



***HARRIS COUNTY
APPRAISAL DISTRICT
HARRIS COUNTY
HOUSTON, TEXAS***

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

FOR THE FISCAL YEAR ENDED

DECEMBER 31, 2020

*COMPREHENSIVE
ANNUAL FINANCIAL REPORT*

of the

**HARRIS COUNTY
APPRAISAL DISTRICT, TEXAS**

**For the Year Ended
December 31, 2020**

Report Issued By:

Budget and Finance Division

(This page intentionally left blank.)

HARRIS COUNTY APPRAISAL DISTRICT

TABLE OF CONTENTS

December 31, 2020

<u>INTRODUCTORY SECTION</u>	<u>Page</u>
Letter of Transmittal	3
Appraisal Process	14
Certificate of Achievement for Excellence in Financial Reporting	15
District Officials	16
Plan of Organization	17
Harris County School Districts	18
Harris County Cities	19
Harris County Special Districts	20
 <u>FINANCIAL SECTION</u>	
Independent Auditors' Report	23
Management's Discussion and Analysis (Required Supplementary Information)	27
 <u>BASIC FINANCIAL STATEMENTS</u>	
Government-Wide Financial Statements	
Statement of Net Position	37
Statement of Activities	39
 Governmental Fund Financial Statements	
Balance Sheet	41
Reconciliation of the Governmental Fund Balance Sheet to the Statement of Net Position	43
Statement of Revenues, Expenditures, and Changes in Fund Balance	45
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of Governmental Fund to the Statement of Activities	47
 Proprietary Fund Financial Statements	
Statement of Net Position	49
Statement of Revenues, Expenses, and Changes in Fund Net Position	51
Statement of Cash Flows	53
 Notes to the Financial Statements	 55

HARRIS COUNTY APPRAISAL DISTRICT

TABLE OF CONTENTS (Continued)

December 31, 2020

<u>REQUIRED SUPPLEMENTARY INFORMATION</u>	<u>Page</u>
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund (Budget Basis)	82
Schedule of Changes in Net Pension Liability and Related Ratios – Texas County and District Retirement System	84
Schedule of Contributions – Texas County and District Retirement System	86
Schedule of Changes in Total OPEB Liability and Related Ratios – Texas County and District Retirement System	89
Schedule of Changes in Total OPEB Liability and Related Ratios – Retiree Healthcare Benefits	91
 <u>SUPPLEMENTARY INFORMATION</u>	
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund (Budget Basis)	94
 <u>STATISTICAL SECTION</u>	
Net Position by Component	98
Changes in Net Position	100
Fund Balance, Governmental Fund	102
Changes in Fund Balance, Governmental Fund	104
Adjusted Levy for Assessments and Assessments Collected	106
Principal Taxing Jurisdictions	109
Ratios of Outstanding Debt by Type	110
Demographic and Economic Statistics	113
Principal Corporate Employers	115
Employed Positions by Function	116
State Comptroller’s Study by Median Level of Appraisal	118
Protest Activity and Litigation Volume	120
Operating Indicators by Function/Program	122
Capital Asset Statistics by Function/Program	124

INTRODUCTORY SECTION

(This page intentionally left blank.)



Harris County Appraisal District

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

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



Office of Chief Appraiser

June 11, 2021

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

Board of Directors

Mike Sullivan, Chairman
Glenn E. Peters, Secretary
Martina Lemond Dixon, Assistant Secretary
Ann Harris Bennett, Director
Tax Assessor-Collector, Ex-Officio Director
Al Odom, Director
Jim Robinson, Director
Elizabeth Santos, 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, 2020.

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 from any material misstatement.

Belt Harris Pechacek, LLLP, Certified Public Accountants, have issued an unmodified (“clean”) opinion on the Harris County Appraisal District’s financial statements for the year ended December 31, 2020. 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 complement this letter of transmittal and should be read in conjunction with it.

Profile of the District

The Harris County Appraisal District is a political subdivision of the State of Texas established in 1980, following the codification of property tax laws by the 66th Texas Legislature in 1979. The 1979 codification established one appraisal district in each of the state’s 254 counties for the purpose of discovering and appraising property for ad valorem tax purposes for each taxing unit within the boundaries of that appraisal district. The district, the largest in the state, serves 551 taxing units.

Texas appraisal districts are permitted to contract with their taxing units to perform tax collection functions. The Harris County Appraisal District has not contracted with any of its taxing units to provide these services through 2020 and does not anticipate any collection contracts in the foreseeable future.

A seven-member board of directors, appointed by the taxing units within the boundaries of the district, constitutes the governing body. The board members are appointed as follows: Harris County Commissioners' Court appoints two members; the City of Houston City Council appoints one member; the other 32 cities appoint one member; the Houston Independent School District Board of Trustees appoints one member; the other 24 school districts and 4 junior colleges appoint one member; and, all conservation and reclamation districts appoint one member.

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

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

In Texas, the property tax is the primary source of funding for local governmental units (school districts, cities, counties, junior college districts, and other special districts). Property taxes pay much of the cost of public schools, police and fire protection, courts, health services, streets, water and sewage, parks, and most other local government activities. The Harris County Appraisal District does not determine how much each of these local governments will spend to provide services, nor does it set their tax rates. Each local government adopts its own budget, then sets a tax rate that will generate the amount of money required to pay for its services. The district provides each local government with a list of its taxable property, together with the January 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 primarily 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, 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, security, and postal services. Human Resources, Audit Support Services, Communications Services, Information Technology, 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.

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 21, 2020 with less than 8.63 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 551 taxing unit appraisal rolls was approximately \$4.0 trillion, resulting in a 2020 ad valorem tax levy of approximately \$12.3 billion, an increase of 7.50 percent from 2019.

The Harris County 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 340 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 the numerous issues and challenges the greater Houston Metro area has faced, including those brought about by the unprecedented COVID-19 pandemic, Houston's residential single-family market is doing well. According to Houston Association of Realtors (HAR), single family home sales rose 10.5 percent in 2020 to 96,151 while sales of all property types totaled 115,523, an 11.6 percent increase over 2019's volume. Total dollar volume for 2020 jumped 18.1 percent to \$35.3 billion. Housing inventory by year's end was down to its lowest level in history – a 1.9-months supply. On a year-to-date basis, the average single-family sales price rose 5.9 percent to \$324,069 while the median price increased 6.1 percent to \$260,000.

At the beginning of 2020, the Houston commercial real estate market was benefiting from the longest economic expansion in U.S. history. That expansion abruptly came to an end in February of 2020 after 128 months. The 2020 recession began when the economy contracted 5 percent. It was caused by government-ordered shutdowns to slow the spread of the COVID-19 pandemic. The National Bureau of Economic Research announced in June of 2020, “the unprecedented magnitude of the decline in employment and production, and its broad reach across the entire economy, warrants the designation of this episode as a recession, even if it turns out to be briefer than earlier contractions.”

Some industries were more at risk during a COVID-19 recession than others. The mining, oil and gas, and transportation and warehousing industries rely heavily on global supply chains, which have been disrupted due to the rapid spread of coronavirus. The administrative services and waste management industries include service workers who are involved in personnel administration, clerical activities, and cleaning activities, along with individuals who collect, treat, and dispose of waste materials. Administrative service workers, such as office clerks and security guards, work face-to-face with others and cannot perform their jobs because of the necessary proximity to people. Companies within leisure and hospitality industries – arts, entertainment, and recreation and accommodation and food services – have seen the largest number of initial layoffs due to coronavirus. The closing of shows, concerts, and sports games, along with sweeping closures of restaurants and bars throughout the U.S., has impacted staffing and payroll.

Multi-family rents had been steadily on the incline until the COVID-19 pandemic hit the Houston area in March of 2020. Once the pandemic occurred, the rates started to decline. The combination of job losses and the multitude of new units opening across the metro has stifled rent growth and led to losses. The daily apartment asking rents began falling almost immediately when the virus was declared a pandemic on March 11. Rents in Greater Houston have dropped by 1.7 percent since the end of March. The same cannot be said for most surrounding suburbs, where rent growth has been flat. Since the outbreak, the shift in demand away from the city has only been amplified. According to Bruce McClenny, president of the Houston-based ApartmentData.com, many areas, including Sugar Land, Richmond, and Pasadena, are actually seeing positive growth. That's in part because renters have less of a reason to be in the urban area, and are now more able to work from home.

Comparison of Appraised Values to Previous Year

The change in appraised value of taxable property between years 2020 and 2019 is reflected in the table below.

HARRIS COUNTY APPRAISAL DISTRICT APPRAISED VALUES			
2020		2019	
Number of Accounts	Appraisal Value (in thousands)	Number of Accounts	Appraisal Value (in thousands)
1,676,007	\$655,441,344	1,661,283	\$615,347,614

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, 2021. The change in the appraised and taxable values from 2019 to 2020 varied among taxing units, reflecting the mix of property types, exemptions, and market conditions within each unit.

HARRIS COUNTY TAXABLE VALUES (in thousands \$)				
	2020	2019	Change	Percent Change
Appraised Value	\$655,441,344	\$615,347,614	\$40,093,730	6.52%
Taxable Value	\$505,982,587	\$476,796,503	\$29,186,084	6.12%

Texas Comptroller of Public Accounts Ratio Study and Governance Review

Government Code Section 403.302 requires the Comptroller to conduct a study to determine the degree of uniformity and the median level of appraisals by the appraisal district with each major category of property, as required by Section 5.10, Tax Code. This study is required every other year. If the locally appraised value in a school district is within the statistical margin of error of the state value, the Comptroller’s Property Tax Assistance Division (PTAD) certifies a school district’s local tax roll value to the Commissioner of Education. A 5 percent margin of error is used to establish the upper and lower value limit for each school district. If the local value is outside the acceptable range, the PTAD certifies the state value, unless the school district is eligible for a grace period, which is a period when local value is used even though it is determined to be invalid. A property value study was preliminarily completed for 2019 and all school districts fell inside 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 2020.

The district’s median level of appraisal for 2019 is summarized in the following table:

STATE COMPTROLLER’S STUDY	
<u>Property Category</u>	<u>Median Level of Appraisal 2019</u>
Single Family Residential	.98
Multi-Family Residential	.94
Vacant Lots	.93
Acreage	N/A
Commercial Real Property	.94
Utilities	.93
Commercial Personal Property	.98
Overall Median Level – All Properties	.98

The final results of the 2019 study reflect that appraisals within the district are generally uniform, with an average coefficient of dispersion of 8.56 percent. A coefficient of less than 10 percent is considered excellent in the more homogeneous urban areas, while 11 percent to 15 percent is considered excellent in the more rural areas.

Since the statistical median reflects the mid-point of a sample, it is generally desirable to maintain median appraisal levels at or slightly below 1.00 to avoid over-appraisal of properties. The International Association of Assessing Officers (IAAO) guidelines state that the overall level of appraisal for all parcels in the jurisdiction should be within 10 percent of the legal level. Based on these criteria, the district’s 98% appraisal level is considered to reflect very good appraisal performance.

Property Owner Protests

During 2020, property owners and professional tax consultants filed 446,755 protests, resulting in an increase of 7 percent from the 2019 protest volume of 415,846. 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 2020 protest activity data has been updated through March 30, 2021.

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 Percentage Reduction</u>
2011	Yes	305,395	\$183,707	9.00%
2012	Yes	295,905	\$198,142	9.29%
2013	Yes	301,803	\$230,060	8.75%
2014	Yes	345,056	\$246,503	8.52%
2015	Yes	369,355	\$281,500	6.29%
2016	Yes	378,142	\$305,620	7.29%
2017	Yes	388,722	\$319,018	7.20%
2018	Yes	371,549	\$318,679	7.50%
2019	Yes	415,846	\$361,347	7.78%
2020	Yes	436,479	\$385,665	7.26%

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>
2011	2,939	6,601	\$ 23,561,742,530	6,601	10.97%
2012	2,864	6,985	\$ 29,508,040,449	6,985	10.43%
2013	3,568	11,019	\$ 55,331,218,880	10,985	9.88%
2014	4,022	9,734	\$ 62,482,106,824	9,708	9.87%
2015	4,133	10,124	\$ 64,584,698,576	10,059	11.36%
2016	4,212	12,018	\$ 90,788,838,462	11,839	11.89%
2017	4,656	11,907	\$ 81,085,657,544	11,377	11.20%
2018	7,162	18,964	\$ 87,533,578,986	12,647	9.94%
2019	6,303	13,206	\$ 95,639,459,279	2,254	9.58%
2020	6,526	14,380	\$123,499,262,775	845	8.09%

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 (first available in 2011) is summarized in the table below:

ARBITRATION VOLUME				
<u>Year</u>	<u>Number of Accounts</u>	<u>Determined</u>	<u>Dismissed/ Withdrawn</u>	<u>Pending</u>
2011	520	520	45	0
2012	783	783	72	0
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	2,275	1,331	1
2019	3,548	3,543	2,186	5
2020	5,067	1,863	1,768	3,204

iFile and iSettle Programs

The Harris County Appraisal District continues its online iFile program that allows property owners and agents to protest their noticed values through the district’s website. During 2020, 88,109 agent protests and 84,298 property owner protests were received through iFile. Both of these 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 14,141 property owners utilized this feature in 2020, and they uploaded a total of 84,819 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 (first available is 2013) is summarized in the table below:

iFILE / iSETTLE VOLUME						
<u>Year</u>	<u>iFile Participants</u>	<u>iFile Renditions Processed</u>	<u>iFile Rendition Extension Requested</u>	<u>iSettle Offers Accepted</u>	<u>Owners Website Accounts Enrolled</u>	<u>Owners Website Accounts Serviced</u>
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

Financial Information

The general fund's total fund balance was \$27,272,773 with an unassigned balance of \$1,159,984 at year-end, which is below the district's financial policy recommendation for budgetary and planning purposes. Other assignments include \$2,077,095 for special projects, \$6,249,013 for future major repairs and rehabilitation projects, \$500,000 for the phone system project, and \$16,680,275 for the 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 particular 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 551 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 0.75 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 2020 expenditure budget of \$90,728,307 on July 17, 2019. This amount represented a \$2,633,776 increase over the 2019 budget. Taxing unit funding increased from \$88,094,531 in 2019 to \$90,728,307 for 2020, an increase of \$2,633,776.

Major Initiatives

1. In 2020, the district completed implementation of a Case Management System (CMS), a custom software solution designed to provide the Review Appraisal Division, the Division of Legal Services, and outside counsel with a modern, information-rich platform for facilitating the efficient processing of the thousands of lawsuits that the district receives each year. This solution is integrated with CustomCAMA and replaces several separate systems that were used to track different types of information. CMS gives users a single interface for tracking case status, generating and storing documents, producing robust reports, and communicating with team members.
2. Working with a vendor and assessors in the district, HCAD launched a Truth in Taxation web portal providing property owners with tax rates, levies, and public hearings for all taxing units in the county, in compliance with Senate Bill 2 – Texas Property Tax Reform and Transparency Act of 2019. District personnel configured the website and provided training to the assessors.
3. The district launched a ground-up reimagining of its intranet site, myHCAD. Using an industry standard intranet platform, myHCAD has greatly improved interdepartmental communications, increased employee engagement, and has served as a crucial source of current news and other information for a workforce that has largely been working remotely.

4. The district's aging fleet of workstations and monitors were upgraded, and an appropriate asset lifecycle was established.
 - a. The workstations were starting to see sluggish performance and, as a result, users started to experience a loss of productivity. The individual components to repair the workstations were becoming increasingly difficult to source, and the internal fans became noisier as time went on. The new workstations are much better equipped to keep up with the increasing demands of the latest and most secure software and operating systems.
 - b. The laptops that the appraisers were using in the field were in dire need of replacement. The majority of these devices had been in service well beyond their useful lifecycle. Many of the devices had been repaired several times over and were showing signs of their age. Replacement parts were becoming increasingly difficult to source, and the repair process was consuming the valuable time of the systems support team and appraisers alike. The newer in-field devices are much thinner, weighing a fraction of what the older devices did. In addition to being more portable, they also contain an active SIM card for cellular service, thus negating the need to carry an additional hotspot for internet connectivity. Also, the need to carry a separate digital camera has been eliminated with the inclusion of a digital camera on the rear of the device. The new devices are 'convertible' meaning that they can be used as a laptop or a touchscreen tablet. HCAD is developing a mobile app for use in the field and will use the tablet mode moving forward.
5. In 2020, the need for a modern telephone system became evident. The current telephone system is no longer supported by the vendor and lacks important features needed by an organization with HCAD's business requirements. For example, it is not able to integrate with other systems used by the district and offers limited business collaboration functionality. One of the most critical shortfalls of the current system is the requirement to have the contact center remain on-site. With the majority of our users working remotely, the need has arisen to have 'softphones' as opposed to physical telephones. The district has acquired headsets to allow for most users to make use of the softphones while working remotely. The phone system transition is currently on track to be completed by the first quarter of 2021.
6. As part of a larger effort to digitize district forms that have traditionally been processed on paper, the public now has the ability to fill, sign, and submit forms online, as well being able to upload evidence. This has replaced the old forms online, which required the property owner to print, sign, and mail the form to the district along with any pieces of evidence. This initiative has significantly reduced the processing time for both HCAD employees and members of the public. The new electronic forms even allow property owners to submit forms from a mobile device without ever having to login to a computer.
7. Prior to 2020, the only methods of participating in a value protest were coming onsite to the HCAD facility or having a phone-based hearing. The pandemic made in-person hearings problematic, so HCAD introduced remote hearings. No longer does a property owner need to drive to the HCAD office and wait in the lobby for a hearing. Now, property owners can sit in the comfort of their homes, or anywhere in the world, and have their hearing conducted remotely. This functionality also includes the ability to schedule and participate in a hearing from a mobile device.
8. The owners' portal has been augmented with additional functionality such as the capability of opting-in to remote meetings, allowing owner communication via email and text messaging, and allowing owners to remove their agents online.
9. A building-wide network upgrade project was completed, replacing the district's aging infrastructure. This provides the district with reliable network communication, improved speed, and enhanced data security. The core of the project was replacing a single point of failure for the main datacenter with a redundant pair of datacenter-class switches allowing for continued operation in the event of hardware

failure. All switches on each floor were replaced with multiple links per floor back to the datacenter for redundancy.

10. The production data storage system was replaced with a solid-state array, adding capacity, speed, and efficiency, thus improving operations. The new system allows for a smaller footprint while also increasing uptime and reducing time for appraisal processing. The solid-state storage allows for leveraging snapshot technology, reducing system restore time from hours to minutes.
11. Vast improvements in remote work capabilities were achieved to meet the district's needs during the pandemic. Support capabilities were increased from 200 daily remote workers to over 550 within the span of a single week. Multiple additional technologies for remote collaboration and communicating with the public have also been implemented. Two of the most successful technologies have been Microsoft Teams and WebEx. Teams allows for group collaboration in real-time, as well as holding large-scale remote meetings for employees. WebEx was the foundation used to build a successful remote hearing process which allowed for the district to meet legislative deadlines and certify on time.
12. The district completed the acquisition of county-wide street level imaging and LIDAR via cost-share interlocal agreements with Harris County, the City of Houston, and METRO. This project resulted in over 800,000 residential structure images from the hosted Street Level imagery website being extracted to update CAMA images for the 2021 tax year. An ancillary database was created in the process to include account, photo capture year, camera location, structure or parcel centroid, and hosted URL fields for quick recall in future software applications that need interactive access to street level imagery.
13. In 2020, the district competed a multi-step, multi-year parcel mapping modernization project that migrated 1.4 million parcels from systems that were reaching end-of-life into new a data structure with an updated mapping experience using Esri ArcGIS Pro for Parcel Fabric.
14. The district extended an existing aerial photography contract with provisions that modernize the annual capture of oblique and ortho aerial imagery. The new system allows for faster, more efficient image delivery with resolution improving to 2" Ground Sample Distance (GSD) and positional accuracy to an (x or y) Root Mean Squared Error (RMSe) of 1.00 ft. HCAD will also have access to enhanced RapidAccess Disaster Recovery Program for no-cost re-flights after defined disaster events.
15. The Harris County Appraisal District's outreach program educates property owners on assessment and taxation issues. The district conducted a total of 11 virtual property tax workshops and exemption workshops in 2020. 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 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

In 2018, the district received the Distinguished Assessment Jurisdiction Award in recognition of HCAD's response to Hurricane Harvey by helping flood victims report property damage. The district upgraded its mobile app with a damage report feature that allowed property owners to report flood damage to the home, garage, or other structure on the property and provide an event damage report to show the amount of water and an estimate of the damage. The upgrade was done within four days, from inception of the idea to the completed product, during Hurricane Harvey. This award is presented to a national, state/provincial, regional, or local assessment agency that has instituted a technical, procedural, or administrative program which is an improvement over prior programs in that jurisdiction and is generally recognized as a component of a model assessment system and a contributing factor to equity in property taxation.

For the fourth year in a row, Harris County Appraisal District has landed on the Houston Chronicle's list of Top Workplaces 2020. 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. With the unexpected and unprecedented impacts of COVID-19, employees stayed focused, connected, and moved forward to make this year's 2020 Top Workplace award even more meaningful.

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Report to the Harris County Appraisal District for its comprehensive annual financial report (CAFR) for the fiscal year ended December 31, 2019. This was the thirty-third consecutive year that the district has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized CAFR that satisfied both generally accepted accounting principles and applicable legal requirements.

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

The preparation of this report would not have been accomplished without the efficient and dedicated service of the entire staff of the 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.

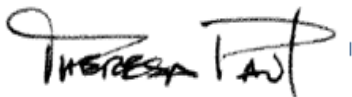
Respectfully submitted,



Roland Altinger
Chief Appraiser



Jason Cunningham
Deputy Chief Appraiser



Theresa Paul
Chief Financial Officer



Tracey Dang
Controller

HARRIS COUNTY APPRAISAL DISTRICT

APPRAISAL PROCESS

December 31, 2020

RECORDS MAINTENANCE

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

DATA COLLECTION

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

DATA ENTRY

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

MARKET ANALYSIS

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

APPRAISE ALL REAL AND PERSONAL PROPERTY

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

REVIEW AND MAKE A FINAL APPRAISAL

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

REVIEW REQUESTS FOR SPECIAL VALUATION AND DETERMINE VALUES

PROCESS EXEMPTION APPLICATIONS AND APPLICATIONS FOR DEFERRAL AND TAX ABATEMENTS

NOTIFY PROPERTY OWNERS

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

PROCESS HEARINGS ASSOCIATED WITH PROPERTY OWNER PROTESTS

May - August

PRODUCE AND DELIVER CERTIFIED ROLLS TO TAXING UNITS

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

PROCESS CHANGES TO CERTIFIED ACCOUNTS AND ADDITION OF NEW ACCOUNTS

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

PERIODICALLY PRODUCE CORRECTION AND SUPPLEMENT APPRAISAL ROLLS FOR EACH YEAR

HARRIS COUNTY APPRAISAL DISTRICT

CERTIFICATE OF ACHIEVEMENT FOR EXCELLENCE IN FINANCIAL REPORTING

December 31, 2020



Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

**Harris County Appraisal District
Texas**

For its Comprehensive Annual
Financial Report
For the Fiscal Year Ended

December 31, 2019

Christopher P. Morill

Executive Director/CEO

HARRIS COUNTY APPRAISAL DISTRICT

DISTRICT OFFICIALS

December 31, 2020

ANN HARRIS-BENNETT

Chairman

Ex-Officio Director

MIKE SULIVAN

Secretary

GLENN PETERS

Assistant Secretary

AL ODOM

Member

JIM ROBINSON

Member

MARTINA LEMOND DIXON

Member

ELIZABETH SANTOS

Member

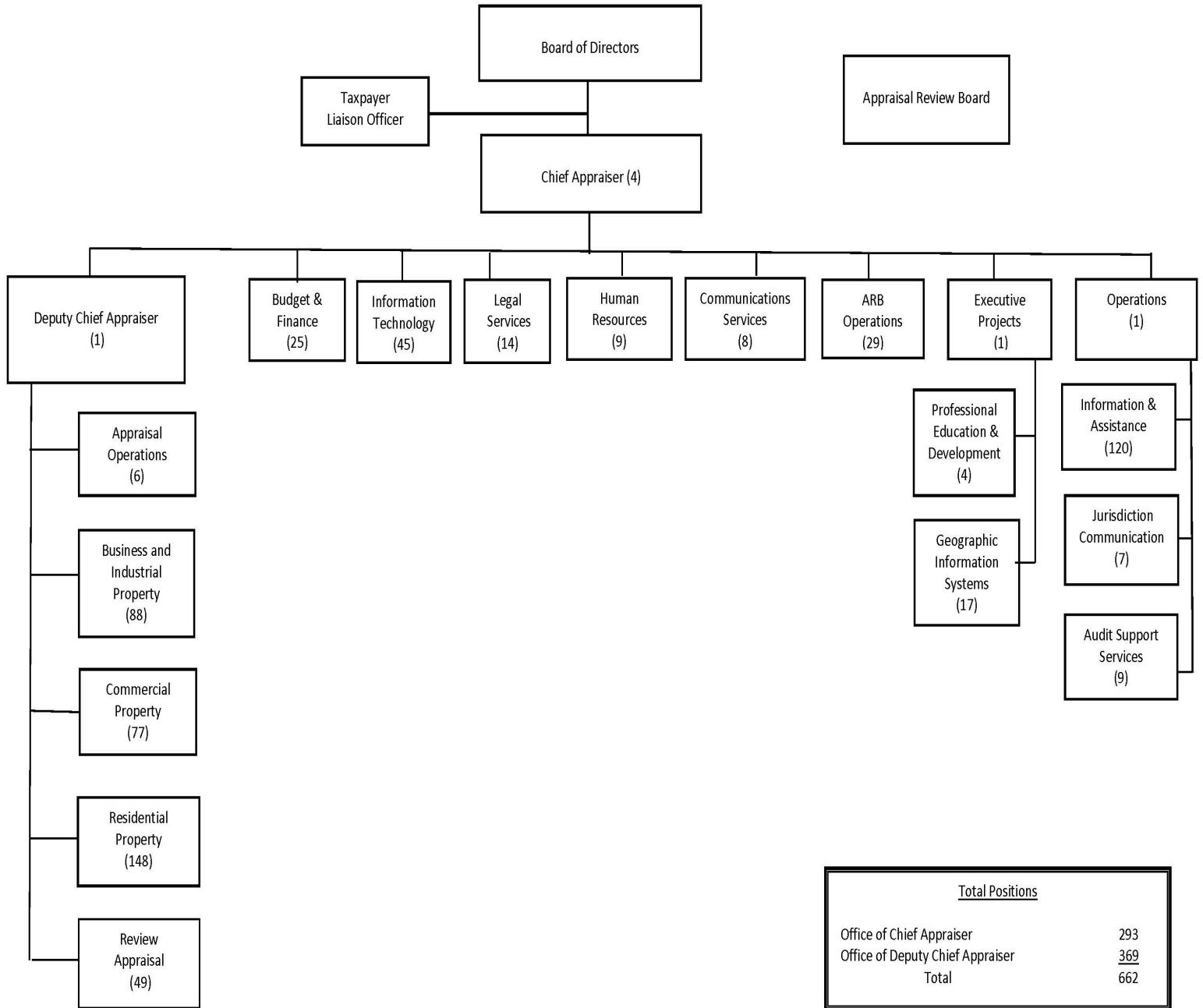
ROLAND ALTINGER

Chief Appraiser

HARRIS COUNTY APPRAISAL DISTRICT

PLAN OF ORGANIZATION

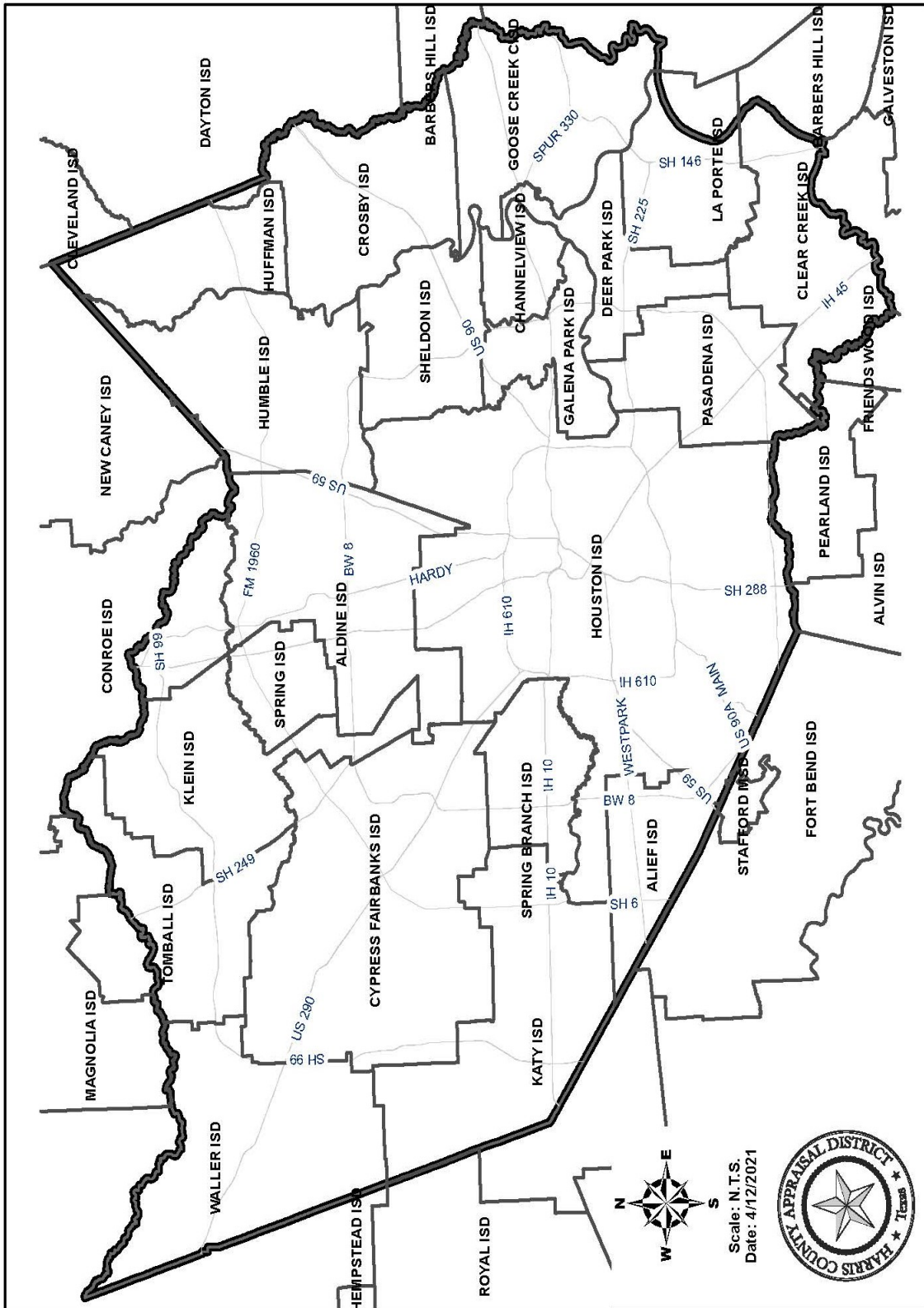
December 31, 2020



HARRIS COUNTY APPRAISAL DISTRICT

HARRIS COUNTY SCHOOL DISTRICTS

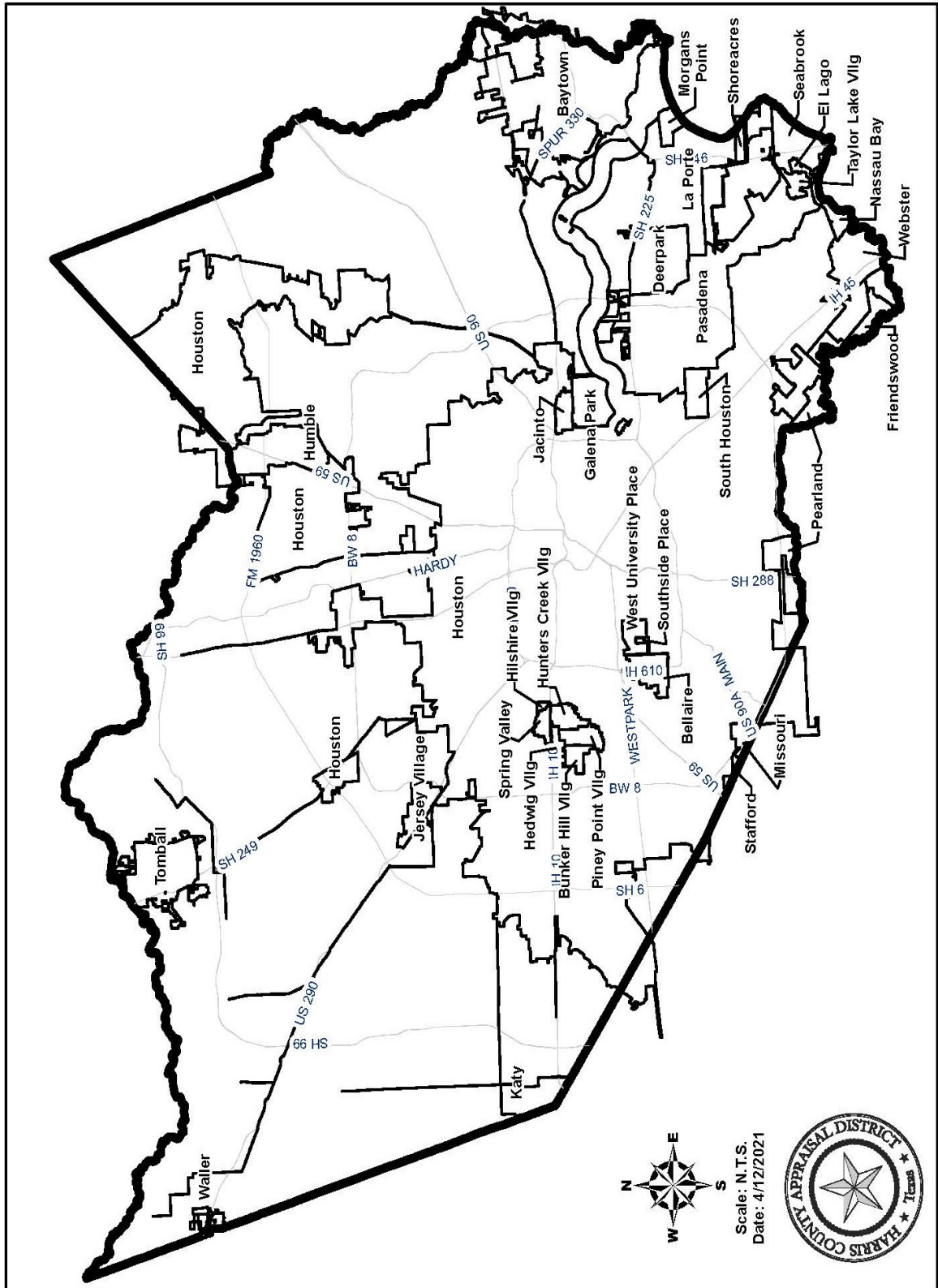
December 31, 2020



HARRIS COUNTY APPRAISAL DISTRICT

HARRIS COUNTY CITIES

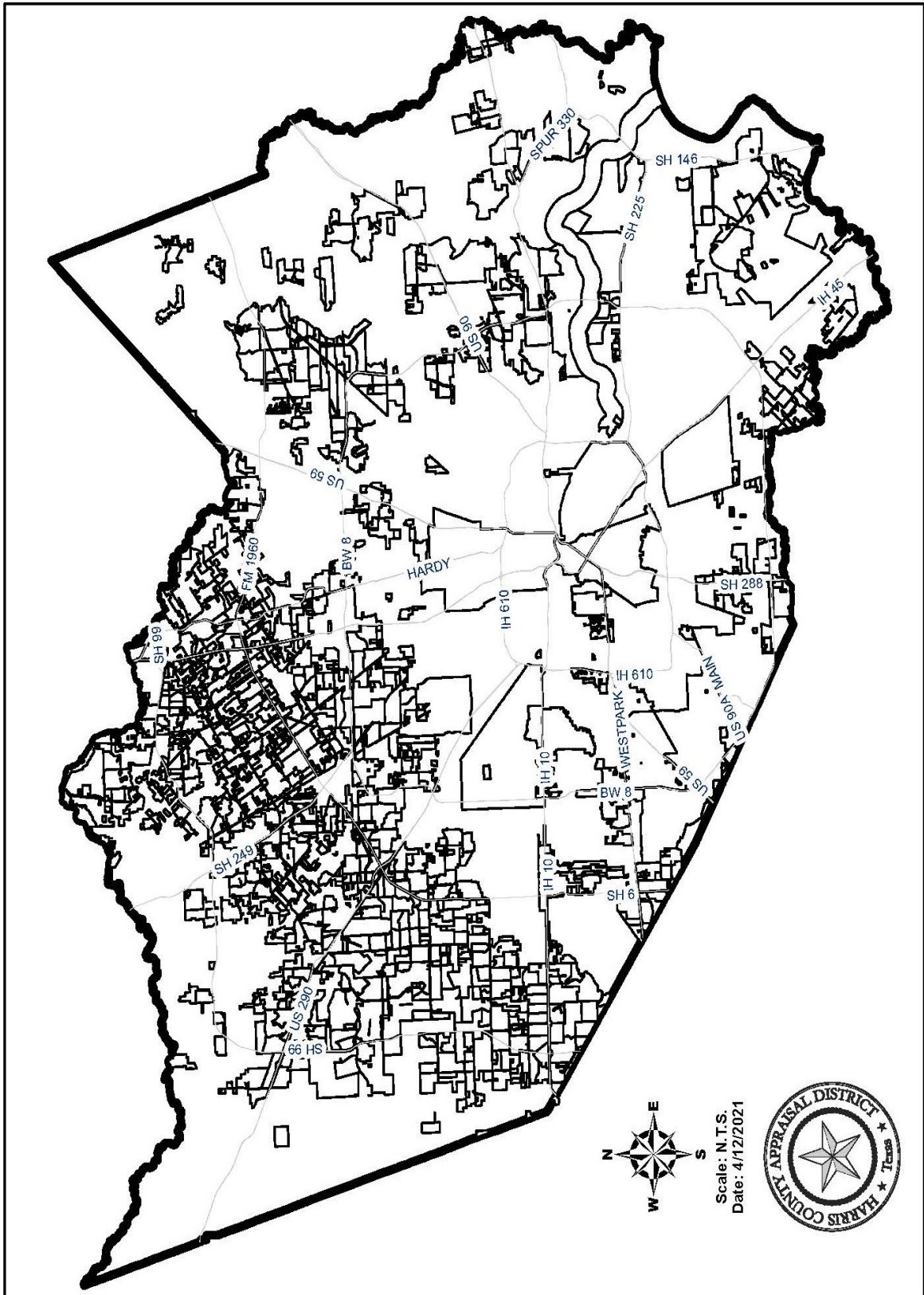
December 31, 2020



HARRIS COUNTY APPRAISAL DISTRICT

HARRIS COUNTY SPECIAL DISTRICTS

December 31, 2020



FINANCIAL SECTION

(This page intentionally left blank.)



INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of the Harris County Appraisal District (the “district”), as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the district’s basic financial statements as listed in the table of contents.

Management’s Responsibility for the Financial Statements

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

Auditors’ Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the district as of December 31, 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

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

The supplementary 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. Such 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 supplementary information is fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

BELT HARRIS PECHACEK, LLLP

Belt Harris Pechacek, LLLP
Certified Public Accountants
Houston, Texas
June 11, 2021

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

(This page intentionally left blank.)

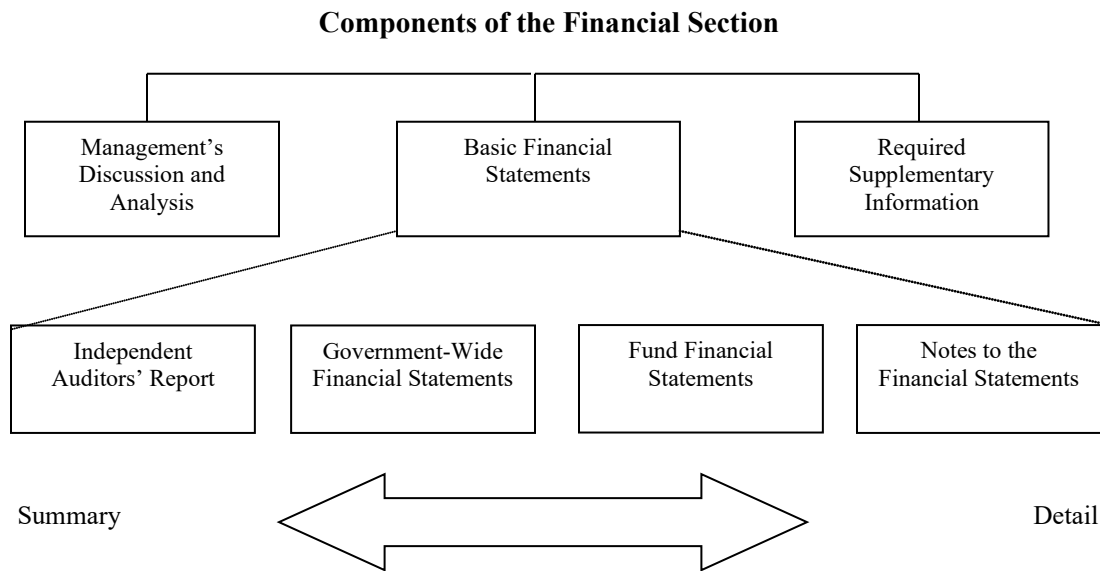
HARRIS COUNTY APPRAISAL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended December 31, 2020

The purpose of the Management's Discussion and Analysis (MD&A) is to give the readers an objective and easily readable analysis of the financial activities of the Harris County Appraisal District (the "district") for the year ended December 31, 2020. 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 COUNTY APPRAISAL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

For the Year Ended December 31, 2020

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 COUNTY APPRAISAL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For the Year Ended December 31, 2020

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 \$28,195,123 as of year end. This compares with \$23,277,196 from the prior year. A portion of the district's net position, 62 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 COUNTY APPRAISAL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For the Year Ended December 31, 2020

Statement of Net Position

The following table reflects the condensed Statement of Net Position:

	Governmental Activities		Percentage Change
	2020	2019	
Current and other assets	\$ 61,388,014	\$ 61,616,406	0%
Capital assets, net	24,213,669	23,664,769	2%
Total Assets	85,601,683	85,281,175	0%
Deferred outflows - pensions	15,492,285	26,531,416	-42%
Deferred outflows - OPEB	3,895,226	1,990,514	96%
Total Deferred Outflows of Resources	19,387,511	28,521,930	-32%
Long-term liabilities	37,966,384	58,255,702	-35%
Other liabilities	7,100,449	8,245,244	-14%
Total Liabilities	45,066,833	66,500,946	-32%
Deferred revenue - assessments	23,254,703	22,682,150	3%
Deferred inflows - pensions	7,004,309	420,959	1564%
Deferred inflows - OPEB	1,468,226	921,854	100%
Total Deferred Inflows of Resources	31,727,238	24,024,963	32%
Net Position:			
Net investment in capital assets	17,410,175	15,714,000	11%
Unrestricted	10,784,948	7,563,196	43%
Total Net Position	\$ 28,195,123	\$ 23,277,196	21%

The district's unrestricted net position of \$10,784,948, or 38 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 \$4,917,927 during the current fiscal year. This primarily was a result of an increase in assessment revenue and an overall net reduction in expenses.

The district did not see any notable change in total assets and the decrease in deferred outflows was offset by the increase in deferred inflows as a result of changes in projected and actual investment earnings related to the district's pension plan. Total liabilities decreased \$21,434,113 due to reductions in the district's long term liabilities related to capital leases and the net pension liability.

HARRIS COUNTY APPRAISAL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For the Year Ended December 31, 2020

Statement of Activities

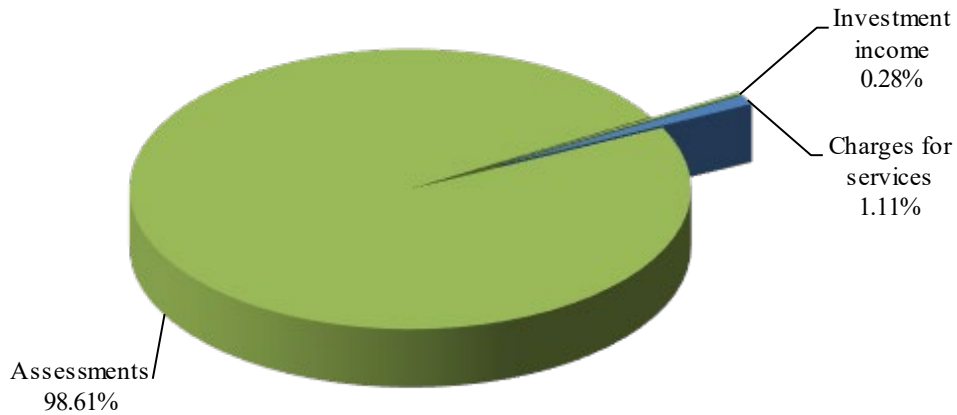
The following table provides a summary of the district's changes in net position:

	<u>Governmental Activities</u>	
	<u>2020</u>	<u>2019</u>
Revenues		
Program revenues:		
Charges for services	\$ 1,019,735	\$ 716,939
General revenues:		
Assessments	90,728,851	88,094,554
Investment income	255,630	1,008,721
Total Revenues	<u>92,004,216</u>	<u>89,820,214</u>
Expenses		
Office of Chief Appraiser and		
Board of Directors	12,939,564	13,167,448
Appraisal support	11,199,838	15,083,096
Appraisal	31,182,537	33,350,472
Information systems	13,117,830	9,179,781
Administration	9,026,803	8,514,141
Administration/building services	8,899,187	7,987,919
Interest on long-term debt	720,530	828,399
Total Expenses	<u>87,086,289</u>	<u>88,111,256</u>
Change in Net Position	4,917,927	1,708,958
Beginning net position	<u>23,277,196</u>	<u>21,568,238</u>
Ending Net Position	<u>\$ 28,195,123</u>	<u>\$ 23,277,196</u>

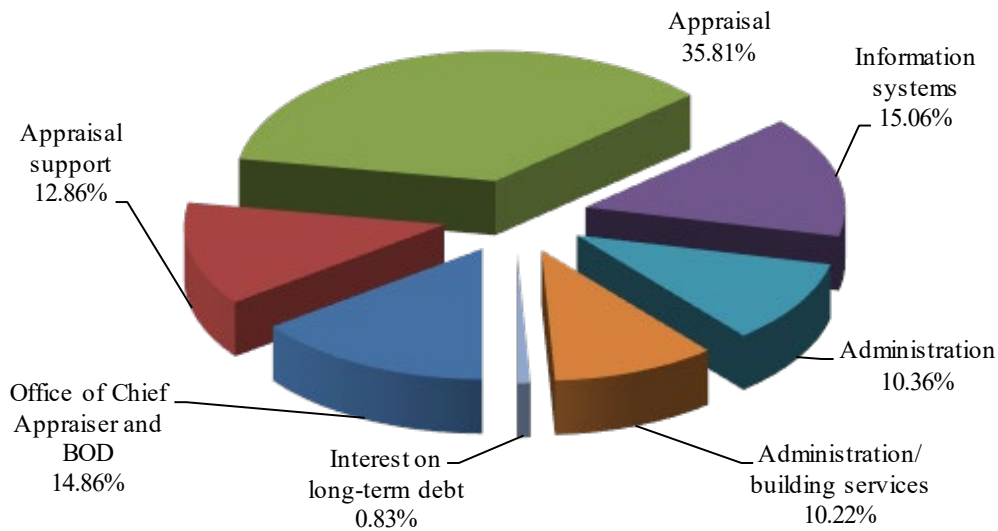
HARRIS COUNTY APPRAISAL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For the Year Ended December 31, 2020

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, 2020, revenues from governmental activities totaled \$92,004,216, which was a net increase of \$2,184,002 or two 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 2019 by a net \$1,024,967 or one percent. This was primarily due to a net decrease in pension and OPEB retiree health expenses.

HARRIS COUNTY APPRAISAL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For the Year Ended December 31, 2020

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 \$27,272,773. Of this, \$606,406 is nonspendable, \$2,077,095 is assigned for special projects, \$6,249,013 is assigned for major repairs and rehabilitation projects, \$500,000 is assigned for the phone system project, \$16,680,275 is assigned for the operating reserve, and \$1,159,984 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 1 percent of total general fund expenditures, while total fund balance represents 30 percent of that same amount.

There was a decrease in fund balance for the general fund of \$1,291,416. Revenues increased by \$1,778,219 mainly due to increases in assessment revenue as a result of an increase in the district's budget. Expenditures increased \$6,744,596 largely due to increases in personnel costs, insurance contributions, professional services, office equipment, postage, and TCDRS contributions.

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 \$1,905,394 primarily as a result of an increase in charges for services and stop loss receipts.

GENERAL FUND BUDGETARY HIGHLIGHTS

Actual general fund revenues exceeded final budgeted revenues by \$918,394 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 \$3,692,058 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 \$2,325,000 for professional services in the Office of the Chief Appraiser and Board of Directors 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 \$24,213,669 (net of accumulated depreciation) in a variety of capital assets. During the year, the district added capital assets in computers and peripherals and furniture and equipment.

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

HARRIS COUNTY APPRAISAL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For the Year Ended December 31, 2020

LONG-TERM DEBT

At the end of the current year, the district had total long-term debt of \$10,308,324, in addition to accrued compensated absences of \$3,692,006, a net pension liability of \$7,768,601, and a total combined OPEB liability of \$20,989,036.

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

COVID - 19

In March 2020, COVID-19 was recognized as a pandemic both worldwide and in the United States with local stay-at-home orders going into effect. The pandemic has had little financial impact to the overall financial operations of the district for fiscal year 2020 and is not expected to have a significant impact on fiscal year 2021.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The district's Board of Directors approved a \$93.02 million budget for the 2021 fiscal year. This was an increase of \$2.29 million or three percent over the 2020 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 County Appraisal District, 13013 Northwest Freeway, Houston, Texas, 77040-6305. For information about services, property values, the appraisal process, exemptions, and other appraisal information, visit the district's website at www.hcad.org.

BASIC FINANCIAL STATEMENTS

(This page intentionally left blank.)

HARRIS COUNTY APPRAISAL DISTRICT

STATEMENT OF NET POSITION

December 31, 2020

	<u>Primary Government Governmental Activities</u>
<u>Assets</u>	
Current assets	
Cash and cash equivalents	\$ 57,694,584
Investments	1,503,549
Receivables, net	1,583,475
Prepaid items	606,406
Total Current Assets	<u>61,388,014</u>
Noncurrent assets	
Capital assets - nondepreciable	8,365,075
Capital assets - depreciable, net of accumulated depreciation	15,848,594
Total Noncurrent Assets	<u>24,213,669</u>
Total Assets	<u>85,601,683</u>
<u>Deferred Outflows of Resources</u>	
Deferred outflows - pensions	15,492,285
Deferred outflows - OPEB GTLF	361,244
Deferred outflows - OPEB retiree health	3,533,982
Total Deferred Outflows of Resources	<u>19,387,511</u>
<u>Liabilities</u>	
Current liabilities	
Accounts payable and accrued liabilities	2,308,866
Due within one year	4,791,583
Total Current Liabilities	<u>7,100,449</u>
Noncurrent liabilities	
Due in more than one year	37,966,384
Total Noncurrent Liabilities	<u>37,966,384</u>
Total Liabilities	<u>45,066,833</u>
<u>Deferred Inflows of Resources</u>	
Deferred revenue - assessments	23,254,703
Deferred inflows - pensions	7,004,309
Deferred inflows - OPEB GTLF	121,414
Deferred inflows - OPEB retiree health	1,346,812
Total Deferred Inflows of Resources	<u>31,727,238</u>
<u>Net Position</u>	
Net investment in capital assets	17,410,175
Unrestricted	10,784,948
Total Net Position	<u>\$ 28,195,123</u>

See Notes to Financial Statements.

(This page intentionally left blank.)

HARRIS COUNTY APPRAISAL DISTRICT

STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2020

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				
Office of Chief Appraiser and Board of Directors	\$ 12,939,564	\$ -		\$ (12,939,564)
Appraisal support	11,199,838	-		(11,199,838)
Appraisal	31,182,537	1,019,735		(30,162,802)
Information systems	13,117,830	-		(13,117,830)
Administration	9,026,803	-		(9,026,803)
Administration/building services	8,899,187	-		(8,899,187)
Interest on long-term debt	720,530	-		(720,530)
Total Governmental Activities	\$ 87,086,289	\$ 1,019,735		(86,066,554)
Total Primary Government	\$ 87,086,289	\$ 1,019,735		(86,066,554)
General Revenues:				
				90,728,851
				255,630
				90,984,481
				Change in Net Position
				4,917,927
				23,277,196
				Ending Net Position
				\$ 28,195,123

See Notes to Financial Statements.

(This page intentionally left blank.)

HARRIS COUNTY APPRAISAL DISTRICT

BALANCE SHEET

GOVERNMENTAL FUND

December 31, 2020

	<u>General</u>
<u>Assets</u>	
Cash and cash equivalents	\$ 49,740,351
Investments	1,503,549
Receivables, net	1,039,071
Prepaid items	606,406
Total Assets	<u><u>\$ 52,889,377</u></u>
<u>Liabilities</u>	
Accounts payable and accrued liabilities	\$ 1,486,911
Total Liabilities	<u>1,486,911</u>
<u>Deferred Inflows of Resources</u>	
Unavailable revenue - assessments	23,254,703
Unavailable revenue - rendition penalty	874,990
Total Deferred Inflows of Resources	<u>24,129,693</u>
<u>Fund Balance</u>	
Nonspendable:	
Prepaid items	606,406
Assigned for:	
Special projects	2,077,095
Major repairs and rehabilitation projects	6,249,013
Phone system project	500,000
Operating reserve	16,680,275
Unassigned	1,159,984
Total Fund Balance	<u>27,272,773</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	<u><u>\$ 52,889,377</u></u>

(This page intentionally left blank.)

HARRIS COUNTY APPRAISAL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET
TO THE STATEMENT OF NET POSITION
December 31, 2020

Total fund balance for the governmental fund	\$ 27,272,773
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	874,990
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental fund.	
Capital assets - nondepreciable	8,365,075
Capital assets - depreciable, net of accumulated depreciation	15,848,594
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.	
Deferred outflows - pensions	15,492,285
Deferred inflows - pensions	(7,004,309)
Deferred outflows - OPEB GTLF	361,244
Deferred inflows - OPEB GTLF	(121,414)
Deferred outflows - OPEB retiree health	3,533,982
Deferred inflows - OPEB retiree health	(1,346,812)
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.	
	7,676,682
Some liabilities are not reported as liabilities in the governmental funds:	
Noncurrent liabilities due within one year	(4,791,583)
Noncurrent liabilities due in more than one year	(37,966,384)
Net Position of Governmental Activities	\$ <u>28,195,123</u>

See Notes to Financial Statements.

(This page intentionally left blank.)

HARRIS COUNTY APPRAISAL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUND
For the Year Ended December 31, 2020

	<u>General</u>
<u>Revenues</u>	
Assessments	\$ 90,728,851
Investment income, net	233,225
Other revenue	298,799
Rendition penalty fee	390,471
Total Revenues	<u>91,651,346</u>
<u>Expenditures</u>	
Current:	
Office of Chief Appraiser and Board of Directors	12,968,365
Appraisal support	11,946,497
Appraisal	32,446,248
Information systems	12,795,374
Administration	9,110,006
Administration/building services	9,857,211
Capital outlay	860,235
Debt service:	
Principal	1,738,296
Interest and fiscal charges	720,530
Total Expenditures	<u>92,442,762</u>
(Deficiency) of Revenues (Under) Expenditures	(791,416)
<u>Other Financing Sources (Uses)</u>	
Transfers (out)	<u>(500,000)</u>
Net Change in Fund Balance	(1,291,416)
Beginning fund balance	28,564,189
Ending Fund Balance	<u>\$ 27,272,773</u>

See Notes to Financial Statements.

(This page intentionally left blank.)

HARRIS COUNTY 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, 2020

Net change in fund balance - governmental fund \$ (1,291,416)

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	1,159,985
Depreciation expense	(611,085)

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	330,465
--	---------

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 liability	20,941,286
Change in total OPEB liability	(2,364,719)
Change in deferred outflows - pensions	2,560,105
Change in deferred inflows - pensions	(20,182,586)
Change in deferred outflows - OPEB GTLF	276,555
Change in deferred inflows - OPEB GTLF	(379)
Change in deferred outflows - OPEB retiree health	1,628,157
Change in deferred inflows - OPEB retiree health	(545,993)

The issuance of long-term debt (e.g., leases) 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	1,738,296
Change in accrued compensated absences	(626,138)

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.

1,905,394

Change in Net Position of Governmental Activities \$ 4,917,927

See Notes to Financial Statements.

(This page intentionally left blank.)

HARRIS COUNTY APPRAISAL DISTRICT

STATEMENT OF NET POSITION

PROPRIETARY FUND

December 31, 2020

	<u>Governmental Activities</u>
	<u>Internal Service</u>
<u>Assets</u>	
Current assets:	
Cash and cash equivalents	\$ 7,954,233
Receivables, net	544,404
Total Assets	<u>8,498,637</u>
<u>Liabilities</u>	
Current liabilities:	
Estimated claims payable	821,955
Total Liabilities	<u>821,955</u>
<u>Net Position</u>	
Unrestricted	7,676,682
Total Net Position	<u>\$ 7,676,682</u>

See Notes to Financial Statements.

(This page intentionally left blank.)

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

For the Year Ended December 31, 2020

	Governmental Activities
	Internal Service
<u>Operating Revenues</u>	
Charges for services	\$ 9,507,743
Claim refunds and other	2,011,508
Total Operating Revenues	11,519,251
 <u>Operating Expenses</u>	
Insurance claims	7,730,075
Prescription claims	2,062,516
Dental claims	343,671
Total Operating Expenses	10,136,262
Operating Income	1,382,989
 <u>Nonoperating Revenues</u>	
Interest income	22,405
Total Nonoperating Revenues	22,405
Income Before Transfers	1,405,394
 <u>Transfers</u>	
Transfers in	500,000
Change in Net Position	1,905,394
Beginning net position	5,771,288
Ending Net Position	\$ 7,676,682

See Notes to Financial Statements.

(This page intentionally left blank.)

HARRIS COUNTY APPRAISAL DISTRICT

STATEMENT OF CASH FLOWS

PROPRIETARY FUND

For the Year Ended December 31, 2020

	<u>Governmental Activities</u>
	<u>Internal Service</u>
<u>Cash Flows from Operating Activities</u>	
Proceeds from charges for services	\$ 11,273,838
Claims paid	<u>(10,573,663)</u>
Net Cash Provided by Operating Activities	<u>700,175</u>
<u>Cash Flows from Noncapital and Related Financing Activities</u>	
Transfers in	<u>500,000</u>
Net Cash Provided by Noncapital and Related Financing Activities	<u>500,000</u>
<u>Cash Flows from Investing Activities</u>	
Interest income	<u>22,405</u>
Net Cash Provided by Investing Activities	<u>22,405</u>
Net Increase in Cash and Cash Equivalents	1,222,580
Beginning cash and cash equivalents	<u>6,731,653</u>
Ending Cash and Cash Equivalents	<u>\$ 7,954,233</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities	
Operating income	\$ 1,382,989
Adjustments to reconcile operating income to net cash provided by operating activities:	
(Increase) in accounts receivable	(245,413)
(Decrease) in estimated claims payable	<u>(437,401)</u>
Net Cash Provided by Operating Activities	<u>\$ 700,175</u>

See Notes to Financial Statements.

(This page intentionally left blank.)

HARRIS COUNTY APPRAISAL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended December 31, 2020

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. District Formation and Reporting Entity

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

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.

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.

HARRIS COUNTY APPRAISAL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the Year Ended December 31, 2020

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 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 capital leases are reported as other financing sources.

HARRIS COUNTY APPRAISAL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the Year Ended December 31, 2020

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.

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

HARRIS COUNTY APPRAISAL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the Year Ended December 31, 2020

recognize these licenses as a prepaid item to keep the recording of these expenditures consistent with other photographic services hired directly by the district.

5. 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

6. Deferred Outflows/Inflows of Resources

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

HARRIS COUNTY APPRAISAL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the Year Ended December 31, 2020

revenues from assessments and rendition penalties. These amounts are deferred and recognized as inflows of resources in the period that the amounts become available.

7. 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.

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

9. 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 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.

HARRIS COUNTY APPRAISAL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the Year Ended December 31, 2020

10. 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.

11. 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.

12. 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.

13. 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 TCERS's fiduciary net position have been determined on the same basis as they are reported by

HARRIS COUNTY APPRAISAL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the Year Ended December 31, 2020

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.

14. 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 County Appraisal District Retiree Health Care Plan (the "Plan"), that pays a portion of the premium for continuation of the medical and dental insurance coverage of certain retirees. The district's Board 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 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.

HARRIS COUNTY APPRAISAL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the Year Ended December 31, 2020

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, 2020 was legally enacted through passage of Board resolution 2019-03 on July 17, 2019.

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 2020.

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 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, 2020 from the budget basis to GAAP basis are presented in the notes to RSI and the notes to supplementary information.

HARRIS COUNTY APPRAISAL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the Year Ended December 31, 2020

III. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS

A. Deposits and Investments

As of December 31, 2020, the district had the following investments:

Investment Type	Value	Weighted Average Maturity (Years)
U.S. obligations	\$ 1,503,549	0.16
Statewide investment pool (TexPool)	39,610,727	0.00
Total Value	\$ 41,114,276	
Portfolio weighted average maturity		0.01

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 COUNTY APPRAISAL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the Year Ended December 31, 2020

As of December 31, 2020, the district had the following recurring fair value measurements:

	December 31, 2020	Fair Value Measurements Using Significant Other Observable Inputs (Level 2)
Investments by Fair Value Level		
U.S obligations	\$ 1,503,549	\$ 1,503,549

U.S. obligations 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 governments code must be rated by a nationally recognized investment rating firm not less than “A” or its equivalent. As of December 31, 2020, 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, 2020, 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 COUNTY APPRAISAL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the Year Ended December 31, 2020

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	\$	160,632
Rendition penalty		2,830,767
Accounts receivable		3,450
Less allowance		<u>(1,955,778)</u>
	<u>\$</u>	<u>1,039,071</u>

C. Capital Assets

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions/ Reclassifications</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 2,335,000	\$ -	\$ -	\$ 2,335,000
GIS database	6,030,075	-	-	6,030,075
Total capital assets, not being depreciated	<u>8,365,075</u>	<u>-</u>	<u>-</u>	<u>8,365,075</u>
Capital assets being depreciated:				
Building	20,121,135	-	-	20,121,135
Furniture and equipment	605,574	131,919	(1,021)	736,472
Computers and peripherals	4,887,966	1,028,066	(513,058)	5,402,974
Vehicles and other	130,276	-	-	130,276
Total capital assets being depreciated	<u>25,744,951</u>	<u>1,159,985</u>	<u>(514,079)</u>	<u>26,390,857</u>
Less accumulated depreciation:				
Building	(5,210,057)	(426,031)	-	(5,636,088)
Furniture and equipment	(605,575)	(1,099)	1,021	(605,653)
Computers and peripherals	(4,528,596)	(177,014)	513,058	(4,192,552)
Vehicles and other	(101,029)	(6,941)	-	(107,970)
Total accumulated depreciation	<u>(10,445,257)</u>	<u>(611,085)</u>	<u>514,079</u>	<u>(10,542,263)</u>
Total capital assets being depreciated, net	<u>15,299,694</u>	<u>548,900</u>	<u>-</u>	<u>15,848,594</u>
Governmental Activities Capital Assets, Net	<u>\$ 23,664,769</u>	<u>\$ 548,900</u>	<u>\$ -</u>	<u>24,213,669</u>
			Less associated debt	<u>(6,803,494)</u>
			Net Investment in Capital Assets	<u>\$ 17,410,175</u>

HARRIS COUNTY APPRAISAL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the Year Ended December 31, 2020

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

Governmental Activities:

Office of Chief Appraiser and Board of Directors	\$	3,789
Appraisal support		12,344
Appraisal		21,571
Information systems		336,097
Administration		122,767
Administration/ building services		114,517
Total Governmental Activities Depreciation Expense	\$	611,085

D. Leases

Capital Lease – Building

In 2004, the district entered into a series of agreements to finance the purchase and renovation of a building to house its operations. In addition, commitments remaining under an existing operating lease were also included in the financing package to reduce the cash flow requirements over the remainder of the operating lease. The agreements provided for the establishment of draw and capital reserve accounts to be maintained by the lender for monies restricted to making renovations to the building and to the payment of operating lease payments. Included in the agreements are provisions for use of these monies if a reduction in the remaining lease payments could be negotiated. To preserve the tax-exempt status of a portion of the financing, thereby resulting in a lower interest rate to the district, a new entity, 13013 NWF, Inc. (the “Lessor”), was created to serve as the lessor and secure financing from the lender, Bank of America. This entity is not a component unit of the district.

On April 14, 2004, the Board approved Resolution 2004-4 authorizing the district to enter into a lease and purchase option agreement as lessee with the Lessor for financing a new administrative office facility and other costs for a total of \$28,500,000, meeting the criteria of a capital lease. At the conclusion of the 20-year agreement, there is an option to purchase the facility for \$100. This agreement was signed on April 30, 2004, and the district thereby became obligated for making interest only payments with scheduled lease payments commencing on January 1, 2006.

Included in the lease and purchase agreements, the Lessor entered into a loan agreement with Bank of America, N.A. The agreements were structured in two parts, the initial financing of the building and renovations to be made for a total of \$21,000,000 (nontaxable) at an interest rate of 6.26 percent and funds to finance the termination payments by the district for their existing noncancelable operating lease not to exceed \$7,500,000 (taxable) at an interest rate of 6.76 percent as a lease inducement.

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

HARRIS COUNTY APPRAISAL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the Year Ended December 31, 2020

Future combined minimum capital lease payments for this lease as of December 31, 2020 are as follows:

Year Ending Dec. 31	Capital Leases					
	\$21 M		\$7.5 M		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2021	\$ 1,333,638	\$ 425,927	\$ 504,340	\$ 180,522	\$ 1,837,978	\$ 606,449
2022	1,403,964	340,443	539,510	145,353	1,943,474	485,796
2023	1,478,000	250,450	577,133	107,730	2,055,133	358,180
2024	1,555,939	155,712	617,379	67,484	2,173,318	223,196
2025	1,637,990	55,978	660,431	24,432	2,298,421	80,410
Total	<u>\$ 7,409,531</u>	<u>\$ 1,228,510</u>	<u>\$ 2,898,793</u>	<u>\$ 525,521</u>	<u>\$ 10,308,324</u>	<u>\$ 1,754,031</u>

Capital assets acquired under capital lease obligations and the accumulated depreciation as of December 31, 2020 are as follows:

Land	\$ 2,335,000
Building	16,602,032
Less accumulated depreciation	<u>(5,312,651)</u>
Total	<u>\$ 13,624,381</u>

HARRIS COUNTY APPRAISAL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the Year Ended December 31, 2020

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.

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due within One Year
Governmental Activities					
Notes and other payables:					
Capital leases	\$ 12,046,620	\$ -	\$ 1,738,296	\$ 10,308,324	* \$ 1,837,978
Other liabilities:					
Net pension liability	28,709,887	-	20,941,286	7,768,601	-
Total OPEB liability - GTLF	1,117,788	353,416	-	1,471,204	-
Total OPEB liability - Retiree health	17,506,529	2,011,303	-	19,517,832	-
Compensated absences	3,065,868	1,305,268	679,130	3,692,006	2,953,605
Total Governmental Activities	\$ 62,446,692	\$ 3,669,987	\$ 23,358,712	\$ 42,757,967	\$ 4,791,583
				\$ 37,966,384	
				\$ 10,308,324	
				(3,504,830)	
				\$ 6,803,494	

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 \$ 2,077,095

G. Interfund Transfers

Transfers between the primary governmental funds during the year were as follows:

Transfers In	Transfers Out	Amount
Internal service fund	General fund	<u>\$ 500,000</u>

The general fund transferred \$500,000 to the internal service fund to provide funding for insurance claims.

HARRIS COUNTY APPRAISAL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the Year Ended December 31, 2020

IV. OTHER INFORMATION

A. Risk Management

The district is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; natural disasters; and workers' compensation claims for which the district participates in the Texas Municipal League's General Liability and Workers' Compensation Funds (the "Funds"). Insurance provided by the Funds is similar to commercial insurance and the district has no additional responsibilities as a result of its participation.

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

The district established a limited risk management program for health benefits claims in 1993. During 1994, a separate fund was established to account for the district's self-insurance activities and the accumulation of resources to satisfy potential claims of subsequent periods. The district's exposure is limited due to stop-loss protection and re-insurance. 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 \$7,407,674.

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

	<u>2020</u>	<u>2019</u>
Beginning claims payable	\$ 1,259,356	\$ 903,223
Claims incurred	9,698,861	9,615,963
Claims paid	(10,136,262)	(9,259,830)
Ending Claims Payable	<u>\$ 821,955</u>	<u>\$ 1,259,356</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. However, during 2020, the actual amount paid was \$404,450.

As a result of a legislative change, the number of cases in which the district will be a defendant is expected to increase.

HARRIS COUNTY APPRAISAL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the Year Ended December 31, 2020

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 \$7,407,674.

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 2020.

In March 2020, COVID-19 was recognized as a pandemic both worldwide and in the United States with local stay-at-home orders going into effect. The pandemic has had little financial impact to the overall financial operations of the District for fiscal year 2020 and is not expected to have a significant impact on fiscal year 2021.

C. Pension Plan

Texas County and District Retirement System

Plan Description

TCDRS is a statewide, agent multiple-employer, public employee retirement system. TCDRS serves 780 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 a tax-qualified plan under Section 401(a) of the Internal Revenue Code. TCDRS issues a publicly available comprehensive annual financial report that can be obtained at www.tcdrs.com.

All eligible employees of the district are required to participate 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 statutes governing TCDRS. Members can retire at age 60 and above with eight or more years of service, with 30 years of service regardless of age, or when the sum of their age and years of service equals 75 or more. Members are vested after eight years of service, but must leave their accumulated contributions in TCDRS 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 is adopted by the Board

HARRIS COUNTY APPRAISAL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the Year Ended December 31, 2020

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.

The Board adopted the rate of seven percent as the contributed rate payable by the employee members for calendar year 2020. The Board may change the employee contribution rate and the district contribution rate within the options available in the TCDRS Act.

Employees Covered by Benefit Terms

At the December 31, 2019 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	308
Inactive employees entitled to, but not yet receiving, benefits	359
Active employees	600
Total	1,267

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 15.10 percent and 14.69 percent, however, the district elected to contribute 15.80 percent and 15.30 percent in calendar years 2020 and 2019, respectively. The district's contributions to TCDRS for the fiscal year ended December 31, 2020 were \$12,845,325, which were in excess of the required contributions.

Net Pension Liability

The district's Net Pension Liability (NPL) was measured as of December 31, 2019 and the Total Pension Liability (TPL) used to calculate the NPL was determined by an actuarial valuation as of that date.

HARRIS COUNTY APPRAISAL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the Year Ended December 31, 2020

Actuarial Assumptions

The actuarial assumptions that determined the TPL as of December 31, 2019 were based on the results of an actuarial experience study for the period January 1, 2013 through December 31, 2016, except where required to be different by GASB Standard No. 68, *Accounting and Financial Reporting for Pensions* (GASB 68).

Key assumptions used in the December 31, 2019 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 Normal
Amortization Method	Level percentage of payroll, closed
Asset Valuation Method	
Smoothing period	5 years
Recognition method	Non-asymptotic
Corridor	None
Inflation	2.75%
Salary Increases	Varies by age and service. 4.9% average over career, including inflation.
Investment Rate of Return	8.00% (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:

<u>Asset Class</u>	<u>Benchmark</u>	<u>Target Allocation</u>	<u>Geometric Real Rate of Return (Expected minus Inflation)</u>
US Equities	Dow Jones U.S. Total Stock Market Index	14.50%	5.20%
Private Equity	Cambridge Associates Global Private Equity & Venture Capital Index	20.00%	8.20%
Global Equities	MSCI World (net) Index	2.50%	5.50%
International Equities - Developed	MSCI World Ex USA (net)	7.00%	5.20%
International Equities - Emerging	MSCI Emerging Markets Index (net)	7.00%	5.70%
Investment-Grade Bonds	Bloomberg Barclays U.S. Aggregate Bond Index	3.00%	-0.20%
Strategic Credit	FTSE High-Yield Cash-Pay Capped Index	12.00%	3.14%
Direct Lending	S&P/LSTA Leveraged Loan Index	11.00%	7.16%
Distressed Debt	Cambridge Associates Distressed Securities Index	4.00%	6.90%
REIT Equities	67% FTSE NAREIT Equity REITs Index + 33% S&P Global REIT Index (net)	3.00%	4.50%
Master Limited Partnerships (MLP)	Alerian MLP Index	2.00%	8.40%
Private Real Estate Partnerships	Cambridge Associates Real Estate Index	6.00%	5.50%
Hedge Funds	Hedge Fund Research, Inc. (HFRI) Fund of Funds Composite Index	8.00%	2.30%

HARRIS COUNTY APPRAISAL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the Year Ended December 31, 2020

Discount Rate

The discount rate used to measure the TPL was 8.1 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.

Changes in the NPL

	Increase (Decrease)		
	Total Pension Liability (A)	Plan Fiduciary Net Position (B)	Net Pension Liability (A) - (B)
Changes for the year:			
Service cost	\$ 5,498,799	\$ -	\$ 5,498,799
Interest	19,382,502	-	19,382,502
Difference between expected and actual experience	(1,077,360)	-	(1,077,360)
Contributions - employer	-	7,716,301	(7,716,301)
Contributions - employee	-	2,615,305	(2,615,305)
Net investment income	-	34,605,560	(34,605,560)
Refund of contributions	(244,503)	(244,503)	-
Benefit payments, including refunds of employee contributions	(11,255,856)	(11,255,856)	-
Administrative expense	-	(185,910)	185,910
Other changes	-	(6,029)	6,029
Net changes	12,303,582	33,244,868	(20,941,286)
Balance at December 31, 2018	239,429,575	210,719,688	28,709,887
Balance at December 31, 2019	\$ 251,733,157	\$ 243,964,556	\$ 7,768,601

Sensitivity of the NPL to Changes in the Discount Rate

The following presents the NPL of the district, calculated using the discount rate of 8.1 percent, as well as what the district's NPL would be if it were calculated using a discount rate that is one percentage point lower (7.1%) or one percentage point higher (9.1%) than the current rate:

	1% Decrease in Discount Rate (7.1%)	Discount Rate (8.1%)	1% Increase in Discount Rate (9.1%)
District's Net Pension Liability	\$ 40,130,283	\$ 7,768,601	\$ (19,480,018)

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.

HARRIS COUNTY APPRAISAL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the Year Ended December 31, 2020

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

For the year ended December 31, 2020, the district recognized pension expense of \$9,526,517.

At December 31, 2020, the district reported deferred outflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$ 1,734,279	\$ 1,159,701
Changes in actuarial assumptions	912,681	-
Net difference between projected and actual investment earnings	-	5,844,608
Contributions subsequent to the measurement date	12,845,325	-
Total	<u><u>\$ 15,492,285</u></u>	<u><u>\$ 7,004,309</u></u>

\$12,845,325 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 for the fiscal year ending December 31, 2021. Other amounts reported as deferred outflows/inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended December 31</u>	<u>Pension Expense</u>
2021	\$ 451,279
2022	(1,787,648)
2023	712,753
2024	(3,733,733)
Total	<u><u>\$ (4,357,349)</u></u>

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

HARRIS COUNTY APPRAISAL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the Year Ended December 31, 2020

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.

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, 2019 is summarized below:

Inactive employees or beneficiaries currently receiving benefits	262
Inactive employees entitled to, but not yet receiving, benefits	120
Active employees	600
Total	982

Total OPEB Liability

The district's total OPEB liability of \$1,471,204 was measured as of December 31, 2019 and was determined by an actuarial valuation as of that date.

Actuarial Assumptions and Other Inputs

The total OPEB liability in the December 31, 2019 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Actuarial cost method	Entry age normal
Discount rate*	2.74%
Administrative expenses	N/A
Mortality - depositing members	90% of the RP-2014 Active Employee Mortality Table for males and 90% of the RP-2014 Active Employee Mortality Table for females, projected with 110% of the MP-2014 Ultimate scale after 2014.
Mortality - service retirees	130% of the RP-2014 Healthy Annuitant Mortality Table for males and 110% of the RP-2014 Healthy Annuitant Mortality Table for females, both projected with 110% of the MP-2014 Ultimate scale after 2014.
Mortality - disabled retirees	130% of the RP-2014 Disabled Annuitant Mortality Table for males and 115% of the RP-2014 Disabled Annuitant Mortality Table for females, both projected with 110% of the MP-2014 Ultimate scale after 2014.

*The discount rate was based on 20 Year Bond GO Index published by bondbuyer.com as of December 31, 2019.

The actuarial assumptions used in the December 31, 2019 valuation were based on the results of an actuarial experience study for the period January 1, 2013 to December 31, 2016.

HARRIS COUNTY APPRAISAL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the Year Ended December 31, 2020

Changes in the Total OPEB Liability

	Increase (Decrease)
	Total OPEB Liability
Changes for the year:	
Service cost	\$ 28,408
Interest	46,463
Difference between expected and actual experience	(23,976)
Changes in assumptions	328,674
Other changes	(26,153)
Net changes	353,416
Balance at December 31, 2018	1,117,788
Balance at December 31, 2019	\$ 1,471,204

The discount rate changed from 4.10% to 2.74% 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 (1.74%)	Discount Rate (2.74%)	1% Increase in Discount Rate (3.74%)
Total OPEB Liability	\$ 1,804,682	\$ 1,471,204	\$ 1,218,333

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

For the year ended December 31, 2020, the district recognized OPEB expense of \$109,377. 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	\$ 15,771	\$ 20,551
Changes in actuarial assumptions	313,336	100,863
Contributions subsequent to the measurement date	32,137	-
Total	\$ 361,244	\$ 121,414

\$32,137 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

HARRIS COUNTY APPRAISAL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the Year Ended December 31, 2020

the fiscal year ending December 31, 2021. 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>
2021	\$ 34,506
2022	34,506
2023	34,506
2024	34,506
2025	26,142
Thereafter	43,527
Total	<u><u>\$ 207,693</u></u>

2. Retiree Healthcare Plan

Plan Description

The district provides a defined benefit OPEB plan, the Harris County Appraisal District Retiree Health Care Plan (the "Plan"), that pays a portion of the premium for continuation of the medical and dental insurance coverage of certain retirees. The district's Board 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 COUNTY APPRAISAL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the Year Ended December 31, 2020

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, 2019 is summarized below:

Inactive employees or beneficiaries currently receiving benefits	74
Active employees	604
Total	678

Total OPEB Liability

The district's total OPEB liability of \$19,517,832 was measured as of December 31, 2019 and was determined by an actuarial valuation as of December 31, 2019.

Actuarial Assumptions and Other Inputs

The total OPEB liability in the December 31, 2019 actuarial valuation, was determined using the following actuarial assumptions and other inputs applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50%
Salary increases	0.50% to 5.00%, not including wage inflation of 3.25%
Discount rate	2.75%*
Actuarial cost method	Individual entry-age
Demographic assumptions	Based on the experience study covering the four-year period ending December 31, 2016 as conducted for TCDRS.
Mortality	For healthy retirees, the gender-distinct RP2014 Healthy Annuitant Mortality Tables are used with male rates multiplied by 130% and female rates multiplied by 110%. Those rates are projected on a fully generational basis based on 100% of the ultimate rates of Scale MP-2014.
Health care trend rates	Pre-65 initial rate of 7.00% declining to an ultimate rate of 4.15% after 15 years; Post-65 initial rate of 5.50% declining to an ultimate rate of 4.15% after 14 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, 2019.

HARRIS COUNTY APPRAISAL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the Year Ended December 31, 2020

Changes in the Total OPEB Liability

	Increase (Decrease)
	Total OPEB Liability
Changes for the year:	
Service cost	\$ 1,005,740
Interest	650,083
Difference between expected and actual experience	(718,051)
Changes in assumptions	2,047,420
Other changes	(973,889)
Net changes	2,011,303
Balance at December 31, 2018	17,506,529
Balance at December 31, 2019	\$ 19,517,832

Changes of assumptions reflect a change in the discount rate from 3.71% as of December 31, 2018 to 2.75% as of December 31, 2019.

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 (1.75%)	Discount Rate (2.75%)	1% Increase in Discount Rate (3.75%)
Total OPEB Liability	\$ 22,042,947	\$ 19,517,832	\$ 17,830,141

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	\$ 16,702,100	\$ 19,517,832	\$ 23,089,875

HARRIS COUNTY APPRAISAL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the Year Ended December 31, 2020

OPEB Expense and Deferred Outflows/Inflows of Resources

For the fiscal year ended December 31, 2020, the district recognized OPEB expense of \$1,826,002. 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	\$ 2,545,291	\$ 704,919
Changes in actuarial assumptions	91,828	641,893
Contributions subsequent to the measurement date	896,863	-
Total	\$ 3,533,982	\$ 1,346,812

\$896,863 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, 2021.

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
2021	\$ 170,180
2022	170,180
2023	170,180
2024	170,180
2025	170,180
Thereafter	439,407
Total	\$ 1,290,307

3. Aggregate Total OPEB Expenses

The district recognized aggregate total OPEB liability of \$20,989,036, deferred outflows of \$3,895,226, deferred inflows of \$1,468,226, and OPEB expense of \$1,935,379 during the fiscal year ending December 31, 2020 related to the district's TCDRS and district-administered OPEB plans.

REQUIRED SUPPLEMENTARY INFORMATION

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

For the Year Ended December 31, 2020
 With Comparative Totals for the Year Ended December 31, 2019

	2020			Variance Final Budget Positive (Negative)	2019
	Budgeted Amounts		Actual (Budget Basis)		Actual (Budget Basis)
	Original Budget	Final Budget			
Revenues					
Assessments	\$ 90,728,307	\$ 90,728,307	\$ 90,728,851	\$ 544	\$ 88,094,554
Investment income, net	-	-	228,580	228,580	961,925
Other revenue	-	-	298,799	298,799	535,070
Rendition penalty fee	-	-	390,471	390,471	281,578
Total Revenues	<u>90,728,307</u>	<u>90,728,307</u>	<u>91,646,701</u>	<u>918,394</u>	<u>89,873,127</u>
Expenditures					
Current:					
Office of Chief Appraiser and Board of Directors (OCA and BOD)					
Personnel	1,495,774	1,721,274	1,483,819	237,455	1,523,535
Appraisal review board	2,781,000	2,565,000	2,422,304	142,696	2,757,647
Professional services	11,593,967	9,268,967	8,962,133	306,834	8,793,677
Office supplies and printing	14,000	15,500	4,227	11,273	8,223
Other	82,200	117,200	97,464	19,736	98,705
Total OCA and BOD	<u>15,966,941</u>	<u>13,687,941</u>	<u>12,969,947</u>	<u>717,994</u>	<u>13,181,787</u>
Appraisal Support					
Personnel	11,535,397	11,824,397	11,563,086	261,311	12,649,507
Professional services	372,650	372,650	368,000	4,650	372,510
Office supplies and printing	69,487	71,987	34,381	37,606	53,968
Data processing	-	-	-	-	1,221,775
Other	38,125	42,125	16,807	25,318	59,993
Total Appraisal Support	<u>12,015,659</u>	<u>12,311,159</u>	<u>11,982,274</u>	<u>328,885</u>	<u>14,357,753</u>
Appraisal					
Personnel	30,788,117	31,120,117	30,474,388	645,729	29,848,421
Professional services	1,590,564	1,681,564	1,633,937	47,627	1,561,672
Office supplies and printing	316,134	392,134	312,610	79,524	318,903
Other	110,350	110,350	25,313	85,037	85,662
Total Appraisal	<u>32,805,165</u>	<u>33,304,165</u>	<u>32,446,248</u>	<u>857,917</u>	<u>31,814,658</u>
Information Systems					
Personnel	6,911,265	6,983,265	6,820,425	162,840	4,854,583
Professional services	308,000	1,384,500	1,220,358	164,142	1,200,978
Office supplies and printing	253,697	287,357	176,682	110,675	169,728
Data processing	5,135,626	4,408,466	3,943,772	464,694	3,531,727
Other	173,725	52,725	13,294	39,431	40,550
Total Information Systems	<u>12,782,313</u>	<u>13,116,313</u>	<u>12,174,531</u>	<u>941,782</u>	<u>9,797,566</u>
Administration					
Personnel	6,152,611	6,463,111	6,308,586	154,525	5,489,427
Professional services	123,025	363,025	332,053	30,972	82,227
Office supplies and printing	104,063	133,563	96,352	37,211	104,452
Other	3,372,126	2,873,126	2,546,521	326,605	2,406,261
Total Administration	<u>9,751,825</u>	<u>9,832,825</u>	<u>9,283,512</u>	<u>549,313</u>	<u>8,082,367</u>

HARRIS COUNTY APPRAISAL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (Page 2 of 2)
GENERAL FUND (BUDGET BASIS)
For the Year Ended December 31, 2020
With Comparative Totals for the Year Ended December 31, 2019

	2020			Variance Final Budget Positive (Negative)	2019
	Budgeted Amounts		Actual (Budget Basis)		Actual (Budget Basis)
	Original Budget	Final Budget			
Expenditures					
Administration Services					
Personnel	\$ 1,926,521	\$ 2,106,521	\$ 2,087,759	\$ 18,762	\$ 2,091,733
Professional services	169,000	259,000	258,371	629	171,789
Office supplies and printing	150,550	127,550	40,973	86,577	155,902
Rent and utilities	502,000	402,000	303,166	98,834	346,174
Other	2,124,507	2,285,007	2,201,660	83,347	2,887,052
Total Administration Services	<u>4,872,578</u>	<u>5,180,078</u>	<u>4,891,929</u>	<u>288,149</u>	<u>5,652,650</u>
Debt Service:					
Principal retirement and interest charges	2,458,826	2,458,826	2,458,826	-	2,472,503
Capital Outlay	75,000	837,000	828,982	8,018	635,209
Total Expenditures	<u>90,728,307</u>	<u>90,728,307</u>	<u>87,036,249</u>	<u>3,692,058</u>	<u>85,994,493</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	4,610,452	<u>\$ 4,610,452</u>	<u>\$ 3,878,634</u>

Notes to Required Supplementary Information:

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

Timing differences:

Encumbrances at the end of the year	2,077,095
Encumbrances at the beginning of the year that were incurred	(2,983,608)

Perspective differences:

Reserve for TCDRS	(4,500,000)
Transfers to internal service fund	(500,000)
Interest income (operating reserve fund)	4,645

Net Change in Fund Balance \$ (1,291,416)

HARRIS COUNTY APPRAISAL DISTRICT
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
TEXAS COUNTY AND DISTRICT RETIREMENT SYSTEM

December 31, 2020

	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
Difference between expected and actual experience	2,160,168	9,737,885	(429,780)	(309,104)
Changes in assumptions	-	2,201,240	-	1,091,615
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	<u>\$ 170,869,697</u>	<u>\$ 194,972,412</u>	<u>\$ 208,993,923</u>	<u>\$ 225,542,790</u>
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	<u>\$ 173,816,255</u>	<u>\$ 172,992,899</u>	<u>\$ 187,047,137</u>	<u>\$ 214,775,706</u>
Net Pension Liability / (Asset)	<u>\$ (2,946,558)</u>	<u>\$ 21,979,513</u>	<u>\$ 21,946,786</u>	<u>\$ 10,767,084</u>
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 six years of information are currently available. The district will build this schedule over the next four-year period.

Measurement Year*	
2018	2019
\$ 5,467,300	\$ 5,498,799
18,311,619	19,382,502
-	-
185,499	(1,077,360)
-	-
<u>(10,077,633)</u>	<u>(11,500,359)</u>
13,886,785	12,303,582
<u>225,542,790</u>	<u>239,429,575</u>
<u>\$ 239,429,575</u>	<u>\$ 251,733,157</u>

\$ 7,601,849	\$ 7,716,301
2,564,616	2,615,305
(4,000,233)	34,605,560
(10,077,633)	(11,500,359)
(169,251)	(185,910)
24,634	(6,029)
<u>(4,056,018)</u>	<u>33,244,868</u>
214,775,706	210,719,688
<u>\$ 210,719,688</u>	<u>\$ 243,964,556</u>
<u>\$ 28,709,887</u>	<u>\$ 7,768,601</u>

88.01% 96.91%

\$ 36,637,339 \$ 37,361,503

78.36% 20.79%

HARRIS COUNTY APPRAISAL DISTRICT
SCHEDULE OF CONTRIBUTIONS
TEXAS COUNTY AND DISTRICT RETIREMENT SYSTEM
December 31, 2020

	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)	<u>\$ (500,000)</u>	<u>\$ (1,502,998)</u>	<u>\$ (1,500,000)</u>	<u>\$ (2,156,426)</u>
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 seven years of information are currently available. The district will build this schedule over the next three-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	8.7 years
Asset Valuation Method	5-year smoothed market
Inflation	2.75%
Salary Increases	Varies by age and service. 4.90% average over career including inflation.
Investment Rate of Return	8.00%, 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	130% of the RP-2014 Healthy Annuitant Mortality Table for males and 110% of the RP-2014 Healthy Annuitant Mortality Table for females, both projected with 110% of the MP-2014 Ultimate scale after 2014.

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.

Changes in Plan Provisions Reflected in the Schedule of Employer Contributions**
2015: No changes in plan provisions were reflected.
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%.
2019: No changes in plan provisions were reflected.

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

Fiscal Year*		
2018	2019	2019
\$ 5,601,849	\$ 5,488,397	\$ 6,065,771
7,601,849	7,716,301	12,845,325
<u>\$ (2,000,000)</u>	<u>\$ (2,227,904)</u>	<u>\$ (6,779,554)</u>
\$ 36,637,339	\$ 37,361,453	\$ 40,170,666
20.75%	20.65%	31.98%

(This page intentionally left blank.)

HARRIS COUNTY APPRAISAL DISTRICT
SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS
TEXAS COUNTY AND DISTRICT RETIREMENT SYSTEM

December 31, 2020

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

* Only three years of information are currently available. The district will build this schedule over the next seven-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:

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.

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial cost method	Entry age normal
Inflation	N/A
Salary increases	N/A
Discount rate	2.74%
Administrative expenses	N/A
Mortality - depositing members	90% of the RP-2014 Active Employee Mortality Table for males and 90% of the RP-2014 Active Employee Mortality Table for females, projected with 110% of the MP-2014 Ultimate scale after 2014.
Mortality - service retirees	130% of the RP-2014 Healthy Annuitant Mortality Table for males and 110% of the RP-2014 Healthy Annuitant Mortality Table for females, both projected with 110% of the MP-2014 Ultimate scale after 2014.
Mortality - disabled retirees	130% of the RP-2014 Disabled Annuitant Mortality Table for males and 115% of the RP-2014 Disabled Annuitant Mortality Table for females, both projected with 110% of the MP-2014 Ultimate scale after 2014.

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, 2019.

There were no benefit changes during the year.

(This page intentionally left blank.)

HARRIS COUNTY APPRAISAL DISTRICT
SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS
RETIREE HEALTHCARE BENEFITS
December 31, 2020

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

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

Notes to Required Supplementary Information:

Changes of Assumptions

Changes of assumptions reflect a change in the discount rate from 3.71% as of December 31, 2018 to 2.75% as of December 31, 2019.

Changes in Benefits

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

(This page intentionally left blank.)

SUPPLEMENTARY INFORMATION

HARRIS COUNTY APPRAISAL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (Page 1 of 2)
GENERAL FUND (BUDGET BASIS)
For the Year Ended December 31, 2020

	2020			
	Budgeted Amounts		Actual (Budget Basis)	Variance Final Budget Positive (Negative)
	Original Budget	Final Budget		
Revenues				
Assessments	\$ 90,728,307	\$ 90,728,307	\$ 90,728,851	\$ 544
Investment income, net	-	-	228,580	228,580
Other revenue	-	-	298,799	298,799
Rendition penalty fee	-	-	390,471	390,471
Total Revenues	90,728,307	90,728,307	91,646,701	918,394
Expenditures				
Current:				
Salaries, Wages, and Related				
Net salaries and wages	39,559,181	38,706,681	38,317,999	388,682
ARB board members	2,781,000	2,565,000	2,422,304	142,696
Shift differential	16,000	366,000	345,276	20,724
Overtime	663,500	270,000	149,980	120,020
Part-time and seasonal wages	394,700	423,700	367,630	56,070
Total Salaries, Wages, and Related	43,414,381	42,331,381	41,603,189	728,192
Employee Benefits and Related				
Group health insurance	9,556,916	9,556,916	9,556,916	-
Workers' compensation insurance	100,000	100,000	87,759	12,241
Group life and LTD insurance	140,833	180,833	146,034	34,799
Group dental insurance	261,357	261,357	261,357	-
Group vision insurance	71,496	71,496	36,502	34,994
Unemployment insurance	230,040	230,040	97,268	132,772
Retirement	6,454,288	8,956,788	8,441,734	515,054
FICA Medicare	629,510	625,010	575,877	49,133
Social security	196,894	196,894	156,479	40,415
Total Employee Benefits and Related	17,641,334	20,179,334	19,359,926	819,408
Computer Operations				
Minor equipment - office and field op	-	588,335	571,354	16,981
Computer leasing	-	343,810	188,100	155,710
Hardware maintenance and support	196,735	271,000	185,670	85,330
Software maintenance and support	40,375	1,205,806	1,165,018	40,788
Computer supplies	28,000	28,000	-	28,000
Software lease and maintenance	1,819,335	1,497,807	1,475,977	21,830
Teleprocessing lines and installation	18,000	-	-	-
Software purchases	-	97,500	52,344	45,156
Total Computer Operations	2,102,445	4,032,258	3,638,463	393,795
Professional Services				
Financial auditing	60,300	73,300	73,101	199
Legal services	10,983,967	8,658,967	8,557,683	101,284
Arbitration fees and services	600,000	600,000	404,450	195,550
State office of admin hearings	5,000	5,000	-	5,000
Appraisal services	1,558,564	1,558,564	1,511,399	47,165
Other professional services	775,375	2,114,875	1,940,335	174,540
Mapping and records maintenance	1,509,600	-	-	-
Total Professional Services	15,492,806	13,010,706	12,486,968	523,738

HARRIS COUNTY APPRAISAL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (Page 2 of 2)
GENERAL FUND (BUDGET BASIS)
For the Year Ended December 31, 2020

	2020			
	Budgeted Amounts		Actual (Budget Basis)	Variance Final Budget Positive (Negative)
	Original Budget	Final Budget		
Expenditures				
Office and Field Operations				
Office supplies	\$ 171,025	\$ 153,525	\$ 70,331	\$ 83,194
Office equipment maintenance	1,149,913	54,200	40,364	13,836
Telephone and communication service	453,868	404,208	305,308	98,900
Copier leases	94,000	129,000	8,229	120,771
Copier supplies and maintenance	73,350	116,907	125,508	(8,601)
Mapping reproduction and supplies	3,250	3,250	434	2,816
Public notice advertising	18,000	18,000	3,696	14,304
Security services	174,000	319,000	294,934	24,066
Field travel, vanpool, and other expense	534,970	272,970	197,249	75,721
Appraisal supplies	29,860	29,860	3,481	26,379
Vehicle gasoline, and maintenance	34,000	34,000	13,459	20,541
Records storage and supplies	2,205	19,205	10,923	8,282
Employee recognition activities	35,000	63,000	59,419	3,581
Postage, mailing, and handling services	3,253,042	2,773,042	2,512,996	260,046
Professional registration and dues	79,170	96,170	89,809	6,361
Seminars and other tuition	346,179	241,429	114,388	127,041
Education travel and expenses	226,905	164,155	49,642	114,513
Books, manuals, and publications	355,244	426,144	375,703	50,441
Printing, forms, and stationery	54,400	28,400	10,403	17,997
Paper, copier, and printer	55,797	55,000	29,008	25,992
Total Office and Field Operations	7,144,178	5,401,465	4,315,284	1,086,181
Office Space, Utilities, and Related				
Office space	2,692,620	2,562,620	2,544,136	18,484
Utilities	502,000	402,000	303,166	98,834
Building and fixture maintenance	1,520,043	1,818,043	1,802,910	15,133
Casualty and liability insurance	143,500	153,500	153,225	275
Total Office Space, Utilities, and Related	4,858,163	4,936,163	4,803,437	132,726
Capital Outlay	75,000	837,000	828,982	8,018
Total Expenditures	90,728,307	90,728,307	87,036,249	3,692,058
Net Change in Fund Balance	\$ -	\$ -	4,610,452	\$ 4,610,452

Notes to Supplementary Information:

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

Timing differences:

Encumbrances at the end of the year	2,077,095
Encumbrances at the beginning of the year that were incurred	(2,983,608)

Perspective differences:

Reserve for TCDRS	(4,500,000)
Transfers to internal service fund	(500,000)
Interest income (operating reserve fund)	4,645

Net Change in Fund Balance \$ (1,291,416)

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

(This page intentionally left blank.)

STATISTICAL SECTION

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

<u>Contents</u>	<u>Page</u>
Financial Trends	98
<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	106
<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	110
<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	113
<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	116
<i>These schedules contain service and infrastructure data to help the reader understand how the information in the district's financial report relates to the services the district provides and the activities it performs.</i>	

HARRIS COUNTY APPRAISAL DISTRICT

NET POSITION BY COMPONENT

Last Ten Years
(accrual basis of accounting)

	Year			
	2011	2012	2013	2014
Governmental Activities				
Net investment in capital assets	\$ 9,732,611	\$ 8,438,593	\$ 9,021,196	\$ 9,648,405
Restricted	150,929	151,013	151,312	151,277
Unrestricted	4,494,025	8,014,806	6,626,297	12,111,859
Total Governmental Activities Net Position	<u>\$ 14,377,565</u>	<u>\$ 16,604,412</u>	<u>\$ 15,798,805</u>	<u>\$ 21,911,541</u>

*Restated with implementation of GASB 75.

Year

2015	2016	2017	2018*	2019	2020
\$ 10,097,874	\$ 10,982,048	\$ 14,298,164	\$ 14,851,497	\$ 15,714,000	\$ 17,410,175
151,549	-	-	-	-	-
17,667,023	20,002,285	5,288,214	6,716,741	7,563,196	10,784,948
<u>\$ 27,916,446</u>	<u>\$ 30,984,333</u>	<u>\$ 19,586,378</u>	<u>\$ 21,568,238</u>	<u>\$ 23,277,196</u>	<u>\$ 28,195,123</u>

HARRIS COUNTY APPRAISAL DISTRICT

CHANGES IN NET POSITION

Last Ten Years

(accrual basis of accounting)

	Year			
	2011	2012	2013	2014
Expenses				
Governmental activities				
Office of Chief Appraiser and				
Board of Directors	\$ 6,964,757	\$ 7,144,120	\$ 9,236,747	\$ 12,277,502
Appraisal support	10,210,883	10,325,083	10,596,987	11,292,560
Appraisal	24,092,912	24,162,142	25,046,836	26,003,956
Information systems	8,389,895	6,476,683	7,598,860	8,303,305
Administration	5,526,701	5,755,421	6,080,782	6,742,844
Administration/building services	6,229,802	3,016,395	3,683,503	2,944,527
Interest and fiscal agent fees on long-term debt	1,314,157	1,254,168	1,190,711	1,123,581
Total Governmental Activities Expenses	<u>62,729,107</u>	<u>58,134,012</u>	<u>63,434,426</u>	<u>68,688,275</u>
Program Revenues				
Governmental activities				
Charges for services				
Appraisal	549,947	856,611	1,036,988	1,153,984
Total Governmental Activities Program Revenues	<u>549,947</u>	<u>856,611</u>	<u>1,036,988</u>	<u>1,153,984</u>
Net (Expense)				
Governmental activities	<u>\$ (62,179,160)</u>	<u>\$ (57,277,401)</u>	<u>\$ (62,397,438)</u>	<u>\$ (67,534,291)</u>
General Revenues and Other Changes in Net Position				
Governmental activities				
Assessments	\$ 61,060,911	\$ 59,473,306	\$ 61,566,883	\$ 64,367,413
Investment income	22,769	30,942	24,948	19,564
Total Governmental Activities	<u>\$ 61,083,680</u>	<u>\$ 59,504,248</u>	<u>\$ 61,591,831</u>	<u>\$ 64,386,977</u>
Change in Net Position				
Governmental activities	<u>\$ (1,095,480)</u>	<u>\$ 2,226,847</u>	<u>\$ (805,607)</u>	<u>\$ (3,147,314)</u>

Year

<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
\$ 13,459,605	\$ 11,735,608	\$ 12,438,172	\$ 14,165,593	13,167,448	\$ 12,939,564
12,123,489	13,268,588	15,963,519	15,715,457	15,083,096	11,199,838
25,781,516	29,304,190	31,884,892	32,464,401	33,350,472	31,182,537
7,968,093	8,525,684	7,566,640	8,055,552	9,179,781	13,117,830
6,521,949	7,127,107	7,937,982	7,782,316	8,514,141	9,026,803
3,051,631	4,671,629	5,435,296	6,386,245	7,987,919	8,899,187
1,052,562	977,425	897,927	919,867	828,399	720,530
<u>69,958,845</u>	<u>75,610,231</u>	<u>82,124,428</u>	<u>85,489,431</u>	<u>88,111,256</u>	<u>87,086,289</u>
<u>1,041,448</u>	<u>891,183</u>	<u>797,994</u>	<u>1,215,652</u>	<u>716,939</u>	<u>1,019,735</u>
<u>1,041,448</u>	<u>891,183</u>	<u>797,994</u>	<u>1,215,652</u>	<u>716,939</u>	<u>1,019,735</u>
<u>\$ (68,917,397)</u>	<u>\$ (74,719,048)</u>	<u>\$ (81,326,434)</u>	<u>\$ (84,273,779)</u>	<u>\$ (87,394,317)</u>	<u>\$ (86,066,554)</u>
\$ 74,902,803	\$ 77,706,956	\$ 81,496,875	\$ 85,563,002	\$ 88,094,554	\$ 90,728,851
19,499	79,979	273,054	712,637	1,008,721	255,630
<u>\$ 74,922,302</u>	<u>\$ 77,786,935</u>	<u>\$ 81,769,929</u>	<u>\$ 86,275,639</u>	<u>\$ 89,103,275</u>	<u>\$ 90,984,481</u>
<u>\$ 6,004,905</u>	<u>\$ 3,067,887</u>	<u>\$ 443,495</u>	<u>\$ 2,001,860</u>	<u>\$ 1,708,958</u>	<u>\$ 4,917,927</u>

HARRIS COUNTY APPRAISAL DISTRICT

FUND BALANCE, GOVERNMENTAL FUND

Last Ten Years

(modified accrual basis of accounting)

	Year			
	2011	2012	2013	2014
General Fund				
Nonspendable	\$ 220,867	\$ 229,011	\$ 278,690	\$ 355,921
Restricted	150,929	151,013	151,312	151,277
Assigned	2,495,471	3,720,970	6,316,077	3,228,282
Unassigned	11,670,886	11,247,535	7,887,037	7,665,983
Total General Fund	<u>\$ 14,538,153</u>	<u>\$ 15,348,529</u>	<u>\$ 14,633,116</u>	<u>\$ 11,401,463</u>

Year					
2015	2016	2017	2018	2019	2020
\$ 321,572	\$ 368,870	\$ 487,968	\$ 624,132	\$ 640,926	\$ 606,406
151,549	-	-	-	-	-
4,082,434	6,466,307	7,816,962	10,932,693	12,809,033	25,506,383
9,222,422	12,287,923	11,378,514	13,332,403	15,114,230	1,159,984
<u>\$ 13,777,977</u>	<u>\$ 19,123,100</u>	<u>\$ 19,683,444</u>	<u>\$ 24,889,228</u>	<u>\$ 28,564,189</u>	<u>\$ 27,272,773</u>

HARRIS COUNTY APPRAISAL DISTRICT

CHANGES IN FUND BALANCE, GOVERNMENTAL FUND

Last Ten Years

(modified accrual basis of accounting)

	Year			
	2011	2012	2013	2014
Revenues				
Assessments	\$ 61,060,911	\$ 59,473,306	\$ 61,566,883	\$ 64,367,413
Investment income	20,993	28,462	23,229	18,934
Other revenues	269,021	507,054	717,721	760,459
Rendition penalty fee	283,546	274,860	294,934	349,402
Total Revenues	<u>61,634,471</u>	<u>60,283,682</u>	<u>62,602,767</u>	<u>65,496,208</u>
Expenditures				
Office of Chief Appraiser and Board of Directors	6,931,647	7,097,353	9,137,044	12,195,547
Appraisal support	10,091,490	10,192,816	10,350,238	11,119,331
Appraisal	23,843,834	23,870,266	24,474,901	25,595,462
Information systems	8,052,079	6,141,940	7,257,810	7,851,749
Administration	5,368,780	5,605,428	5,877,296	6,551,032
Administration services/building services	6,389,220	3,600,301	3,577,236	2,826,193
Capital outlay	25,661	596,298	274,751	219,642
Debt service				
Principal	1,054,747	1,114,736	1,178,193	1,245,324
Interest	1,314,157	1,254,168	1,190,711	1,123,581
Total Expenditures	<u>63,071,615</u>	<u>59,473,306</u>	<u>63,318,180</u>	<u>68,727,861</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,437,144)	810,376	(715,413)	(3,231,653)
Other Financing Sources (Uses)				
Transfers (out)	-	-	-	-
Total Other Financing (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	<u>\$ (1,437,144)</u>	<u>\$ 810,376</u>	<u>\$ (715,413)</u>	<u>\$ (3,231,653)</u>
Debt service as a percentage of noncapital expenditures	3.76%	4.02%	3.76%	3.46%

		Year									
		2015	2016	2017	2018	2019	2020				
\$	74,902,803	\$	77,706,956	\$	81,496,875	\$	85,563,002	\$	88,094,554	\$	90,728,851
	17,957		74,272		256,406		673,462		961,925		233,225
	669,741		481,123		422,498		910,371		535,070		298,799
	334,664		391,930		324,366		453,674		281,578		390,471
	<u>75,925,165</u>		<u>78,654,281</u>		<u>82,500,145</u>		<u>87,600,509</u>		<u>89,873,127</u>		<u>91,651,346</u>
	13,421,461		11,587,428		12,310,648		14,002,216		13,181,522		12,968,365
	12,584,529		12,549,219		14,993,839		14,958,051		14,358,192		11,946,497
	26,768,745		27,679,141		29,767,205		30,723,471		31,814,658		32,446,248
	7,803,603		7,874,275		6,858,842		7,397,376		8,677,941		12,795,374
	6,590,564		6,704,181		7,389,849		7,406,834		8,100,378		9,110,006
	3,932,801		4,424,778		5,250,513		4,993,486		6,193,911		9,857,211
	78,044		121,231		2,000,000		438,329		899,061		860,235
	1,316,342		1,391,480		1,470,978		1,555,095		1,644,104		1,738,296
	1,052,562		977,425		897,927		919,867		828,399		720,530
	<u>73,548,651</u>		<u>73,309,158</u>		<u>80,939,801</u>		<u>82,394,725</u>		<u>85,698,166</u>		<u>92,442,762</u>
	2,376,514		5,345,123		1,560,344		5,205,784		4,174,961		(791,416)
	-		-		(1,000,000)		-		(500,000)		(500,000)
	<u>-</u>		<u>-</u>		<u>(1,000,000)</u>		<u>-</u>		<u>(500,000)</u>		<u>(500,000)</u>
\$	<u>2,376,514</u>	\$	<u>5,345,123</u>	\$	<u>560,344</u>	\$	<u>5,205,784</u>	\$	<u>3,674,961</u>	\$	<u>(1,291,416)</u>
	3.23%		3.26%		3.04%		3.01%		2.90%		2.69%

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

	Year			
	2011	2012	2013	2014
Total adjusted levy for calculation of taxing unit assessments ⁽¹⁾⁽²⁾	\$ 7,228,564,513	\$ 7,390,428,021	\$ 7,728,886,310	\$ 8,458,886,001
Direct rate ⁽⁴⁾	100%	100%	100%	100%
Assessments	\$ 61,060,911 ⁽³⁾	\$ 60,429,430	\$ 61,566,862	\$ 64,367,413

- (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					
2015	2016	2017	2018	2019	2020
\$ 9,385,920,743	\$ 10,270,428,310	\$ 11,053,954,982	\$ 11,564,280,439	\$ 11,888,313,314	\$ 12,295,974,520
100%	100%	100%	100%	100%	100%
⁽³⁾ \$ 75,147,518	\$ 77,706,956	\$ 81,496,875	\$ 85,563,002	\$ 88,094,554	\$ 90,728,851

(This page intentionally left blank.)

HARRIS COUNTY APPRAISAL DISTRICT

PRINCIPAL TAXING JURISDICTIONS

Current Year and Nine Years Ago

Taxing Jurisdictions	2020			2011		
	Tax Levy	Rank	% of Taxable Assessed Value	Tax Levy	Rank	% of Taxable Assessed Value
Houston ISD 001	\$ 2,044,726,016	1	16.63%	\$ 1,169,183,408	1	16.17%
Harris County 040	1,948,686,258	2	15.85%	1,054,319,418	2	14.59%
City of Houston 061	1,374,652,251	3	11.18%	905,031,554	3	12.52%
Harris County Hospital Dist. 043	777,304,713	4	6.32%	506,608,651	4	7.01%
Cypress-Fairbanks ISD 004	735,746,810	5	5.98%	439,918,065	5	6.09%
Spring Branch ISD 025	428,284,070	6	3.48%	237,717,460	6	3.29%
Katy ISD 019	342,682,547	7	2.79%	179,397,916	7	2.48%
Klein ISD 017	304,101,273	8	2.47%	176,386,269	9	2.44%
Aldine ISD 009	284,917,044	9	2.32%	165,133,788	8	2.28%
Humble ISD 018	240,289,837	10	1.95%	156,307,625	10	2.16%
Subtotal	8,481,390,819		68.98%	4,990,004,154		69.03%
Other taxing jurisdictions	3,814,583,701		31.02%	2,238,560,359		30.97%
Total	\$ 12,295,974,520		100.00%	\$ 7,228,564,513		100.00%

Source: Harris County Appraisal District's departmental records.

HARRIS COUNTY APPRAISAL DISTRICT

RATIOS OF OUTSTANDING DEBT BY TYPE

Last Ten Years

	Year			
	2011	2012	2013	2014
Governmental Activities:				
Capital leases	\$ 22,962,872	\$ 21,848,136	\$ 20,669,943	\$ 19,424,619
Total	\$ 22,962,872	\$ 21,848,136	\$ 20,669,943	\$ 19,424,619
Taxing jurisdictions in district	488	492	493	501
Debt per taxing unit ⁽¹⁾	\$ 47,055	\$ 44,407	\$ 41,927	\$ 38,772

(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

<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
\$ 18,108,277	\$ 16,716,797	\$ 15,245,819	\$ 13,690,724	\$ 12,046,620	\$ 10,308,324
<u>\$ 18,108,277</u>	<u>\$ 16,716,797</u>	<u>\$ 15,245,819</u>	<u>\$ 13,690,724</u>	<u>\$ 12,046,620</u>	<u>\$ 10,308,324</u>
513	517	525	533	538	551
\$ 35,299	\$ 32,334	\$ 29,040	\$ 25,686	\$ 22,391	\$ 18,708

(This page intentionally left blank.)

HARRIS COUNTY 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
2011	4,180	\$ 204,352,560	\$ 48,935	8.2%
2012	4,264	\$ 224,617,980	\$ 52,805	6.8%
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	5.3%
2017	4,664	\$ 247,482,118	\$ 53,188	5.0%
2018	4,669	\$ 265,351,328	\$ 56,474	4.0%
2019	4,713	not available	not available	3.6%
2020	4,746	not available	not available	8.0%

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>

(This page intentionally left blank.)

HARRIS COUNTY APPRAISAL DISTRICT

PRINCIPAL CORPORATE EMPLOYERS

Current Year and Nine Years Ago

(amounts in thousands)

Employer	2020			2011		
	Employees	Rank	Percentage of Total County Employment	Employees	Rank	Percentage of Total County Employment
Wal-Mart Stores	37,000	1	1.0625 %	28,500	1	1.1310 %
Memorial Hermann Health System	24,108	2	0.6923 %	20,551	2	0.8156 %
H-E-B	23,732	3	0.6815 %	16,500	4	0.6548 %
UT MD Anderson Cancer Center	21,086	4	0.6055 %	18,012	3	0.7148 %
McDonald's Corporation	20,918	5	0.6007 %	-	-	-
Houston Methodist	20,000	6	0.5743 %	13,322	8	0.5287 %
Kroger Co.	16,000	7	0.4595 %	14,015	7	0.5562 %
United Airlines	14,941	8	0.4291 %	16,290	5	0.6465 %
Schlumberger	12,069	9	0.3466 %	9,612	10	0.3815 %
Shell Oil Co.	11,507	10	0.3305 %	10,700	9	0.4246 %
Exxon Mobil Corp.	-		-	14,600	6	0.5794 %
Total	201,361			162,102		

Source: Employment numbers were obtained from Houston ISD and the Houston Chronicle.

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

HARRIS COUNTY APPRAISAL DISTRICT

EMPLOYED POSITIONS BY FUNCTION⁽¹⁾

Last Ten Years

Function	Year			
	2011	2012	2013	2014
Office of the Chief Appraiser	6	4	4	5
Support Services	163	163	162	166
Appraisal	317	321	315	319
Information Systems	42	46	41	36
Administration	49	50	50	50
Regular Positions	577	584	572	576

Notes:

(1) Data represents employed positions at year end.

Year					
2015	2016	2017	2018	2019	2020
5	3	5	7	6	6
165	172	168	166	166	148
327	340	345	332	336	338
45	34	40	39	40	57
41	52	49	50	52	62
583	601	607	594	600	611

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

Property Category	Year			
	2011	2012	2013	2014
Single family residential	0.99	n/a	0.97	n/a
Multi-family residential	0.99	n/a	0.94	n/a
Vacant lots	1.00	n/a	n/a	n/a
Acreage	0.96	n/a	n/a	n/a
Commercial real property	0.97	n/a	1.01	n/a
Utilities	1.02	n/a	0.98	n/a
Commercial personal property	0.99	n/a	0.99	n/a
Overall Median Level	0.99	n/a (2)	1.03	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					
2015	2016	2017	2018	2019	2020
0.99	n/a	0.99	n/a	0.98	0.98
0.97	n/a	0.93	n/a	0.94	0.94
n/a	n/a	n/a	n/a	0.93	0.93
n/a	n/a	n/a	n/a	n/a	n/a
1.00	n/a	0.95	n/a	0.92	0.94
0.96	n/a	0.90	n/a	0.89	0.93
1.00	n/a	0.97	n/a	0.98	0.98
0.99	n/a (2)	0.98	n/a (2)	0.98	0.98

HARRIS COUNTY APPRAISAL DISTRICT

PROTEST ACTIVITY AND LITIGATION VOLUME

Last Ten Years

Property Category	Year			
	2011	2012	2013	2014
Reappraisal year	Yes	Yes	Yes	Yes
Accounts protested	305,639	296,228	302,336	346,041
Value of accounts	\$ 183,786,736,165	\$ 198,242,427,719	\$ 230,189,392,360	\$ 247,547,796,763
Average percentage reduction	8.99%	9.29%	8.75%	8.52%
Total lawsuits	2,939	2,864	3,568	4,022
Number of accounts	6,601	6,985	11,019	9,734
Value of accounts	\$ 23,561,742,530	\$ 29,508,040,449	\$ 55,331,218,880	\$ 62,482,106,824
Number of accounts resolved	6,601	6,985	10,985	9,708
Average percentage reduction	10.97%	10.43%	9.88%	9.87%

Data from district's appraisal department.

Year					
2015	2016	2017	2018	2019	2020
Yes	Yes	Yes	Yes	Yes	Yes
372,584	380,550	388,248	367,846	415,846	446,755
\$ 285,432,274,329	\$ 311,654,617,880	\$ 318,678,038,155	\$ 317,976,610,855	\$ 361,346,636,086	\$ 388,751,186,263
6.29%	10.79%	10.29%	9.45%	7.78%	7.26%
4,133	4,212	4,656	7,162	6,303	6,526
10,124	12,018	11,907	18,964	13,206	14,380
\$ 64,584,698,576	\$ 90,788,838,462	\$ 81,085,657,544	\$ 87,533,578,986	\$ 95,639,459,279	\$ 123,499,262,775
10,059	11,839	11,377	12,647	2,254	845
11.36%	11.89%	11.20%	9.94%	9.58%	8.09%

HARRIS COUNTY APPRAISAL DISTRICT

OPERATING INDICATORS BY FUNCTION/PROGRAM

Last Ten Years

Function / Program	Year			
	2011	2012	2013	2014
Appraisal				
Appraised value	\$ 363,527,388	\$ 380,886,243	\$ 413,396,777	\$ 449,206,021
Number of accounts	1,555,477	1,563,992	1,576,093	1,593,793

Source: Various district departments.

Year					
2015	2016	2017	2018	2019	2020
\$ 503,278,759 1,604,903	\$ 532,811,166 1,624,760	\$ 562,968,171 1,640,520	\$ 571,596,277 1,642,501	\$ 615,347,614 1,661,283	\$ 655,441,344 1,676,007

HARRIS COUNTY APPRAISAL DISTRICT

CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM

Last Ten Years

Function/Program	Year			
	2011	2012	2013	2014
General Fund				
Office of the Chief Appraiser	66	66	63	59
Support Services	217	211	201	198
Appraisal	488	487	478	476
Information Systems	1,482	1,432	1,263	1,222
Administration	179	176	176	173

Source: Various district departments.

Figures represent total capital assets by function.

Year					
2015	2016	2017	2018	2019	2020
57	57	57	56	48	48
191	191	189	186	171	169
471	470	459	455	371	371
1,158	1,141	1,060	1,031	1,009	994
169	168	167	161	118	118

(This page intentionally left blank.)