analysis of the district's activities.

Governmental Activities - Revenues



Governmental Activities - Expenses



HARRIS COUNTY APPRAISAL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

For the Year Ended December 31, 2012

Governmental Activities

For the year ended December 31, 2012, revenues from governmental activities totaled \$61,041,031, which was a decrease of \$592,596 or two percent from the prior year. This decrease is primarily due to a decrease in assessment revenue.

Total expenses for the district decreased in comparison to 2011 by \$3,914,923 or 6.2 percent. This was primarily due to a decrease in building related maintenance projects.

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 \$11,247,535 while total fund balance was \$15,348,529. 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 26 percent of that same amount.

There was an increase in fund balance for the general fund of \$810,376 due to a decrease in building and fixture maintenance project expenses.

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 \$682,652 primarily as a result of decreased insurance claims.

GENERAL FUND BUDGETARY HIGHLIGHTS

Actual general fund revenues were under final budgeted revenues by \$776,305 during the year. This net decrease is largely the result of an assessment refund due to the taxing jurisdictions. General fund expenditures were also less than the final budget by \$2,956,316 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 \$1,322,200 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 professional services expenditures in the Office of Chief Appraiser and Board of Directors division. The Office of Chief Appraiser and Board of Directors division's professional services expenditures were \$1,493,137 under budget due to less than expected legal services expenses.

CAPITAL ASSETS

At the end of the year, the district's governmental activities funds had invested \$22,858,362 (net of accumulated depreciation) in a variety of capital assets. During the year, the district added to existing investments in computers and peripherals.

HARRIS COUNTY APPRAISAL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For the Year Ended December 31, 2012

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

LONG-TERM DEBT

At the end of the current year, the district had total long-term debt of \$21,848,136, in addition to accrued compensated absences of \$2,338,258 and a net other post employment benefit (OPEB) obligation of \$2,235,414. More detailed information about the district's long-term debt can be found in note III.E to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The district's Board of Directors approved a \$64.5 million budget for the 2013 fiscal year. This was an increase of \$1.4 million, or 2.2 percent, over the 2012 fiscal year. The increase includes a three percent cost of living increase for employees.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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 www.hcad.org.

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BASIC FINANCIAL STATEMENTS

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HARRIS COUNTY APPRAISAL DISTRICT

STATEMENT OF NET POSITION

December 31, 2012

	<u>Primary Governmental Activities</u>
<u>Assets</u>	
Cash and cash equivalents	\$ 37,277,584
Receivables, net	298,774
Prepaid items	229,011
Cash with fiscal agent - restricted	151,013
	<u>37,956,382</u>
Capital assets - non-depreciable	8,552,413
Capital assets - depreciable, net of accumulated depreciation	14,305,949
	<u>22,858,362</u>
Total Assets	<u>60,814,744</u>
<u>Liabilities</u>	
Accounts payable and accrued liabilities	2,058,493
Due to jurisdictions	956,124
Unearned revenue	14,773,907
	<u>17,788,524</u>
Due within one year	3,048,799
Due in more than one year	23,373,009
	<u>26,421,808</u>
Total Liabilities	<u>44,210,332</u>
<u>Net Position</u>	
Net investment in capital assets	8,438,593
Restricted for:	
Building maintenance and repair	151,013
Unrestricted	8,014,806
Total Net Position	<u>\$ 16,604,412</u>

See Notes to Financial Statements.

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HARRIS COUNTY APPRAISAL DISTRICT

STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2012

Functions/Programs	Expenses	Program Revenues Charges for Services	Net (Expense) Revenue and Change in Net Position <u>Primary Government Governmental Activities</u>
Primary Government			
Governmental Activities			
Office of Chief Appraiser and Board of Directors	\$ 7,144,120	\$ -	\$ (7,144,120)
Appraisal support	10,325,083	-	(10,325,083)
Appraisal	24,162,142	1,536,783	(22,625,359)
Information systems	6,476,683	-	(6,476,683)
Administration	5,755,421	-	(5,755,421)
Administration/building services	3,696,567	-	(3,696,567)
Interest on long-term debt	1,254,168	-	(1,254,168)
Total Governmental Activities	<u>\$ 58,814,184</u>	<u>\$ 1,536,783</u>	<u>(57,277,401)</u>
Total Primary Government	<u>\$ 58,814,184</u>	<u>\$ 1,536,783</u>	<u>(57,277,401)</u>
 General Revenues:			
			59,473,306
			30,942
		Total General Revenues	<u>59,504,248</u>
		Change in Net Position	2,226,847
		Beginning net position	14,377,565
		Ending Net Position	<u>\$ 16,604,412</u>

See Notes to Financial Statements.

HARRIS COUNTY APPRAISAL DISTRICT

BALANCE SHEET GOVERNMENTAL FUND

December 31, 2012

	<u>General</u>
<u>Assets</u>	
Cash and cash equivalents	\$ 32,702,165
Receivables, net	298,774
Prepaid items	229,011
Cash with fiscal agent - restricted	151,013
Total Assets	\$ 33,380,963
 <u>Liabilities</u>	
Accounts payable and accrued liabilities	\$ 1,677,293
Due to other funds	7,242
Due to jurisdictions	956,124
Unearned revenue	14,773,907
Total Liabilities	17,414,566
 <u>Deferred Inflows of Resources</u>	
Unavailable revenue - rendition penalty, net	617,868
 <u>Fund Balance</u>	
Nonspendable:	
Prepaid items	229,011
Restricted for:	
Building maintenance and repair	151,013
Assigned for:	
Special projects	1,342,003
Future litigation	1,378,967
Capital improvements	1,000,000
Unassigned	11,247,535
Total Fund Balance	15,348,529
 Amounts reported for governmental activities in the Statement of Net Position are different because:	
Other assets are not available to pay for current period expenditures and, therefore, are deferred in the fund:	
Rendition penalty receivable, net	617,868
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental fund:	
Capital assets - non-depreciable	8,552,413
Capital assets - depreciable, net of accumulated depreciation	14,305,949
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 Position.	4,201,461
Some liabilities are not reported as liabilities in the governmental funds:	
Non-current liabilities due within one year	(3,048,799)
Non-current liabilities due in more than one year	(23,373,009)
Net Position of Governmental Activities	\$ 16,604,412

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, 2012

	General
<u>Revenues</u>	
Assessments	\$ 59,473,306
Investment income	28,462
Other revenue	507,054
Rendition penalty fee	274,860
Total Revenues	60,283,682
<u>Expenditures</u>	
Current:	
Office of Chief Appraiser and Board of Directors	7,097,353
Appraisal support	10,192,816
Appraisal	23,870,266
Information systems	6,141,940
Administration	5,605,428
Administration/building services	3,600,301
Capital outlay	596,298
Debt service:	
Principal	1,114,736
Interest and fiscal charges	1,254,168
Total Expenditures	59,473,306
Net Change in Fund Balance	810,376
Beginning fund balance	14,538,153
Ending Fund Balance	\$ 15,348,529

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, 2012

Net changes in fund balance - governmental fund \$ 810,376

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

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital outlay	596,299
Depreciation expense	(513,695)

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds:

Change in rendition penalty receivable	74,697
--	--------

The issuance of long-term debt (e.g., leases, notes payable) 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 position. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when they are first issued, whereas these amounts are deferred and amortized in the Statement of Activities.

Principal paid	1,114,736
Change in accrued compensated absences	15,461
Change in net other post employment benefits obligation	(553,679)

Internal service funds are used by management to charge the costs of certain activities, such as employee health and dental benefits, to individual funds.

The net revenue of certain internal service funds is reported with governmental activities.

682,652

Change in Net Position of Governmental Activities \$ 2,226,847

See Notes to Financial Statements.

HARRIS COUNTY APPRAISAL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUND
 December 31, 2012

		<u>Governmental Activities Internal Service</u>
<u>Assets</u>		
Cash and cash equivalents	\$	4,575,419
Due from general fund		7,242
Total Assets		<u>4,582,661</u>
<u>Liabilities</u>		
Estimated claims payable		381,200
Total Liabilities		<u>381,200</u>
<u>Net Position</u>		
Unrestricted		4,201,461
Total Net Position	\$	<u><u>4,201,461</u></u>

See Notes to Financial Statements.

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

For the Year Ended December 31, 2012

	<u>Governmental Activities Internal Service</u>
<u>Operating Revenues</u>	
Charges for services	\$ 4,604,472
Claim refunds and other	271,267
Total Operating Revenues	<u>4,875,739</u>
<u>Operating Expenses</u>	
Insurance claims	2,715,079
Prescription claims	1,160,582
Dental claims	319,906
Total Operating Expenses	<u>4,195,567</u>
Operating Income	<u>680,172</u>
<u>Nonoperating Revenues</u>	
Investment income	2,480
Total Nonoperating Revenues	<u>2,480</u>
Change in Net Position	682,652
Beginning net position	<u>3,518,809</u>
Ending Net Position	<u>\$ 4,201,461</u>

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, 2012

	<u>Governmental Activities</u> <u>Internal Service</u>
<u>Cash Flows from Operating Activities</u>	
Proceeds for charges for services	\$ 4,868,497
Claims paid	<u>(4,207,426)</u>
Net Cash Provided by Operating Activities	<u>661,071</u>
<u>Cash Flows from Investing Activities</u>	
Interest on investments	<u>2,480</u>
Net Cash Provided by Investing Activities	<u>2,480</u>
Net Increase in Cash and Cash Equivalents	663,551
Beginning cash and cash equivalents	<u>3,911,868</u>
Ending Cash and Cash Equivalents	<u>\$ 4,575,419</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities	
Operating income	\$ 680,172
Adjustments to reconcile operating income to net cash provided by operating activities:	
Decrease in due from general fund	(7,242)
(Decrease) in estimated claims payable	<u>(11,859)</u>
Net Cash Provided by Operating Activities	<u>\$ 661,071</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, 2012

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.

The district is an independent political subdivision of the State of Texas. As required by generally accepted accounting principles, these basic financial statements have been prepared based on considerations regarding the potential for inclusion of other entities, organizations, or functions as part of the district’s financial reporting entity. No other entities have been included in the district’s reporting entity. Additionally, as the district is considered a primary government for financial reporting purposes, its activities are not considered a part of any other governmental or other type of reporting entity.

Considerations regarding the potential for inclusion of other entities, organizations, or functions in the district’s financial reporting entity are based on criteria prescribed by generally accepted accounting principles. These same criteria are evaluated in considering whether the district is a part of any other governmental or other type of reporting entity. The overriding elements associated with prescribed criteria considered in determining that the district’s financial reporting entity status is that of a primary government are that it has a separately elected governing body, it is legally separate, and it is fiscally independent of other state and local governments. Additionally, prescribed criteria under generally accepted accounting principles include considerations pertaining to organizations for which the primary government is financially accountable, and considerations pertaining to organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity’s financial statements to be misleading or incomplete.

B. Government-Wide Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information about the district as a whole. *Governmental activities*, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges to external customers for support. The district only has governmental activities.

C. Basis of Presentation – Government-Wide Financial Statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds and internal service funds. Separate financial statements are provided for governmental funds and proprietary funds.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

D. Basis of Presentation – Fund Financial Statements

The fund financial statements provide information about the district’s funds. Separate statements for each fund category – governmental and proprietary– are presented. The emphasis of fund financial statements is on the major governmental fund.

HARRIS COUNTY APPRAISAL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the Year Ended December 31, 2012

The district reports the following governmental fund:

The *general fund* is used to account for all financial transactions not properly includable in other funds. The principal source of revenue is assessment fees from the taxing entities located in Harris County and expenditures include related appraisal activities and support. The general fund is always considered a major fund for reporting purposes

Additionally, the district reports the following fund types:

Internal service funds account for services provided to other departments or agencies of the primary government, or to other governments, 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.

During the course of operations, the district has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental and internal service funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities (i.e., the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements, these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as internal balances in the business-type activities column.

E. Measurement Focus and Basis of Accounting

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

The government-wide and proprietary fund financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

HARRIS COUNTY APPRAISAL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the Year Ended December 31, 2012

absences and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Charges for services and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). All other revenue items are considered to be measurable and available only when cash is received by the district.

F. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net/Position/Fund Balance

1. Cash and Cash Equivalents

The district's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. For the purpose of the statement of cash flows, the proprietary fund types consider temporary investments with maturity of three months or less when purchased to be cash equivalents.

2. 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, *Accounting and Reporting for Certain Investments and External Investment Pools*, 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.

3. 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 unearned revenue.

HARRIS COUNTY APPRAISAL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the Year Ended December 31, 2012

4. Inventories and Prepaid Items

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

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

5. 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.

6. 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

7. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The district has no items that qualify for reporting in this category.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not*

HARRIS COUNTY APPRAISAL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the Year Ended December 31, 2012

be recognized as an inflow of resources (revenue) until that time. The district has only one type of item, which arises under a modified accrual and accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from rendition penalties receivable. This amount is deferred and recognized as an inflow of resources in the period that the amount becomes available.

8. 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.

9. Long-Term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type Statement of Net Position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method, if material. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed when incurred.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Assets acquired under the terms of a capital lease 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 applicable 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.

10. Net Position Flow Assumption

Sometimes the district will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted-net position and unrestricted-net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are

HARRIS COUNTY APPRAISAL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the Year Ended December 31, 2012

considered to be applied. It is the district's policy to consider restricted-net position to have been depleted before unrestricted-net position is applied.

11. Fund Balance Flow Assumptions

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

12. Fund Balance Policies

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

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

Amounts in the assigned fund balance classification are intended to be used by the district for specific purposes but do not meet the criteria to be classified as committed. The Board may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

13. Post Employment Healthcare Benefits

The district provides post employment healthcare benefits as mandated by the Consolidated Omnibus Budget Reconciliation Act (COBRA). The requirements established by COBRA are fully funded by employees who elect coverage under the Act, and the district incurs no direct costs. The district approved the payment of health insurance premiums for eligible retirees. Coverage is offered to those employees who are under 64 years of age. A portion of the retiree cost for health insurance will be covered until the retiree reaches the age of 65 or has participated for five years, whichever is earliest. At age 65, the retiree would then be eligible for the Medicare Part B coverage at their own expense.

HARRIS COUNTY APPRAISAL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the Year Ended December 31, 2012

14. Estimates

The preparation of financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

G. Revenues and Expenditures/Expenses

1. Program Revenues

Amounts reported as *program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions (including special assessments) that are restricted to meeting the operational or capital requirements of a particular function or segment.

2. Proprietary Funds Operating and Nonoperating Revenues and Expenses

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the internal service fund are charges to customers for sales and services. Operating expenses for the internal service fund include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

II. 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, 2012 was legally enacted through passage of Board resolution 2010-7 on August 17, 2011.

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, 2012

appropriations in excess of the total budget require budget amendments in the manner provided by law. No supplemental appropriations were made during 2012.

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/Generally Accepted Accounting Principles 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, 2012 from the budget basis to GAAP basis are presented in the notes to RSI.

III. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

As of December 31, 2012, the district had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Years)</u>
U.S. treasuries	\$ 150,686	0.21
State pool (TexPool)	25,843,346	0.00
Total fair value	<u>\$ 25,994,032</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, 2012, 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, 2012, market values of pledged securities and FDIC insurance exceeded bank balances.

HARRIS COUNTY APPRAISAL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the Year Ended December 31, 2012

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.

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 TexPool is the same as the value of the TexPool shares.

B. Receivables

Amounts are aggregated into a single accounts receivable (net of allowance for uncollectibles) line for certain funds and aggregated columns. Below is the detail of receivables for the general fund:

Jurisdiction assessments	\$	281,713
Accounts receivable		17,061
	\$	<u>298,774</u>

HARRIS COUNTY APPRAISAL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the Year Ended December 31, 2012

C. Capital Assets

A summary of changes in capital assets for the year end is as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions/ Reclassifications</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 2,335,000	\$ -	\$ -	\$ 2,335,000
GIS database	6,030,075	-	-	6,030,075
Construction in progress	-	187,338	-	187,338
Total capital assets, not being depreciated	<u>8,365,075</u>	<u>187,338</u>	<u>-</u>	<u>8,552,413</u>
Capital assets being depreciated:				
Building	16,602,032	-	-	16,602,032
Furniture and equipment	692,874	-	(13,509)	679,365
Computers and peripherals	6,670,369	408,961	(110,664)	6,968,666
Vehicles and other	120,731	-	-	120,731
Total capital assets being depreciated	<u>24,086,006</u>	<u>408,961</u>	<u>(124,173)</u>	<u>24,370,794</u>
Less accumulated depreciation:				
Building	(2,324,285)	(332,041)	-	(2,656,326)
Furniture and equipment	(692,874)	-	13,509	(679,365)
Computers and peripherals	(6,568,817)	(171,934)	110,664	(6,630,087)
Vehicles and other	(89,347)	(9,720)	-	(99,067)
Total accumulated depreciation	<u>(9,675,323)</u>	<u>(513,695)</u>	<u>124,173</u>	<u>(10,064,845)</u>
Total capital assets, being depreciated, net	<u>14,410,683</u>	<u>(104,734)</u>	<u>-</u>	<u>14,305,949</u>
Governmental Activities Capital Assets, Net	<u>\$ 22,775,758</u>	<u>\$ 82,604</u>	<u>\$ -</u>	22,858,362
			Less associated debt	(14,419,769)
			Net Investment in Capital Assets	<u>\$ 8,438,593</u>

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

Governmental Activities:	
Office of chief appraiser and board of directors	\$ 3,185
Appraisal support	10,376
Appraisal	18,133
Information systems	282,532
Administration	103,201
Administration/ building services	96,267
Total Depreciation Expense - Governmental Activities	<u>\$ 513,695</u>

HARRIS COUNTY APPRAISAL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the Year Ended December 31, 2012

Construction in progress and remaining commitments under related construction contracts for general government projects at year end were as follows:

Governmental Activities:

<u>Project Description</u>	<u>Authorized Contract</u>	<u>Contract Expenditures</u>	<u>Remaining Contract</u>
Telephone System	\$ 284,644	\$ 187,338	\$ 97,306

D. Leases

Capital Lease – Building

In 2004, 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. (the “Lessor”), 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, 2004, the Board of Directors approved Resolution 2004-4 authorizing the district to enter into a lease and purchase option agreement as lessee with the Lessor 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, 2004, 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, 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) at an interest rate of 5.15 percent and funds to finance the termination payments by the district for their existing noncancelable operating lease not to exceed \$7,500,000 (taxable) at an interest rate of 6.76 percent 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 (the “Reserve Fund”) to be maintained by Bank of America, N.A. for the benefit of both the Lessor, Inc. and the district. Deposits in the Reserve Fund 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 Reserve Fund 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, 2012, there is a balance of \$151,013 in the Reserve Fund.

HARRIS COUNTY APPRAISAL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the Year Ended December 31, 2012

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 the Lessor 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 Reserve Fund 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 the Lessor.

Activity in the Reserve Fund for the year was as follows:

Beginning balance	\$	150,929
Building improvements		(477)
Interest earnings		561
Ending balance	<u>\$</u>	<u>151,013</u>

Future combined minimum capital lease payments for this lease as of December 31, 2012, are as follows:

Year Ending Dec. 31	Capital Lease				Total	
	\$21 M		\$7.5 M		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
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	1,085,837	598,204	385,141	299,722	1,470,978	897,926
2018-2022	6,350,906	2,069,297	2,368,041	1,056,273	8,718,947	3,125,570
2023-2025	4,671,929	380,194	1,854,943	199,646	6,526,872	579,840
Total	<u>\$ 15,934,674</u>	<u>\$ 5,957,854</u>	<u>\$ 5,913,462</u>	<u>\$ 2,989,753</u>	<u>\$ 21,848,136</u>	<u>\$ 8,947,607</u>

Capital assets acquired under capital lease obligations and the accumulated depreciation as December 31, 2012 are as follows:

Land	\$	2,335,000
Building		16,602,032
Less accumulated depreciation		(2,656,326)
Total	<u>\$</u>	<u>16,280,706</u>

HARRIS COUNTY APPRAISAL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the Year Ended December 31, 2012

E. Long-Term Liabilities

The following is a summary of changes in the district's total long-term liabilities for the year end. In general, the district uses the general fund to liquidate governmental long-term liabilities.

Long-term liabilities applicable to the district's governmental activities are not due and payable in the current period and, accordingly, are not reported as fund liabilities in the governmental funds. The governmental activities compensated absences are generally liquidated by the general fund. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due within One Year
Governmental Activities					
Notes and other payables:					
Capital leases	\$ 22,962,872	\$ -	\$ 1,114,736	\$ 21,848,136	* \$ 1,178,193
Other liabilities:					
Net OPEB obligation	1,681,735	784,248	230,569	2,235,414	-
Compensated absences	2,353,719	** 1,551,512	1,566,973	2,338,258	1,870,606
Total Governmental Activities	\$ 26,998,326	\$ 2,335,760	\$ 2,912,278	\$ 26,421,808	\$ 3,048,799

**Beginning balance has been restated.

Long-term debt due in more than one year \$ 23,373,009

*Capital Leases \$ 21,848,136
 Lease portion expended on noncapital costs (7,428,367)
 Debt associated with capital assets \$ 14,419,769

F. Interfund Transactions

The composition of interfund balances as of year-end was as follows:

Due From	Due To	Amount
General fund	Internal service fund	\$ 7,242

Amounts recorded as due to/from are considered to be temporary loans and will be repaid during the following year.

G. Restatement

The district has restated beginning net position for governmental activities in order to correct a calculation error related to compensated absences.

	Governmental Activities
Prior year ending net position as reported	\$ 13,742,605
Change in compensated absences	634,960
Restated beginning net position	\$ 14,377,565

HARRIS COUNTY APPRAISAL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the Year Ended December 31, 2012

IV. 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 (the "Funds"). Insurance provided by the Funds 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 (the "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:

	2012	2011
Beginning claims payable	\$ 393,059	\$ 379,443
Claims incurred	2,703,220	2,566,205
Claims paid	(2,715,079)	(2,552,589)
Ending Claims Payable	\$ 381,200	\$ 393,059

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 therefrom has been recorded in the financial statements. However, during 2012, the actual amount paid was \$50,400.

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

HARRIS COUNTY APPRAISAL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the Year Ended December 31, 2012

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 \$3,245,076.

Section 6.06 of the Texas Property Tax Code provides certain restrictions concerning an appraisal district's assessment to taxing jurisdictions within its district. Generally, this amendment requires any charges assessed to a taxing jurisdiction during a fiscal year over the expenditures made or obligated to be made by the appraisal district during such year be credited against the taxing jurisdiction assessments in the following year or refunded to the taxing jurisdiction in certain circumstances. During 2012, the district's expenditures were approximately \$956,124 (GAAP basis) under assessments to the taxing jurisdictions. This credit will be applied to the 2013 budgeted assessments.

C. Employee Retirement Systems and Plans

Texas County and District Retirement System

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 624 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 employees' 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 employers' 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>2012</u>	<u>2011</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

HARRIS COUNTY APPRAISAL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the Year Ended December 31, 2012

Funding Policy

The district has elected the annually determined contribution rate 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 2012. The contribution rate payable by the employee members is seven percent as adopted by the Board of Directors.

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

Annual Pension Cost

For the district's accounting year ending December 31, 2012, the annual pension cost for the TCDRS plan for its employees was \$5,130,104, which were the actual contributions. This includes an additional payment by the district in the amount of \$1,500,000 for 2012.

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, 2010, the basis for determining the contribution rate for calendar year 2012. The December 31, 2011 actuarial valuation is the most recent valuation.

	2011	2011	2010
Annual Req. Contrib. (ARC)	\$ 3,630,104	\$ 3,615,219	\$ 3,958,641
Contributions Made	3,630,104	3,615,219	3,958,641
NPO at the End of Period	\$ -	\$ -	\$ -

The required contribution rates for calendar year 2012 were determined as part of the December 31, 2010 actuarial valuations. Additional information as of the latest actuarial valuation, December 31, 2011, also follows:

	2012	2011	2010
Actuarial Valuation Date	12/31/2011	12/31/2010	12/31/2009
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%	5.40%
Includes Inflation at	3.50%	3.50%	3.50%
Cost of Living Adjustmnets	0.00%	0.00%	0.00%

HARRIS COUNTY APPRAISAL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the Year Ended December 31, 2012

The funded status as of December 31, 2011, the most recent valuation date, is as follows:

	2011
Actuarial Valuation Date	12/31/2011
Actuarial Value of Assets	\$ 102,569,931
Actuarial Accrued Liability	\$ 117,779,748
Percentage Funded	87.09%
Unfunded Actuarial Accrued Liability (UAAL)	\$ 15,209,817
Annual Covered Payroll	\$ 29,632,980
UAAL as a Percentage of Covered Payroll	51.33%

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.

D. Other 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 (the "Plan"), that pays a portion of the premium for continuation of the medical and dental insurance coverage of certain retirees. The district's Board of Directors has the authority to establish and amend benefits. The Plan provides medical benefits to eligible retired district employees and their beneficiaries.

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

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

HARRIS COUNTY APPRAISAL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the Year Ended December 31, 2012

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 (ARC)	\$	778,685
Interest on OPEB obligation		75,678
Adjustment to ARC		(70,115)
Annual OPEB costs		784,248
Contributions made		(230,569)
Increase in net OPEB obligation		553,679
Net OPEB obligation - beginning of year		1,681,735
Net OPEB obligation - end of year		\$ 2,235,414

The district's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for 2012 and the two preceding years are as follows:

Fiscal Year	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation	
			Beginning	Ending
2010	\$ 757,551	50.51%	\$ 753,125	\$ 1,128,015
2011	\$ 781,443	29.51%	\$ 1,128,015	\$ 1,681,735
2012	\$ 784,248	29.40%	\$ 1,681,735	\$ 2,235,414

Funded Status and Funding Progress

As of July 1, 2012, the most recent actuarial valuation date, the Plan was zero percent funded. The actuarial accrued liability for benefits was \$7,740,931, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$7,740,931. The covered payroll (annual payroll of active employees covered by the Plan) was \$29,632,980, and the ratio of the UAAL to the covered payroll was 26.1 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.

HARRIS COUNTY APPRAISAL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the Year Ended December 31, 2012

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	4.5%
Projected Salary Increases	4%
Inflation Rate	3%
Healthcare Cost Trend Rate (Initial/Ulimate)	8.5%/4.5%

Life Insurance Plan

Plan Description

The district participates in a cost-sharing multiple-employer defined-benefit group-term life insurance plan operated by the TCDRS. This plan is referred to as the Group Term Life Fund (GTLF). This optional plan provides group term life insurance coverage to current eligible employees and, if elected by employers, to retired employees. The coverage provided to retired employees is an 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.

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, 2012, 2011, and 2010 were \$75,565, \$85,949 and \$105,045, 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, 2012
 With Comparative Totals for the Year Ended December 31, 2011

	2012			Variance Final Budget Positive (Negative)	2011
	Budgeted Amounts		Actual (Budget Basis)		Actual (Budget Basis)
	Original Budget	Final Budget			
Revenues					
Assessments	\$ 60,429,426	\$ 60,429,426	\$ 59,473,306	\$ (956,120)	\$ 61,060,911
Investment income	30,000	30,000	27,901	(2,099)	20,766
Other	352,000	352,000	507,054	155,054	269,021
Rendition penalty fee	248,000	248,000	274,860	26,860	283,546
Total Revenues	61,059,426	61,059,426	60,283,121	(776,305)	61,634,244
Expenditures					
Current:					
Office of Chief Appraiser and Board of Directors (OCA and BOD)					
Personnel	948,662	924,522	924,015	507	856,376
Appraisal review board	2,450,000	1,921,000	1,888,351	32,649	1,813,936
Professional services	6,230,000	5,736,000	4,242,863	1,493,137	4,223,298
Office supplies and printing	12,600	18,800	17,610	1,190	13,227
Other	24,850	31,050	24,196	6,854	24,930
Total OCA and BOD	9,666,112	8,631,372	7,097,035	1,534,337	6,931,767
Appraisal Support					
Personnel	9,669,176	9,718,176	9,719,946	(1,770)	9,563,785
Professional services	452,770	405,770	400,957	4,813	451,053
Office supplies and printing	63,200	56,430	39,103	17,327	41,288
Other	23,100	34,570	33,871	699	36,752
Total Appraisal Support	10,208,246	10,214,946	10,193,877	21,069	10,092,878
Appraisal					
Personnel	23,057,473	22,246,413	22,207,570	38,843	22,212,365
Professional services	1,401,977	1,400,977	1,361,083	39,894	1,349,511
Office supplies and printing	218,422	263,722	237,100	26,622	212,837
Other	49,900	73,200	65,549	7,651	68,772
Total Appraisal	24,727,772	23,984,312	23,871,302	113,010	23,843,485
Information Systems					
Personnel	3,972,827	3,958,827	3,937,584	21,243	3,792,117
Professional services	1,204,722	1,078,722	1,022,068	56,654	720,500
Office supplies and printing	365,305	318,154	258,316	59,838	156,596
Data processing	1,290,947	1,287,947	956,989	330,958	1,020,225
Other	615,500	629,400	621,549	7,851	963,246
Total Information Systems	7,449,301	7,273,050	6,796,506	476,544	6,652,684
Administration					
Personnel	3,622,864	3,640,364	3,625,538	14,826	3,531,060
Professional services	58,000	58,000	56,492	1,508	42,997
Office supplies and printing	2,264,376	2,141,677	1,840,834	300,843	1,793,236
Other	50,904	60,054	61,369	(1,315)	26,041
Total Administration	5,996,144	5,900,095	5,584,233	315,862	5,393,334
Administration Services					
Personnel	334,922	1,657,122	1,584,409	72,713	1,591,360
Office supplies and printing	123,400	144,000	124,068	19,932	210,237
Rent and utilities	802,000	802,000	726,643	75,357	661,740
Other	1,227,625	1,274,625	1,123,497	151,128	1,209,004
Total Administration Services	2,487,947	3,877,747	3,558,617	319,130	3,672,341

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, 2012
 With Comparative Totals for the Year Ended December 31, 2011

	2012			Variance Final Budget Positive Negative	2011
	Budgeted Amounts		Actual (Budget Basis)		Actual (Budget Basis)
	Original Budget	Final Budget			
Debt Service					
Principal retirement and interest charges	\$ 2,368,904	\$ 2,368,904	\$ 2,368,904	\$ -	\$ 2,368,904
Capital outlay	225,000	879,000	702,636	176,364	233,661
Total Expenditures	<u>63,129,426</u>	<u>63,129,426</u>	<u>60,173,110</u>	<u>2,956,316</u>	<u>59,189,054</u>
Revenues Over (Under) Expenditures	<u>\$ (2,070,000)</u>	<u>\$ (2,070,000)</u>	110,011	<u>\$ 2,180,011</u>	<u>\$ 2,445,190</u>

Notes to Required Supplementary Information:

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

Timing differences:

Encumbrances at the end of the year	1,342,003
Encumbrances at the beginning of the year that were incurred	(641,722)

Perspective differences:

Building improvements related to capital reserve account	(477)
Interest income (cash with fiscal agent-restricted)	<u>561</u>

Revenues Over Expenditures \$ 810,376

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HARRIS COUNTY APPRAISAL DISTRICT
SCHEDULE OF FUNDING PROGRESS
TEXAS COUNTY AND DISTRICT RETIREMENT SYSTEM
 December 31, 2012

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 ¹ (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
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%
12/31/11	\$ 102,569,931	\$ 117,779,748	\$ 15,209,817	87.1%	\$ 29,632,980	51.3%

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

**EMPLOYER PENSION LIABILITY AT TRANSITION AND
 PREVIOUSLY REPORTED PENSION LIABILITY**

Accounting Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
12/31/08	\$ 4,761,970 ¹	100%	\$ -
12/31/09	\$ 5,215,336 ²	100%	\$ -
12/31/10	\$ 4,958,641 ³	100%	\$ -
12/31/11	\$ 5,115,219 ⁴	100%	\$ -
12/31/12	\$ 5,130,104 ⁵	100%	\$ -

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

² The annual pension cost (APC) for 2009 includes \$1,000,000 used to reduce the district's unfunded liability.

³ The annual pension cost (APC) for 2010 includes \$1,000,000 used to reduce the district's unfunded liability.

⁴ The annual pension cost (APC) for 2011 includes \$1,500,000 used to reduce the district's unfunded liability.

⁵ The annual pension cost (APC) for 2012 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, 2012

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%
07/01/12	\$ -	\$ 7,740,931	\$ 7,740,931	0.0%	\$ 29,632,980	26.1%

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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.

<u>Contents</u>	<u>Page</u>
Financial Trends	76
<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	84
<i>These schedules contain information to help the reader assess the district's most significant local revenue source, the property tax.</i>	
Debt Capacity	88
<i>These schedules present information to help the reader assess the affordability of the district's current level of outstanding debt and the City's ability to issue additional debt in the future.</i>	
Demographic and Economic Information	91
<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	94
<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 POSITION BY COMPONENT

Last Ten Years

(accrual basis of accounting)

	Year			
	2003	2004	2005	2006
Governmental Activities				
Net investment in capital assets	\$ 7,215,548	\$ 6,630,405	\$ 5,797,917	\$ 6,731,571
Restricted	464,227	4,971,599	6,568,731	3,447,102
Unrestricted	9,029,013	7,225,814	5,875,682	5,941,966
Total Governmental Activities Net Position	\$ 16,708,788	\$ 18,827,818	\$ 18,242,330	\$ 16,120,639

Year

2007	2008	2009	2010	2011	2012
\$ 7,207,791	\$ 7,517,575	\$ 8,229,698	\$ 9,219,871	\$ 9,732,611	\$ 8,438,593
3,316,820	3,249,079	3,203,151	2,923,838	150,929	151,013
4,698,792	1,998,921	2,444,621	3,329,336	4,494,025	8,014,806
<u>\$ 15,223,403</u>	<u>\$ 12,765,575</u>	<u>\$ 13,877,470</u>	<u>\$ 15,473,045</u>	<u>\$ 14,377,565</u>	<u>\$ 16,604,412</u>

HARRIS COUNTY APPRAISAL DISTRICT

CHANGES IN NET POSITION

Last Ten Years
(accrual basis of accounting)

	Year			
	2003	2004	2005	2006
Expenses				
Governmental activities				
Office of Chief Appraiser and				
Board of Directors	\$ 3,401,992	\$ 3,669,425	\$ 4,990,225	\$ 5,205,700
Appraisal support	6,994,530	6,639,415	6,532,122	7,018,490
Appraisal	15,790,075	16,197,473	16,091,866	16,115,462
Information systems	5,250,409	5,323,366	4,512,215	6,338,746
Administration	3,417,496	3,444,984	3,488,042	3,914,964
Administration/building services	4,379,556	3,403,036	5,651,629	7,724,416
Interest and fiscal agent fees on long-term debt	19,956	784,610	1,140,864	1,573,617
Total Governmental Activities Expenses	<u>39,254,014</u>	<u>39,462,309</u>	<u>42,406,963</u>	<u>47,891,395</u>
Program Revenues				
Governmental activities				
Charges for services				
Administration/building services	\$ 751,661	\$ 48,018	\$ 23,898	\$ 588,288
Appraisal	393,786	644,920	1,976,538	703,170
Operating grants and contributions				
Information systems	550,000	-	-	-
Total Governmental Activities Program Revenues	<u>1,695,447</u>	<u>692,938</u>	<u>2,000,436</u>	<u>1,291,458</u>
Net (Expense)/Revenue				
Governmental activities	<u>\$ (37,558,567)</u>	<u>\$ (38,769,371)</u>	<u>\$ (40,406,527)</u>	<u>\$ (46,599,937)</u>
General Revenues and Other Changes in Net Position				
Governmental activities				
Assessments	\$ 39,710,089	\$ 39,694,405	\$ 40,561,015	\$ 42,294,633
Investment income	370,176	454,971	708,248	1,474,414
Total governmental activities	<u>\$ 40,080,265</u>	<u>\$ 40,149,376</u>	<u>\$ 41,269,263</u>	<u>\$ 43,769,047</u>
Change in Net Position				
Governmental activities	<u>\$ 2,521,698</u>	<u>\$ 1,380,005</u>	<u>\$ 862,736</u>	<u>\$ (2,830,890)</u>

Year					
2007	2008	2009	2010	2011	2012
\$ 7,164,294	\$ 9,755,491	\$ 9,256,665	\$ 8,179,031	\$ 6,964,757	\$ 7,144,120
7,686,395	9,802,213	10,311,720	10,566,860	10,210,883	10,325,083
17,424,858	21,464,205	24,157,193	24,831,948	24,092,912	24,162,142
6,409,167	6,929,962	6,663,816	7,343,823	8,389,895	6,476,683
4,337,829	4,623,874	5,670,303	5,437,350	5,526,701	5,755,421
4,610,783	3,759,466	3,442,034	2,745,811	6,229,802	3,696,567
1,519,234	1,477,038	1,425,811	1,255,167	1,314,157	1,254,168
<u>49,152,560</u>	<u>57,812,249</u>	<u>60,927,542</u>	<u>60,359,990</u>	<u>62,729,107</u>	<u>58,814,184</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
1,117,207	722,871	789,310	743,712	549,947	1,536,783
-	-	-	-	-	-
<u>1,117,207</u>	<u>722,871</u>	<u>789,310</u>	<u>743,712</u>	<u>549,947</u>	<u>1,536,783</u>
<u>\$ (48,035,353)</u>	<u>\$ (57,089,378)</u>	<u>\$ (60,138,232)</u>	<u>\$ (59,616,278)</u>	<u>\$ (62,179,160)</u>	<u>\$ (57,277,401)</u>
\$ 45,662,193	\$ 53,997,326	\$ 61,190,821	\$ 61,171,142	\$ 61,060,911	\$ 59,473,306
1,475,924	634,224	59,306	40,711	22,769	30,942
<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>\$ 59,504,248</u>
<u>\$ (897,236)</u>	<u>\$ (2,457,828)</u>	<u>\$ 1,111,895</u>	<u>\$ 1,595,575</u>	<u>\$ (1,095,480)</u>	<u>\$ 2,226,847</u>

HARRIS COUNTY APPRAISAL DISTRICT
FUND BALANCE, GOVERNMENTAL FUND

Last Ten Years
(modified accrual basis of accounting)

	Year			
	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	718,216	918,588	2,336,942	1,786,597
Unassigned	8,040,870	9,580,882	10,354,500	11,319,012
Total General Fund	\$ 9,624,868	\$ 15,955,980	\$ 19,742,237	\$ 16,769,402

Year

	2007	2008	2009	2010	2011	2012
\$	263,953	\$ 286,906	\$ 274,612	\$ 224,819	\$ 220,867	\$ 229,011
	3,316,820	3,249,079	3,203,151	2,923,838	150,929	151,013
	1,963,770	724,499	1,082,429	3,250,513	2,495,471	3,720,970
	11,188,636	10,611,680	11,032,679	9,576,127	11,670,886	11,247,535
\$	<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>	<u>\$ 15,348,529</u>

HARRIS COUNTY APPRAISAL DISTRICT

CHANGES IN FUND BALANCE, GOVERNMENTAL FUND

Last Ten Years
(modified accrual basis of accounting)

	Fiscal Year			
	2003	2004	2005	2006
Revenues				
Assessments	\$ 39,710,089	\$ 39,694,405	\$ 40,561,015	\$ 42,294,633
Intergovernmental	550,000	-	-	-
Investment income	347,058	420,339	625,967	1,306,743
Other revenues	393,786	644,920	550,676	415,013
Escalation settlement	-	-	-	588,288
Rendition penalty fee	-	-	930,164	376,155
Total Revenues	<u>41,000,933</u>	<u>40,759,664</u>	<u>42,667,822</u>	<u>44,980,832</u>
Expenditures				
Office of Chief Appraiser and Board of Directors	3,344,198	3,648,478	4,970,652	5,206,976
Appraisal support	6,597,847	6,471,698	6,444,757	6,963,236
Appraisal	15,566,866	16,022,351	16,013,549	16,067,803
Information systems	4,596,644	4,664,510	4,704,992	5,846,988
Administration	3,410,792	3,350,170	3,518,432	3,753,254
Administration services/building services	4,399,528	4,199,702	5,220,686	6,904,973
Capital outlay	385,169	16,501,583	4,117,373	161,635
Debt service				
Principal	550,939	522,096	490,875	1,308,473
Interest	67,920	47,964	1,058,880	1,581,698
Total Expenditures	<u>38,919,903</u>	<u>55,428,552</u>	<u>46,540,196</u>	<u>47,795,036</u>
Excess of Revenues Over (Under) Expenditures	2,081,030	(14,668,888)	(3,872,374)	(2,814,204)
Other Financing Sources (Uses)				
Capital lease proceeds	-	21,000,000	7,500,000	-
Transfers in	100,000	-	-	-
Total Other Financing Sources	<u>100,000</u>	<u>21,000,000</u>	<u>7,500,000</u>	<u>-</u>
Net Change in Fund Balance	<u>\$ 2,181,030</u>	<u>\$ 6,331,112</u>	<u>\$ 3,627,626</u>	<u>\$ (2,814,204)</u>
Debt service as a percentage of noncapital expenditures	1.61%	1.46%	3.65%	6.07%

		Year									
		2007	2008	2009	2010	2011	2012				
\$	45,662,193	\$	53,997,326	\$	61,190,821	\$	61,171,142	\$	61,060,911	\$	59,473,306
	-		-		-		-		-		-
	1,326,703		592,534		55,296		39,065		20,993		28,462
	418,762		480,123		405,486		354,446		269,021		507,054
	-		-		-		-		-		-
	557,545		269,397		353,101		396,148		283,546		274,860
	<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>		<u>60,283,682</u>
	7,151,961		9,699,915		9,217,871		8,099,641		6,931,647		7,097,353
	7,603,298		9,624,462		10,218,855		10,463,681		10,091,490		10,192,816
	17,296,546		21,080,167		23,948,617		24,703,329		23,843,834		23,870,266
	5,888,562		6,480,479		6,291,016		7,114,740		8,052,079		6,141,940
	4,059,326		4,399,795		5,520,413		5,302,049		5,368,780		5,605,428
	3,117,793		3,704,450		3,331,736		3,277,849		6,389,220		3,600,301
	515,036		65,118		220,591		179,018		25,661		596,298
	845,776		984,579		1,104,733		1,066,572		1,054,747		1,114,736
	<u>1,523,128</u>		<u>1,481,155</u>		<u>1,430,165</u>		<u>1,371,496</u>		<u>1,314,157</u>		<u>1,254,168</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>		<u>59,473,306</u>
	(36,223)		(2,180,740)		720,707		382,426		(1,437,144)		810,376
	-		319,725		-		-		-		-
	-		-		-		-		-		-
	-		<u>319,725</u>		-		-		-		-
\$	<u>(36,223)</u>	\$	<u>(1,861,015)</u>	\$	<u>720,707</u>	\$	<u>382,426</u>	\$	<u>(1,437,144)</u>	\$	<u>810,376</u>
	4.99%		4.29%		4.15%		3.97%		3.76%		4.02%

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

	Year			
	2003	2004	2005	2006
Total adjusted levy for calculation of taxing unit assessments ^{(1) (2)}	\$ 5,021,165,739	\$ 5,350,422,513	\$ 5,598,434,724	\$ 6,003,582,726
Direct rate	100%	100%	100%	100%
Assessments	\$ 39,710,089	\$ 39,694,405	\$ 40,561,015	\$ 42,294,558

- (1) According to Section 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.
- (3) The district owed a refund to the taxing jurisdictions for 2012. The amount shown here does not include the adjustment for the refund.

Year					
2007	2008	2009	2010	2011	2012
\$ 6,278,466,241	\$ 6,586,789,240	\$ 7,349,553,692	\$ 7,467,082,380	\$ 7,228,564,513	\$ 7,390,428,021
100%	100%	100%	100%	100%	100%
\$ 45,662,191	\$ 53,997,326	\$ 61,189,143	\$ 61,171,141	\$ 61,060,911	\$ 60,429,430 ⁽³⁾

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HARRIS COUNTY APPRAISAL DISTRICT

PRINCIPAL TAXING JURISDICTIONS

Current Year and Nine Years Ago

Taxing Jurisdictions	2012			2003		
	Tax Levy	Rank	% of Taxable Assessed Value	Tax Levy	Rank	% of Taxable Assessed Value
Houston ISD	\$ 1,188,525,756	1	16.08%	\$ 1,003,867,076	1	20.95%
Harris County	1,077,788,512	2	14.58%	682,111,039	2	14.24%
City of Houston	919,175,057	3	12.44%	650,663,405	3	13.58%
Harris County Hospital Dist.	513,815,478	4	6.95%	334,272,017	4	6.98%
Cypress-Fairbanks ISD	446,475,862	5	6.04%	293,293,200	5	6.12%
Spring Branch ISD	245,069,021	6	3.32%	200,612,557	6	4.19%
Katy ISD	183,554,905	7	2.48%	n/a	n/a	-
Klein ISD	182,207,967	8	2.47%	121,684,817	9	2.54%
Aldine ISD	171,410,502	9	2.32%	138,369,251	7	2.89%
Humble ISD	158,233,295	10	2.14%	n/a	n/a	-
Alief ISD	n/a	n/a	-	129,497,856	8	2.70%
Deer Park ISD	n/a	n/a	-	113,296,139	10	2.36%
Subtotal	\$ 5,086,256,355		68.82%	\$ 3,667,667,357		76.55%
Other Taxing Jurisdictions	2,304,171,666		31.18%	1,123,583,715		23.45%
Total	\$ 7,390,428,021		100.00%	\$ 4,791,251,072		100.00%

Source: Harris County Appraisal District's departmental records.

HARRIS COUNTY APPRAISAL DISTRICT

RATIOS OF OUTSTANDING DEBT BY TYPE

Last Ten Years

	Year			
	2003	2004	2005	2006
Governmental Activities:				
Notes payable	\$ 1,520,997	\$ 998,901	\$ 508,026	\$ -
Capital leases	-	2,100,000	28,500,000	27,699,553
Total	<u>\$ 1,520,997</u>	<u>\$ 3,098,901</u>	<u>\$ 29,008,026</u>	<u>\$ 27,699,553</u>
Taxing jurisdictions in district	401	411	419	429
Debt per taxing unit ⁽¹⁾	\$ 3,793	\$ 7,540	\$ 69,232	\$ 64,568

(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.

Year					
2007	2008	2009	2010	2011	2012
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<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>	<u>21,848,136</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>	<u>\$ 21,848,136</u>
429	477	476	485	488	492
\$ 62,596	\$ 54,424	\$ 52,554	\$ 49,521	47,055	44,407

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HARRIS COUNTY APPRAISAL DISTRICT
DEMOGRAPHIC AND ECONOMIC STATISTICS
 Last Ten Years

Fiscal Year Ended <u>December 31</u>	(a) Estimated Population <u>(In Thousands)</u>	(a) Personal Income <u>(In Thousands)</u>	(a) Per Capita Personal Income	(a) Unemployment Rate
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	\$ 204,597,235	\$ 48,935	8.2%
2012	4,273	not available	not available	6.8%

Data sources:

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

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HARRIS COUNTY APPRAISAL DISTRICT

PRINCIPAL CORPORATE EMPLOYERS

Prior Year and Nine Years Ago

(amounts in thousands)

Employer	2012			2003		
	Employees	Rank	Percentage of Total County Employment	Employees	Rank	Percentage of Total County Employment
Memorial Hermann Healthcare	20,000	1	0.74%	15,864	6	0.70%
UT MD Anderson Cancer Center	18,670	2	0.70%	12,306	9	0.54%
H-E-B	17,627	3	0.66%	-	-	-
United Airlines	16,665	4	0.62%	-	-	-
McDonald's Corp.	14,880	5	0.55%	12,638	7	0.56%
Kroger Co.	14,828	6	0.55%	15,969	5	0.71%
Exxon Mobil Corp.	14,400	7	0.54%	17,069	4	0.75%
Methodist Hospital System	14,300	8	0.53%	-	-	-
Schlumberger	10,817	9	0.40%	-	-	-
UT Medical Branch - Galveston	10,714	10	0.40%	10,994	10	0.49%
Wal-Mart Stores	-	-	-	21,610	1	0.96%
Continental Airlines	-	-	-	19,732	2	0.87%
Administaff	-	-	-	18,244	3	0.81%
Haliburton	-	-	-	12,557	8	0.55%
Total	152,901			156,983		

Source: Employment numbers were obtained from Houston ISD and the Houston Chronicle. Percentage of total employment was calculated using total non-agricultural employment for the Houston-Sugarland-Baytown MSA and was obtained directly from the U.S. Bureau of Economic Statistics and via DATAbook Houston. These lists exclude employment numbers for Houston ISD and the City of Houston.

HARRIS COUNTY APPRAISAL DISTRICT

EMPLOYED POSITIONS BY FUNCTION⁽¹⁾

Last Ten Years

Function	Year			
	2003	2004	2005	2006
Office of the Chief Appraiser	6	6	6	6
Support Services	142	143	140	143
Appraisal	280	299	303	305
Information Systems	47	46	53	51
Administration	36	38	34	37
Regular Positions	511	532	536	542

Notes:

(1) Data represents employed positions at year end.

Year					
2007	2008	2009	2010	2011	2012
7	7	7	6	6	5
157	177	176	173	173	168
313	363	368	359	357	354
47	49	48	48	46	46
37	34	41	44	48	50
<u>561</u>	<u>630</u>	<u>640</u>	<u>630</u>	<u>630</u>	<u>623</u>

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

Property Category	Year			
	2003	2004	2005	2006
Single family residential	0.97	0.98	0.99	0.98
Multi-family residential	0.98	0.88	0.97	0.93
Vacant lots	0.85	0.9	0.90	9.00
Acreage	0.97	0.82	0.87	0.99
Commercial real property	0.99	0.97	0.95	0.92
Utilities	n/a	0.97	1.00	1.00
Commercial personal property	0.98	0.97	0.97	0.98
Overall Median Level	<u>0.98</u>	<u>0.98</u>	<u>0.98</u>	<u>0.97</u>

(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.

Year					
2007	2008	2009	2010	2011	2012
0.99	0.98	0.99	n/a	0.99	n/a
0.94	0.92	0.98	n/a	0.99	n/a
0.94	0.95	0.98	n/a	1.00	n/a
0.90	0.92	1.00	n/a	0.96	n/a
0.93	0.94	0.98	n/a	0.97	n/a
1.01	n/a	0.97	n/a	1.02	n/a
0.98	0.99	0.99	n/a	0.99	n/a
0.98	0.98	0.99	n/a (3)	0.99	n/a (3)

HARRIS COUNTY APPRAISAL DISTRICT
PROTEST ACTIVITY AND LITIGATION VOLUME
 Last Ten Years

Property Category	Year			
	2003	2004	2005	2006
Reappraisal year	Yes	No	Yes	No
Accounts protested	180,757	181,662	202,860	271,226
Value of accounts	\$ 77,496,000,000	\$ 90,091,000,000	\$ 102,692,000,000	\$ 155,457,071,162
Average percentage reduction	9.5%	9.1%	8.0%	13.7%
Total lawsuits	821	1,112	1,233	2,172
Number of accounts	3,901	2,538	2,454	3,913
Value of accounts	\$ 5,873,710,453	\$ 5,582,515,111	\$ 6,507,678,235	\$ 17,524,904,263
Number of accounts resolved	3,901	2,534	2,446	3,886
Average percentage reduction	11.7%	9.7%	10.5%	11.6%

(a) Data from district's appraisal department.

Year

	2007	2008	2009	2010	2011	2012
	Yes	Yes	No	Yes	Yes	Yes
	367,954	397,400	391,774	321,685	308,085	299,568
\$	193,259,954,860	221,860,468,998	217,732,021,116	186,432,243,486	185,658,716,971	199,719,024,340
	12.3%	11.4%	9.1%	8.3%	8.1%	8.1%
	3,530	2,729	2,714	2,196	2,938	2,861
	6,093	6,214	8,516	5,401	6,550	6,346
\$	21,442,567,224	29,042,554,579	31,578,675,491	17,430,386,167	23,299,505,024	26,098,484,252
	6,078	5,800	7,916	4,168	5,071	1,308
	11.8%	13.8%	13.6%	11.5%	11.05%	11.31%

HARRIS COUNTY APPRAISAL DISTRICT
OPERATING INDICATORS BY FUNCTION/PROGRAM
 Last Ten Years

Function / Program	Year			
	2003	2004	2005	2006
Appraisal				
Appraised value	\$ 221,058,310	\$ 233,384,358	\$ 271,036,688	\$ 293,384,510
Number of accounts	1,627,915	1,649,737	1,667,540	1,470,831

Source: Various district departments.

Year					
2007	2008	2009	2010	2011	2012
\$ 327,590,375	\$ 364,711,001	\$ 372,664,071	\$ 359,326,951	\$ 363,527,388	\$ 383,443,914
1,486,328	1,522,251	1,541,287	1,542,759	1,555,477	1,560,322

HARRIS COUNTY APPRAISAL DISTRICT

CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM

Last Nine Years ⁽¹⁾

Function/Program	Year			
	2004	2005	2006	2007
General Fund				
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 nine years are available at this time.

Figures represent total capital assets by function.

Year				
2008	2009	2010	2011	2012
73	72	70	66	66
262	257	249	217	211
525	516	502	488	487
1,711	1,672	1,635	1,482	1,432
187	180	179	179	176

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