

***ANNUAL COMPREHENSIVE
FINANCIAL REPORT***

of the

**HARRIS CENTRAL
APPRAISAL DISTRICT, TEXAS**

**For the Year Ended
December 31, 2022**

Report Issued By:

Budget and Finance Division

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HARRIS CENTRAL APPRAISAL DISTRICT

TABLE OF CONTENTS

December 31, 2022

<u>INTRODUCTORY SECTION</u>	Page
Letter of Transmittal	3
Appraisal Process	13
Certificate of Achievement for Excellence in Financial Reporting	14
District Officials	15
Plan of Organization	16
Harris County School Districts	17
Harris County Cities	18
Harris County Special Districts	19
 <u>FINANCIAL SECTION</u>	
Independent Auditors' Report	23
Management's Discussion and Analysis (Required Supplementary Information)	29
 <u>BASIC FINANCIAL STATEMENTS</u>	
Government-Wide Financial Statements	
Statement of Net Position	39
Statement of Activities	41
 Governmental Fund Financial Statements	
Balance Sheet	43
Reconciliation of the Governmental Fund Balance Sheet to the Statement of Net Position	45
Statement of Revenues, Expenditures, and Changes in Fund Balance	47
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of the Governmental Fund to the Statement of Activities	49
 Proprietary Fund Financial Statements	
Statement of Net Position	51
Statement of Revenues, Expenses, and Changes in Fund Net Position	53
Statement of Cash Flows	55
 Notes to the Financial Statements	 57

HARRIS CENTRAL APPRAISAL DISTRICT

TABLE OF CONTENTS (Continued) December 31, 2022

<u>REQUIRED SUPPLEMENTARY INFORMATION</u>	Page
Schedule of Revenues, Expenditures, and Changes in Fund Balance— Budget and Actual — General Fund (Budget Basis)	84
Schedule of Changes in Net Pension Liability and Related Ratios — Texas County and District Retirement System	86
Schedule of Contributions — Texas County and District Retirement System	88
Schedule of Changes in Total OPEB Liability and Related Ratios — Texas County and District Retirement System	90
Schedule of Changes in Total OPEB Liability and Related Ratios — Retiree Healthcare Benefits	92
 <u>SUPPLEMENTARY INFORMATION</u>	
Schedule of Revenues, Expenditures, and Changes in Fund Balance — Budget and Actual — General Fund (Budget Basis)	96
 <u>STATISTICAL SECTION</u>	
Net Position by Component	100
Changes in Net Position	102
Fund Balance, Governmental Fund	104
Changes in Fund Balance, Governmental Fund	106
Adjusted Levy for Assessments and Assessments Collected	108
Principal Taxing Jurisdictions	111
Ratios of Outstanding Debt by Type	112
Demographic and Economic Statistics	115
Principal Corporate Employers	117
Employed Positions by Function	118
State Comptroller's Study by Median Level of Appraisal	120
Protest Activity and Litigation Volume	122
Operating Indicators by Function/Program	124
Capital Asset Statistics by Function/Program	126

INTRODUCTORY SECTION

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Office of Chief Appraiser

June 12, 2023

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

Board of Directors

Mike Sullivan, Chairman
Martina Lemond Dixon, Secretary
Al Odom, Assistant Secretary
Ann Harris Bennett, Director
Tax Assessor-Collector, Ex-Officio Director
Jim Robinson, Director
Jonathan Cowen, Director
Kathy Blueford-Daniels, Director

Chief Appraiser

Roland Altinger
Deputy Chief Appraiser
Jason Cunningham
Taxpayer Liaison Officer
Teresa S. Terry

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, 2022.

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 unmodified ("clean") opinion on the Harris Central Appraisal District's financial statements for the year ended December 31, 2022. The independent auditors' report is located at the front of the financial section of this report.

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

Profile of the District

The Harris Central Appraisal District (the "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 567 taxing units.

Texas appraisal districts are permitted to contract with their taxing units to perform tax collection functions. The Harris Central Appraisal District has not contracted with any of its taxing units to provide these services through 2022 and does not anticipate any collection contracts in the foreseeable future.

The Harris Central Appraisal District has six board members. Taxing units select members as follows:

Harris County, the City of Houston, and Houston Independent School District each appoint one representative to the board. The cities other than Houston choose one representative by election. The junior college districts

together with the school districts other than Houston ISD, choose one representative by election. The conservation and reclamation districts choose one representative by election. If the county-assessor collector is not appointed to the board, the county assessor-collector serves as a 7th, non-voting member of the board. The chief appraiser administers the selection process in the fall of each odd-numbered year.

The board of directors has general policy-making authority. It appoints the chief appraiser, who is chief administrator of the district. The board appoints the taxpayer liaison officer. Beginning in 2010, the administrative judge of the Harris County Civil District Courts appoints members of the appraisal review board. The board of directors 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 Central Appraisal District does not determine how much each of these local governments will spend to provide services, nor does it set their tax rates. Each local government adopts its own budget, then sets a tax rate that will generate the amount of money required to pay for its services. The district provides each local government with a list of its taxable property, together with the January 1 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 district is organized into two primary departments: Chief Appraiser and Deputy Chief Appraiser. Those divisions reporting directly to the Chief Appraiser are primary responsible for the support services divisions consisting of ARB Operations, Jurisdiction Communications, and Information & Assistance. These divisions coordinate support functions, including records maintenance, exemptions, customer service to property owners, and support for the Appraisal Review Board, and records management. The Information Technology Division maintains the district's data center, local area networks, software applications, and imaging. The Budget & Finance Division is responsible for the business support functions relating to budget, finance, employee benefits, purchasing, capital assets, facilities, and postal services. Information Technology, Budget & Finance, Human Resources, Audit Support Services, Communications Services, and Legal Services also report directly to the Chief Appraiser.

Divisions reporting directly to the Deputy Chief Appraiser are the appraisal divisions consisting of Appraisal Operations, Agricultural Valuation, Business and Industrial Property, Commercial Valuation, Residential Valuation, and Review Appraisal. The Appraisal Divisions are responsible for the valuation of all real and personal property accounts. Security Services also reports directly to the Deputy Chief Appraiser.

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 19, 2022 with less than 5.67 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 567 taxing unit appraisal rolls was approximately \$4.89 trillion, resulting in a 2022 ad valorem tax levy of approximately \$14.5 billion, an increase of 16.4 percent from 2021.

The Harris Central Appraisal District encompasses a 1,774-square-mile area, including some of the most complex properties in the world. These include the port facilities of the Houston Ship Channel and Port of Houston, the busiest port in the United States in terms of foreign tonnage and the second busiest in overall tonnage. The

properties include two major international airports, more than 350 class A high-rise office properties, hundreds of millions of square feet of warehouse and retail properties, tens of thousands of apartment units, and more than 1.1 million homes. Harris County is one of the world's major petrochemical centers and includes five refineries, thousands of miles of pipeline and tank storage, and dozens of petrochemical processing facilities. The City of Houston is the fourth largest city in the United States, and Harris County estimates that the unincorporated area of the county would be the fifth largest city. The appraisal district also appraises business and industrial personal property for taxation, again at full market value.

Despite charging through a pandemic with no let-up in sales, Houston real estate could not withstand the powerful economic headwinds that began swirling in 2022 and ultimately ended a long and much-admired record-setting run. On top of limited affordable housing inventory, mortgage rates were perhaps the biggest culprit, rising throughout most of the year as the Federal Reserve drove a steady campaign of interest rate hikes to tame soaring inflation. The move prompted many consumers to postpone homebuying plans — in many cases diverting to the rental market which thrived as a result. While mortgage rates have fallen steadily since surpassing seven percent in November, home sales continue to slow and will likely remain down through at least the early part of 2023.

Single-family home sales for 2022 were down almost 11 percent compared to 2021's record pace, marking the first year that Houston housing has been in the red since 2015. Despite the sales slowdown, prices rising to new highs in the \$400,000s kept 2022's total dollar volume close to last year's record level.

According to Houston Association of Realtors' (HAR) December/Full-Year 2022 Housing Market Update, single-family home sales fell 10.9 percent to 95,113. Sales of all property types totaled 117,572, down 10.7 percent from 2021. Total dollar volume dropped just 2.0 percent to \$45.6 billion versus \$46.5 billion in 2021.

For the month of December, single-family home sales dropped 32.6 percent. That marks the ninth straight monthly decline of 2022 and the steepest. Sales volume fell in all segments of the market, with the greatest drop, 42.8 percent, among homes priced between \$150,000 and \$250,000. That was followed by the \$1M and above segment, which saw a 34.8 percent year-over-year decline.

The median price of a single-family home — the figure at which half of the homes sold for more and half sold for less — was \$330,000 in December. That is the third straight month it has held at that level and is 3.8 percent higher than last December. The average price of \$409,777 was up 5.1 percent compared to last year.

Comparison of Appraised Values to Previous Year

The change in appraised value of taxable property between years 2022 and 2021 is reflected in the table below.

HARRIS CENTRAL APPRAISAL DISTRICT APPRAISED VALUES			
2022		2021	
Number of Accounts	Appraisal Value (in thousands)	Number of Accounts	Appraisal Value (in thousands)
1,724,313	\$756,786,076	1,700,000	\$666,018,188

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 January 1, 2023. The change in the appraised and taxable values from 2021 to 2022 varied among taxing units, reflecting the mix of property types, exemptions, and market conditions within each unit.

HARRIS CENTRAL TAXABLE VALUES (in thousands \$)				
	2022	2021	Change	Percent Change
Appraised Value	\$756,786,076	\$666,018,188	\$90,767,888	13.63%
Taxable Value	\$579,981,323	\$506,214,557	\$73,756,766	14.57%

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% 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 was completed for 2021 and all school districts fell within the margin of error.

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 conducted for 2022.

The district's median level of appraisal for 2021 is summarized in the following table:

STATE COMPTROLLER'S STUDY	
<u>Property Category</u>	<u>Median Level of Appraisal 2021</u>
Single Family Residential	.98
Multi-Family Residential	.93
Vacant Lots	.91
Acreage	N/A
Commercial Real Property	.97
Utilities	.94
Commercial Personal Property	.99
Overall Median Level — All Properties	.98

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 98% appraisal level is considered to reflect very good appraisal performance.

Property Owner Protests

During 2022, property owners and professional tax consultants filed 494,161 protests, resulting in an increase 9.13 percent from the 2021 protest volume of 452,834. 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, an independent body. The panel makes the final determination. The 2022 protest activity data has been updated through March 22, 2023. 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>
2013	Yes	302,336	\$230,189	8.75%
2014	Yes	346,041	\$247,547	8.52%
2015	Yes	372,584	\$285,432	6.29%
2016	Yes	380,550	\$311,654	10.79%
2017	Yes	389,837	\$319,509	10.40%
2018	Yes	372,647	\$319,656	9.95%
2019	Yes	421,763	\$363,786	10.28%
2020	Yes	447,128	\$389,017	9.76%
2021	Yes	452,834	\$394,269	7.19%
2022	Yes	494,161	\$454,937	6.60%

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>
2013	3,568	11,019	\$ 55,331,218,880	11,018	9.94%
2014	4,022	9,734	\$ 62,482,106,824	9,727	9.86%
2015	4,133	10,124	\$ 64,584,698,576	10,094	11.36%
2016	4,212	12,018	\$ 90,788,838,462	11,939	11.88%
2017	4,661	11,918	\$ 81,113,534,434	11,855	11.27%
2018	7,183	16,024	\$ 87,914,852,919	14,916	10.23%
2019	6,374	15,005	\$106,544,983,826	14,258	11.05%
2020	6,580	16,141	\$129,734,249,159	13,615	11.11%
2021	6,947	14,658	\$115,008,972,920	9,355	10.17%
2022	7,959	16,418	\$141,302,673,218	719	10.12%

Rather than filing suit in state district court, property owners may appeal the appraisal review board decision through binding arbitration. Arbitration is available for non-homesteaded properties valued at \$5,000,000 or less. Homesteaded properties have no value limit.

Arbitration volume for the last 10 years is summarized in the table below:

<i>ARBITRATION VOLUME</i>				
<u>Year</u>	<u>Number of</u>	<u>Determined</u>	<u>Dismissed/</u>	<u>Pending</u>
	<u>Accounts</u>		<u>Withdrawn</u>	
2013	774	774	47	0
2014	713	713	73	0
2015	1,239	1,239	495	0
2016	7,780	7,780	4,715	0
2017	7,375	7,375	3,702	0
2018	2,276	2,276	1,332	0
2019	3,548	3,548	2,189	0
2020	5,119	5,117	4,148	2
2021	5,645	5,645	5,237	0
2022	8,398	3,667	3,566	4,832

iFile and iSettle Programs

The Harris Central Appraisal District continues its online iFile program that allows property owners and agents to protest their noticed values through the district's website. During 2022, 71,751 agent protests and 93,987 property owner protests were received through iFile. Both programs have reduced the number of property owners needing to appear in person at the district's office. Additionally, much of the paper handling, data entry, scanning, and filing tasks were eliminated due to the increased use of iFile and iSettle. The iFile program also allows personal property renditions to be submitted on-line.

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.

In 2017, a new feature was added to the iFile/iSettle program that allows property owners participating in iSettle to upload their hearing evidence via the Owners website. This uploaded evidence is taken under consideration by HCAD before making an iSettle offer to the property owner. A total of 16,416 property owners utilized this feature in 2022, and they uploaded a total of 127,832 files.

The addition of this new feature plays a significant role in the quality of iSettle offers made by the district. iFile and iSettle volume is summarized in the table below:

WILE / iSETTLE VOLUME						
Year	Wile Participants	Wile Renditions Processed	iFile Rendition Extension Requested	iSettle Offers Accepted	Owners Website Accounts Enrolled	Owners Website Accounts Serviced
2013	72,879	24,803	20,803	7,473	55,000	2,361
2014	97,000	31,258	21,202	13,920	90,000	8,061
2015	109,300	29,669	20,928	13,140	152,000	12,000
2016	119,547	30,452	21,075	13,679	180,000	16,000
2017	118,381	31,154	22,090	19,284	213,000	21,000
2018	118,798	32,098	20,546	9,749	233,000	25,000
2019	146,543	31,019	21,892	23,550	261,000	33,000
2020	172,407	32,931	12,598	32,620	287,000	41,000
2021	168,239	32,725	20,691	38,562	295,000	43,000
2022	287,387	34,364	20,007	36,751	353,102	34,574

Financial Information

The general fund's total fund balance was \$34,048,158 with an unassigned balance of \$3,419,805 at year-end, which is below the district's financial policy recommendation for budgetary and planning purposes. Other assignments include \$1,306,780 for special projects, \$7,752,457 for future major repairs and rehabilitations of facilities, \$500,000 for the phone system project, and \$20,033,435 to operating reserve fund. 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 department. Division 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 quarter page advertisement, and finally adopt a budget before September 15. Texas law also provides that each of the 567 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 0.73 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 2022 expenditure budget of \$94,872,473 on August 18, 2021. This amount represented a \$1,853,909 increase over the 2021 budget. Taxing unit funding increased from \$92,518,564 in 2021 to \$ 94,372,473 for 2022, an increase of \$1,853,909.

Major Initiatives

1. The district is searching for a comprehensive document and workflow management solution to replace VisiFlow, which is over two decades old and at EOL. Significant work has been completed to gather detailed requirements and review the offerings of software vendors in this space. Currently the district is conducting software demos with the three solutions still in the running.
2. Development was completed on the second round of enhancements to the Case Management System. These are user-requested improvements to the system designed to streamline the processing of an ever-increasing volume of litigation, including the improvement of calendar functionality, search capabilities, and a suite of enhancements for making so-called "global updates" to large numbers of cases at one time.
3. The district recently migrated from a manually maintained employee directory to Delve, which is built into MS Office 365, and is fully integrated into systems in which employees work on a daily basis including Teams, Outlook, and SharePoint. Delve provides a modern user experience and is automatically updated when an employee record is created or modified in Active Directory in the course of business.
4. IT policies and procedures have been migrated to the Navex PolicyTech system, which provides a robust platform for creation, review, editing, and publishing of procedural documents.
5. Information Security Program
 - a. The Cybersecurity Champion Program was inaugurated in 2021, celebrating the efforts of employees who have gone above and beyond in their active participation in HCAD's cybersecurity program.
 - b. The IT division created a comprehensive network and applications matrix that is now used as a basis for the district's cybersecurity focus, as well as aiding in identifying records for document retention and backup purposes.
 - c. As part of the district's ongoing effort to increase system availability, additional storage capacity has been added to our data center colocation.
 - d. Failover capabilities of the district's operation from the main data center to the colocation were successfully tested on a large scale with participation from all the district's divisions.
 - e. Immutable Backups are those that cannot be altered in any way for a number of days as determined by an organization's needs. This technology allows for data to be backed up and then protected from deletion or changes by applying a write once / read many permissions set that will protect a specific point-in-time backup dataset from being altered. This ensures the accuracy and integrity of backups in the event data needs to be restored due to accidental deletion, corruption, or unauthorized encryption such as ransomware. The district has implemented two immutable backup solutions including Pure storage array snapshots for near-time restoral and Veem Enterprise backups for longer historical restores.
 - f. The systems infrastructure group migrated to a Pure storage system, giving the district added benefits in the areas of security, performance, and manageability. The system is built on a flash architecture, which provide faster read / write times, as well as improved reliability over spinning disks. Additionally, the system takes snapshots of HCAD data throughout the day, allowing for recovery in the event of data corruption or security events.

- g. As part of its continuing effort to implement district-wide multifactor authentication for all users, a concerted education campaign and signup sessions were conducted. Users were also enrolled in self-service password reset, allowing them to securely change their own passwords without the assistance of HCAD support resources.
6. In conjunction with the Information & Assistance division, a significant amount of implementation work has been completed for a software bot. This bot will assist in processing the nearly 200,000 appointment of agent forms that the district receives each year.
7. The GIS group played a continued key role in securing a cost-sharing agreement with Harris County Departments, the City of Houston, and METRO to acquire Cyclomedia street level imagery of Harris County. These images provide significant improvements in resolution over the previous photos, providing the Residential Property Division, in particular, with an outstanding tool to use in their appraisal and analysis work.
8. The GIS group developed a Review Appraisal Division (RAD) Comp Viewer application, which is a tool to help testifying appraisers visualize the cases that they are working on. It allows them to view accounts on a map, search for additional comparable accounts, and puts elements such as the flood plain, market areas, and various years' worth of imagery into context.
9. MUD Value Change Viewer was a most recent addition to the gamut of visualization tools employed by the GIS group which allows users to determine value changes to parcels within municipal utility (MUD) districts over time.
10. Launchpad, the district's employee-facing applications portal, was updated to include more granular permissions as well as a more robust security framework. Detailed logging was added to the remote hearing application so that support staff can assist property owners with issues during remote hearings, and real-time views into remote meetings was implemented.
11. The district expanded its implementation of Power **BI** for auditing, trending, and reporting, presenting data in ways that simplify complex concepts and increase productivity for end users. Some examples include an owners' website usage report showing trends in iSettle, iFile, and personal property renditions, a driver license check report showing multiple properties related to a single Texas driver license, hearings count report, and a protest comparison graph.
12. HCAD's Information Technology staff continued to convene a series of educational sessions to address the needs of users throughout the district. These sessions allowed users to get their questions answered about the new technologies being used to connect to the district network, the new phone system, and any other topics that arose. The ongoing monthly sessions are geared towards topics selected based on user feedback.

The Harris Central Appraisal District's outreach program educates property owners on assessment and taxation issues. The district conducted a total of 52 virtual and in-person property tax workshops and exemption workshops in 2022. These workshops were done with the Harris County Tax Assessor-Collector's office to present a complete picture of the assessment and collection process. The district also conducted workshops with community partners to reach the elderly and inner-city neighborhoods. The goal was to go to the property owners with helpful information rather than make them come to the appraisal district with questions. The district researched and identified communities in the county that underutilized the exemption and protest resources available and then scheduled presentations in those areas. The workshops promoted district resources available and provided individualized and immediate answers to property owner account questions.

Awards and Acknowledgements

For the sixth year in a row, Harris Central Appraisal District has landed on the Houston Chronicle's list of Top Workplaces 2022! Each year, the Houston Chronicle recognizes a select number of organizations with high employee engagement as Top Workplaces in Houston. These organizations are recognized based solely on their employees' survey responses. The Top Workplaces shared a common philosophy: recognizing their workers as their most important assets and the key to their success.

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Harris Central Appraisal District for its annual comprehensive financial report (ACFR) for the fiscal year ended December 31, 2021. This was the thirty-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 ACFR 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 ACFR 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 budget and finance division. The budget and finance division also received invaluable assistance and support from the districts other departments: Appraisal, Operations, Communications, and Information Technology. 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,



Roland Altinger
Chief Appraiser



Jason Cunningham
Deputy Chief Appraiser



Theresa Paul
Chief Financial Officer



Tracey Dang
Controller

HARRIS CENTRAL APPRAISAL DISTRICT

APPRAISAL PROCESS

December 31, 2022

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 CENTRAL APPRAISAL DISTRICT

CERTIFICATE OF ACHIEVEMENT FOR EXCELLENCE IN FINANCIAL REPORTING

December 31, 2022



Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Harris County Appraisal District Texas

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

December 31, 2021

aCd-r-114'' pAir''

Executive DirectoriCEO

HARRIS CENTRAL APPRAISAL DISTRICT

DISTRICT OFFICIALS

December 31, 2022

MIKE SULIVAN

Chairman

MARTINA LEMOND DIXON

Secretary

AL ODOM

Assistant Secretary

ANN HARRIS-BENNETT

Tax Assessor-Collector

Ex-Officio Director

Member

JIM ROBINSON

Member

JONATHAN COWEN

Member

KATHY BLUEFORD-DANIELS

Member

ROLAND ALTINGER

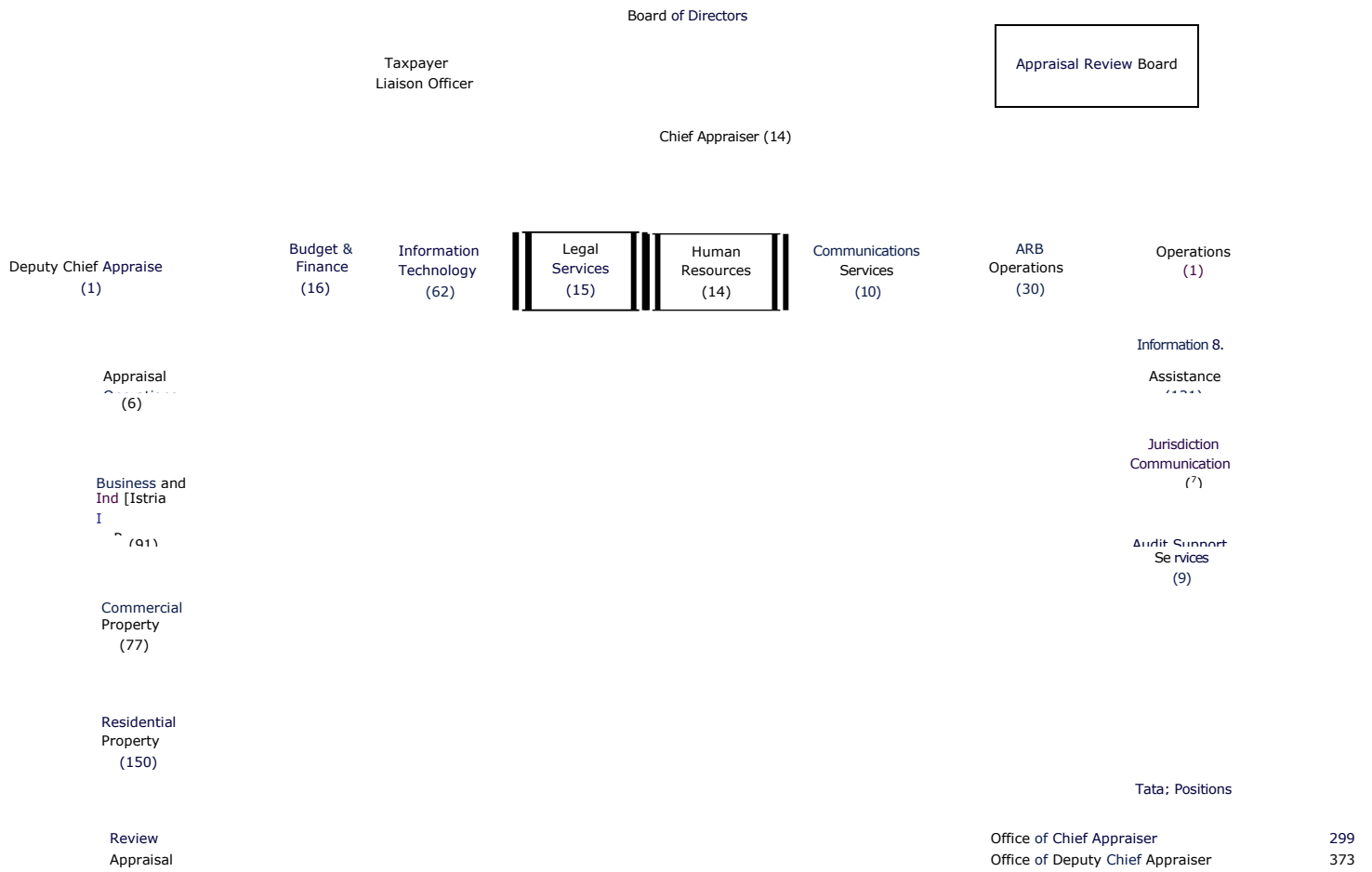
Chief Appraiser

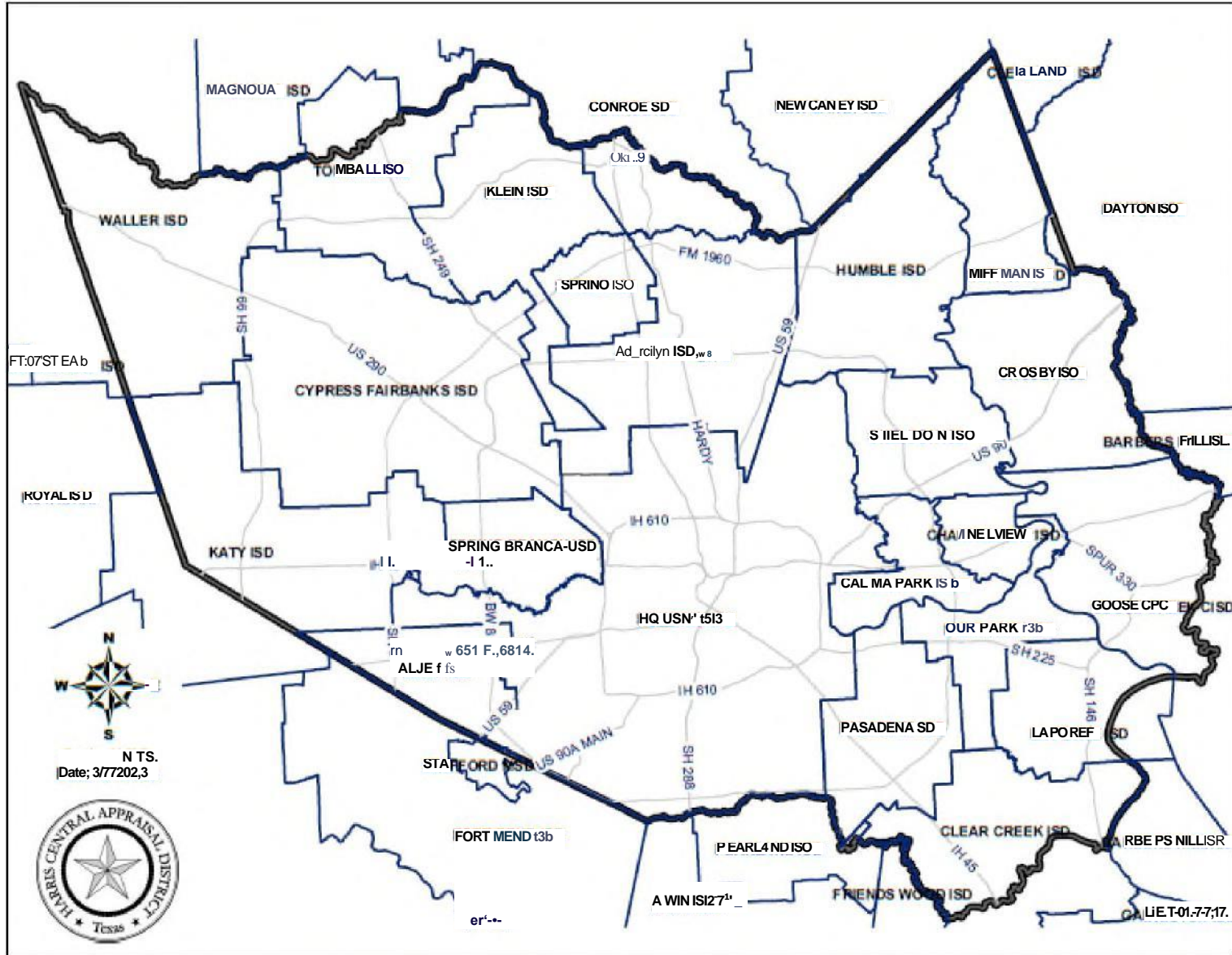
HARRIS CENTRAL APPRAISAL DISTRICT

PLAN OF ORGANIZATION

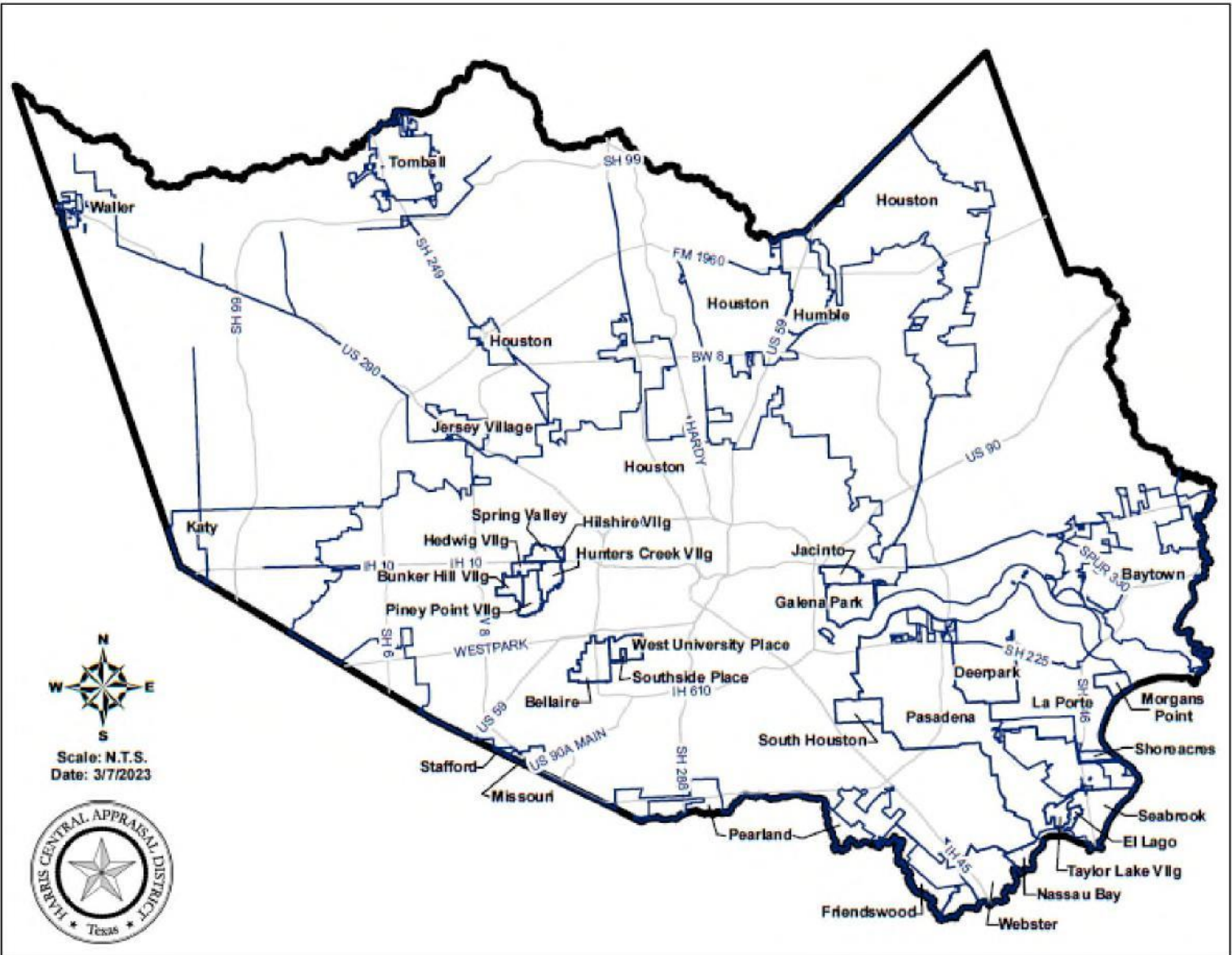
December 31, 2022

PLAN OF ORGANIZATION - 2022

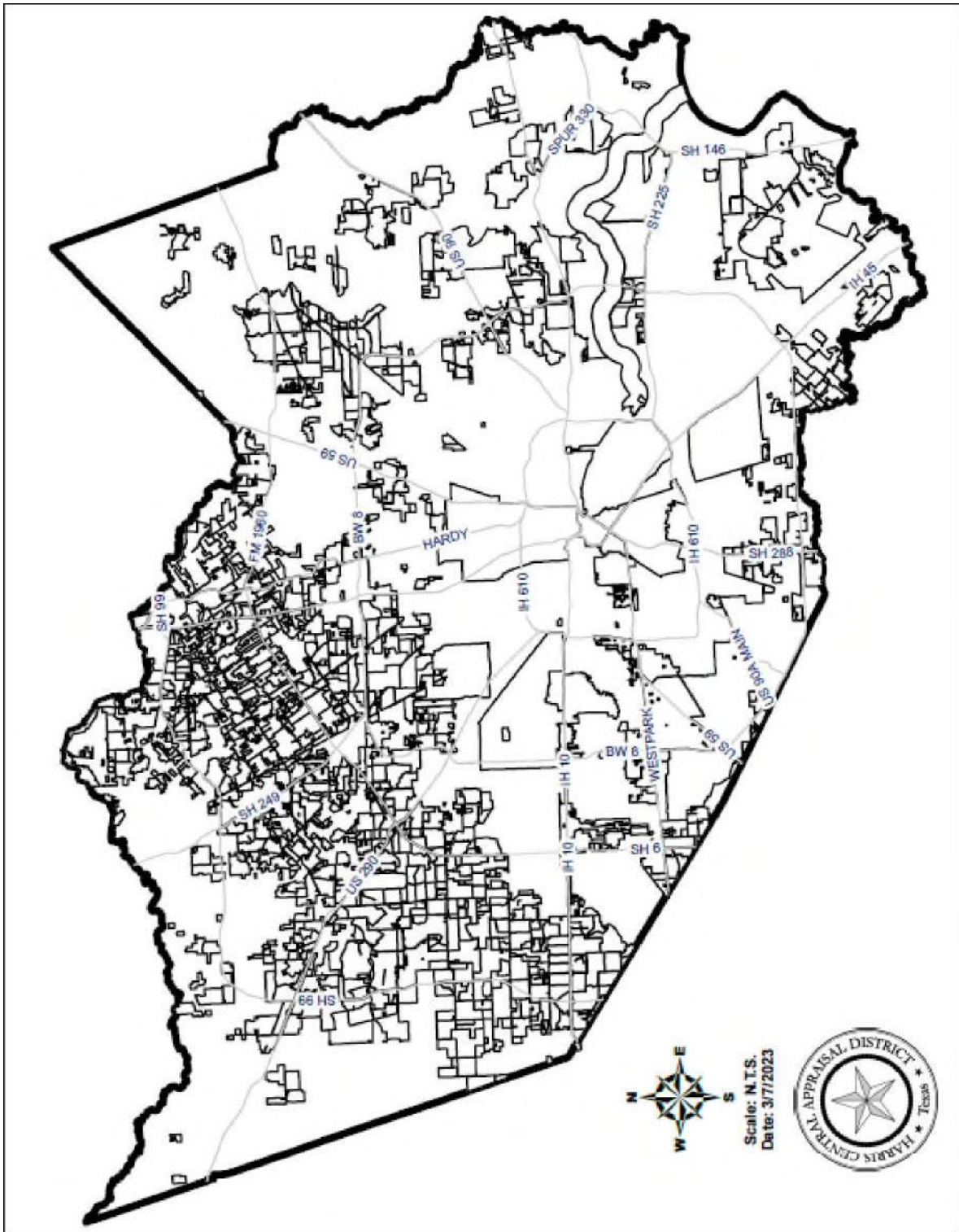




HARRIS CENTRAL APPRAISAL DISTRICT
HARRIS COUNTY CITIES
December 31, 2022



HARRIS CENTRAL APPRAISAL DISTRICT
HARRIS COUNTY SPECIAL DISTRICTS
December 31, 2022



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FINANCIAL SECTION

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INDEPENDENT AUDITORS' REPORT

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

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of the Harris Central Appraisal District (the "district"), as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the district's basic financial statements as listed in the table of contents.

In our opinion, the 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, 2022, 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.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the district, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibility of Management 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 and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the district's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the district's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the district's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, budgetary comparison information, schedule of changes in net pension and total other postemployment benefits liabilities and related ratios, and schedule of contributions, identified as Required Supplementary Information on the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

Supplementary 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 schedule is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management

and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditors' report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

jfThELT ARRIS

LLLP

Belt Harris Pechacek, LLLP
Certified Public Accountants
Houston, Texas
June 12, 2023

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

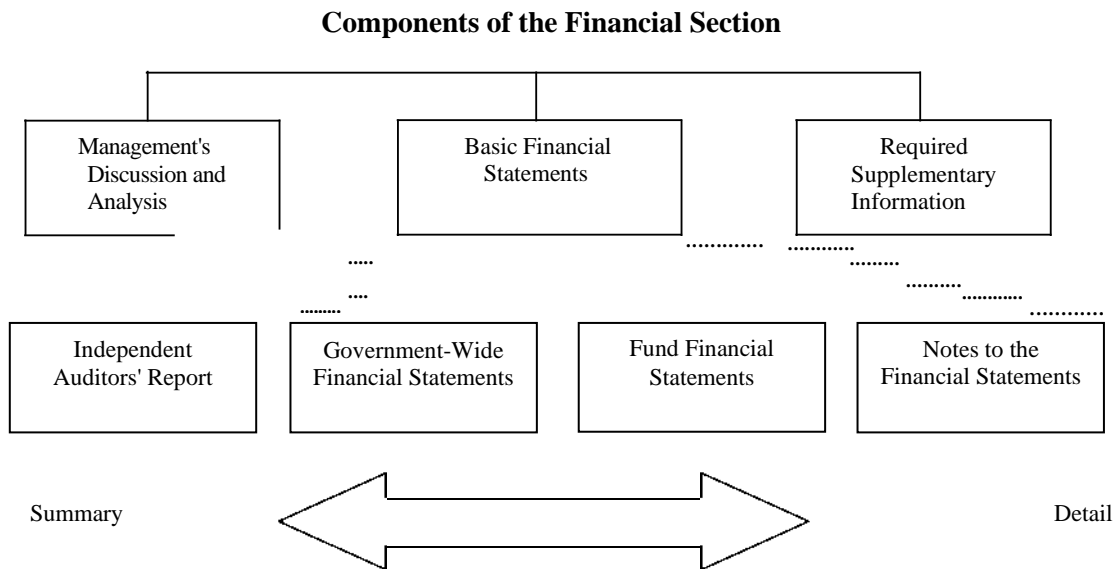
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HARRIS CENTRAL APPRAISAL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS For the Year Ended December 31, 2022

The purpose of the Management's Discussion and Analysis (MD&A) is to give the readers an objective and easily readable analysis of the financial activities of the Harris Central Appraisal District (the "district") for the year ended December 31, 2022. The analysis is based on currently known facts, decisions, or economic conditions. It presents short and long-term analysis of the district's activities, compares current year results with those of the prior year, and discusses the positive and negative aspects of that comparison. Please read the MD&A in conjunction with the transmittal letter at the front of this report and the district's financial statements, which follow this section.

THE STRUCTURE OF OUR ANNUAL REPORT



The district's basic financial statements include (1) government-wide financial statements, (2) individual fund financial statements, and (3) notes to the financial statements. This report also includes supplementary information intended to furnish additional detail to support the basic financial statements themselves.

Government-Wide Statements

The government-wide statements report information for the district as a whole. These statements include transactions and balances relating to all assets, including infrastructure capital assets. These statements are designed to provide information about cost of services, operating results, and financial position of the district as an economic entity. The Statement of Net Position and the Statement of Activities, which appear first in the district's financial statements, report information on the district's activities that enable the reader to understand the financial condition of the district. These statements are prepared using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account even if cash has not yet changed hands.

The Statement of Net Position presents information on all of the district's assets, liabilities, and deferred outflows/inflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the district is improving or deteriorating. Other nonfinancial factors, such as the district's assessment tax base and the condition of the district's capital assets, need to be considered in order to assess the overall health of the district.

HARRIS CENTRAL APPRAISAL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

For the Year Ended December 31, 2022

The Statement of Activities presents information showing how the district's net position changed during the most recent year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows — 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.

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 balance provide a reconciliation to facilitate this comparison between the *governmental fund* 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 balance. The general fund is always considered to be a major fund for reporting purposes.

The district adopts an annual appropriated budget for the general fund. Budgetary comparison schedules have 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 CENTRAL APPRAISAL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued) For the Year Ended December 31, 2022

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, schedules of changes in net pension and total other postemployment benefits (OPEB) liability and related ratios and schedule of contributions for the Texas County and District Retirement System, and schedule of total OPEB liability for a retiree healthcare plan. 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 \$45,170,194 as of year end. This compares with \$32,935,691 from the prior year. A portion of the district's net position, 45 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.

HARRIS CENTRAL APPRAISAL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For the Year Ended December 31, 2022

Statement of Net Position

The following table reflects the condensed Statement of Net Position:

	<u>Governmental Activities</u>		Percentage Change
	2022	2021	
Current and other assets	\$ 100,406,072	\$ 66,043,650	52%
Capital assets, net	24,539,766	24,252,121	1%
Total Assets	124,945,838	90,295,771	38%
Deferred outflows - pensions	18,473,056	19,806,782	-7%
Deferred outflows - OPEB	5,527,020	5,736,153	-4%
Total Deferred Outflows of Resources	24,000,076	25,542,935	-6%
Long-term liabilities	30,807,699	40,846,520	-25%
Other liabilities	8,523,734	7,633,427	12%
Total Liabilities	39,331,433	48,479,947	-19%
Deferred revenue - assessments	24,751,816	23,649,432	5%
Deferred inflows - pensions	37,831,779	9,494,209	298%
Deferred inflows - OPEB	1,860,692	1,279,427	45%
Total Deferred Inflows of Resources	64,444,287	34,423,068	87%
Net Position:			
Net investment in capital assets	20,232,032	18,661,694	8%
Unrestricted	24,938,162	14,273,997	75%
Total Net Position	\$ 45,170,194	\$ 32,935,691	37%

The district's unrestricted net position of \$24,938,162, or 55 percent, may be used to meet the district's ongoing obligation to taxing units, citizens, and creditors.

The district's total net position increased by \$12,234,503 during the current fiscal year. This increase was mainly due to a decrease in expenses related to the district's pension plan as well as increases in assessment and investment revenue.

Assets increased \$34,650,067 while total liabilities decreased \$9,148,514 primarily due to the district reporting a net pension asset of \$28,547,406 during the current fiscal year versus a net pension liability of \$9,402,662 in the prior year.

Deferred outflows decreased by \$1,542,859 and deferred inflows increased by \$30,021,219 compared to the prior year as a result of changes in expected and actual economic experience, assumptions, and projected and actual investment earnings related to the district's pension and OPEB plans.

HARRIS CENTRAL APPRAISAL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For the Year Ended December 31, 2022

Statement of Activities

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

	Governmental Activities	
	2022	2021
Revenues		
Program revenues:		
Charges for services	\$ 1,048,119	\$ 1,078,218
General revenues:		
Assessments	94,373,871	92,518,567
Investment income	775,531	24,968
Total Revenues	96,197,521	93,621,753
Expenses		
Appraisal services	83,477,222	88,274,738
Interest on long-term debt	485,796	606,447
Total Expenses	83,963,018	88,881,185
Change in Net Position	12,234,503	4,740,568
Beginning net position	32,935,691	28,195,123
Ending Net Position	\$ 45,170,194	\$ 32,935,691

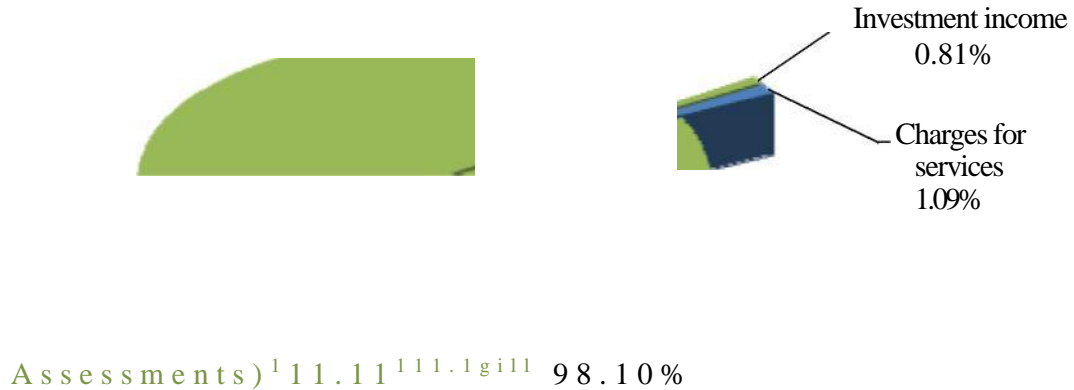
HARRIS CENTRAL APPRAISAL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

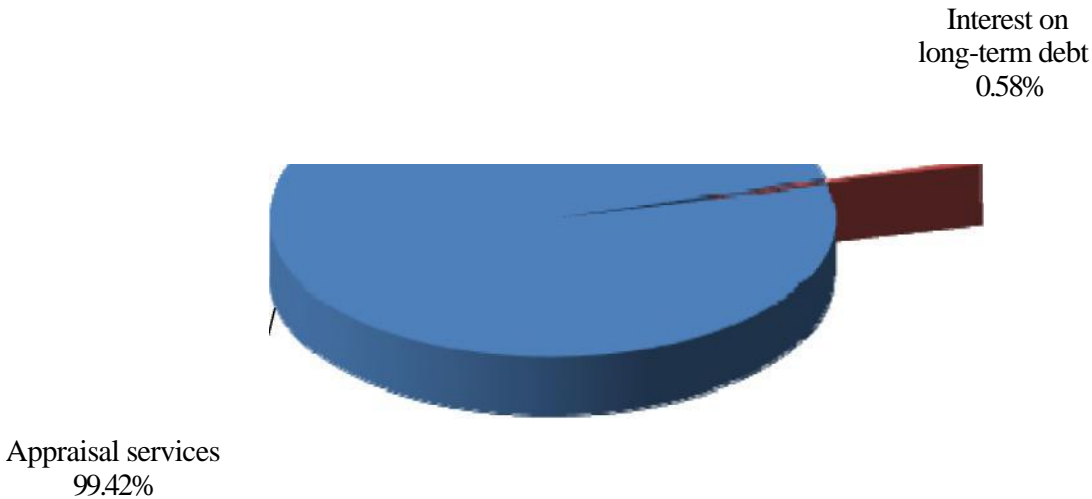
For the Year Ended December 31, 2022

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



For the year ended December 31, 2022, revenues from governmental activities totaled \$96,197,521, which was a net increase of \$2,575,768 or 3 percent from the prior year. This increase is primarily due to an increase in assessment revenue due to an increase in the district's budget.

Total expenses for the district decreased in comparison to 2021 by \$4,918,167 or 6 percent. This was primarily due to a net decrease in pension and OPEB retiree health expenses.

HARRIS CENTRAL APPRAISAL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued) For the Year Ended December 31, 2022

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, total fund balance was \$34,048,158. Of this, \$1,035,681 is nonspendable, \$1,306,780 is assigned for special projects, \$7,752,457 is assigned for major repairs and rehabilitations, \$500,000 is assigned for the phone system project, \$20,033,435 is assigned for the operating reserve, and \$3,419,805 is unassigned. 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 4 percent of total general fund expenditures, while total fund balance represents 37 percent of that same amount.

There was an increase in fund balance for the general fund of \$3,667,538. Revenues increased by \$2,521,454 mainly due to increases in assessment revenue as a result of an increase in the district's budget. Expenditures increased \$1,961,763 largely due to increases in personnel costs, professional services, postage, and software subscriptions.

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](#). Net position increased by \$504,498 primarily as a result of an increase in claim refunds.

GENERAL FUND BUDGETARY HIGHLIGHTS

Actual general fund revenues exceeded final budgeted revenues by \$1,482,269 during the year. This positive variance is due to the district not budgeting revenues for investment income, other revenue, and rendition penalty fees. General fund expenditures were less than the final budget by \$3,517,745 as a result of the district's effort to keep expenditures at or below budget.

Total budgeted expenditures were the same between original and final, however, there was a decrease of \$714,000 for professional services in administration services primarily due to less appraisal review board hearing legal expenses than originally budgeted. These funds were then allocated to other divisions based on anticipated needs.

CAPITAL ASSETS

At the end of the year, the district's governmental activities funds had invested \$24,539,766 (net of accumulated depreciation) in a variety of capital assets. During the year, the district added capital assets in computers and peripherals and construction in progress.

Additional information on the district's capital assets can be found in note III.0 to the financial statements.

HARRIS CENTRAL APPRAISAL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

For the Year Ended December 31, 2022

LONG-TERM DEBT

At the end of the current year, the district had total long-term debt of \$6,526,870, in addition to accrued compensated absences of \$4,270,078, and a total combined OPEB liability of \$25,481,945.

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 \$100.5 million budget for the 2023 fiscal year. This was an increase of \$5.6 million or 6 percent over the 2022 fiscal year.

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 Theresa Paul, Chief Financial Officer, Harris Central 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.

BASIC FINANCIAL STATEMENTS

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HARRIS CENTRAL APPRAISAL DISTRICT

STATEMENT OF NET POSITION

December 31, 2022

	<u>Primary Government Governmental Activities</u>
Assets	
Current assets	
Cash and cash equivalents	\$ 67,918,553
Investments	1,078,683
Receivables, net	1,825,748
Prepaid items	1,035,681
Total Current Assets	<u>71,858,665</u>
Noncurrent assets	
Capital assets - nondepreciable	9,261,631
Capital assets - depreciable, net of accumulated depreciation	15,278,135
Net pension asset	28,547,407
Total Noncurrent Assets	<u>53,087,173</u>
Total Assets	<u>124,945,838</u>
<u>Deferred Outflows of Resources</u>	
Deferred outflows - pensions	18,473,056
Deferred outflows - OPEB GTLF	421,710
Deferred outflows - OPEB retiree health	5,105,310
Total Deferred Outflows of Resources	<u>24,000,076</u>
<u>Liabilities</u>	
Current liabilities	
Accounts payable and accrued liabilities	3,052,540
Due within one year	5,471,194
Total Current Liabilities	<u>8,523,734</u>
Noncurrent liabilities	
Due in more than one year	30,807,699
Total Noncurrent Liabilities	<u>30,807,699</u>
Total Liabilities	<u>39,331,433</u>
<u>Deferred Inflows of Resources</u>	
Deferred revenue - assessments	24,751,816
Deferred inflows - pensions	37,831,779
Deferred inflows - OPEB GTLF	91,597
Deferred inflows - OPEB retiree health	1,769,095
Total Deferred Inflows of Resources	<u>64,444,287</u>
<u>Net Position</u>	
Net investment in capital assets	20,232,032
Unrestricted	24,938,162
Total Net Position \$	<u><u>45,170,194</u></u>

See Notes to Financial Statements.

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HARRIS CENTRAL APPRAISAL DISTRICT

STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2022

Functions/Programs	Expenses	Program Revenues Charges for Services	Net (Expense) Revenue and Change in Net Position <u>Primary Governmental Activities</u>
Primary Government			
Governmental Activities			
Appraisal services	\$ 83,477,222	\$ 1,048,119	\$ (82,429,103)
Interest on long-term debt	485,796	-	(485,796)
Total Governmental Activities	\$ 83,963,018	\$ 1,048,119	(82,914,899)
Total Primary Government	\$ 83,963,018	\$ 1,048,119	(82,914,899)
General Revenues			
Assessments			94,373,871
Investment income			775,531
		Total General Revenues	95,149,402
		Change in Net Position	12,234,503
		Beginning net position	32,935,691
		Ending Net Position	\$ 45,170,194

See Notes to Financial Statements.

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HARRIS CENTRAL APPRAISAL DISTRICT

BALANCE SHEET GOVERNMENTAL FUND

December 31, 2022

	<u>General</u>
Assets	
Cash and cash equivalents	\$ 57,614,559
Investments	1,078,683
Receivables, net	1,825,748
Prepaid items	1,035,681
Total Assets	\$ 61,554,671
Liabilities	
Accounts payable and accrued liabilities	\$ 1,846,528
Total Liabilities	1,846,528
Deferred Inflows of Resources	
Unavailable revenue - assessments	24,751,816
Unavailable revenue - rendition penalty	908,169
Total Deferred Inflows of Resources	25,659,985
Fund Balance	
Nonspendable:	
Prepaid items	1,035,681
Assigned for:	
Special projects	1,306,780
Major repairs and rehabilitations	7,752,457
Phone system project	500,000
Operating reserve	20,033,435
Unassigned	3,419,805
Total Fund Balance	34,048,158
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	\$ 61,554,671

See Notes to Financial Statements.

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HARRIS CENTRAL APPRAISAL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET
TO THE STATEMENT OF NET POSITION
December 31, 2022

Total fund balance for the governmental fund \$34,048,158

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 908,169

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental fund.

Capital assets - nondepreciable 9,261,631

Capital assets - depreciable, net of accumulated depreciation 15,278,135

Long-term assets, Deferred outflows and deferred inflows related to pension and other postemployment benefits (OPEB) activity are not current financial resources and, therefore, not reported in the governmental fund.

Net pension asset 28,547,407

Deferred outflows - pensions 18,473,056

Deferred inflows - pensions (37,831,779)

Deferred outflows - OPEB GTLF 421,710

Deferred inflows - OPEB GTLF (91,597)

Deferred outflows - OPEB retiree health 5,105,310

Deferred inflows - OPEB retiree health (1,769,095)

An internal service fund is used by management to charge the costs of certain activities such as insurance. The assets and liabilities of the internal service fund are included in governmental activities in the Statement of Net Position.

9,097,982

Some liabilities are not reported as liabilities in the governmental funds:

Noncurrent liabilities due with in one year (5,471,194)

Noncurrent liabilities due in more than one year (30,807,699)

Net Position of Governmental Activities \$45,170,194

See Notes to Financial Statements.

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HARRIS CENTRAL APPRAISAL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUND
For the Year Ended December 31, 2022

	<u>General</u>
<u>Revenues</u>	
Assessments	\$ 94,373,871
Investment income, net	732,135
Other revenue	441,611
Rendition penalty fee	583,744
Total Revenues	<u>96,131,361</u>
<u>Expenditures</u>	
Current:	
Board of Directors	24,443
Office of Chief Appraiser	2,242,821
Appraisal review board	2,854,510
Appraisal support	12,141,492
Appraisal	33,467,542
Information systems	13,303,614
Administration	9,631,280
Administration/building services	15,287,762
Capital outlay	1,081,089
Debt service:	
Principal	1,943,474
Interest and fiscal charges	485,796
Total Expenditures	<u>92,463,823</u>
Net Change in Fund Balance	3,667,538
Beginning fund balance	30,380,620
Ending Fund Balance \$	<u><u>34,048,158</u></u>

See Notes to Financial Statements.

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HARRIS CENTRAL APPRAISAL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE OF THE GOVERNMENTAL FUND TO THE
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2022

Net change in fund balance - governmental fund \$ 3,667,538

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

The governmental fund reports 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	1,081,089
Depreciation expense	(793,444)

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

Change in rendition penalty receivable	22,764
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Changes in pension and other postemployment benefits (OPEB) activity do not affect the fund balance on the statement of revenues, expenditures, and changes in fund balance for the governmental fund. These changes in pension and OPEB activity that affect the district's net position are as follows:

Change in net pension asset	37,950,069
Change in total OPEB liability	(1,353,768)
Change in deferred outflows - pensions	(1,333,726)
Change in deferred inflows - pensions	(28,337,570)
Change in deferred outflows - OPEB GTLF	(52,702)
Change in deferred inflows - OPEB GTLF	13,075
Change in deferred outflows - OPEB retiree health	(156,431)
Change in deferred inflows - OPEB retiree health	(594,340)

The issuance of long-term debt (e.g., 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 the governmental fund. Neither transaction, however, has any effect on net position. Also, the governmental fund reports the effect of premiums, discounts, and similar items when they are first issued, whereas these amounts are deferred and amortized in the Statement of Activities.

Principal paid	1,943,474
Change in accrued compensated absences	(326,023)

The internal service fund is used by management to charge the costs of certain activities, such as employee health and dental benefits, to individual funds. The net revenue of the internal service fund is reported with governmental activities.

504,498

Change in Net Position of Governmental Activities \$ 12,234,503

See Notes to Financial Statements.

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HARRIS CENTRAL APPRAISAL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUND
December 31, 2022

	<u>Governmental Activities Internal Service</u>
Assets	
Current assets:	
Cash and cash equivalents	\$10,303,994
Total Assets	<u>10,303,994</u>
 <u>Liabilities</u>	
Current liabilities:	
Estimated claims payable	1,206,012
Total Liabilities	<u>1,206,012</u>
 <u>Net Position</u>	
Unrestricted	9,097,982
Total Net Position \$	<u><u>9,097,982</u></u>

See Notes to Financial Statements.

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

For the Year Ended December 31, 2022

	Governmental Activities
	Internal Service
<u>Operating Revenues</u>	
Charges for services	\$ 9,301,587
Claim refunds and other	2,949,709
Total Operating Revenues	12,251,296
<u>Operating Expenses</u>	
Insurance claims	8,902,563
Prescription claims	2,466,002
Dental claims	421,629
Total Operating Expenses	11,790,194
Operating Income	461,102
<u>Nonoperating Revenues</u>	
Interest income	43,396
Total Nonoperating Revenues	43,396
Change in Net Position	504,498
Beginning net position	8,593,484
Ending Net Position \$	9,097,982

See Notes to Financial Statements.

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HARRIS CENTRAL APPRAISAL DISTRICT

STATEMENT OF CASH FLOWS

PROPRIETARY FUND

For the Year Ended December 31, 2022

	Governmental Activities
	Internal Service
Cash Flows from Operating Activities	
Proceeds from charges for services	\$ 12,251,296
Claims paid	(11,344,689)
Net Cash Provided by Operating Activities	906,607
Cash Flows from Investing Activities	
Interest income	43,396
Net Cash Provided by Investing Activities	43,396
Net Increase in Cash and Cash Equivalents	950,003
Beginning cash and cash equivalents	9,353,991
Ending Cash and Cash Equivalents	\$ 10,303,994
Reconciliation of Operating Income (Loss)	
to Net Cash Provided (Used) by Operating Activities	
Operating income	\$ 461,102
Adjustments to reconcile operating income to net cash provided by operating activities:	
Increase in estimated claims payable	445,505
Net Cash Provided by Operating Activities	\$ 906,607

See Notes to Financial Statements.

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HARRIS CENTRAL APPRAISAL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended December 31, 2022

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. District Formation and Reporting Entity

The Harris Central 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 (the "Board") is appointed by the taxing jurisdictions within its boundaries.

The district is an independent political subdivision of the State of Texas (the "State"). 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.

In August 2022, the Board approved changing the district's name from Harris County Appraisal District to Harris Central Appraisal District.

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 the governmental fund and internal service fund. Separate financial statements are provided for the governmental fund and proprietary fund.

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

HARRIS CENTRAL APPRAISAL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS (Continued) For the Year Ended December 31, 2022

D. Basis of Presentation — Fund Financial Statements

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

The district reports the following governmental fund:

The *general fund* is used to account for and report all financial resources not accounted for and reported 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 type:

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.

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.

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

HARRIS CENTRAL APPRAISAL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS (Continued) For the Year Ended December 31, 2022

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 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 notes payable 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, balances in a statewide investment pool, 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

Investments, except for certain investment pools, are reported at fair value. The investment pool operates in accordance with appropriate state laws and regulations and is reported at amortized cost.

For district investments, both the statutes of the State and policies mandated by the district's Board, 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.

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 in the annual budget. As required by law, the assessment is allocated in four equal payments due on the last day of each quarter, with the first quarterly payment due before January 1 of the year in which the budget takes effect. Such assessments become delinquent if unpaid on the due date. Assessments that are applicable to the district's subsequent fiscal year are recorded as deferred inflows of resources.

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.

HARRIS CENTRAL APPRAISAL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS (Continued) For the Year Ended December 31, 2022

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. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased. 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.

0. 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 acquisition 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	50 years

1. 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 assets that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net assets that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time.

Deferred outflows/inflows of resources are amortized as follows:

- Deferred outflows/inflows from pension/other postemployment benefits (OPEB) activities are amortized over the average of the expected service lives of pension/OPEB plan members, except for the net differences between the projected and actual investment earnings on the pension/OPEB plan assets, which are amortized over a period of five years.
- For employer pension/OPEB plan contributions that were made subsequent to the measurement date through the end of the district's fiscal year, the amount is deferred and recognized as a reduction to the net pension/OPEB liability during the measurement period in which the contributions were made.

HARRIS CENTRAL APPRAISAL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the Year Ended December 31, 2022

- Deferred inflows of resources are recognized for the portion of assessments that was collected for use in the subsequent period.

At the fund level, the district has one type of item, which arises under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, *unavailable revenue*, is reported only in the governmental fund balance sheet. The governmental fund reports unavailable revenues from assessments and rendition penalties. These amounts are deferred and recognized as inflows of resources in the period that the amounts become available.

2. Compensated Employee 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.

3. 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 or proprietary fund type Statement of Net Position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method, if material. Bonds payable are reported net of the applicable bond premium or discount.

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 note payable are recorded as liabilities and capitalized in the government-wide financial statements at the present value of net minimum note payable payments at inception of the note. In the year of acquisition, note payable transactions are recorded as other financing sources and as capital outlay expenditures in the applicable fund. Note 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.

4. 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 CENTRAL APPRAISAL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS (Continued) For the Year Ended December 31, 2022

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.

5. 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.

6. 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).

Amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact are classified as nonspendable fund balance. Amounts that are externally imposed by creditors, grantors, contributors or laws or regulations of other governments, or imposed by law through constitutional provisions are classified as restricted.

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 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.

7. 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, and 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.

HARRIS CENTRAL APPRAISAL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the Year Ended December 31, 2022

5. Pensions

For the purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Texas County and District Retirement System (TCDRS) and additions to/deductions from TCDRS's fiduciary net position have been determined on the same basis as they are reported by TCDRS. For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

6. Other Postemployment Benefits

The district participates in a single-employer, unfunded, defined benefit group-term life insurance plan operated by TCDRS known as the Group Term Life Fund (GTLF). This is a voluntary program in which participating member counties may elect, by ordinance, to provide group-term life insurance coverage for their active members, including or not including retirees. The funding policy for the GTLF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year. The intent is not to pre-fund retiree term life insurance during employees' entire careers. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (GASB 75). Benefit payments are treated as being equal to the employer's yearly contributions for retirees. Benefit payments and refunds are due and payable in accordance with the benefit terms. Information about the district's total OPEB liability, deferred outflows of resources, deferred inflows of resources, and OPEB expense is provided by TCDRS from reports prepared by their consulting actuary.

The district administers an additional single-employer defined benefit OPEB plan, known as the Harris Central 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 has the authority to establish and amend benefits. The Plan provides medical benefits to eligible retired district employees and their beneficiaries. 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. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB 75. Information about the district's total OPEB liability, deferred outflows of resources, deferred inflows of resources, and OPEB expense is provided by the district's consulting actuary.

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

HARRIS CENTRAL APPRAISAL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS (Continued) For the Year Ended December 31, 2022

in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the internal service fund are charges to customers for services and insurance claim refunds. Operating expenses for the internal service fund include insurance, prescription, and dental claims. 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 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, 2022 was legally enacted through passage of Board resolution 2021-01 on August 18, 2021.

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 budget is appropriated and adopted at the sub-object level (legal level of budgetary control). A supplementary budgetary comparison schedule is presented under supplementary information to demonstrate compliance at the legal level of budgetary control. The chief appraiser is authorized to transfer budgeted amounts between budget accounts. However, the Board must approve transfers of more than \$25,000. Supplemental appropriations in excess of the total budget require budget amendments in the manner provided by law. No supplemental appropriations were made during 2022.

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). 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

HARRIS CENTRAL APPRAISAL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the Year Ended December 31, 2022

expenditures paid from the capital reserve, which are not budgeted but are approved by the Board. Adjustments necessary to convert results of operations for the general fund for the year ended December 31, 2022 from the budget basis to GAAP basis are presented in the notes to RSI and the notes to supplementary information.

III. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS

A. Deposits and Investments

As of December 31, 2022, the district had the following investments:

<u>Investment Type</u>	<u>Value</u>	<u>Weighted Average Maturity (Years)</u>
Municipal bonds	1,078,683	0.13
Statewide investment pool (TexPool)	52,558,739	0.05
Total Value	\$ 53,637,422	
Portfolio weighted average maturity		0.05

Fair Value Measurements

The district categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. GASB Statement No. 72, *Fair Value Measurement and Application*, provides a framework for measuring fair value establishing a three-level fair value hierarchy that describes the inputs used to measure assets and liabilities:

- Level 1 inputs are quoted prices (unadjusted) for identical assets or liabilities in active markets that a government can access at the measurement date.
- Level 2 inputs are inputs other than quoted prices within Level 1 that are observable for an asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for an asset or liability.

The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs. If a price for an identical asset or liability is not observable, a government should measure fair value using another valuation technique that maximizes the use of relevant observable inputs and minimizes the use of unobservable inputs. If the fair value of an asset or a liability is measured using inputs from more than one level of the fair value hierarchy, the measurement is considered to be based on the lowest priority level input that is significant to the entire measurement.

Fair value is measured in a manner consistent with one of the three approaches: market approach, cost approach, and the income approach. The valuation methodology used is based upon whichever technique is the most appropriate and provides the best representation of fair value for that particular asset or liability. The market approach uses prices and other relevant information generated by market transactions involving identical or comparable assets, liabilities, or groups of assets and liabilities. The cost approach reflects the amount that would be required to replace the present service capacity of an asset. The income approach converts future amounts, such as cash flows, to a single current (discounted) amount.

HARRIS CENTRAL APPRAISAL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the Year Ended December 31, 2022

As of December 31, 2022, the district had the following recurring fair value measurements:

	December 31, 2022	Fair Value Measurements Using Significant Other Observable Inputs (Level 2)
Investments by Fair Value Level		
Municipal bonds	\$ 1,078,683	\$ 1,078,683

Municipal bonds are classified in Level 2 of the fair value hierarchy and are valued using the market approach.

Credit risk. The district's investment policy limits investments in local government investment pools rated no lower than "AAA" or "AAAm" or at an equivalent rating by at least one nationally recognized rating service. Investments under section 2256.009 of the local government code must be rated by a nationally recognized investment rating firm not less than "A" or its equivalent. As of December 31, 2022, the district's investment in TexPool was rated "AAAm" by Standard & Poor's.

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 fair value of at least 100 percent. As of December 31, 2022, fair values of pledged securities and FDIC insurance exceeded bank balances.

Custodial credit risk — investments. For an investment, this is the risk that, in the event of the failure of the counterparty, the district will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The district's investment policy requires that all trades, where applicable, are executed by delivery versus payment to ensure that securities are deposited in the district's safekeeping account prior to the release of funds.

TexPool

TexPool was established as a trust company with the Treasurer of the State 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 rates 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 is an external investment pool measured at amortized cost. In order to meet the criteria to be recorded at amortized cost, TexPool must transact at a stable net asset value per share and maintain certain maturity, quality, liquidity, and diversification requirements within TexPool. TexPool transacts at a net asset value of \$1.00 per share, has weighted average maturities of 60 days or less, and weighted average lives of 120 days or less. Investments held are highly rated by nationally

HARRIS CENTRAL APPRAISAL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the Year Ended December 31, 2022

recognized statistical rating organizations, have no more than five percent of portfolio with one issuer (excluding U.S. government securities), and can meet reasonably foreseeable redemptions. TexPool has a redemption notice period of one day and may redeem daily. TexPool's authority may only impose restrictions on redemptions in the event of a general suspension of trading on major securities markets, general banking moratorium, or national state of emergency that affects TexPool's liquidity.

B. Receivables

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

Jurisdiction assessments	\$	912,094
Rendition penalty		2,938,106
Accounts receivable		5,485
Less allowance		(2,029,937)
		\$ 1,825,748

C. Capital Assets

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

Beginning	Balance	Additions	Deletions/ Reclassifications	Ending Balance
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 2,335,000	\$		\$ 2,335,000
GIS database	6,030,075			6,030,075
Construction in progress	251,718	644,838		896,556
Total capital assets, not being depreciated	8,616,793	644,838		9,261,631
Capital assets being depreciated:				
Building	20,121,135			20,121,135
Furniture and equipment	735,687		(289,000)	446,687
Computers and peripherals	5,824,922	436,251	(11,279)	6,249,894
Vehicles and other	172,514			172,514
Total capital assets being depreciated	26,854,258	436,251	(300,279)	26,990,230
Less accumulated depreciation:				
Building	(6,062,119)	(426,031)		(6,488,150)
Furniture and equipment	(631,252)	(26,384)	289,000	(368,636)
Computers and peripherals	(4,406,072)	(325,641)	11,279	(4,720,434)
Vehicles and other	(119,487)	(15,388)		(134,875)
Total accumulated depreciation	(11,218,930)	(793,444)	300,279	(11,712,095)
Total capital assets being depreciated, net	15,635,328	(357,193)		15,278,135
Governmental Activities Capital Assets,	\$ 24,252,121	\$ 287,645	\$	24,539,766
			Less associated debt	(4,307,734)
			Net Investment in Capital Assets	\$ 20,232,032

HARRIS CENTRAL APPRAISAL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the Year Ended December 31, 2022

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

Governmental Activities:	
Office of Chief Appraiser	4,919
Appraisal support	16,028
Appraisal	28,009
Information systems	436,394
Administration	159,403
Administration/ building services	148,691
Total Governmental Activities Depreciation Expense	\$ 793,444

D. Notes payable

Notes payable — Building

In 2004, the district entered into a series of agreements to finance the purchase and renovation of a building to house its operations. 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. 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 "Borrower"), was created to secure financing from the lender, Bank of America. This entity is not a component unit of the district.

On April 14, 2004, the Board approved Resolution 2004-4 authorizing the district to enter into a purchase option agreement for financing a new administrative office facility and other costs for a total of \$28,500,000, meeting the criteria of a note payable. 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 payments commencing on January 1, 2006.

Included in the purchase agreements, the Borrower 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 6.26 percent and funds to finance the termination payments by the district for their existing noncancelable 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.

Future combined minimum notes payable payments for this agreement as of December 31, 2022 are as follows:

Year Ending	<u>Notes Payable</u>					
	<u>\$21</u>		<u>\$7.5 M</u>		<u>Total</u>	
Dec. 31	Principal	Interest	Principal	Interest	Principal	Interest
2023	1,478,000	\$	577,132	\$	2,055,132	\$ 358,180
2024	1,555,939	155,712	617,379	67,484	2,173,318	223,196
2025	1,637,989	55,978	660,431	24,432	2,298,420	80,410
Total	\$	462,140	1,854,942	199,646	6,526,870	\$ 661,786

HARRIS CENTRAL APPRAISAL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the Year Ended December 31, 2022

Capital assets acquired under note payable obligations and the accumulated depreciation as of December 31, 2022 are as follows:

Land	\$	2,335,000
Building		16,602,032
Less accumulated depreciation		<u>(5,976,732)</u>
Total	\$	<u>12,960,300</u>

E. Long-Term Debt

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 fund. The governmental activities compensated absences are generally liquidated by the general fund. Interest on long-term debt is not accrued in the governmental fund, but rather is recognized as an expenditure when due.

	<u>Beginning</u> <u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending</u> <u>Balance</u>	<u>Due within</u> <u>One Year</u>
Governmental Activities					
Notes and other payables:					
Notes payable	\$ 8,470,344	\$	\$ 1,943,474	\$ 6,526,870 *\$	2,055,132
Other liabilities:					
Net pension liability			9,402,662		
Total OPEB liability - GTLF	1,716,061	85,301		1,801,362	
Total OPEB liability - Retiree health	22,412,116	1,268,467		23,680,583	
Compensated absences		3,944,055	2,386,083	4,270,078	3,416,062
Total Governmental Activities	<u>\$ 45,945,238</u>	<u>\$ 3,739,851</u>	<u>\$ 36,278,893</u>	<u>\$ 5,471,194</u>	
			Long-term debt due in more than one year	<u>\$ 30,807,699</u>	
			* Notes payable	\$ 6,526,870	
			Note payable portion expended on noncapital costs	<u>(2,219,136)</u>	
			Debt associated with capital assets	<u>\$ 4,307,734</u>	

F. Commitments

At year end, the amount of encumbrances expected to be honored upon performance by the vendor in the next year was as follows:

General fund ~~\$ 1,306,780~~

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.

HARRIS CENTRAL APPRAISAL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS (Continued) For the Year Ended December 31, 2022

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. The maximum medical claims for each participant applying to the aggregate stop-loss is \$125,000. The district is limited to the total aggregate stop-loss coverage of approximately \$7,955,513.

Changes in the balance of claim liabilities during the past two years are as follows:

	<u>2022</u>	<u>2021</u>
Beginning claims payable	\$ 760,507	\$ 821,955
Claims incurred	12,235,699	9,813,518
Claims paid	(11,790,194)	(9,874,966)
Ending Claims Payable	<u>\$ 1,206,012</u>	<u>\$ 760,507</u>

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

B. Contingent Liabilities

The district and the appraisal review board are defendants in numerous property owner appeals taken to the District Court pursuant to Chapter 42 of the Texas State Tax Code. Such legal proceedings allege that the appraised values placed on taxpayers' properties are excessive. The potential liability to the district in each of these appeals is for recovery of attorneys' fees, provided such fees may not exceed the greater of \$15,000 or 20 percent of the total amount of taxes in dispute, provided that such fees may not exceed the amount of taxes saved as a result of the appeal, and further provided that the fees may not exceed \$100,000 for each tax year appealed. Neither the district's management nor legal counsel is able to predict the outcome of these legal proceedings. Accordingly, no provision for any liability that might result therefrom has been recorded in the financial statements.

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 not significantly reduced insurance coverage or had settlements that exceeded coverage amounts for the past three years. Prescription drug claims are not subject to either the aggregate or the specific stop-loss insurance. The risk of loss to the district in health claims is limited to the total aggregate stop-loss coverage of approximately \$7,955,513.

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. No refund or credit is due to the taxing jurisdictions in 2022.

HARRIS CENTRAL APPRAISAL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the Year Ended December 31, 2022

C. Pension Plan

Texas County and District Retirement System

Plan Description

TCDRS is a statewide, agent multiple-employer, public employee retirement system. TCDRS serves 800 actively participating counties and districts throughout Texas. Each employer maintains its own customized plan of benefits. Plan provisions are adopted by the Board of each employer, within the options available in the TCDRS Act. Because of that, the district has the flexibility and local control to select benefits and pay for those benefits based on its needs and budgets.

Each employer has a defined benefit plan that functions similarly to a cash balance plan. The assets of the plans are pooled for investment purposes, but each employer's plan assets may be used only for the payment of benefits to the members of that employer's plan. In accordance with Texas law, it is intended that the pension plan be construed and administered in a manner that the retirement system will be considered qualified under Section 401(a) of the Internal Revenue Code. All employees (except temporary staff) of a participating employer must be enrolled in TCDRS.

Benefits Provided

TCDRS provides retirement, disability, and death benefits. The benefit provisions are adopted by the Board within the options available in Texas state statutes governing TCDRS. Members can retire at age 60 and above with eight or more years of service, with 20 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 district financed benefit. Members who withdraw their personal contributions in a lump sum are not entitled to any amounts contributed by the district.

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

Employees Covered by Benefit Terms

At the December 31, 2021 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	331
Inactive employees entitled to, but not yet receiving, benefits	366
Active employees	588
Total	1,285

HARRIS CENTRAL APPRAISAL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the Year Ended December 31, 2022

Contributions

A combination of three elements funds each employer's plan: employee deposits, employer contributions, and investment income.

- The deposit rate for employees is four percent, five percent, six percent, or seven percent of compensation, as adopted by the employer's governing body.
- Participating employers are required, by law, to contribute at actuarially determined rates, which are determined annually by the actuary using the Entry Age Normal (EAN) actuarial cost method.
- Investment income funds a large part of the benefits employees earn.

Employers have the option of paying more than the required contribution rate each year. Extra contributions can help employers "prefund" benefit increases, such as cost-of-living adjustments to retirees, and they can be used to help offset or mitigate future increases in the required rate due to negative plan experience. There are two approaches for making extra contributions:

- (a) paying an elected contribution rate higher than the required rate and
- (b) making an extra lump-sum contribution to the employer account.

Employees for the district were required to contribute seven percent of their annual gross earnings during the year. The required contribution rates for the district were 15.43 percent and 12.21 percent, however, the district elected to contribute 15.80 percent and 15.80 percent in calendar years 2022 and 2021, respectively. The district's contributions to TCDRS for the fiscal year ended December 31, 2022 were \$8,441,951, which were in excess of the required contributions.

Net Pension Liability/(Asset)

The district's Net Pension Liability (Asset) (NPL/(A)) was measured as of December 31, 2021 and the Total Pension Liability (TPL) used to calculate the NPL/(A) was determined by an actuarial valuation as of that date.

Actuarial Assumptions

The actuarial assumptions that determined the TPL as of December 31, 2021 were based on the results of an actuarial experience study for the period January 1, 2017 through December 31, 2020, except where required to be different by GASB Standard No. 68, *Accounting and Financial Reporting for Pensions* (GASB 68).

HARRIS CENTRAL APPRAISAL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the Year Ended December 31, 2022

Key assumptions used in the December 31, 2021 actuarial valuation are as follows:

Valuation Timing	Actuarially determined contribution rates are calculated as of December 31, two years prior to the end of the fiscal year in the which the contributions are reported.
Actuarial Cost Method	Entry Age (level percentage of pay)
Amortization Method	Level percentage of payroll, closed
Asset Valuation Method	
Method Smoothing period	5 years
Recognition method	Non-asymptotic
Corridor	None
Inflation	2.50%
Salary Increases	Varies by age and service. 4.7% average over career, including inflation.
Investment Rate of Return	7.6% (Gross of administrative expenses)
Cost-of-Living Adjustments	Cost-of-living adjustments for the district are not considered to be substantively automatic under GASB 68. Therefore, no assumption for future cost-of-living adjustments is included in the GASB calculations. No assumption for future cost-of-living adjustments is included in the funding valuation.

The long-term expected rate of return of TCDRS assets is determined by adding expected inflation to expected long-term real returns, and reflecting expected volatility and correlation. The target allocation and best estimate of geometric real rate of return for each major asset class are summarized in the following table:

Asset Class	Benchmark	Target Allocation	Geometric Real Rate of Return (Expected minus Inflation)
US Equities	Dow Jones U.S. Total Stock Market Index	11.50%	3.80%
Global Equities	MSCI World (net) Index	2.50%	4.10%
International Equities - Developed	MSCI World Ex USA (net)	5.00%	3.80%
International Equities - Emerging	MSCI Merging Markets (net) Index	6.00%	4.30%
Investment-Grade Bonds	Bloomberg Barclays U.S. Aggregate Bond Index	3.00%	-0.85%
Strategic Credit	FTSE High-Yield Cash-Pay Capped Index	9.00%	1.77%
Direct Lending	S&P/LSTA Leveraged Loan Index	16.00%	6.25%
Distressed Debt	Cambridge Associates Distressed Securities Index	4.00%	4.50%
	67% FTSE NAREIT All Equity REITs Index + 33% S&P Global		
REIT Equities	REIT (net) Index	2.00%	3.10%
Master Limited Partnerships (MLP)	Alerian MLP Index	2.00%	3.85%
Private Real Estate Partnerships	Cambridge Associates Real Estate Index	6.00%	5.10%
Private Equity	Cambridge Associates Global Private Equity & Venture Capital Index	25.00%	6.80%
Hedge Funds	Hedge Fund Research, Inc. (HFRI) Fund of Funds Composite Index	6.00%	1.55%
Cash Equivalents	90-Day U.S. Treasury	2.00%	-1.05%

Discount Rate

The discount rate used to measure the TPL was 7.6 percent. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the TPL.

HARRIS CENTRAL APPRAISAL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the Year Ended December 31, 2022

Changes in the NPL/(A)

	Increase (Decrease)		
	Total Pension Liability (A)	Plan Fiduciary Net Position	Net Pension Liability (A) - (B)
Changes for the year:			
Service cost	\$ 6,838,057	\$	\$ 6,838,057
Interest	21,479,853		21,479,853
Changes in benefit terms	5,624,948		5,624,948
Difference between expected and actual experience	(50,154)		(50,154)
Changes in assumptions	(90,290)		(90,290)
Contributions - employer		9,285,950	(9,285,950)
Contributions - employee		2,784,806	(2,784,806)
Net investment income		59,808,345	(59,808,345)
Refund of contributions	(158,824)	(158,824)	
Benefit payments, including refunds of employee contributions	(12,699,807)	(12,699,807)	
Administrative expense		(179,396)	179,396
Other changes		52,778	(52,778)
Net changes	20,943,783	58,893,852	(37,950,069)
Balance at December 31, 2020	282,103,188	272,700,526	9,402,662
Balance at December 31, 2021	\$ 303,046,971	\$	\$ (28,547,407)

Sensitivity of the NPL/(A) to Changes in the Discount Rate

The following presents the NPL/(A) of the district, calculated using the discount rate of 7.6 percent, as well as what the district's NPL/(A) would be if it were calculated using a discount rate that is one percentage point lower (6.6%) or one percentage point higher (8.6%) than the current rate:

	1% Decrease in Discount Rate (6.6%)	Discount Rate (7.6%)	1% Increase in Discount Rate (8.6%)
District's Net Pension Liability/(Assest)	\$ 12,131,289	\$ (28,547,407)	\$ (62,646,890)

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in a separately-issued TCDRS financial report. That report may be obtained on the Internet at www.tcdrs.org.

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

For the year ended December 31, 2022, the district recognized pension expense of \$3,163,176.

HARRIS CENTRAL APPRAISAL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS (Continued) For the Year Ended December 31, 2022

At December 31, 2022, the district reported deferred outflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	50,769	\$ 522,586
Changes in actuarial assumptions	9,980,336	72,232
Net difference between projected and actual investment earnings		37,236,961
Contributions subsequent to the measurement date	8,441,951	
Total	\$ 18,473,056	\$ 37,831,779

\$8,441,95 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction to the NPL/(A) for the fiscal year ending December 31, 2023. Other amounts reported as deferred outflows/inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31	Pension Expense
2023	\$(4,929,968)
2024	(9,376,454)
2025	(5,642,720)
2026	(7,851,532)
Total	\$ (27,800,674)

D. Other Postemployment Benefits

1. Texas County and District Retirement System — Optional Group Term Life Fund

Plan Description

The district participates in a defined benefit OPEB plan administered by the TCDRS. TCDRS administers the defined benefit group-term life insurance plan known as the GTLF. This is a voluntary program in which participating member counties may elect, by ordinance, to provide group term life insurance coverage for their active members, including or not including retirees. Employers may terminate coverage under, and discontinue participation in, the GTLF by adopting an ordinance at any point during the year to be effective the following January 1.

The member district contributes to the GTLF at a contractually required rate as determined by an annual actuarial valuation. The rate is equal to the cost of providing one-year term life insurance. The premium rate is expressed as a percentage of the covered payroll of members employed by the participating employer. There is a one-year delay between the actuarial valuation that serves as a basis for the employer contribution rate and the calendar year when the rate goes into effect. The funding policy for the GTLF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year. The intent is not to pre-fund retiree term life insurance during employees' entire careers. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB 75. As such, the GTLF is considered to be a single-employer unfunded OPEB defined benefit plan with benefit payments treated as being equal to the employer's yearly contributions for retirees.

HARRIS CENTRAL APPRAISAL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the Year Ended December 31, 2022

The contributions to the GTLF are pooled for investment purposes with those of the Pension Trust Fund (PTF). The TCDRS Act requires the PTF to allocate a portion of investment income to the GTLF on an annual basis each December 31 based on the fund value in the GTLF during the year.

Benefits

The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings, for the 12-month period preceding the month of death). The death benefit for retirees is considered an OPEB and is a fixed amount of \$5,000. As the GTLF covers both active and retiree participants with no segregation of assets, the GTLF is considered to be an unfunded OPEB plan (i.e., no assets are accumulated). Participation in the GTLF as of December 31, 2021 is summarized below:

Inactive employees or beneficiaries currently receiving benefits	280
Inactive employees entitled to, but not yet receiving, benefits	117
Active employees	588
Total	985

Total OPEB Liability

The district's total OPEB liability of \$1,801,362 was measured as of December 31, 2021 and was determined by an actuarial valuation as of that date.

Actuarial Assumptions and Other Inputs

The total OPEB liability in the December 31, 2021 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement period, unless otherwise specified:

Actuarial cost method	Entry age normal
Inflation	N/A
Salary increases	Note that salary increases do not affect benefits but are used in the allocation of costs under the actuarial cost method
Discount rate*	2.06%
Administrative expenses	N/A
Mortality - service retirees	135% of Pub-2010 General Healthy Retirees Amount-Weighted Mortality Table for males and 120% Pub-2010 General Healthy Retirees Amount-Weighted Mortality Table for females, both projected with 100% of the MP-2021 Ultimate scale after 2010.
Mortality - disabled retirees	160% of Pub-2010 General Disabled Retirees Amount-Weighted Mortality Table for males and 125% Pub-2010 General Disabled Retirees Amount-Weighted Mortality Table for females, both projected with 100% of the MP-2021 Ultimate scale after 2010.

*The discount rate was based on 20 Year Bond GO Index published by bondbuyer.com as of December 31, 2021.

The actuarial assumptions used in the December 31, 2021 valuation were based on the results of an actuarial experience study for the period January 1, 2017 to December 31, 2020.

HARRIS CENTRAL APPRAISAL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the Year Ended December 31, 2022

Changes in the Total OPEB Liability

	Increase (Decrease)
	Total OPEB Liability
Changes for the year:	
Service cost	54,124
Interest	37,192
Difference between expected and actual experience	(14,001)
Changes in assumptions	39,812
Benefit payments	(31,826)
Net changes	85,301
Balance at December 31, 2020	1,716,061
Balance at December 31, 2021	\$ 1,801,362

The discount rate changed from 2.12% to 2.06% based on the 20-year Bond GO Index published by bondbuyer.com.

There were no changes of benefit terms that affected measurement of the total OPEB liability during the measurement period.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the district, as well as what the district's total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current discount rate:

	1% Decrease in Discount Rate (1.06%)	Discount Rate (2.06%)	1% Increase in Discount Rate (3.06%)
Total OPEB Liability \$	2,224,175	\$ 1,801,362	\$ 1,479,635

OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB

For the year ended December 31, 2022, the district recognized OPEB expense of \$157,564. The district reported deferred outflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 9,276	\$ 31,081
Changes in actuarial assumptions	379,717	60,516
Contributions subsequent to the measurement date	32,717	
Total	\$ 421,710	\$ 91,597

HARRIS CENTRAL APPRAISAL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS (Continued) For the Year Ended December 31, 2022

\$32,717 reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability for the fiscal year ending December 31, 2023. Amounts reported as deferred outflows/inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year Ended December 31</u>	<u>OPEB Expense</u>
2023	66,248
2024	66,245
2025	57,884
2026	75,272
2027	31,747
Total \$	<u>297,396</u>

2. Retiree Healthcare Plan

Plan Description

The district provides a defined benefit OPEB plan, the Harris Central 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 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. The Plan is available to retirees age 64 and under and retirees are eligible to participate until the retiree's sixty-fifth birthday or the fifth anniversary of retirement, whichever is earliest. At age 65, retirees are eligible to participate in the Medicare supplemental plan.

Beginning with retirement and ending when the person is eligible for Medicare coverage, the district shall pay a portion of the retiree medical and dental coverage premiums and claims. Rates paid by retirees are slightly higher than rates paid by active employees. There are no assets accumulated in a trust that meets the criteria in paragraph 4 of GASB 75. As such, the Plan is considered to be a single-employer unfunded OPEB defined benefit plan with benefit payments treated as being equal to the employer's yearly contributions for retirees.

Benefits

The retiree health insurance plan is available to retirees age 64 and under. Retirees will continue to have the same group medical coverage that applies to current employees while in the plan. Premiums for retiree health coverage in all categories are set annually by the Board. Qualified employees are eligible to participate in the retiree health insurance plan from date of retirement until the earlier of attainment of age 65 or the fifth anniversary of retirement. A Medicare advantage or supplement plan as determined by the Board is available to retirees who reach 65 and to employees who retire at age 65 or older. Qualified employees are eligible to participate in the Medicare advantage or supplement plan from age 65 on.

To qualify for the Plan, the employee must have had 20 total years of service at the district; been continuously employed by the district as a regular employee for at least four consecutive years prior to the date of retirement; retire under TCDRS on or after January 1, 2008 or be retired under TCDRS

HARRIS CENTRAL APPRAISAL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the Year Ended December 31, 2022

and participating in the Plan or Medicare advantage plan, as applicable, as of January 1, 2008; and begin participating in the Plan immediately upon retirement.

If an employee retires and participates in the Plan, the spouse may also participate if the spouse qualifies. To qualify for participation, the spouse must be 55 years of age or older, the employee must have covered the spouse as a dependent on the district's regular health plan for at least the 12 months immediately preceding the employee's retirement, and the spouse must not be eligible for coverage under any other insurance plan.

Participation in the Plan as of December 31, 2021 is summarized below:

Inactive employees or beneficiaries currently receiving benefits	82
Active employees	<u>588</u>
Total	<u>670</u>

Total OPEB Liability

The district's total OPEB liability of \$23,680,583 was measured as of December 31, 2021 and was determined by an actuarial valuation as of December 31, 2021.

Actuarial Assumptions and Other Inputs

The total OPEB liability in the December 31, 2021 actuarial valuation, was determined using the following actuarial assumptions and other inputs applied to all periods included in the measurement period, unless otherwise specified:

Inflation	2.50%
Salary increases	0.40% to 5.25%, not including wage inflation of 3.00%
Discount rate*	1.84%
Actuarial cost method	Individual entry-age Normal
Demographic assumptions	Based on the experience study covering the four-year period ending December 31, 2020 as conducted for TCDRS.
Mortality	For healthy retirees, the Pub-2010 General Retirees Tables are used with male rates multiplied by 135% and female rates multiplied by 120%. Those rates are projected on a fully generational basis based on 100% of the ultimate rates of Scale MP-2021.
Health care trend rates	Pre-65 initial rate of 7.00% declining to an ultimate rate of 4.15% after 13 years; Post-65 initial rate of 5.30% declining to an ultimate rate of 4.15% after 12 years
Participation rates	90% for non-Medicare eligible retirees; 65% for Medicare eligible retirees

* The discount rate is based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2021.

HARRIS CENTRAL APPRAISAL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the Year Ended December 31, 2022

Changes in the Total OPEB Liability

	Increase (Decrease)
	Total OPEB Liability
Changes for the year:	
Service cost	1,447,372
Interest	452,587
Difference between expected and actual experience	(858,475)
Changes in assumptions	1,239,867
Other changes	<u>(1,012,884)</u>
Net changes	1,268,467
Balance at December 31, 2020	22,412,116
Balance at December 31, 2021 \$	23,680,583

Change of assumptions reflects a change in the discount rate from 2.00% as of December 31, 2020 to 1.84% as of December 31, 2021.

There were no changes of benefit terms that affected measurement of the total OPEB liability during the measurement period.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate Assumptions

The following presents the total OPEB liability of the district, as well as what the district's total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current discount rate:

	1% Decrease in Discount Rate (0.84%)	Discount Rate (1.84%)	1% Increase in Discount Rate (2.84%)
Total OPEB Liability \$	27,101,454	\$ 23,680,583	\$ 20,836,696

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Costs Trend Rate Assumptions

The following presents the total OPEB liability of the district, as well as what the district's total OPEB liability would be if it were calculated using the assumed healthcare costs trend rates if that rate was one percentage point lower or one percentage point higher than the current healthcare costs trend rate:

	1% Decrease	Current Healthcare Cost Trend Rate Assumption	1% Increase
Total OPEB Liability \$	20,052,889	\$ 23,680,583	\$ 28,303,801

HARRIS CENTRAL APPRAISAL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the Year Ended December 31, 2022

OPEB Expense and Deferred Outflows/Inflows of Resources

For the year ended December 31, 2022, the district recognized OPEB expense of \$2,333,321. The district reported deferred outflows/inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 179,335	\$ 1,255,976
Changes in actuarial assumptions	4,531,377	513,119
Contributions subsequent to the measurement date	394,598	
Total	\$ 5,105,310	\$ 1,769,095

\$394,598 reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability for the year ending December 31, 2023.

Amounts reported as deferred outflows/inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended December 31	OPEB Expense
2023	\$ 433,362
2024	433,362
2025	433,362
2026	433,362
2027	360,241
Thereafter	847,928
Total	\$ 2,941,617

3. Aggregate Total OPEB Expenses

The district recognized aggregate total OPEB liability of \$25,481,945, deferred outflows of \$5,527,020, deferred inflows of \$1,860,692, and OPEB expense of \$2,490,885 during the year ending December 31, 2022 related to the district's TCDRS and district-administered OPEB plans.

E. Subsequent Event

In May 2023, the district approved to pay off the notes payable early for the building at 13013 Northwest Freeway. The district paid the remaining principal of \$6,023,802 and interest in the amount of \$31,067 on the outstanding notes payable. As part of the early pay off the district was required to pay prepayment penalty fees in the amount of \$85,486.

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REQUIRED SUPPLEMENTARY INFORMATION

HARRIS CENTRAL 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, 2022
With Comparative Totals for the Year Ended December 31, 2021

	2022			2021	
	Budgeted Amounts		Actual (Budget Basis)	Variance	Actual (Budget Basis)
	Original Budget	Final Budget		Final Budget Positive (Negative)	
Revenues					
Assessments	\$ 94,372,473	\$ 94,372,473	\$ 94,373,871	1,398	\$ 92,518,567
Investment income, net			455,516	455,516	18,939
Other revenue			441,611	441,611	668,500
Rendition penalty fee			583,744	583,744	399,303
Total Revenues	94,372,473	94,372,473	95,854,742	1,482,269	93,605,309
Expenditures					
Current:					
Board of Directors (BOD)					
Board of Directors	12,300	16,800	13,215	3,585	4,712
Total BOD	12,300	16,800	13,215	3,585	4,712
Office of Chief Appraiser (OCA)					
Personnel	2,024,713	2,257,713	2,148,821	108,892	2,119,372
Office supplies and printing	16,150	16,150	13,193	2,957	8,614
Other	32,400	40,400	35,273	5,127	92,943
Total OCA	2,093,263	2,363,263	2,242,822	120,441	2,220,929
Appraisal Review Board (ARB)					
Appraisal review board	3,386,792	3,027,407	2,854,510	172,897	3,132,252
Total ARB	3,386,792	3,027,407	2,854,510	172,897	3,132,252
Appraisal Support					
Personnel	12,213,974	12,045,974	11,680,014	365,960	11,481,329
Professional services	372,000	372,000	372,000	-	373,256
Office supplies and printing	79,232	64,732	45,716	19,016	42,402
Other	55,735	68,235	43,762	24,473	31,867
Total Appraisal Support	12,720,941	12,550,941	12,141,492	409,449	11,928,854
Appraisal					
Personnel	32,103,954	32,214,454	31,486,044	728,410	30,802,742
Professional services	1,573,490	1,541,490	1,530,224	11,266	1,507,864
Office supplies and printing	68,240	73,240	45,706	27,534	327,988
Other	414,039	455,039	410,065	44,974	88,245
Total Appraisal	34,159,723	34,284,223	33,472,039	812,184	32,726,839
Information Systems					
Personnel	7,078,957	7,387,457	7,231,260	156,197	7,011,381
Professional services	1,329,000	1,099,000	1,082,239	16,761	767,416
Office supplies and printing	272,800	283,300	249,737	33,563	178,289
Data processing	4,835,821	4,793,321	4,334,592	458,729	4,615,780
Other	162,725	87,725	78,065	9,660	17,375
Total Information Systems	13,679,303	13,650,803	12,975,893	674,910	12,590,241
Administration					
Personnel	5,899,700	6,219,200	6,001,650	217,550	5,980,682
Professional services	118,025	281,025	276,488	4,537	139,352
Office supplies and printing	39,893	35,393	22,033	13,360	87,850
Other	3,366,876	3,350,876	3,268,005	82,871	2,647,697
Total Administration	9,424,494	9,886,494	9,568,176	318,318	8,855,581

HARRIS CENTRAL 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, 2022
With Comparative Totals for the Year Ended December 31, 2021

	2022		2021		
	Original Budget	Budgeted Amounts Final Budget	Actual (Budget Basis)	Variance Final Budget Positive (Negative)	Actual (Budget Basis)
Expenditures					
Administration Services					
Personnel	\$ 2,245,977	\$ 2,251,362	\$ 2,230,168	21,194	\$ 3,083,113
Professional services	11,757,967	11,043,967	10,323,226	720,741	10,131,638 *
Office supplies and printing	103,350	45,350		45,350	56,299 *
Rent and utilities	502,000	427,000	350,168	76,832	313,635
Other	2,282,093	2,508,593	2,195,519	313,074	2,275,694 *
Total Administration Services	16,891,387	16,276,272	15,099,081	1,177,191	15,860,379
Debt Service:					
Principal retirement and interest charges	2,429,270	2,429,270	2,429,270		2,444,427
Capital Outlay	75,000	387,000	385,333	1,667	474,450
Total Expenditures	94,872,473	94,872,473	91,181,831	3,517,745	90,238,664
Net Change in Fund Balance	\$ (500,000)	\$	4,672,911	\$ 5,172,911	\$ 3,366,645

Notes to Required Supplementary Information:

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

Timing differences:

Encumbrances at the end of the year 1,306,780

Encumbrances at the beginning of the year that were incurred (1,943,934)

Perspective differences:

Elevator improvements related to capital reserve account (644,838)

Interest income (operating reserve fund) 276,619

Net Change in Fund Balance \$ 3,667,538

2. *Prior year amounts have been reclassified for comparative purposes to conform to the presentation in the current year financial statements.

HARRIS CENTRAL APPRAISAL DISTRICT
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
TEXAS COUNTY AND DISTRICT RETIREMENT SYSTEM
December 31, 2022

	Measurement Year*			
	2014	2015	2016	2017
Total Pension Liability				
Service cost	\$ 4,582,317	\$ 4,807,154	\$ 5,477,128	\$ 6,074,069
Interest (on the total pension liability)	12,690,234	13,860,474	15,741,528	17,052,600
Changes in benefit terms		443,216	1,069,294	1,904,183
Changes in assumptions		2,201,240		1,091,615
Difference between expected and actual experience	2,160,168	9,737,885	(429,780)	(309,104)
Benefit payments, including refunds of employee contributions	(5,858,003)	(6,947,254)	(7,836,659)	(9,264,496)
Net Change in Total Pension Liability	13,574,716	24,102,715	14,021,511	16,548,867
Beginning total pension liability	157,294,981	170,869,697	194,972,412	208,993,923
Ending Total Pension Liability	\$ 170,869,697	\$ 194,972,412	\$ 208,993,923	\$ 225,542,790
Plan Fiduciary Net Position				
Contributions - employer	\$ 5,038,460	\$ 5,912,571	\$ 6,193,489	\$ 7,316,029
Contributions - employee	2,194,012	2,333,110	2,405,154	2,502,926
Net investment income	10,845,397	(2,102,745)	12,816,220	27,311,265
Benefit payments, including refunds of employee contributions	(5,858,003)	(6,947,254)	(7,836,659)	(9,264,496)
Administrative expense	(129,244)	(125,003)	(139,420)	(142,833)
Other	426,166	105,965	615,454	5,678
Net Change in Plan Fiduciary Net Position	12,516,788	(823,356)	14,054,238	27,728,569
Beginning plan fiduciary net position	161,299,467	173,816,255	172,992,899	187,047,137
Ending Plan Fiduciary Net Position	\$ 173,816,255	\$ 172,992,899	\$ 187,047,137	\$ 214,775,706
Net Pension Liability / (Asset)	\$ (2,946,558)	\$ 21,979,513	\$ 21,946,786	\$ 10,767,084
Plan Fiduciary Net Position as a Percentage of Total Pension Liability / (Asset)	101.72%	88.73%	89.50%	95.23%
Covered Payroll	\$ 31,343,022	\$ 33,330,139	\$ 34,359,355	\$ 35,756,082
Net Pension Liability / (Asset) as a Percentage of Covered Payroll	(9.40%)	65.94%	63.87%	30.11%

*Only eight years of information are currently available. The district will build this schedule over the next two-year period.

Measurement Year*			
2018	2019	2020	2021
\$ 5,467,300	\$ 5,498,799	\$ 5,704,788	\$ 6,838,057
18,311,619	19,382,502	20,373,486	21,479,853
		16,330,667	5,624,948
185,499	(1,077,360)	22,784	(90,290)
(10,077,633)	(11,500,359)	(12,061,694)	(12,858,631)
13,886,785	12,303,582	30,370,031	20,943,783
225,542,790	239,429,575	251,733,157	282,103,188
\$ 239,429,575	\$ 251,733,157	\$ 282,103,188	\$ 303,046,971

\$ 7,601,849	\$ 7,716,301	\$ 12,845,325	\$ 9,285,950
2,564,616	2,615,305	2,810,818	2,784,806
(4,000,233)	34,605,560	25,210,520	59,808,345
(10,077,633)	(11,500,359)	(12,061,694)	(12,858,631)
(169,251)	(185,910)	(199,540)	(179,396)
24,634	(6,029)	130,541	52,778
(4,056,018)	33,244,868	28,735,970	58,893,852
214,775,706	210,719,688	243,964,556	272,700,526
\$ 210,719,688	\$ 243,964,556	\$ 272,700,526	\$ 331,594,378

\$ 28,709,887	\$ 7,768,601	\$ 9,402,662	\$ (28,547,407)
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88.01%	96.91%	96.67%	109.42%
\$ 36,637,339	\$ 37,361,503	\$ 40,154,542	\$ 39,782,939
78.36%	20.79%	23.42%	(71.76%)

HARRIS CENTRAL APPRAISAL DISTRICT
SCHEDULE OF CONTRIBUTIONS
TEXAS COUNTY AND DISTRICT RETIREMENT SYSTEM
December 31, 2022

	Fiscal Year*			
	2014	2015	2016	2017
Actuarially determined contribution	\$ 4,538,460	\$ 4,409,573	\$ 4,693,488	\$ 5,159,603
Contributions in relation to the actuarially determined contribution	5,038,460	5,912,571	6,193,488	7,316,029
Contribution (excess)	\$ (500,000)	\$ (1,502,998)	\$ (1,500,000)	\$ (2,156,426)
Covered payroll	\$ 31,343,022	\$ 33,330,139	\$ 34,359,355	\$ 35,756,082
Contributions as a percentage of covered payroll	16.08%	17.74%	18.03%	20.46%

*Only nine years of information are currently available. The district will build this schedule over the next one-year period. **Notes to Required Supplementary Information:**

1. Valuation Date:

Actuarially determined contribution rates are calculated as of December 31, two years prior to the end of the fiscal year in which contributions are reported.

2. Methods and Assumptions Used to Determine Contribution Rates:

Actuarial cost method	Entry Age
Amortization Method	Level percentage of payroll, closed
Remaining Amortization Period	13.2 years
Asset Valuation Method	5-year smoothed fair value
Inflation	2.5%
Salary Increases	Varies by age and service. 4.7% average over career including inflation.
Investment Rate of Return	7.5%, net of investment expenses, including inflation.
Retirement Age	Members who are eligible for service retirement are assumed to commence receiving benefit payments based on age. The average age at service retirement for recent retirees is 61.
Mortality	135% of the PUB-2010 Healthy Annuitant Mortality Table for males and 120% of the PUB-2010 Healthy Annuitant Mortality Table for females, both projected with 100% of the MP-2021 Ultimate scale after 2010.
Changes in Assumptions and Methods Reflected in the Schedule of Employer Contributions**	2015: New inflation, mortality, and other assumptions were reflected. 2017: New mortality assumptions were reflected. 2019: New inflation, mortality, and other assumptions were reflected.
Changes in Plan Provisions Reflected in the Schedule of Employer Contributions**	2016: Employer contributions reflect that the current service matching rate was increased to 245%. 2017: Employer contributions reflect that a 60% CPI COLA was adopted. Also, new Annuity Purchase Rates were reflected for benefits earned after 2017. 2018: Employer contributions reflect that the current service matching rate was increased to 250%.

**Only changes that effect the benefit amount and that are effective 2015 and later are shown in the Notes.

Fiscal Year*

2018	2019	2020	2021	2022
\$ 5,601,849	\$ 5,488,397	\$ 6,065,771	\$ 4,870,011	\$ 6,310,227
7,601,849	7,716,301	12,845,325	9,285,950	8,441,951
\$ (2,000,000)	\$ (2,227,904)	\$ (6,779,554)	\$ (4,415,939)	\$ (2,131,724)
\$ 36,637,339	\$ 37,361,453	\$ 40,170,666	\$ 39,885,432	\$ 40,895,834
20.75%	20.65%	31.98%	23.28%	20.64%

HARRIS CENTRAL APPRAISAL DISTRICT
SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS
TEXAS COUNTY AND DISTRICT RETIREMENT SYSTEM
December 31, 2022

	Measurement Year*			
	2017	2018	2019	2020
Total OPEB Liability				
Service cost	33,764	\$ 36,061	28,408	\$ 43,819
Interest (on the total OPEB liability)	41,577	41,651	46,463	41,075
Change of assumptions	55,327	(141,208)	328,674	200,086
Difference between expected and actual experience	3,218	19,506	(23,976)	(7,999)
Benefit payments**	(25,029)	(25,646)	(26,153)	(32,124)
Net Change in Total OPEB Liability	108,857	(69,636)	353,416	244,857
Beginning total OPEB liability	1,078,567	1,187,424	1,117,788	1,471,204
Ending Total OPEB Liability	\$ 1,187,424	\$ 1,117,788	\$ 1,471,204	\$ 1,716,061
Covered-employee Payroll	\$ 35,756,082	\$ 36,637,339	\$ 37,361,503	\$ 40,154,542
Total OPEB Liability as a Percentage of Covered-employee Payroll	3.32%	3.05%	3.94%	4.27%

* Only five years of information are currently available. The district will build this schedule over the next five-year period.

** Due to the GTLF being considered an unfunded OPEB plan under GASB 75, benefit payments are treated as being equal to the employer's yearly contributions for retirees.

Notes to Required Supplementary Information:

1. Valuation Date:

Actuarially determined contribution rates are calculated on a calendar year basis as of December 31, two years prior to the end of the fiscal year in which the contributions are reported.

2. Methods and Assumptions Used to Determine Contribution Rates:

Actuarial cost method	Entry age normal
Inflation	N/A
Salary increases	N/A
Discount rate	2.06%
Administrative expenses	N/A
Mortality - depositing members	135% of Pub-2010 General Employees Amount-Weighted Mortality Table for males and 120% Pub-2010 General Employees Amount-Weighted Mortality Table for females, both projected with 100% of the MP-2021 Ultimate scale after 2010.
Mortality - service retirees	135% of Pub-2010 General Healthy Retirees Amount-Weighted Mortality Table for males and 120% Pub-2010 General Healthy Retirees Amount-Weighted Mortality Table for females, both projected with 100% of the MP-2021 Ultimate scale after 2010.
Mortality - disabled retirees	160% of Pub-2010 General Disabled Retirees Amount-Weighted Mortality Table for males and 125% Pub-2010 General Disabled Retirees Amount-Weighted Mortality Table for females, both projected with 100% of the MP-2021 Ultimate scale after 2010.

3. Other Information:

No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB 75 to pay related benefits.

The discount rate was based on 20 Year Bond GO Index published by bondbuyer.com as of December 31, 2021. There were no benefit changes during the year.

Measurement

Year*

2021

\$	54,124
	37,192
	39,812
	(14,001)
	(31,826)
	<hr/>
	85,301

1,716,061

\$	1,801,362
	<hr/>

\$ 39,782,939

4.53%

HARRIS CENTRAL APPRAISAL DISTRICT
SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS
RETIREE HEALTHCARE BENEFITS
December 31, 2022

	Measurement Year*			
	2017	2018	2019	2020
Total OPEB Liability				
Service cost	\$ 874,556	\$ 1,004,689	\$ 1,005,740	\$ 1,155,121
Interest (on the total OPEB liability)	600,197	583,122	650,083	540,291
Changes of benefit terms				
Difference between expected and actual experience		116,814	(718,051)	142,779
Change of assumptions	1,052,799	(896,719)	2,047,420	1,952,956
Benefit payments	(625,662)	(832,017)	(973,889)	(896,863)
Net Change in Total OPEB Liability	1,901,890	(24,111)	2,011,303	2,894,284
Beginning total OPEB liability	15,628,750	17,530,640	17,506,529	19,517,832
Ending Total OPEB Liability	\$ 17,530,640	\$ 17,506,529	\$ 19,517,832	\$ 22,412,116
Covered-employee Payroll	\$ 34,029,405	\$ 36,637,373	\$ 36,727,946	\$ 39,728,141
Total OPEB Liability as a Percentage of Covered-employee Payroll	51.52%	47.78%	53.14%	56.41%

*Only five years of information are currently available. The district will build this schedule over the next five-year period.

Notes to Required Supplementary Information:

1. Changes of Assumptions

Changes of assumptions reflect a change in the discount rate from 2.00% as of December 31, 2020 to 1.84% as of December 31, 2021. Additionally, the demographic and salary increase assumptions were updated to reflect the 2021 TCDRS experience.

2. Changes in Benefits

There were no changes in benefit terms that affected measurement of the total OPEB liability during the measurement period.

3. Other Information:

No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB 75 to pay related benefits.

Measurement

Year*

2021

\$	1,447,372
	452,587
	(858,475)
	1,239,867
	(1,012,884)
	<u>1,268,467</u>
	<u>22,412,116</u>
\$	23,680,583
\$	<u>38,739,995</u>

61.13%

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SUPPLEMENTARY INFORMATION

HARRIS CENTRAL 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, 2022

	2022			
	Budgeted Amounts		Actual (Budget Basis)	Variance Final Budget Positive (Negative)
	Original Budget	Final Budget		
Revenues				
Assessments	\$ 94,372,473		\$ 455,516	1,398
Investment income, net			441,611	455,516
Other revenue			583,744	441,611
Rendition penalty fee				583,744
Total Revenues	94,372,473	94,372,473	95,854,742	1,482,269
Expenditures				
Current:				
Salaries, Wages, and Related				
Net salaries and wages	42,102,508	40,910,008	40,275,588	634,420
ARB board members	3,081,000	2,731,000	2,616,477	114,523
Shift differential	16,000	355,000	333,696	21,304
Overtime	610,501	332,500	236,293	96,207
Part-time and seasonal wages	369,810	491,710	325,054	166,656
Total Salaries, Wages, and Related	46,179,819	44,820,218	43,787,108	1,033,110
Employee Benefits and Related				
Group health insurance	9,701,281	9,689,281	9,689,032	249
Workers' compensation insurance	100,925	100,926	87,368	13,558
Group life and LTD insurance	149,553	169,553	140,079	29,474
Group dental insurance	265,307	273,307	270,968	2,339
Group vision insurance	72,576	72,576	36,472	36,104
Unemployment insurance	232,738	232,838	33,632	199,206
Retirement	6,849,464	8,816,464	8,536,185	280,279
FICA Medicare	669,607	704,607	609,985	94,622
Social security	212,606	224,606	207,472	17,134
Total Employee Benefits and Related	18,254,057	20,284,158	19,611,193	672,965
Computer Operations				
Minor equipment - office and field op	519,350	659,350	417,852	241,498
Minor equipment - infrastructure	775,000	17,500	8,223	9,277
Hardware maintenance and support	173,800	243,800	234,660	9,140
Software maintenance and support	1,226,220	1,086,220	1,084,990	1,230
Computer supplies	28,000	3,000		3,000
Software lease and maintenance	1,511,607	2,096,607	1,962,780	133,827
Software purchases	180,000	240,000	236,465	3,535
Total Computer Operations	4,413,977	4,346,477	3,944,970	401,507
Professional Services				
Financial auditing	60,300	68,300	67,763	537
Legal services	10,983,967	10,348,967	9,870,628	478,339
Arbitration fees and services	600,000	425,000	186,500	238,500
State office of admin hearings	5,000	-	-	
Appraisal services	1,541,490	1,541,490	1,530,224	11,266
Other professional services	1,796,375	1,687,375	1,665,741	21,634
Total Professional Services	14,987,132	14,071,132	13,320,856	750,276

HARRIS CENTRAL 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, 2022

2022

	Budgeted Amounts		Actual (Budget Basis)	Variance
	Original Budget	Final Budget		Final Budget Positive (Negative)
Expenditures				
Office and Field Operations				
Office supplies	168,725	160,225	\$ 111,108	\$ 49,117
Office equipment maintenance	52,200	47,200	3,248	43,952
Telephone and communication service	449,844	449,844	389,623	60,221
Copier leases	139,000	100,500	56,452	44,048
Copier supplies and maintenance	119,350	91,350	85,221	6,129
Mapping reproduction and supplies	3,250	3,250		3,250
Public notice advertising	18,000	8,000	3,267	4,733
Security services	189,000	318,000	311,633	6,367
Field travel, vanpool, and other expense	506,691	288,191	223,205	64,986
Appraisal supplies	13,940	19,940	11,251	8,689
Vehicle gasoline and maintenance	34,000	34,000	14,941	19,059
Records storage and supplies	25,000	15,000	12,325	2,675
Employee recognition activities	60,000	61,000	55,269	5,731
Postage, mailing, and handling services	3,153,042	3,103,042	3,092,544	10,498
Professional registration and dues	90,000	106,000	100,407	5,593
Seminars and other tuition	353,354	264,854	207,673	57,181
Education travel and expenses	242,195	231,195	194,997	36,198
Books, manuals, and publications	393,334	488,334	425,227	63,107
Printing, forms, and stationery	28,400	49,400	37,390	12,010
Paper, copier, and printer	55,000	78,000	64,361	13,639
Total Office and Field Operations	6,094,325	5,917,325	5,400,142	517,183
Office Space, Utilities, and Related				
Office space	2,692,620	2,667,620	2,508,646	158,974
Utilities	502,000	427,000	350,168	76,832
Building and fixture maintenance	1,520,043	1,745,043	1,667,427	77,616
Casualty and liability insurance	153,500	206,500	205,988	512
Total Office Space, Utilities, and Related	4,868,163	5,046,163	4,732,229	313,934
Capital Outlay	75,000	387,000	385,333	1,667
Total Expenditures	94,872,473	94,872,473	91,181,831	3,690,642
Net Change in Fund Balance		\$ \$ (500,000)	4,672,911	\$ 5,172,911

Notes to Supplementary Information:

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

Timing differences:

Encumbrances at the end of the year 1,306,780

Encumbrances at the beginning of the year that were incurred (1,943,934)

Perspective differences:

Elevator improvements related to capital reserve account (644,838)

Reserve for TCDRS

Transfers to internal service fund

Interest income (operating reserve fund) 276,619

Net Change in Fund Balance **\$ 3,667,538**

2. This supplementary budgetary comparison schedule is presented to demonstrate compliance at the legal level of budgetary control. 97

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STATISTICAL SECTION

This part of the district's annual comprehensive 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	100
<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	108
<i>These schedules contain information to help the reader assess the district's most significant local revenue source, assessment fees from the taxing entities.</i>	
Debt Capacity	112
<i>These schedules present information to help the reader assess the affordability of the district's current level of outstanding debt and the district's ability to issue additional debt in the future.</i>	
Demographic and Economic Information	115
<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	118
<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 CENTRAL APPRAISAL DISTRICT

NET POSITION BY COMPONENT

Last Ten Years

(accrual basis of accounting)

	Year			
	2013	2014	2015	2016
Governmental Activities				
Net investment in capital assets	\$	\$	\$ 10,097,874	\$ 10,982,048
Restricted	151,312	151,277	151,549	
Unrestricted	6,626,297	12,111,859	17,667,023	20,002,285
Total Governmental Activities Net Position	\$ 15,798,805	\$ 21,911,541	\$ 27,916,446	\$ 30,984,333

*Restated with implementation of GASB 75.

Year						
2017	2018*	2019	2020	2021	2022	
\$ 14,298,164	\$ 14,851,497	\$ 15,714,000	\$ 17,410,175	\$ 18,661,694	\$ 20,232,032	
5,288,214	6,716,741	7,563,196	10,784,948	14,273,997	24,938,162	
\$	\$ 21,568,238	\$ 23,277,196	\$ 28,195,123	\$ 32,935,691	\$ 45,170,194	

HARRIS CENTRAL APPRAISAL DISTRICT

CHANGES IN NET POSITION

Last Ten Years

(accrual basis of accounting)

	Year			
	2013	2014	2015	2016
Expenses				
Governmental activities				
Appraisal services	\$ 62,243,715	\$ 67,564,694	\$ 68,906,283	\$ 74,632,806
Interest and fiscal agent fees on long-term debt	1,190,711	1,123,581	1,052,562	977,425
Total Governmental Activities Expenses	63,434,426	68,688,275	69,958,845	75,610,231
Program Revenues				
Governmental activities				
Charges for services				
Appraisal services	1,036,988	1,153,984	1,041,448	891,183
Total Governmental Activities Program Revenues	1,036,988	1,153,984	1,041,448	891,183
Net (Expense)				
Governmental activities	\$ (62,397,438)	\$ (67,534,291)	\$ (68,917,397)	\$ (74,719,048)
General Revenues and Other Changes in Net Position				
Governmental activities				
Assessments	\$ 61,566,883	\$ 64,367,413	\$ 74,902,803	\$ 77,706,956
Investment income	24,948	19,564	19,499	79,979
Total Governmental Activities	\$ 61,591,831	\$ 64,386,977	\$ 74,922,302	\$ 77,786,935
Change in Net Position				
Governmental activities	\$	\$	\$ 6,004,905	\$ 3,067,887

		Year									
		2017	2018	2019	2020	2021	2022				
\$	81,226,501	\$	84,569,564	\$	87,282,857	\$	86,365,759	\$	88,274,738	\$	83,477,222
	897,927		919,867		828,399		720,530		606,447		485,796
	82,124,428		85,489,431		88,111,256		87,086,289		88,881,185		83,963,018
	797,994		1,215,652		716,939		1,019,735		1,078,218		1,048,119
	797,994		1,215,652		716,939		1,019,735		1,078,218		1,048,119
	\$		\$		\$		\$		\$	\$	(82,914,899)
\$	81,496,875	\$	85,563,002	\$	88,094,554	\$	90,728,851	\$	92,518,567	\$	94,373,871
	273,054		712,637		1,008,721		255,630		24,968		775,531
\$	81,769,929	\$	86,275,639	\$	89,103,275	\$	90,984,481	\$	92,543,535	\$	95,149,402
\$	443,495	\$	2,001,860	\$	1,708,958	\$	4,917,927	\$	4,740,568	\$	12,234,503

HARRIS CENTRAL APPRAISAL DISTRICT

FUND BALANCE, GOVERNMENTAL FUND

Last Ten Years

(modified accrual basis of accounting)

	Year			
	2013	2014	2015	2016
General Fund				
Nonspendable	\$ 278,690	\$ 355,921	\$ 321,572	\$ 368,870
Restricted	151,312	151,277	151,549	
Assigned	6,316,077	3,228,282	4,082,434	6,466,307
Unassigned	7,887,037	7,665,983	9,222,422	12,287,923
Total General Fund	\$ 14,633,146	\$ 11,401,463	\$ 13,777,958	\$ 19,123,100

Year					
2017	2018	2019	2020	2021	2022
\$ 487,968	\$ 624,132	\$ 640,926	\$ 606,406	\$ 1,616,519	\$ 1,035,681
7,816,962	10,932,693	12,809,033	25,506,383	27,423,030	29,592,672
11,378,514	13,332,403	15,114,230	1,159,984	1,341,071	3,419,805
\$ 19,683,444	\$ 24,889,228	\$ 28,564,189	\$ 27,272,773	\$ 30,380,620	\$ 34,048,158

HARRIS CENTRAL APPRAISAL DISTRICT

CHANGES IN FUND BALANCE, GOVERNMENTAL FUND

Last Ten Years

(modified accrual basis of accounting)

	Year			
	2013	2014	2015	2016
Revenues				
Assessments	\$ 61,566,883	\$ 64,367,413	\$ 74,902,803	\$ 77,706,956
Investment income	23,229	18,934	17,957	74,272
Other revenues	717,721	760,459	669,741	481,123
Rendition penalty fee	294,934	349,402	334,664	391,930
Total Revenues	62,602,767	65,496,208	75,925,165	78,654,281
Expenditures				
Board of Directors				
Office of Chief Appraiser	9,137,044	12,195,547	13,421,461	11,587,428
Appraisal review board		-	-	-
Appraisal support	10,350,238	11,119,331	12,584,529	12,549,219
Appraisal	24,474,901	25,595,462	26,768,745	27,679,141
Information systems	7,257,810	7,851,749	7,803,603	7,874,275
Administration	5,877,296	6,551,032	6,590,564	6,704,181
Administration services/building services	3,577,236	2,826,193	3,932,801	4,424,778
Capital outlay	274,751	219,642	78,044	121,231
Debt service				
Principal	1,178,193	1,245,324	1,316,342	1,391,480
Interest	1,190,711	1,123,581	1,052,562	977,425
Total Expenditures	63,318,180	68,727,861	73,548,651	73,309,158
Excess (Deficiency) of Revenues Over (Under) Expenditures	(715,413)	(3,231,653)	2,376,514	5,345,123
Other Financing Sources (Uses)				
Transfers (out)				
Total Other Financing (Uses)				
Net Change in Fund Balance	\$ (715,413)	\$ (3,231,653)	\$ 2,376,514	\$ 5,345,123
Debt service as a percentage of noncapital expenditures	3.76%	3.46%	3.23%	3.26%

(1) Prior to fiscal year 2021, Board of Directors and appraisal review board were reported within Office of the Chief Appraiser.

Year

	2017	2018	2019	2020	2021 ⁽¹⁾	2022
\$	81,496,875	\$ 85,563,002	\$ 88,094,554	\$ 90,728,851	\$ \$ 94,373,871	
	256,406	673,462	961,925	233,225	92,518,56	732,135
	422,498	910,371	535,070	298,799	7 23,537	441,611
	324,366	453,674	281,578	390,471	668,500	583,744
	82,500,145	87,600,509	89,873,127	91,651,346	93,609,907	96,131,361
					4,712	24,443
	12,310,648	14,002,216	13,181,522	12,968,365	12,076,129	2,242,821
					3,132,252	2,854,510
	14,993,839	14,958,051	14,358,192	11,946,497	11,963,055	12,141,492
	29,767,205	30,723,471	31,814,658	32,446,248	32,726,839	33,467,542
	6,858,842	7,397,376	8,677,941	12,795,374	12,621,450	13,303,614
	7,389,849	7,406,834	8,100,378	9,110,006	8,848,000	9,631,280
	5,250,513	4,993,486	6,193,911	9,857,211	5,667,958	15,287,762
	2,000,000	438,329	899,061	860,235	1,017,238	1,081,089
	1,470,978	1,555,095	1,644,104	1,738,296	1,837,980	1,943,474
	897,927	919,867	828,399	720,530	606,447	485,796
	80,939,801	82,394,725	85,698,166	92,442,762	90,502,060	92,463,823
	1,560,344	5,205,784	4,174,961	(791,416)	3,107,847	3,667,538
	(1,000,000)		(500,000)	(500,000)		
	(1,000,000)		(500,000)	(500,000)		
\$	560,344	\$ 5,205,784	\$ 3,674,961	\$ (1,291,416)	\$ 3,107,847	\$ 3,667,538
	3.04%	3.01%	2.90%	2.69%	2.72%	2.66%

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

	Year			
	2013	2014	2015	2016
Total adjusted levy for calculation of taxing unit assessments ⁽¹⁾⁽²⁾	\$ 7,728,886,310	\$ 8,458,886,001	\$ 9,385,920,743	\$ 10,270,428,310
Direct rate ⁽⁴⁾	100%	100%	100%	100%
Assessments	\$ 61,566,862	\$ 64,367,413	\$ 75,147,518 ⁽³⁾	\$ 77,706,956

(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 and 2015. The amount shown here does not include the adjustment for the refund.

(4) 100% of the adjusted levy is used in the calculation allocating the assessment fees.

Year					
2017	2018	2019	2020	2021	2022
\$ 11,053,954,982	\$ 11,564,280,439	\$ 11,888,313,314	\$ 12,295,974,520	\$ 12,814,950,514	\$ 12,972,489,919
100%	100%	100%	100%	100%	100%
\$ 81,496,875	\$ 85,563,002	\$ 88,094,554	\$ 90,728,851	\$ 92,518,567	\$ 94,373,871

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HARRIS CENTRAL APPRAISAL DISTRICT

PRINCIPAL TAXING JURISDICTIONS

Current Year and Nine Years Ago

Taxing Jurisdictions	2022			2013		
	Tax Levy	Rank	% of Taxable Assessed Value	Tax Levy	Rank	% of Taxable Assessed Value
Houston ISD 001	\$ 2,132,875,798	1	16.44%	\$ 1,256,893,987	1	16.26%
Harris County 040	1,934,138,307	2	14.91%	1,157,494,297	2	14.98%
City of Houston 061	1,433,900,282	3	11.05%	961,827,535	3	12.44%
Harris County Hospital Dist. 043	818,182,044	4	6.31%	508,312,116	4	6.58%
Cypress-Fairbanks ISD 004	799,686,365	5	6.16%	461,069,119	5	5.97%
Spring Branch ISD 025	454,967,182	6	3.51%	259,237,178	6	3.35%
Katy ISD 019	367,409,670	7	2.83%	191,261,405	7	2.47%
Klein ISD 017	321,869,320	8	2.48%	184,706,437	9	2.39%
Aldine ISD 009	299,460,322	9	2.31%	179,848,105	8	2.33%
Humble ISD 018	263,138,520	10	2.03%	161,236,073	10	2.09%
Subtotal	8,825,627,810		68.03%	5,321,886,252		68.86%
Other taxing jurisdictions	4,146,862,109		31.97%	2,407,000,058		31.14%
Total	\$ 12,972,489,919		100.00%	\$ 7,728,886,310		100.00%

Source: Harris County Appraisal District's departmental records.

HARRIS CENTRAL APPRAISAL DISTRICT

RATIOS OF OUTSTANDING DEBT BY TYPE

Last Ten Years

	Year			
	2013	2014	2015	2016
Governmental Activities:				
Notes payable	\$	\$	19,424,619	\$
			\$	18,108,277
			\$	16,716,797
Total	\$	\$	19,424,619	\$
			\$	16,716,797
Taxing jurisdictions in district	493	501	513	517
Debt per taxing unit ⁽¹⁾	41,927	\$	38,772	\$
			35,299	\$
				32,334

(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						
2017	2018	2019	2020	2021	2022	
\$ 15,245,819	\$ 13,690,724	\$ 12,046,620	\$ 10,308,324	\$ 8,470,344	\$ 6,526,870	
\$ 15,245,819	\$ 13,690,724	\$ 12,046,620	\$ 10,308,324	\$ 8,470,344	\$ 6,526,870	
525	533	538	551	554	567	
\$ 29,040	\$ 25,686	\$ 22,391	\$ 18,708	\$ 15,289	\$ 11,511	

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HARRIS CENTRAL APPRAISAL DISTRICT
DEMOGRAPHIC AND ECONOMIC STATISTICS
Last Ten Years

Year Ended December 31	(a) Estimated Population (In Thousands)	(a) Personal Income (In Thousands)	(a) Per Capita Personal Income	(a) Unemployment Rate
2013	4,355	\$ 230,462,963	\$ 53,141	6.2%
2014	4,456	\$ 252,694,912	\$ 54,212	5.0%
2015	4,562	\$ 249,989,494	\$ 54,100	4.6%
2016	4,629	\$ 240,752,454	\$ 51,186	5.4%
2017	4,664	\$ 247,482,118	\$ 53,188	4.6%
2018	4,669	\$ 265,351,328	\$ 58,685	4.0%
2019	4,713	\$ 278,821,655	\$ 59,207	3.6%
2020	4,746	\$ 285,160,839	\$ 60,183	8.0%
2021	4,779	\$ 311,430,719	\$ 65,869	4.8%
2022	4,923	not available	not available	4.0%

Data sources:

- (a) Source: <http://www.txcip.org> (Texas Association of Counties)
- Source: <http://www.bls.gov> (Bureau of Labor Statistics)
- Source: <https://www.dshs.texas.gov> (Texas Department of State Health Services)
- Source: <https://www.homefacts.com>
- Source: <https://www.bea.gov>
- Source: <https://worldpopulationreview.com/us-counties>
- Source: <https://fred.stlouisfed.org/series/PI48201>

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HARRIS CENTRAL APPRAISAL DISTRICT

PRINCIPAL CORPORATE EMPLOYERS

Current Year and Nine Years Ago

(amounts in thousands)

Employer	2022			2013		
	Employees	Rank	Percentage of Total County Employment	Employees	Rank	Percentage of Total County Employment
Wal-Mart Stores	34,000	1	1.0525 %			
H-E-B	32,635	2	1.0102 %	18,887	3	0.6744
Memorial Hermann Health System	29,180	3	0.9033 %	21,000	1	0.7498 %
Houston Methodist	28,304	4	0.8761	14,826	7	0.5294 %
UT MD Anderson Cancer Center	22,088	5	0.6837 %	19,486	2	0.6958
Amazon	20,000	6	0.6191			
Kroger Co.	15,000	7	0.4643 %	14,866	6	0.5308 %
Texas Children's Hospital	14,378	8	0.4451 %			
HCA Houston Healthcare	12,614	9	0.3905 %		–	%
United Airlines	11,834	10	0.3665 %	16,315	4	0.5826
Exxon Mobil Corp.				13,700	8	0.4892 %
McDonald's Corporation				16,300	5	0.5820 %
Total	<u>220,033</u>			<u>135,380</u>		

Source: Employment numbers were obtained from Houston ISD.

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 CENTRAL APPRAISAL DISTRICT

EMPLOYED POSITIONS BY FUNCTION (1)

Last Ten Years

Function	Year			
	2013	2014	2015	2016
Office of the Chief Appraiser	4	5	5	3
Support Services	162	166	165	172
Appraisal	315	319	327	340
Information Systems	41	36	45	34
Administration	50	50	41	52
Regular Positions	572	576	583	601

Notes:

(1) Data represents employed positions at year end.

Year

	2017	2018	2019	2020	2021	2022
	5	7	6	6	16	17
	168	166	166	148	143	166
	345	332	336	338	316	371
	40	39	40	57	60	63
	49	50	52	62	47	55
	607	594	600	611	582	672

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

Property Category	Year			
	2013	2014	2015	2016
Single family residential	0.97	n/a	0.99	n/a
Multi-family residential	0.94	n/a	0.97	n/a
Vacant lots	n/a	n/a	n/a	n/a
Acreage	n/a	n/a	n/a	n/a
Commercial real property	1.01	n/a	1.00	n/a
Utilities	0.98	n/a	0.96	n/a
Commercial personal property	0.99	n/a	1.00	n/a
Overall Median Level	1.03	n/a (2)	0.99	n/a (2)

(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 ten 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) 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 fair 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.

Data from the district's appraisal department.

Year					
2017	2018	2019	2020	2021	2022
0.99	n/a	0.98	n/a	0.98	n/a
0.93	n/a	0.94	n/a	0.96	n/a
n/a	n/a	0.93	n/a	0.88	n/a
n/a	n/a	n/a	n/a	n/a	n/a
0.95	n/a	0.92	n/a	0.95	n/a
0.90	n/a	0.89	n/a	0.9	n/a
0.97	n/a	0.98	n/a	0.95	n/a
0.98	n/a (2)	0.98	n/a (2)	0.98	n/a (2)

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

Property Category	Year			
	2013	2014	2015	2016
Reappraisal year	Yes	Yes	Yes	Yes
Accounts protested	302,336	346,041	372,584	380,550
Value of accounts	\$ 230,189,392,360	\$ 247,547,796,763	\$ 285,432,274,329	\$ 311,654,617,880
Average percentage reduction	8.75%	8.52%	6.29%	10.79%
Total lawsuits	3,568	4,022	4,133	4,212
Number of accounts	11,019	9,734	10,124	12,018
Value of accounts	\$ 55,331,218,880	\$ 62,482,106,824	\$ 64,584,698,576	\$ 90,788,838,462
Number of accounts resolved	11,018	9,727	10,094	11,939
Average percentage reduction	9.94%	9.86%	11.36%	11.88%

Data from district's appraisal department.

Year

	2017	2018	2019	2020	2021	2022
	Yes 389,837	Yes 372,647	Yes 421,763	Yes 447,128	Yes 452,834	Yes 494,161
\$	319,509,054,893	\$ 319,656,134,451	\$ 363,786,769,145	\$	\$ 394,269,236,802	\$ 454,937,107,332
	10.35%	9.95%	10.28%	9.76%	7.19%	6.60%
	4,661 11,918	7,183 16,024	6,374 15,005	6,580 16,141	6,947 14,658	7,959 16,418
\$	81,113,534,434	\$ 87,914,852,919	\$ 106,544,983,826	\$ 129,734,249,159	\$ 115,008,972,920	\$ 141,302,673,218
	11,855 11.27%	14,916 10.23%	14,258 11.05%	13,615 11.11%	9,355 10.17%	719 10.12%

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

Function / Program	Year			
	2013	2014	2015	2016
Appraisal				
Appraised value	\$ 413,396,777	\$ 449,206,021	\$ 503,278,759	\$ 532,811,166
Number of accounts	1,576,093	1,593,793	1,604,903	1,624,760

Source: Various district departments.

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HARRIS CENTRAL APPRAISAL DISTRICT
CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM
 Last Ten Years

Function/Program	Year			
	2013	2014	2015	2016
General Fund				
Office of the Chief Appraiser	63	59	57	57
Support Services	201	198	191	191
Appraisal	478	476	471	470
Information Systems	1,263	1,222	1,158	1,141
Administration	176	173	169	168

Source: Various district departments.

Figures represent total capital assets by function.

Year					
2017	2018	2019	2020	2021	2022
57	56	48	48	47	45
189	186	171	169	168	161
459	455	371	371	371	365
1,060	1,031	1,009	994	996	746
167	161	118	118	118	114

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