



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

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

FOR THE FISCAL YEAR ENDED

DECEMBER 31, 2019

*COMPREHENSIVE
ANNUAL FINANCIAL REPORT*

of the

**HARRIS COUNTY
APPRAISAL DISTRICT, TEXAS**

**For the Year Ended
December 31, 2019**

Report Issued By:

Budget and Finance Division

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HARRIS COUNTY APPRAISAL DISTRICT

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INTRODUCTORY SECTION

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Board of Directors

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

Office of Chief Appraiser

June 3, 2020

Chief Appraiser

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

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

Section 6.063, Texas Tax Code, requires an audit of the financial affairs of an appraisal district by an independent certified public accountant. This report is published to fulfill that requirement for the fiscal year ended December 31, 2019.

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

Belt Harris Pechacek, LLLP, Certified Public Accountants, have issued an unmodified (“clean”) opinion on the Harris County Appraisal District’s financial statements for the year ended December 31, 2019. 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 538 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 2019 and does not anticipate any collection contracts in the foreseeable future.

A six-member board of directors, appointed by the taxing units within the boundaries of the district, constitutes the governing body. The board members are appointed as follows: Harris County Commissioners’ Court appoints one member; the City of Houston City Council appoints one member; the other 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 primary responsible for the support services divisions consisting of Appraisal Review Board (ARB) Operations, Jurisdiction Communications, and Information & Assistance. These divisions coordinate support functions, including records maintenance, exemptions, customer service to property owners, and support for the Appraisal Review Board, and records management. The Information Technology Division maintains the district's data center, local area networks, software applications, and imaging. The Budget & Finance Division is responsible for the business support functions relating to budget, finance, employee benefits, purchasing, capital assets, facilities, security, and postal services. Human Resources, Audit Support Services, Professional Education & Development, Communications Services, and Legal Services also report directly to the Chief Appraiser.

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

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 2, 2019 with less than 6.61 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 538 taxing unit appraisal rolls was approximately \$3.7 trillion, resulting in a 2019 *ad valorem* tax levy of approximately \$11.9 billion, an increase of 2.8 percent from 2018.

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, Houston's economy and residential markets are doing well. According to HAR, single family home sales rose 4.8 percent in 2019 to 86,205 while sales of all property types totaled 102,593, a 4.3 percent increase over 2018's volume. Total dollar volume for 2019 jumped 6.7 percent to \$30 billion. Housing inventory rose from a 3.6-months supply in January to a peak of 4.3 months in June and July. On a year-to-date basis, the average single-family sales price rose 2.3 percent to \$305,959 while the median price increased 3.2 percent to \$245,000.

The Houston commercial real estate market is doing what it always does and that is persevere. Earlier in 2019, it may have looked like the sky was falling and the markets were in turmoil due to external forces like the energy downturn or geopolitical conflict, but the Houston market is fighting a winning fight. The county has experienced growth at record numbers and the economy, for the most part, is above average. Developers are doing what is typical in this record-setting expansion period and that is pushing forward as much as possible.

The Houston apartment market is seeing records set for the highest average rental rates and highest occupancy rates since the energy downturn. With net absorption registering at 14,025 units through all four quarters of 2019, the Houston apartment market is on pace to significantly tighten by year end. Strong household formation remains a primary catalyst for absorption, particularly in western and northern suburbs and throughout the urban core, where vacancy rates have generally been pushed well below the market reading. Metrowide, Houston will add more than 47,000 new households in 2019 — the second highest total in the nation. This continues to compress apartment availability across the board as vacancy rates for all asset classes registered decreases of at least 40 basis points during the past year.

Comparison of Appraised Values to Previous Year

The change in appraised value of taxable property between years 2019 and 2018 is reflected in the table below.

HARRIS COUNTY APPRAISAL DISTRICT APPRAISED VALUES			
2019		2018	
Number of Accounts	Appraisal Value (in thousands)	Number of Accounts	Appraisal Value (in thousands)
1,658,632	\$620,125,271	1,642,501	\$571,596,277

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

Taxable Values

The following table compares the taxable values (appraised values less exemptions and special valuations) for the government of Harris County. The information presented here has been updated through February 1, 2020. The change in the appraised and taxable values from 2018 to 2019 varied among taxing units, reflecting the mix of property types, exemptions, and market conditions within each unit.

HARRIS COUNTY TAXABLE VALUES (in thousands \$)				
	2019	2018	Change	Percentage Change
Appraised Value	\$620,125,271	\$571,596,277	\$48,528,994	8.49%
Taxable Value	\$483,073,567	\$442,024,074	\$41,049,493	9.29%

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 the district had 6 tested school districts fall outside 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, 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 will be 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	.92
Utilities	.89
Commercial Personal Property	.98
Overall Median Level – All Properties	.98

The preliminary results of the 2019 study reflect that appraisals within the district are generally uniform, with an average coefficient of dispersion of 8.82 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 percent appraisal level is considered to reflect very good appraisal performance.

Property Owner Protests

During 2019, property owners and professional tax consultants filed 415,846 protests, resulting in an increase of 12 percent from the 2018 protest volume of 371,549. 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 2019 protest activity data has been updated through March 23, 2020.

The table below shows the protest activity for the last 10 years.

PROTEST ACTIVITY				
(Dollars in millions)				
<u>Year</u>	<u>Reappraisal</u>	<u>Accounts</u>	<u>Value of</u>	<u>Avg Percentage</u>
	<u>Year</u>	<u>Protested</u>	<u>Accounts</u>	<u>Reduction</u>
2010	Yes	322,238	\$186,744	8.20%
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%

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</u>	<u>Number of</u>	<u>Value of</u>	<u>Number</u>	<u>Value</u>
	<u>Lawsuits</u>	<u>Accounts</u>	<u>Accounts</u>	<u>Resolved</u>	<u>Loss %</u>
2010	2,195	5,433	\$17,720,051,500	5,416	11.10%
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%

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 2010) is summarized in the table below:

ARBITRATION VOLUME				
<u>Year</u>	<u>Number of</u>	<u>Dismissed/</u>		
	<u>Accounts</u>	<u>Determined</u>	<u>Withdrawn</u>	<u>Pending</u>
2010	397	397	29	0
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	7,373	7,370	3,702	3
2018	2,263	2,258	1,327	5
2019	3,543	2,548	1,980	995

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 2019, 76,255 agent protests and 70,288 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 6,179 property owners utilized this feature in 2019, and they uploaded a total of 19,640 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

Financial Information

The general fund's total fund balance was \$28,564,189 with an unassigned balance of \$15,114,230 at year-end, which is 31.37 percent below the district's financial policy recommendation for budgetary and planning purposes. Other assignments include \$3,028,551 for special projects, \$2,949,013 for future capital improvements of facilities, \$500,000 for the mobile field appraisal application project, and \$6,331,469 to operating reserve fund. The district maintains a limited risk management program for health benefits through a separate fund to account for the district's self-insurance activities and the accumulation of resources to satisfy potential claims of subsequent periods.

The district uses a detailed line item budget developed in a modified zero-based budgeting system. The emphasis of the budget process is to identify the activities requiring resources and to rank those administratively according to the needs of the 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 538 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 2019 expenditure budget of \$88,094,531 on July 18, 2018. This amount represented a \$2,532,444 increase over the 2018 budget. Taxing unit funding increased from \$85,562,087 in 2018 to \$88,094,531 for 2019, an increase of \$2,532,444.

Major Initiatives

The Harris County Appraisal District's residence homestead exemption mobile and web applications were developed in 2015 and was made available to property owners in December of 2015. They provide property owners the ability to submit residence homestead exemption application quickly and easily on their smartphones, tablets, or iPads, by providing images of the front and back of their driver's license. It also allows property owners to view the status of their applications once submitted. In 2016, enhancements were made to allow property owners to submit applications for an Over-65 exemption. The applications bring simple, convenient, easy, and secure electronic filing. During 2018, 17,463 property owners successfully utilized the process. In 2019, the number of successful submissions increased to 18,414.

In 2013, the district implemented an Owners website that allowed property owners to voluntarily elect to receive value and scheduling notices, as well as ARB hearing orders electronically, further reducing the costs of mailing communications between the district, the ARB, and the property owners. In 2018, more than 233,000 accounts were enrolled in the Owners website and over 261,000 in 2019. Over 25,000 accounts were serviced during 2018 using the new electronic document delivery options with over 33,000 in 2019.

In 2019, the district had several initiatives to improve the district's cybersecurity, network resiliency, and processing capabilities to better support district staff, as well as the public. Security improvement implemented in 2019 included firewall upgrades, enhanced virus protection rollout, and a vendor was selected for a comprehensive district-wide cybersecurity audit. Data center improvements included a new blade server system addition for the expansion of new GIS services and storage expansion including solid state storage technology for improved security and performance. Improvements also included the design and buildout of the new Toni Trumbull Training Center on the 6th floor.

The district also performed an internal assessment of the network infrastructure and design, identifying several areas for hardware refresh and optimization. A network typically includes devices such as switches, routers, firewalls, and wireless access points that provide interconnectivity to the computers, tablets, smartphones, printers, and other end-user peripherals. This infrastructure serves as the foundation to allow the district to operate and its employees to share, collaborate, and work efficiently. As the district grows, so does its network, expanding and developing across the infrastructure. The district's operations rely heavily on its network's performance, processes, reliability, and security. Based on the results of the assessment, the following initiatives were completed:

As computers age and as new generation software is installed on these aging systems, they require more resources to run properly. This begins to have an impact on overall computer performance and slows down other various

functions. On average computers have a life span of 5-7 years. A significant portion of the computers running in the district are 10 years old, with monitors even older, both with a high failure rate. The district was able to replace 256 of those computers with units configured utilizing up to date technology and systems.

VMware's software is a platform that allows for efficient use of hardware by leveraging virtual server technology which reduces hardware costs, improves server provisioning and deployment, improves disaster recovery, increases energy cost savings, and increases productivity. This technology allows users to create multiple virtual environments, or virtual computer systems, on a single physical server. This is especially useful for setting up multiple server systems without having to purchase and maintain separate hardware for each of them. The district utilized the standard version of VMware in its datacenter. Though the standard version provides some basic functionality, it lacks some critical capabilities of the Enterprise Plus version like Distributed Resource Scheduler (DRS), Distributed vSwitch, Proactive High Availability (HA), Data at rest encryption, and Auto deploy. In order to take advantage of the additional features, the district upgraded the VMware to Enterprise Plus version to improve the VMware environment. The Enterprise Plus version has several critical features that simplify administration and provide better resource control. In addition, it removes physical server hardware restrictions that still exist with the standard license.

When vendors announce end-of-life (EOL) or end-of-support (EOS) status for devices that are part of the district's data center infrastructure, the Information Technology Division must re-evaluate their equipment. This ensures that mission-critical systems can continue to run optimally. Additionally, maintaining the highest levels of infrastructure availability is critical. Relying on obsolete data center and infrastructure hardware can create multiple points of failure in the system architecture. Doing so also places the health and security of all connected equipment in significant danger and can compromise productivity and district's ability to serve its internal users and the public.

The district identified several access layer-switches that were at EOL or EOS. These switches were a single point of failure and were running an old code. Without support, there have been no updates, no bug fixes or patches for security vulnerabilities. The district subsequently replaced 75 percent of these switches with up-to-date units, with plans to replace the remainder in 2020.

Network storage is an important aspect of any organization's health and productivity. With a good storage management solution, organizations can maximize server's performance, simplify data management, back up data, and improve application security and availability. The district implemented a solution that allows us to migrate the district production environment to an all flash storage, freeing up, consolidating, and re-purposing the existing Dell storage as the backup target. All flash storage offers a number of advantages, including, but not limited to, 10 times or greater performance, greater storage density with smaller footprint, increased reliability, and lower power consumption.

In addition, this solution has seamless integration with district's backup solution and will improve the backup performance and allow for rapid and efficient recoveries.

The district has 150 printers and 38 Multi-Functional Units (MFUs) located through the building. These printers and MFUs are necessary to support the district's operations. They were of multiple models, and many were at their EOL. The Information Technology (IT) Division was historically responsible for managing these devices. Effective management of these, while trying to maintain quality, can become a drain on time and resources and can become very costly, therefore, the district transitioned this support to an outsourced model. The benefits of outsourcing include cost and time savings, industry expertise, accurate reporting and stock management, standardization, proactive management and service, as well as longer equipment life.

By outsourcing to an expert in printer management, the district's printing needs are met in a way that maximizes time savings and reduces cost. The district will be able to simplify its supply chain, save money, and delegate the responsibility, while allowing the IT resources to focus on next challenges and other aspects of the daily operations support.

In 2019, the district also expanded interlocal government collaboration via the execution of a county-wide Street Level Imaging and LIDAR contract to cost-share with Harris County departments, City of Houston, and METRO.

The district developed an automated method to extract structure images from the hosted Street Level imagery web site for each account to update CAMA structure images. Built database of account, photo capture year, camera location, structure or parcel centroid, and hosted URL for quick recall in software applications that need interactive access to street level imagery.

Upon the migration of the 1.4 million parcel map database into the new Esri Parcel Fabric, the district staff organized and formally documented the processes and procedures for maintaining parcels and training staff that use the new system.

The district launched the ArcGIS Portal initiative through the acquisition, configuration, and deployment of GIS servers and test environment. The system allows staff to share maps, scenes, apps, and other geographic information with other users within the district. The system is the foundation for the next generation of Esri ArcGIS Pro desktop and Parcel Fabric editing software.

The Harris County Appraisal District's outreach program educates property owners on assessment and taxation issues. In 2019, the district conducted 53 presentations to property owners and real estate professionals in communities and companies throughout Harris County. The district did 18 property tax workshops and 14 exemption workshops with the Harris County Tax Assessor-Collector's office to provide a complete picture of the tax 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.

Each year, the Houston Chronicle recognizes 150 companies and organizations in Houston as Top Workplaces. These companies are recognized based solely on surveys about the workplace completed by their employees. HCAD began participation in 2017. Among the 14,000 participating organizations, in 2019, HCAD again has been recognized as a Top Workplace in Houston for the third year in a row.

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Harris County Appraisal District for its comprehensive annual financial report (CAFR) for the fiscal year ended December 31, 2018. This was the thirty-second 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.

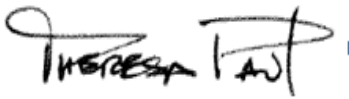
Respectfully submitted,



Roland Altinger
Chief Appraiser



Jason Cunningham
Deputy Chief Appraiser



Theresa Paul
Chief Financial Officer



Tracey Dang
Assistant Chief Financial Officer

HARRIS COUNTY APPRAISAL DISTRICT

APPRAISAL PROCESS

December 31, 2019

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, 2019



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, 2018

Christopher P. Morill

Executive Director/CEO

HARRIS COUNTY APPRAISAL DISTRICT

DISTRICT OFFICIALS

December 31, 2019

ANN HARRIS-BENNETT

Chairman

Ex-Officio Director

MIKE SULLIVAN

Secretary

GLENN PETERS

Assistant Secretary

AL ODOM

Member

JIM ROBINSON

Member

MARTINA LEMON DIXON

Member

ELIZABETH SANTOS

Member

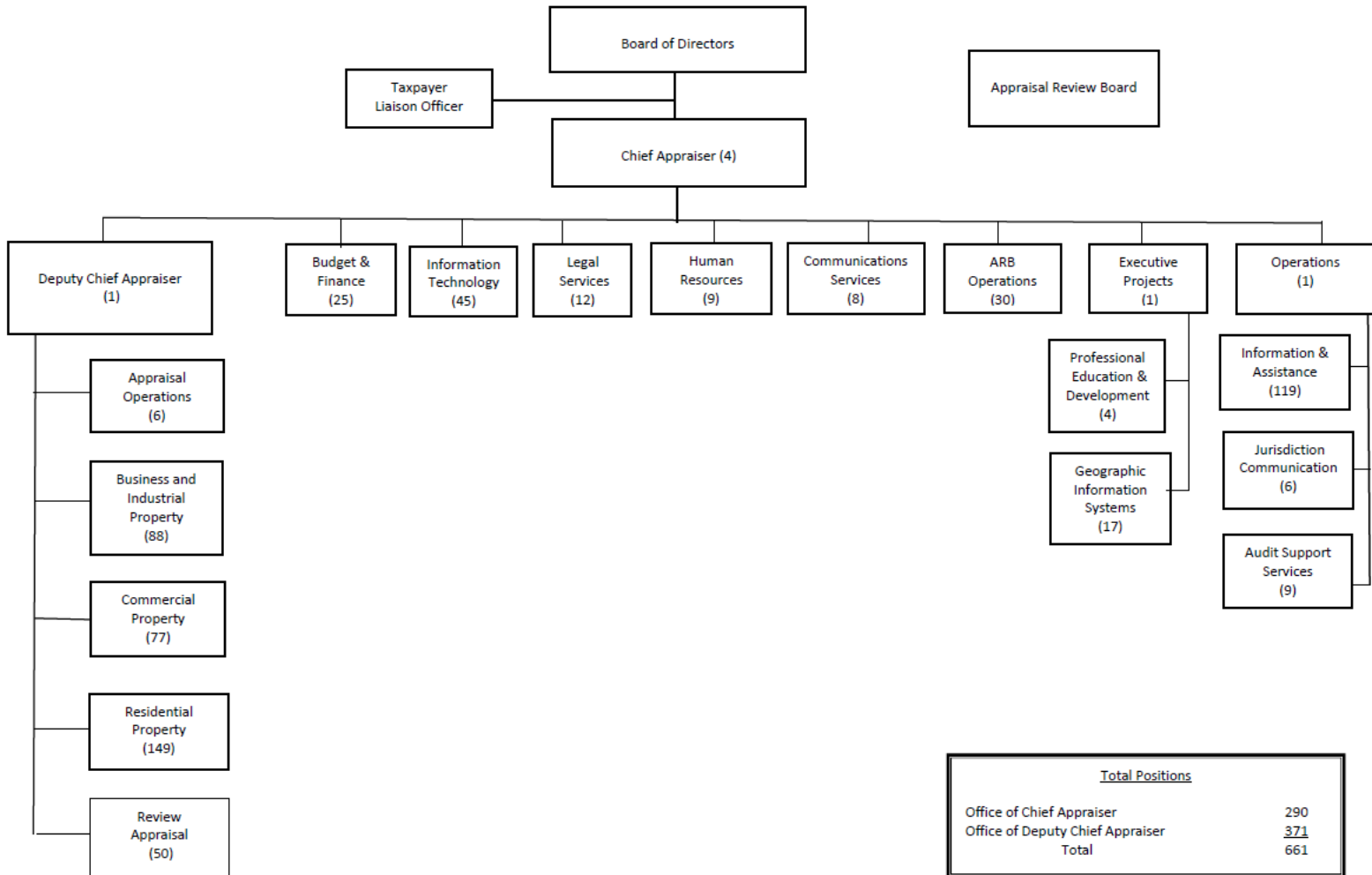
ROLAND ALTINGER

Chief Appraiser

HARRIS COUNTY APPRAISAL DISTRICT

PLAN OF ORGANIZATION

December 31, 2019



December 31, 2019



December 31, 2019



December 31, 2019



FINANCIAL SECTION



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, 2019, 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, 2019, 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.

The logo for Belt Harris Pechacek, LLP features the names 'Belt', 'Harris', and 'Pechacek' in a large, stylized, cursive script. The word 'Harris' is smaller and in a serif font, positioned between 'Belt' and 'Pechacek'. The suffix ', LLP' is in a smaller, plain serif font at the end.

Belt Harris Pechacek, LLP
Certified Public Accountants
Houston, Texas
June 3, 2020

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

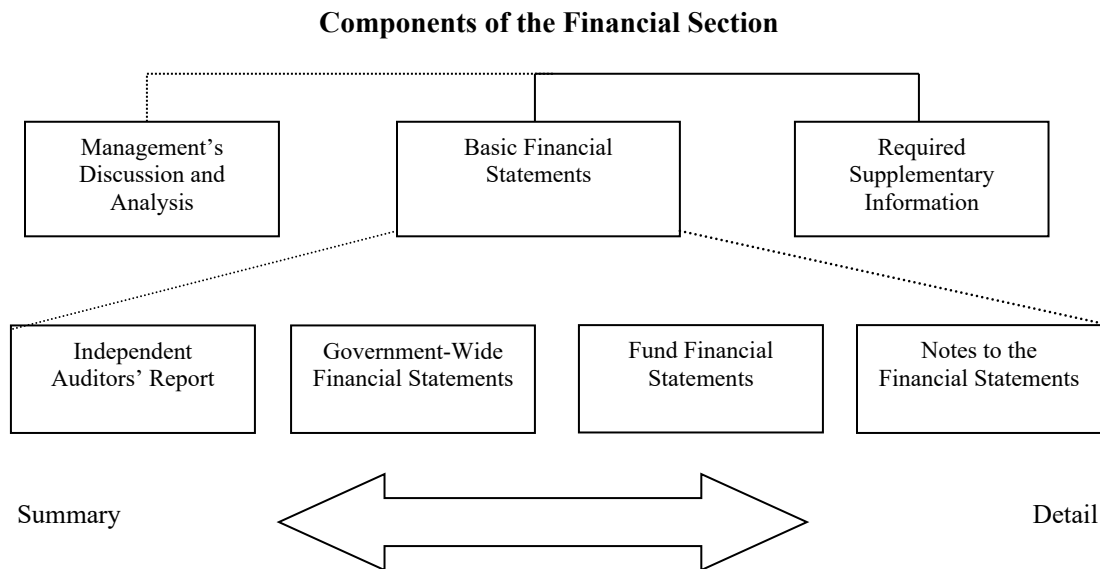
HARRIS COUNTY APPRAISAL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended December 31, 2019

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, 2019. 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, 2019

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, 2019

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 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 \$23,277,196 as of year end. This compares with \$21,568,238 from the prior year. A portion of the district's net position, 68 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, 2019

Statement of Net Position

The following table reflects the condensed Statement of Net Position:

	Governmental Activities		Percentage
	2019	2018	Change
Current and other assets	\$ 61,616,406	\$ 54,810,884	12%
Capital assets, net	23,664,769	23,887,375	-1%
Total Assets	85,281,175	78,698,259	8%
Deferred outflows - pensions	26,531,416	15,201,147	75%
Deferred outflows - OPEB	1,990,514	1,848,051	8%
Total Deferred Outflows of Resources	28,521,930	17,049,198	67%
Long-term liabilities	58,255,702	42,127,047	38%
Other liabilities	8,245,244	7,542,659	9%
Total Liabilities	66,500,946	49,669,706	34%
Deferred revenue - assessments	22,682,150	22,023,690	3%
Deferred inflows - pensions	420,959	2,485,823	-83%
Deferred inflows - OPEB	921,854	-	100%
Total Deferred Inflows of Resources	24,024,963	24,509,513	-2%
Net Position:			
Net investment in capital assets	15,714,000	14,851,497	6%
Unrestricted	7,563,196	6,716,741	13%
Total Net Position	\$ 23,277,196	\$ 21,568,238	8%

The district's unrestricted net position of \$7,563,196, or 32 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 \$1,708,958 during the current fiscal year. This primarily was a result of an increase in assessment revenue.

Assets increased \$6,582,916 due to an increase in cash primarily due to an increase in assessment revenue, investment revenue and stop loss payments. Liabilities increased \$16,831,240 largely due to an increase in the net pension liability and health insurance claims payable.

Deferred outflows of resources increased by \$11,472,732 and deferred inflows of resources decreased by \$484,550 compared to the prior year due to changes in the differences between projected and actual investment earnings related to the district's pension plan.

HARRIS COUNTY APPRAISAL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

For the Year Ended December 31, 2019

Statement of Activities

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

		Governmental Activities	
		2019	2018
Revenues			
Program revenues:			
Charges for services	\$	716,939	\$ 1,215,652
General revenues:			
Assessments		88,094,554	85,563,002
Investment income		1,008,721	712,637
Total Revenues		<u>89,820,214</u>	<u>87,491,291</u>
Expenses			
Office of Chief Appraiser and			
Board of Directors		13,167,448	14,165,593
Appraisal support		15,083,096	15,715,457
Appraisal		33,350,472	32,464,401
Information systems		9,179,781	8,055,552
Administration		8,514,141	7,782,316
Administration/building services		7,987,919	6,386,245
Interest on long-term debt		828,399	919,867
Total Expenses		<u>88,111,256</u>	<u>85,489,431</u>
Change in Net Position		1,708,958	2,001,860
Beginning net position		<u>21,568,238</u>	<u>19,566,378</u>
Ending Net Position	\$	<u><u>23,277,196</u></u>	<u><u>\$ 21,568,238</u></u>

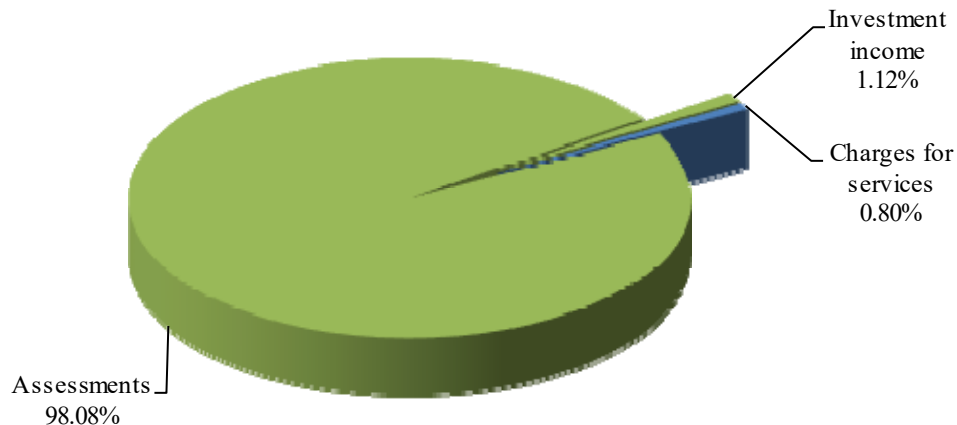
HARRIS COUNTY APPRAISAL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

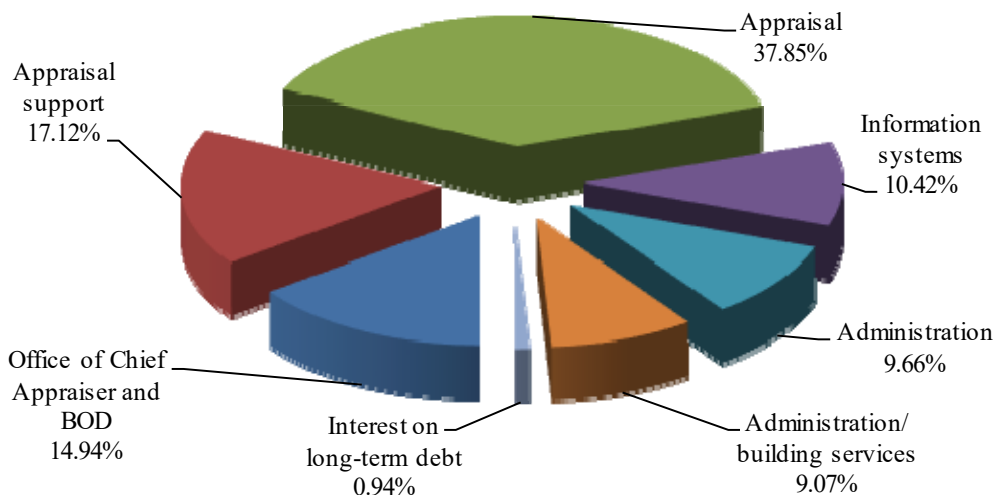
For the Year Ended December 31, 2019

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, 2019, revenues from governmental activities totaled \$89,820,214, which was an increase of \$2,328,923 or three 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 increased in comparison to 2018 by \$2,621,825 or three percent. This was primarily due to an increase in the information systems and administration/building services expenses as a result of an increase in computer equipment, computer software, furniture, and repairs.

HARRIS COUNTY APPRAISAL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

For the Year Ended December 31, 2019

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 \$28,564,189. Of this, \$640,926 is nonspendable, \$3,028,551 is assigned for special projects, \$2,949,013 is assigned for capital improvements, \$500,000 is assigned for the mobile field appraisal application project, \$6,331,469 is assigned for the operating reserve, and \$15,114,230 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 18 percent of total general fund expenditures, while total fund balance represents 33 percent of that same amount.

There was an increase in fund balance for the general fund of \$3,674,961. Revenues increased by \$2,272,618 mainly due to an increase in assessment revenue as a result of an increase in the district's budget. Expenditures increased \$3,303,441 largely due to an increase in computer equipment, computer software, furniture, and repairs.

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 \$2,034,995 primarily as a result of an increase in charges for services and a transfer in from the general fund.

GENERAL FUND BUDGETARY HIGHLIGHTS

Actual general fund revenues exceeded final budgeted revenues by \$1,778,596 during the year. This net positive variance is largely due to greater than expected other revenues from dealer declaration penalties, investment income, and rendition penalty fees. General fund expenditures were less than the final budget by \$2,100,038 as a result of the district's effort to keep expenditures at or below budget.

Significant variances between the original budget and final budget occurred for professional services in the Office of the Chief Appraiser and Board of Directors division and other expenditures in administrative services. The decrease of \$2,336,000 for professional services in the Office of the Chief Appraiser and Board of Directors was primarily due to less appraisal review board hearing legal expenses than originally budgeted. The increase of \$732,000 for other expenditures in administration services was primarily due to an increase in building maintenance and repairs.

CAPITAL ASSETS

At the end of the year, the district's governmental activities funds had invested \$23,664,769 (net of accumulated depreciation) in a variety of capital assets. During the year, the district added capital assets in computers and peripherals and vehicles and other.

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, 2019

LONG-TERM DEBT

At the end of the current year, the district had total long-term debt of \$12,046,620, in addition to accrued compensated absences of \$3,065,868, a net pension liability of \$28,709,887, and a total combined OPEB liability of \$18,624,317.

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The district's Board of Directors approved a \$90.7 million budget for the 2020 fiscal year. This was an increase of \$2.6 million or three percent over the 2019 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

HARRIS COUNTY APPRAISAL DISTRICT

STATEMENT OF NET POSITION

December 31, 2019

	Primary Government Governmental Activities
<u>Assets</u>	
Current assets	
Cash and cash equivalents	\$ 58,197,945
Investments	1,495,833
Receivables, net	1,281,702
Prepaid items	640,926
	<u>61,616,406</u>
Noncurrent assets	
Capital assets - nondepreciable	8,365,075
Capital assets - depreciable, net of accumulated depreciation	15,299,694
	<u>23,664,769</u>
Total Assets	<u>85,281,175</u>
<u>Deferred Outflows of Resources</u>	
Deferred outflows - pensions	26,531,416
Deferred outflows - OPEB GTLF	84,689
Deferred outflows - OPEB Retiree health	1,905,825
Total Deferred Outflows of Resources	<u>28,521,930</u>
<u>Liabilities</u>	
Current liabilities	
Accounts payable and accrued liabilities	4,054,254
Due within one year	4,190,990
	<u>8,245,244</u>
Noncurrent liabilities	
Due in more than one year	58,255,702
Total Liabilities	<u>66,500,946</u>
<u>Deferred Inflows of Resources</u>	
Deferred revenue - assessments	22,682,150
Deferred inflows - pensions	420,959
Deferred inflows - OPEB GTLF	121,035
Deferred inflows - OPEB Retiree health	800,819
Total Deferred Inflows of Resources	<u>24,024,963</u>
<u>Net Position</u>	
Net investment in capital assets	15,714,000
Unrestricted	7,563,196
Total Net Position	<u>\$ 23,277,196</u>

See Notes to Financial Statements.

HARRIS COUNTY APPRAISAL DISTRICT

STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2019

Functions/Programs	Expenses	Program Revenues Charges for Services	Net (Expense) Revenue and Change in Net Position
			Primary Governmental Activities
Primary Government			
Governmental Activities			
Office of Chief Appraiser and Board of Directors	\$ 13,167,448	\$ -	\$ (13,167,448)
Appraisal support	15,083,096	-	(15,083,096)
Appraisal	33,350,472	716,939	(32,633,533)
Information systems	9,179,781	-	(9,179,781)
Administration	8,514,141	-	(8,514,141)
Administration/building services	7,987,919	-	(7,987,919)
Interest on long-term debt	828,399	-	(828,399)
Total Governmental Activities	<u>\$ 88,111,256</u>	<u>\$ 716,939</u>	<u>(87,394,317)</u>
Total Primary Government	<u>\$ 88,111,256</u>	<u>\$ 716,939</u>	<u>(87,394,317)</u>
General Revenues:			
	Assessments		88,094,554
	Investment income		1,008,721
	Total General Revenues		<u>89,103,275</u>
	Change in Net Position		<u>1,708,958</u>
	Beginning net position		21,568,238
	Ending Net Position		<u>\$ 23,277,196</u>

See Notes to Financial Statements.

HARRIS COUNTY APPRAISAL DISTRICT

BALANCE SHEET

GOVERNMENTAL FUND

December 31, 2019

	<u>General</u>
<u>Assets</u>	
Cash and cash equivalents	\$ 51,466,292
Investments	1,495,833
Receivables, net	982,711
Prepaid items	640,926
Total Assets	\$ 54,585,762
<u>Liabilities</u>	
Accounts payable and accrued liabilities	\$ 2,794,898
Total Liabilities	2,794,898
<u>Deferred Inflows of Resources</u>	
Unavailable revenue - assessments	22,682,150
Unavailable revenue - rendition penalty	544,525
Total Deferred Inflows of Resources	23,226,675
<u>Fund Balance</u>	
Nonspendable:	
Prepaid items	640,926
Assigned for:	
Special projects	3,028,551
Capital improvements	2,949,013
Mobile field appraisal application project	500,000
Operating reserve	6,331,469
Unassigned	15,114,230
Total Fund Balance	28,564,189
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	\$ 54,585,762

HARRIS COUNTY APPRAISAL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET
TO THE STATEMENT OF NET POSITION
December 31, 2019

Total fund balance for the governmental fund	\$ 28,564,189
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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	544,525
-------------------	---------

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	15,299,694
---	------------

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	26,531,416
------------------------------	------------

Deferred inflows - pensions	(420,959)
-----------------------------	-----------

Deferred outflows - OPEB GTLF	84,689
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Deferred inflows - OPEB GTLF	(121,035)
------------------------------	-----------

Deferred outflows - OPEB Retiree health	1,905,825
---	-----------

Deferred inflows - OPEB Retiree health	(800,819)
--	-----------

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.

	5,771,288
--	-----------

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

Noncurrent liabilities due within one year	(4,190,990)
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Noncurrent liabilities due in more than one year	(58,255,702)
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Net Position of Governmental Activities	\$ 23,277,196
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See Notes to Financial Statements.

HARRIS COUNTY APPRAISAL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUND
For the Year Ended December 31, 2019

	<u>General</u>
<u>Revenues</u>	
Assessments	\$ 88,094,554
Investment income, net	961,925
Other revenue	535,070
Rendition penalty fee	281,578
Total Revenues	<u>89,873,127</u>
<u>Expenditures</u>	
Current:	
Office of Chief Appraiser and Board of Directors	13,181,522
Appraisal support	14,358,192
Appraisal	31,814,658
Information systems	8,677,941
Administration	8,100,378
Administration/building services	6,193,911
Capital outlay	899,061
Debt service:	
Principal	1,644,104
Interest and fiscal charges	828,399
Total Expenditures	<u>85,698,166</u>
Excess of Revenues Over Expenditures	4,174,961
<u>Other Financing Sources (Uses)</u>	
Transfers (out)	<u>(500,000)</u>
Net Change in Fund Balance	3,674,961
Beginning fund balance	24,889,228
Ending Fund Balance	<u><u>\$ 28,564,189</u></u>

See Notes to Financial Statements.

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, 2019

Net change in fund balance - governmental fund	\$ 3,674,961
--	--------------

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	296,672
Depreciation expense	(519,278)

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	(99,709)
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Changes in pension and other postemployment benefits (OPEB) activity do not affect the fund balance on the statement of revenues, expenditures, and changes in fund balance for the governmental fund. These changes in pension and OPEB activity that affect the district's net position are as follows:

Change in net pension liability	(17,942,803)
Change in total OPEB liability	93,747
Change in deferred outflows - pensions	11,330,269
Change in deferred inflows - pensions	2,064,864
Change in deferred outflows - OPEB GTLF	8,862
Change in deferred inflows - OPEB GTLF	(121,035)
Change in deferred outflows - OPEB Retiree health	133,601
Change in deferred inflows - OPEB Retiree health	(800,819)

The issuance of long-term debt (e.g., leases, notes payable)

provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of 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	1,644,104
Change in accrued compensated absences	(89,473)

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.	2,034,995
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Change in Net Position of Governmental Activities	\$ 1,708,958
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See Notes to Financial Statements.

HARRIS COUNTY APPRAISAL DISTRICT

STATEMENT OF NET POSITION

PROPRIETARY FUND

December 31, 2019

		Governmental Activities
		Internal Service
<u>Assets</u>		
Current assets:		
Cash and cash equivalents	\$	6,731,653
Receivables, net		298,991
Total Assets		7,030,644
<u>Liabilities</u>		
Current liabilities:		
Estimated claims payable		1,259,356
Total Liabilities		1,259,356
<u>Net Position</u>		
Unrestricted		5,771,288
Total Net Position	\$	5,771,288

See Notes to Financial Statements.

HARRIS COUNTY APPRAISAL DISTRICT

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION

PROPRIETARY FUND

For the Year Ended December 31, 2019

	<u>Governmental Activities Internal Service</u>
<u>Operating Revenues</u>	
Charges for services	\$ 8,986,446
Claim refunds and other	1,761,583
Total Operating Revenues	<u>10,748,029</u>
<u>Operating Expenses</u>	
Insurance claims	6,667,267
Prescription claims	2,164,232
Dental claims	428,331
Total Operating Expenses	<u>9,259,830</u>
Operating Income	<u>1,488,199</u>
<u>Nonoperating Revenues</u>	
Interest income	46,796
Total Nonoperating Revenues	<u>46,796</u>
Income Before Transfers	1,534,995
<u>Transfers</u>	
Transfers in	<u>500,000</u>
Change in Net Position	2,034,995
Beginning net position	<u>3,736,293</u>
Ending Net Position	<u><u>\$ 5,771,288</u></u>

See Notes to Financial Statements.

HARRIS COUNTY APPRAISAL DISTRICT

STATEMENT OF CASH FLOWS

PROPRIETARY FUND

For the Year Ended December 31, 2019

	Governmental Activities
	Internal Service
<u>Cash Flows from Operating Activities</u>	
Proceeds from charges for services	\$ 11,146,888
Claims paid	(8,903,697)
Net Cash Provided by Operating Activities	2,243,191
<u>Cash Flows from Noncapital and Related Financing Activities</u>	
Transfers in	500,000
Net Cash Provided by Noncapital and Related Financing Activities	500,000
<u>Cash Flows from Investing Activities</u>	
Interest income	46,796
Net Cash Provided by Investing Activities	46,796
Net Increase in Cash and Cash Equivalents	2,789,987
Beginning cash and cash equivalents	3,941,666
Ending Cash and Cash Equivalents	\$ 6,731,653
Reconciliation of Operating Income to Net Cash Provided by Operating Activities	
Operating income	\$ 1,488,199
Adjustments to reconcile operating income to net cash provided by operating activities:	
Decrease in accounts receivable	398,859
Increase in estimated claims payable	356,133
Net Cash Provided by Operating Activities	\$ 2,243,191

See Notes to Financial Statements.

HARRIS COUNTY APPRAISAL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended December 31, 2019

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. 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, 2019

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, 2019

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 statewide investment pools (TexPool), 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 of Texas 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, 2019

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, 2019

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, 2019

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, 2019

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, 2019

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, 2019 was legally enacted through passage of Board resolution 2018-01 on July 18, 2018.

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 2019.

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, 2019 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, 2019

III. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS

A. Deposits and Investments

As of December 31, 2019, the district had the following investments:

<u>Investment Type</u>	<u>Value</u>	<u>Weighted Average Maturity (Years)</u>
U.S. Obligations	\$ 1,495,833	0.44
Statewide investment pool (TexPool)	46,007,112	0.00
Total Value	\$ 47,502,945	
Portfolio weighted average maturity		0.02

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, 2019

As of December 31, 2019, the district had the following recurring fair value measurements:

	December 31, 2019	Fair Value Measurements Using Significant Other Observable Inputs (Level 2)
Investments by Fair Value Level		
U.S Obligations	\$ 1,495,833	\$ 1,495,833

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, 2019, 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 market value of at least 100 percent. As of December 31, 2019, the district's bank balances were under collateralized by \$1,506,915 due to deposits made on December 31, 2019. However, as of January 2, 2020 collateral was sufficiently adjusted to cover 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 of Texas as trustee, segregated from all other trustees, investments, and activities of the trust company. The State Comptroller of Public Accounts exercises oversight responsibility over TexPool. Oversight includes the ability to significantly influence operations, designation of management, and accountability for fiscal matters. Additionally, the State Comptroller has established an advisory board composed of both participants in TexPool and other persons who do not have a business relationship with TexPool. The advisory board members review the investment policy and management fee structure. Finally, Standard & Poor's 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,

HARRIS COUNTY APPRAISAL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the Year Ended December 31, 2019

and weighted average lives of 120 days or less. Investments held are highly rated by nationally 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	\$	408,500
Rendition penalty		1,761,646
Accounts receivable		29,686
Less allowance		(1,217,121)
	\$	<u>982,711</u>

C. Capital Assets

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

	Beginning Balance	Additions	Deletions/ Reclassifications	Ending Balance
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 2,335,000	\$ -	\$ -	\$ 2,335,000
GIS database	6,030,075	-	-	6,030,075
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	622,036	-	(16,462)	605,574
Computers and peripherals	4,661,488	261,968	(35,490)	4,887,966
Vehicles and other	136,492	34,704	(40,920)	130,276
Total capital assets being depreciated	<u>25,541,151</u>	<u>296,672</u>	<u>(92,872)</u>	<u>25,744,951</u>
Less accumulated depreciation:				
Building	(4,784,026)	(426,031)	-	(5,210,057)
Furniture and equipment	(622,037)	-	16,462	(605,575)
Computers and peripherals	(4,476,295)	(87,791)	35,490	(4,528,596)
Vehicles and other	(136,493)	(5,456)	40,920	(101,029)
Total accumulated depreciation	<u>(10,018,851)</u>	<u>(519,278)</u>	<u>92,872</u>	<u>(10,445,257)</u>
Total capital assets being depreciated, net	<u>15,522,300</u>	<u>(222,606)</u>	<u>-</u>	<u>15,299,694</u>
Governmental Activities Capital Assets, Net	<u>\$ 23,887,375</u>	<u>\$ (222,606)</u>	<u>\$ -</u>	<u>23,664,769</u>
			Less associated debt	(7,950,769)
		Net Investment in Capital Assets		<u>\$ 15,714,000</u>

HARRIS COUNTY APPRAISAL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the Year Ended December 31, 2019

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

Governmental Activities:

Office of Chief Appraiser and Board of Directors	\$	3,220
Appraisal support		10,489
Appraisal		18,331
Information systems		285,603
Administration		104,323
Administration/ building services		97,313
Total Governmental Activities Depreciation Expense	\$	519,278

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, 2019

Future combined minimum capital lease payments for this lease as of December 31, 2019 are as follows:

Year Ending Dec. 31	Capital Leases					
	\$21 M		\$7.5 M		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2020	\$ 1,266,833	\$ 507,130	\$ 471,463	\$ 213,400	\$ 1,738,296	\$ 720,530
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>\$ 8,676,364</u>	<u>\$ 1,735,640</u>	<u>\$ 3,370,256</u>	<u>\$ 738,921</u>	<u>\$ 12,046,620</u>	<u>\$ 2,474,561</u>

Capital assets acquired under capital lease obligations and the accumulated depreciation as December 31, 2019 are as follows:

Land	\$ 2,335,000
Building	16,602,032
Less accumulated depreciation	<u>(4,980,610)</u>
Total	<u>\$ 13,956,422</u>

HARRIS COUNTY APPRAISAL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the Year Ended December 31, 2019

E. Long-Term Debt

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

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due within One Year</u>
Governmental Activities					
Notes and other payables:					
Capital leases	\$ 13,690,724	\$ -	\$ 1,644,104	\$ 12,046,620	* \$ 1,738,296
Other liabilities:					
Net pension liability	10,767,084	17,942,803	-	28,709,887	-
Total OPEB liability - GTLF	1,187,424	-	69,636	1,117,788	-
Total OPEB liability - Retiree health	17,530,640	-	24,111	17,506,529	-
Compensated absences	2,976,395	1,931,302	1,841,829	3,065,868	2,452,694
Total Governmental Activities	<u>\$ 46,152,267</u>	<u>\$ 19,874,105</u>	<u>\$ 3,579,680</u>	<u>\$ 62,446,692</u>	<u>\$ 4,190,990</u>
Long-term debt due in more than one year				<u>\$ 58,255,702</u>	
* Capital leases				\$ 12,046,620	
Lease portion expended on noncapital costs				(4,095,851)	
Debt associated with capital assets				<u>\$ 7,950,769</u>	

F. Commitments

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

General fund \$ 3,028,551

G. Interfund Transfers

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

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
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, 2019

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 \$100,000. The district is limited to the total aggregate stop-loss coverage of approximately \$7,365,421.

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

	2019	2018
Beginning claims payable	\$ 903,223	\$ 676,043
Claims incurred	9,615,963	9,722,127
Claims paid	(9,259,830)	(9,494,947)
Ending Claims Payable	\$ 1,259,356	\$ 903,223

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 2019, the actual amount paid was \$363,900.

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, 2019

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 \$7,365,421.

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 2019.

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 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.

HARRIS COUNTY APPRAISAL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the Year Ended December 31, 2019

The Board adopted the rate of seven percent as the contributed rate payable by the employee members for calendar year 2019. 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, 2018 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	296
Inactive employees entitled to, but not yet receiving, benefits	342
Active employees	593
Total	1,231

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 contribution rates for the district were 14.69 percent and 15.29 percent in calendar years 2019 and 2018, respectively. The district's contributions to TCDRS for the fiscal year ended December 31, 2019 were \$7,716,301, which were in excess of the required contributions.

Net Pension Liability

The district's Net Pension Liability (NPL) was measured as of December 31, 2018 and the Total Pension Liability (TPL) used to calculate the NPL was determined by an actuarial valuation as of that date.

Actuarial Assumptions

The actuarial assumptions that determined the TPL as of December 31, 2018 were based on the results of an actuarial experience study for the period January 1, 2013 through December 31, 2016,

HARRIS COUNTY APPRAISAL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the Year Ended December 31, 2019

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, 2018 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:

Asset Class	Benchmark	Target Allocation	Geometric Real Rate of Return (Expected minus Inflation)
US Equities	Dow Jones U.S. Total Stock Market Index	10.50%	5.40%
Private Equity	Cambridge Associates Global Private Equity & Venture Capital Index	18.00%	8.40%
Global Equities	MSCI World (net) Index	2.50%	5.70%
International Equities - Developed	MSCI World Ex USA (net)	10.00%	5.40%
International Equities - Emerging	MSCI Emerging Markets Index (net)	7.00%	5.90%
Investment-Grade Bonds	Bloomberg Barclays U.S. Aggregate Bond Index	3.00%	1.60%
Strategic Credit	FTSE High-Yield Cash-Pay Capped Index	12.00%	4.39%
Direct Lending	S&P/LSTA Leveraged Loan Index	11.00%	7.95%
Distressed Debt	Cambridge Associates Distressed Securities Index	2.00%	7.20%
REIT Equities	67% FTSE NAREIT Equity REITs Index + 33% S&P Global REIT Index (net)	2.00%	4.15%
Master Limited Partnerships (MLP)	Alerian MLP Index	3.00%	5.35%
Private Real Estate Partnerships	Cambridge Associates Real Estate Index	6.00%	6.30%
Hedge Funds	Hedge Fund Research, Inc. (HFRI) Fund of Funds Composite Index	13.00%	3.90%

HARRIS COUNTY APPRAISAL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the Year Ended December 31, 2019

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	\$	5,467,300	\$ -	\$ 5,467,300
Interest		18,311,619	-	18,311,619
Difference between expected and actual experience		185,499	-	185,499
Contributions - employer		-	7,601,849	(7,601,849)
Contributions - employee		-	2,564,616	(2,564,616)
Net investment income		-	(4,000,233)	4,000,233
Refund of contributions		(244,266)	(244,266)	-
Benefit payments, including refunds of employee contributions		(9,833,367)	(9,833,367)	-
Administrative expense		-	(169,251)	169,251
Other changes		-	24,634	(24,634)
Net changes		13,886,785	(4,056,018)	17,942,803
Balance at December 31, 2017		225,542,790	214,775,706	10,767,084
Balance at December 31, 2018	\$	239,429,575	\$ 210,719,688	\$ 28,709,887

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	\$ 59,555,094	\$ 28,709,887	\$ 2,727,545

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, 2019

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

For the year ended December 31, 2019, the district recognized pension expense of \$12,263,972.

At December 31, 2019, the district reported deferred outflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 3,754,389	\$ 420,959
Changes in actuarial assumptions	1,461,490	-
Net difference between projected and actual investment earnings	13,599,236	-
Contributions subsequent to the measurement date	7,716,301	-
Total	\$ 26,531,416	\$ 420,959

\$7,716,301 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, 2020. Other amounts reported as deferred outflows/inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31:	Pension Expense
2020	\$ 7,816,574
2021	4,185,011
2022	1,946,084
2023	4,446,487
Total	\$ 18,394,156

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, 2019

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, 2018 is summarized below:

Inactive employees or beneficiaries currently receiving benefits	255
Inactive employees entitled to, but not yet receiving, benefits	116
Active employees	593
Total	964

Total OPEB Liability

The district's total OPEB liability of \$1,117,788 was measured as of December 31, 2018 and was determined by an actuarial valuation as of that date.

Actuarial Assumptions and Other Inputs

The total OPEB liability in the December 31, 2018 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*	4.10%
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, 2018.

The actuarial assumptions used in the December 31, 2018 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, 2019

Changes in the Total OPEB Liability

	<u>Increase (Decrease)</u> <u>Total OPEB Liability</u>
Changes for the year:	
Service cost	\$ 36,061
Interest	41,651
Difference between expected and actual experience	19,506
Changes in assumptions	(141,208)
Other changes	(25,646)
Net changes	(69,636)
Balance at December 31, 2017	1,187,424
Balance at December 31, 2018	<u>\$ 1,117,788</u>

The discount rate changed from 3.44% to 4.10%. New assumptions adopted are based on the January 1, 2013 through December 31, 2016 Investigation of Experience.

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 (3.10%)	Discount Rate (4.10%)	1% Increase in Discount Rate (5.10%)
Total OPEB Liability	<u>\$ 1,341,970</u>	<u>\$ 1,117,788</u>	<u>\$ 944,513</u>

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

For the year ended December 31, 2019, the district recognized OPEB expense of \$68,690. 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	\$ 19,017	\$ -
Changes in actuarial assumptions	39,519	121,035
Contributions subsequent to the measurement date	26,153	-
Total	<u>\$ 84,689</u>	<u>\$ 121,035</u>

\$26,153 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, 2019

the fiscal year ending December 31, 2020. 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
2020	\$ (9,022)
2021	(9,022)
2022	(9,022)
2023	(9,022)
2024	(9,025)
Thereafter	(17,386)
Total	\$ (62,499)

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, 2019

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, 2018 is summarized below:

Inactive employees or beneficiaries currently receiving benefits	78
Active employees	601
Total	679

Total OPEB Liability

The district's total OPEB liability of \$17,506,529 was measured as of December 31, 2018 and was determined by an actuarial valuation as of December 31, 2017.

Actuarial Assumptions and Other Inputs

The total OPEB liability in the December 31, 2017 actuarial valuation, rolled forward to a measurement date as of December 31, 2018, 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	3.71%*
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 7.50% declining to an ultimate rate of 5.25% after 11 years; Pre-65 ultimate trend rate includes a 1.00% adjustment for the excise tax; Pre-65 initial rate of 6.50% declining to an ultimate rate of 4.25% after 15 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, 2018.

HARRIS COUNTY APPRAISAL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the Year Ended December 31, 2019

Changes in the Total OPEB Liability

	Increase (Decrease)
	Total OPEB Liability
Changes for the year:	
Service cost	\$ 1,004,689
Interest	583,122
Difference between expected and actual experience	116,814
Changes in assumptions	(896,719)
Other changes	(832,017)
Net changes	(24,111)
Balance at December 31, 2017	17,530,640
Balance at December 31, 2018	\$ 17,506,529

Changes of assumptions reflect a change in the discount rate from 3.31% as of December 31, 2017 to 3.71% as of December 31, 2018.

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 (2.71%)	Discount Rate (3.71%)	1% Increase in Discount Rate (4.71%)
Total OPEB Liability	\$ 19,876,002	\$ 17,506,529	\$ 15,522,353

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	\$ 14,816,205	\$ 17,506,529	\$ 20,926,947

HARRIS COUNTY APPRAISAL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the Year Ended December 31, 2019

OPEB Expense and Deferred Outflows/Inflows of Resources

For the fiscal year ended December 31, 2019, the district recognized OPEB expense of \$1,616,996. 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	\$ 104,321	\$ -
Changes in actuarial assumptions	827,615	800,819
Contributions subsequent to the measurement date	973,889	-
Total	\$ 1,905,825	\$ 800,819

\$973,889 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, 2020.

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
2020	\$ 29,185
2021	29,185
2022	29,185
2023	29,185
2024	29,185
Thereafter	(14,808)
Total	\$ 131,117

3. Aggregate Total OPEB Expenses

The district recognized aggregate total OPEB liability of \$18,624,317, deferred outflows of \$1,990,514, deferred inflows of \$921,854, and OPEB expense of \$1,685,686 during the fiscal year ending December 31, 2019 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, 2019
With Comparative Totals for the Year Ended December 31, 2018

	2019				2018
	Budgeted Amounts			Variance Final Budget Positive (Negative)	
	Original Budget	Final Budget	Actual (Budget Basis)		Actual (Budget Basis)
Revenues					
Assessments	\$ 88,094,531	\$ 88,094,531	\$ 88,094,554	\$ 23	\$ 85,563,002
Investment income, net	-	-	961,925	961,925	673,462
Other revenue	-	-	535,070	535,070	910,371
Rendition penalty fee	-	-	281,578	281,578	453,674
Total Revenues	88,094,531	88,094,531	89,873,127	1,778,596	87,600,509
Expenditures					
Current:					
Office of Chief Appraiser and Board of Directors (OCA and BOD)					
Personnel	1,445,886	1,594,136	1,523,535	70,601	1,484,767
Appraisal review board	2,781,000	2,761,000	2,757,647	3,353	2,575,119
Professional services	11,593,967	9,257,967	8,793,677	464,290	9,781,677
Office supplies and printing	14,000	8,500	8,223	277	8,712
Other	82,200	112,200	98,705	13,495	102,940
Total OCA and BOD	15,917,053	13,733,803	13,181,787	552,016	13,953,215
Appraisal Support					
Personnel	12,911,117	12,910,017	12,649,507	260,510	12,409,248
Professional services	372,650	373,250	372,510	740	810,100
Office supplies and printing	78,487	68,887	53,968	14,919	55,054
Data processing	1,509,600	1,222,600	1,221,775	825	1,450,322
Other	105,125	80,625	59,993	20,632	57,171
Total Appraisal Support	14,976,979	14,655,379	14,357,753	297,626	14,781,895
Appraisal					
Personnel	30,316,531	30,266,112	29,848,421	417,691	28,906,726
Professional services	1,609,564	1,581,564	1,561,672	19,892	1,477,345
Office supplies and printing	321,559	353,059	318,903	34,156	260,946
Other	121,574	113,743	85,662	28,081	69,278
Total Appraisal	32,369,228	32,314,478	31,814,658	499,820	30,714,295
Information Systems					
Personnel	5,074,496	4,945,496	4,854,583	90,913	4,711,790
Professional services	1,124,000	1,225,000	1,200,978	24,022	67,603
Office supplies and printing	230,097	182,097	169,728	12,369	119,401
Data processing	3,147,687	3,647,687	3,531,727	115,960	2,614,227
Other	43,500	94,500	40,550	53,950	44,196
Total Information Systems	9,619,780	10,094,780	9,797,566	297,214	7,557,217
Administration					
Personnel	5,554,808	5,673,008	5,489,427	183,581	5,277,825
Professional services	99,025	139,025	82,227	56,798	93,571
Office supplies and printing	78,438	121,938	104,452	17,486	74,903
Other	2,113,184	2,586,184	2,406,261	179,923	2,004,637
Total Administration	7,845,455	8,520,155	8,082,367	437,788	7,450,936

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, 2019
With Comparative Totals for the Year Ended December 31, 2018

	2019				2018
	Budgeted Amounts		Actual (Budget Basis)	Variance Final Budget Positive (Negative)	Actual (Budget Basis)
	Original Budget	Final Budget			
Expenditures					
Administration Services					
Personnel	\$ 1,886,153	\$ 2,101,053	\$ 2,091,733	\$ 9,320	\$ 2,090,232
Professional services	169,000	172,000	171,789	211	160,477
Office supplies and printing	150,550	196,550	155,902	40,648	157,050
Rent and utilities	502,000	355,234	346,174	9,060	457,650
Other	2,110,830	2,842,830	2,887,052	(44,222)	3,031,279
Total Administration Services	<u>4,818,533</u>	<u>5,667,667</u>	<u>5,652,650</u>	<u>15,017</u>	<u>5,896,688</u>
Debt Service:					
Principal retirement and interest charges	2,472,503	2,472,503	2,472,503	-	2,474,962
Capital Outlay	75,000	635,766	635,209	557	124,435
Total Expenditures	<u>88,094,531</u>	<u>88,094,531</u>	<u>85,994,493</u>	<u>2,100,038</u>	<u>82,953,643</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	3,878,634	<u>\$ 3,878,634</u>	<u>\$ 4,646,866</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	3,028,551
Encumbrances at the beginning of the year that were incurred	(2,129,834)

Perspective differences:

Capital outlay paid from the capital reserve	(602,390)
Transfers to internal service fund	<u>(500,000)</u>

Net Change in Fund Balance \$ 3,674,961

HARRIS COUNTY APPRAISAL DISTRICT
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
TEXAS COUNTY AND DISTRICT RETIREMENT SYSTEM
December 31, 2019

	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	\$ 170,869,697	\$ 194,972,412	\$ 208,993,923	\$ 225,542,790
Plan Fiduciary Net Position				
Contributions - employer	\$ 5,038,460	\$ 5,912,571	\$ 6,193,489	\$ 7,316,029
Contributions - employee	2,194,012	2,333,110	2,405,154	2,502,926
Net investment income	10,845,397	(2,102,745)	12,816,220	27,311,265
Benefit payments, including refunds of employee contributions	(5,858,003)	(6,947,254)	(7,836,659)	(9,264,496)
Administrative expense	(129,244)	(125,003)	(139,420)	(142,833)
Other	426,166	105,965	615,454	5,678
Net Change in Plan Fiduciary Net Position	12,516,788	(823,356)	14,054,238	27,728,569
Beginning plan fiduciary net position	161,299,467	173,816,255	172,992,899	187,047,137
Ending Plan Fiduciary Net Position	\$ 173,816,255	\$ 172,992,899	\$ 187,047,137	\$ 214,775,706
Net Pension Liability / (Asset)	\$ (2,946,558)	\$ 21,979,513	\$ 21,946,786	\$ 10,767,084
Plan Fiduciary Net Position as a Percentage of Total Pension Liability / (Asset)	101.72%	88.73%	89.50%	95.23%
Covered Payroll	\$ 31,343,022	\$ 33,330,139	\$ 34,359,355	\$ 35,756,082
Net Pension Liability / (Asset) as a Percentage of Covered Payroll	(9.40%)	65.94%	63.87%	30.11%

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

Measurement
Year*
2018
\$ 5,467,300
18,311,619
-
185,499
-
(10,077,633)
13,886,785
225,542,790
\$ 239,429,575

\$ 7,601,849
2,564,616
(4,000,233)
(10,077,633)
(169,251)
24,634
(4,056,018)
214,775,706
\$ 210,719,688
\$ 28,709,887

88.01%

\$ 36,637,339

78.36%

HARRIS COUNTY APPRAISAL DISTRICT
SCHEDULE OF CONTRIBUTIONS
TEXAS COUNTY AND DISTRICT RETIREMENT SYSTEM
December 31, 2019

	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 six years of information are currently available. The district will build this schedule over the next four-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	12.3 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 in the Schedule. 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.

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

Fiscal Year*	
2018	2019
\$ 5,601,849	\$ 5,488,397
7,601,849	7,716,301
<u>\$ (2,000,000)</u>	<u>\$ (2,227,904)</u>
\$ 36,637,339	\$ 37,361,453
20.75%	20.65%

HARRIS COUNTY APPRAISAL DISTRICT
SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS
TEXAS COUNTY AND DISTRICT RETIREMENT SYSTEM
December 31, 2019

	Measurement Year*	
	2017	2018
Total OPEB Liability		
Service cost	\$ 33,764	\$ 36,061
Interest (on the total OPEB liability)	41,577	41,651
Difference between expected and actual experience	3,218	19,506
Change of assumptions	55,327	(141,208)
Benefit payments**	(25,029)	(25,646)
Net Change in Total OPEB Liability	108,857	(69,636)
Beginning total OPEB liability	1,078,567	1,187,424
Ending Total OPEB Liability	\$ 1,187,424	\$ 1,117,788
Covered Payroll	\$ 35,756,082	\$ 36,637,339
Total OPEB Liability as a Percentage of Covered Payroll	3.32%	3.05%

* Only two years of information are currently available. The district will build this schedule over the next eight-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	4.10%
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, 2018.

There were no benefit changes during the year.

HARRIS COUNTY APPRAISAL DISTRICT
SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS
RETIREE HEALTHCARE BENEFITS
December 31, 2019

	Measurement Year*	
	2017	2018
Total OPEB Liability		
Service cost	\$ 874,556	\$ 1,004,689
Interest (on the total OPEB liability)	600,197	583,122
Changes of benefit terms	-	-
Difference between expected and actual experience	-	116,814
Change of assumptions	1,052,799	(896,719)
Benefit payments	(625,662)	(832,017)
Net Change in Total OPEB Liability	1,901,890	(24,111)
Beginning total OPEB liability	15,628,750	17,530,640
Ending Total OPEB Liability	\$ 17,530,640	\$ 17,506,529
Covered Payroll	\$ 34,029,405	\$ 36,637,373
Total OPEB Liability as a Percentage of Covered Payroll	51.52%	47.78%

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

Notes to Required Supplementary Information:

Changes of Assumptions

Changes of assumptions reflect a change in the discount rate from 3.31% as of December 31, 2017 to 3.71% as of December 31, 2018.

Changes in Benefits

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

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, 2019

		2019			Variance
		Budgeted Amounts		Actual	Final Budget
		Original	Final	(Budget Basis)	Positive
		Budget	Budget		(Negative)
Revenues					
Assessments	\$	88,094,531	\$ 88,094,531	\$ 88,094,554	\$ 23
Investment income, net		-	-	961,925	961,925
Other revenue		-	-	535,070	535,070
Rendition penalty fee		-	-	281,578	281,578
Total Revenues		88,094,531	88,094,531	89,873,127	1,778,596
Expenditures					
Current:					
Salaries, Wages, and Related					
Net salaries and wages		38,227,208	37,354,689	37,121,002	233,687
ARB board members		2,781,000	2,761,000	2,757,647	3,353
Shift differential		16,000	371,000	358,844	12,156
Overtime		644,510	249,029	211,465	37,564
Part-time and seasonal wages		433,046	373,046	350,072	22,974
Total Salaries, Wages, and Related		42,101,764	41,108,764	40,799,030	309,734
Employee Benefits and Related					
Group health insurance		9,042,480	9,042,480	9,042,480	-
Workers' compensation insurance		100,000	100,000	91,733	8,267
Group life and LTD insurance		135,842	132,442	123,876	8,566
Group dental insurance		230,821	230,821	230,821	-
Group vision insurance		71,388	71,388	39,200	32,188
Unemployment insurance		229,770	229,770	15,991	213,779
Retirement		6,109,263	8,177,263	7,802,233	375,030
FICA Medicare		610,473	600,873	565,924	34,949
Social security		199,271	214,271	185,236	29,035
Total Employee Benefits and Related		16,729,308	18,799,308	18,097,494	701,814
Computer Operations					
CPU and related maintenance		144,979	321,979	285,968	36,011
Other computer maintenance		12,623	12,623	7,445	5,178
Computer supplies		26,000	26,000	14,081	11,919
Software lease and maintenance		1,833,477	2,027,477	2,020,406	7,071
Teleprocessing lines and installation		18,000	-	-	-
Total Computer Operations		2,035,079	2,388,079	2,327,900	60,179
Professional Services					
Financial auditing		60,300	60,300	50,749	9,551
Legal services		10,983,967	8,654,467	8,429,337	225,130
Arbitration fees and services		600,000	600,000	363,900	236,100
State office of admin hearings		5,000	-	-	-
Appraisal services		1,558,564	1,547,564	1,547,172	392
Other professional services		1,591,375	1,714,475	1,652,384	62,091
Mapping and records maintenance		1,509,600	1,222,600	1,221,775	825
Total Professional Services		16,308,806	13,799,406	13,265,317	534,089

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, 2019

	2019			Variance
	Budgeted Amounts			Final Budget
	Original	Final	Actual	Positive
	Budget	Budget	(Budget Basis)	(Negative)
Expenditures				
Office and Field Operations				
Office supplies	\$ 174,325	\$ 149,725	\$ 118,568	\$ 31,157
Office equipment maintenance	909,524	1,059,524	977,475	82,049
Telephone and communication service	281,284	268,284	262,822	5,462
Copier leases	94,000	168,000	150,666	17,334
Copier supplies and maintenance	73,350	85,350	64,005	21,345
Mapping reproduction and supplies	3,250	3,250	1,551	1,699
Public notice advertising	18,000	6,000	4,517	1,483
Security services	174,000	191,000	190,059	941
Field travel, vanpool, and other expense	1,138,919	342,750	318,330	24,420
Appraisal supplies	13,610	14,110	9,371	4,739
Vehicle gasoline, and maintenance	34,000	16,000	13,630	2,370
Records storage and supplies	2,205	23,205	14,180	9,025
Employee recognition activities	35,000	46,000	39,568	6,432
Postage, mailing, and handling services	2,000,000	2,480,000	2,287,313	192,687
Professional registration and dues	79,170	91,170	89,620	1,550
Seminars and other tuition	314,458	277,858	198,291	79,567
Education travel and expenses	195,725	220,994	188,347	32,647
Books, manuals, and publications	335,394	373,394	350,742	22,652
Printing, forms, and stationery	54,400	39,400	21,604	17,796
Paper, copier, and printer	55,797	55,797	46,845	8,952
Total Office and Field Operations	5,986,411	5,911,811	5,347,504	564,307
Office Space, Utilities, and Related				
Office space	2,692,620	2,562,620	2,562,135	485
Utilities	502,000	355,234	346,174	9,060
Building and fixture maintenance	1,520,043	2,380,043	2,464,204	(84,161)
Casualty and liability insurance	143,500	153,500	149,526	3,974
Total Office Space, Utilities, and Related	4,858,163	5,451,397	5,522,039	(70,642)
Capital Outlay	75,000	635,766	635,209	557
Total Expenditures	88,094,531	88,094,531	85,994,493	2,100,038
Net Change in Fund Balance	\$ -	\$ -	3,878,634	\$ 3,878,634

Notes to Supplementary Information:

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

Timing differences:

Encumbrances at the end of the year	3,028,551
Encumbrances at the beginning of the year that were incurred	(2,129,834)

Perspective differences:

Capital outlay paid from the capital reserve	(602,390)
Transfers to internal service fund	(500,000)

Net Change in Fund Balance **\$ 3,674,961**

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

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			
	2010	2011	2012	2013
Governmental Activities				
Net investment in capital assets	\$ 9,219,871	\$ 9,732,611	\$ 8,438,593	\$ 9,021,196
Restricted	2,923,838	150,929	151,013	151,312
Unrestricted	3,329,336	4,494,025	8,014,806	6,626,297
Total Governmental Activities Net Position	<u>\$ 15,473,045</u>	<u>\$ 14,377,565</u>	<u>\$ 16,604,412</u>	<u>\$ 15,798,805</u>

*Restated with implementation of GASB 75.

Year					
2014	2015	2016	2017*	2018	2019
\$ 9,648,405	\$ 10,097,874	\$ 10,982,048	\$ 14,298,164	\$ 14,851,497	\$ 15,714,000
151,277	151,549	-	-	-	-
12,111,859	17,667,023	20,002,285	5,288,214	6,716,741	7,563,196
<u>\$ 21,911,541</u>	<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>

HARRIS COUNTY APPRAISAL DISTRICT

CHANGES IN NET POSITION

Last Ten Years

(accrual basis of accounting)

	Year			
	2010	2011	2012	2013
Expenses				
Governmental activities				
Office of Chief Appraiser and Board of Directors	\$ 8,179,031	\$ 6,964,757	\$ 7,144,120	\$ 9,236,747
Appraisal support	10,566,860	10,210,883	10,325,083	10,596,987
Appraisal	24,831,948	24,092,912	24,162,142	25,046,836
Information systems	7,343,823	8,389,895	6,476,683	7,598,860
Administration	5,437,350	5,526,701	5,755,421	6,080,782
Administration/building services	2,745,811	6,229,802	3,016,395	3,683,503
Interest and fiscal agent fees on long-term debt	1,255,167	1,314,157	1,254,168	1,190,711
Total Governmental Activities Expenses	60,359,990	62,729,107	58,134,012	63,434,426
Program Revenues				
Governmental activities				
Charges for services				
Appraisal	743,712	549,947	856,611	1,036,988
Total Governmental Activities Program Revenues	743,712	549,947	856,611	1,036,988
Net (Expense)				
Governmental activities	<u>\$ (59,616,278)</u>	<u>\$ (62,179,160)</u>	<u>\$ (57,277,401)</u>	<u>\$ (62,397,438)</u>
General Revenues and Other Changes in Net Position				
Governmental activities				
Assessments	\$ 61,171,142	\$ 61,060,911	\$ 59,473,306	\$ 61,566,883
Investment income	40,711	22,769	30,942	24,948
Total Governmental Activities	\$ 61,211,853	\$ 61,083,680	\$ 59,504,248	\$ 61,591,831
Change in Net Position				
Governmental activities	<u>\$ 1,595,575</u>	<u>\$ (1,095,480)</u>	<u>\$ 2,226,847</u>	<u>\$ (805,607)</u>

Year					
2014	2015	2016	2017	2018	2019
\$ 12,277,502	\$ 13,459,605	\$ 11,735,608	\$ 12,438,172	\$ 14,165,593	\$ 13,167,448
11,292,560	12,123,489	13,268,588	15,963,519	15,715,457	15,083,096
26,003,956	25,781,516	29,304,190	31,884,892	32,464,401	33,350,472
8,303,305	7,968,093	8,525,684	7,566,640	8,055,552	9,179,781
6,742,844	6,521,949	7,127,107	7,937,982	7,782,316	8,514,141
2,944,527	3,051,631	4,671,629	5,435,296	6,386,245	7,987,919
1,123,581	1,052,562	977,425	897,927	919,867	828,399
68,688,275	69,958,845	75,610,231	82,124,428	85,489,431	88,111,256
1,153,984	1,041,448	891,183	797,994	1,215,652	716,939
1,153,984	1,041,448	891,183	797,994	1,215,652	716,939
\$ (67,534,291)	\$ (68,917,397)	\$ (74,719,048)	\$ (81,326,434)	\$ (84,273,779)	\$ (87,394,317)
\$ 64,367,413	\$ 74,902,803	\$ 77,706,956	\$ 81,496,875	\$ 85,563,002	\$ 88,094,554
19,564	19,499	79,979	273,054	712,637	1,008,721
\$ 64,386,977	\$ 74,922,302	\$ 77,786,935	\$ 81,769,929	\$ 86,275,639	\$ 89,103,275
\$ (3,147,314)	\$ 6,004,905	\$ 3,067,887	\$ 443,495	\$ 2,001,860	\$ 1,708,958

HARRIS COUNTY APPRAISAL DISTRICT

FUND BALANCE, GOVERNMENTAL FUND

Last Ten Years

(modified accrual basis of accounting)

		Year			
		2010	2011	2012	2013
General Fund					
Nonspendable	\$	224,819	\$ 220,867	\$ 229,011	\$ 278,690
Restricted		2,923,838	150,929	151,013	151,312
Assigned		3,250,513	2,495,471	3,720,970	6,316,077
Unassigned		9,576,127	11,670,886	11,247,535	7,887,037
Total General Fund	\$	15,975,297	\$ 14,538,153	\$ 15,348,529	\$ 14,633,116

Year					
2014	2015	2016	2017	2018	2019
\$ 355,921	\$ 321,572	\$ 368,870	\$ 487,968	\$ 624,132	\$ 640,926
151,277	151,549	-	-	-	-
3,228,282	4,082,434	6,466,307	7,816,962	10,932,693	12,809,033
7,665,983	9,222,422	12,287,923	11,378,514	13,332,403	15,114,230
<u>\$ 11,401,463</u>	<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>

HARRIS COUNTY APPRAISAL DISTRICT

CHANGES IN FUND BALANCE, GOVERNMENTAL FUND

Last Ten Years
(modified accrual basis of accounting)

	Year			
	2010	2011	2012	2013
Revenues				
Assessments	\$ 61,171,142	\$ 61,060,911	\$ 59,473,306	\$ 61,566,883
Investment income	39,065	20,993	28,462	23,229
Other revenues	354,446	269,021	507,054	717,721
Rendition penalty fee	396,148	283,546	274,860	294,934
Total Revenues	<u>61,960,801</u>	<u>61,634,471</u>	<u>60,283,682</u>	<u>62,602,767</u>
Expenditures				
Office of Chief Appraiser and Board of Directors	8,099,641	6,931,647	7,097,353	9,137,044
Appraisal support	10,463,681	10,091,490	10,192,816	10,350,238
Appraisal	24,703,329	23,843,834	23,870,266	24,474,901
Information systems	7,114,740	8,052,079	6,141,940	7,257,810
Administration	5,302,049	5,368,780	5,605,428	5,877,296
Administration services/building services	3,277,849	6,389,220	3,600,301	3,577,236
Capital outlay	179,018	25,661	596,298	274,751
Debt service				
Principal	1,066,572	1,054,747	1,114,736	1,178,193
Interest	1,371,496	1,314,157	1,254,168	1,190,711
Total Expenditures	<u>61,578,375</u>	<u>63,071,615</u>	<u>59,473,306</u>	<u>63,318,180</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	382,426	(1,437,144)	810,376	(715,413)
Other Financing Sources (Uses)				
Transfers (out)	-	-	-	-
Total Other Financing (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	<u>\$ 382,426</u>	<u>\$ (1,437,144)</u>	<u>\$ 810,376</u>	<u>\$ (715,413)</u>
Debt service as a percentage of noncapital expenditures	3.97%	3.76%	4.02%	3.76%

Year					
2014	2015	2016	2017	2018	2019
\$ 64,367,413	\$ 74,902,803	\$ 77,706,956	\$ 81,496,875	\$ 85,563,002	\$ 88,094,554
18,934	17,957	74,272	256,406	673,462	961,925
760,459	669,741	481,123	422,498	910,371	535,070
349,402	334,664	391,930	324,366	453,674	281,578
65,496,208	75,925,165	78,654,281	82,500,145	87,600,509	89,873,127
12,195,547	13,421,461	11,587,428	12,310,648	14,002,216	13,181,522
11,119,331	12,584,529	12,549,219	14,993,839	14,958,051	14,358,192
25,595,462	26,768,745	27,679,141	29,767,205	30,723,471	31,814,658
7,851,749	7,803,603	7,874,275	6,858,842	7,397,376	8,677,941
6,551,032	6,590,564	6,704,181	7,389,849	7,406,834	8,100,378
2,826,193	3,932,801	4,424,778	5,250,513	4,993,486	6,193,911
219,642	78,044	121,231	2,000,000	438,329	899,061
1,245,324	1,316,342	1,391,480	1,470,978	1,555,095	1,644,104
1,123,581	1,052,562	977,425	897,927	919,867	828,399
68,727,861	73,548,651	73,309,158	80,939,801	82,394,725	85,698,166
(3,231,653)	2,376,514	5,345,123	1,560,344	5,205,784	4,174,961
-	-	-	(1,000,000)	-	(500,000)
-	-	-	(1,000,000)	-	(500,000)
\$ (3,231,653)	\$ 2,376,514	\$ 5,345,123	\$ 560,344	\$ 5,205,784	\$ 3,674,961
3.46%	3.23%	3.26%	3.04%	3.01%	2.90%

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

	Year			
	2010	2011	2012	2013
Total adjusted levy for calculation of taxing unit assessments ^{(1) (2)}	\$ 7,467,082,380	\$ 7,228,564,513	\$ 7,390,428,021	\$ 7,728,886,310
Direct rate ⁽⁴⁾	100%	100%	100%	100%
Assessments	\$ 61,171,141	\$ 61,060,911	\$ 60,429,430	\$ 61,566,862 ⁽³⁾

(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					
2014	2015	2016	2017	2018	2019
\$ 8,458,886,001	\$ 9,385,920,743	\$ 10,270,428,310	\$ 11,053,954,982	\$ 11,564,280,439	\$ 11,888,313,314
100%	100%	100%	100%	100%	100%
\$ 64,367,413	\$ 75,147,518	\$ 77,706,956 ⁽³⁾	\$ 81,496,875	\$ 85,563,002	\$ 88,094,554

HARRIS COUNTY APPRAISAL DISTRICT

PRINCIPAL TAXING JURISDICTIONS

Current Year and Nine Years Ago

Taxing Jurisdictions	2019			2010		
	Tax Levy	Rank	% of Taxable Assessed Value	Tax Levy	Rank	% of Taxable Assessed Value
Houston ISD 001	\$ 2,030,930,624	1	17.08%	\$ 1,190,008,256	1	15.94%
Harris County 040	1,863,789,053	2	15.68%	1,116,323,146	2	14.95%
City of Houston 061	1,339,376,912	3	11.27%	953,585,007	3	12.77%
Harris County Hospital Dist. 043	745,712,192	4	6.27%	530,538,020	4	7.11%
Cypress-Fairbanks ISD 004	723,357,802	5	6.08%	446,300,217	5	5.98%
Spring Branch ISD 025	426,451,079	6	3.59%	243,084,561	6	3.26%
Katy ISD 019	336,118,681	7	2.83%	182,452,498	7	2.44%
Klein ISD 017	295,683,331	8	2.49%	175,920,321	9	2.36%
Aldine ISD 009	280,947,516	9	2.36%	176,771,130	8	2.37%
Humble ISD 018	234,669,106	10	1.97%	157,302,289	10	2.11%
Subtotal	8,277,036,296		69.62%	5,172,285,445		69.27%
Other taxing jurisdictions	3,611,277,018		30.38%	2,294,796,935		30.73%
Total	\$ 11,888,313,314		100.00%	\$ 7,467,082,380		100.00%

Source: Harris County Appraisal District's departmental records.

HARRIS COUNTY APPRAISAL DISTRICT

RATIOS OF OUTSTANDING DEBT BY TYPE

Last Ten Years

		Year			
		2010	2011	2012	2013
Governmental Activities:					
Capital leases		\$ 24,017,619	\$ 22,962,872	\$ 21,848,136	\$ 20,669,943
	Total	<u>\$ 24,017,619</u>	<u>\$ 22,962,872</u>	<u>\$ 21,848,136</u>	<u>\$ 20,669,943</u>
Taxing jurisdictions in district		485	488	492	493
Debt per taxing unit ⁽¹⁾		\$ 49,521	\$ 47,055	\$ 44,407	\$ 41,927

(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					
2014	2015	2016	2017	2018	2019
\$ 19,424,619	\$ 18,108,277	\$ 16,716,797	\$ 15,245,819	\$ 13,690,724	\$ 12,046,620
\$ 19,424,619	\$ 18,108,277	\$ 16,716,797	\$ 15,245,819	\$ 13,690,724	\$ 12,046,620
501	513	517	525	533	538
\$ 38,772	\$ 35,299	\$ 32,334	\$ 29,040	\$ 25,686	\$ 22,391

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
2010	4,092	\$ 210,508,848	\$ 51,444	8.5%
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%

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>

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HARRIS COUNTY APPRAISAL DISTRICT

PRINCIPAL CORPORATE EMPLOYERS

Current Year and Nine Years Ago

(amounts in thousands)

Employer	2019			2010		
	Employees	Rank	Percentage of Total County Employment	Employees	Rank	Percentage of Total County Employment
Wal-Mart Stores	31,000	1	0.9837 %	30,535	1	1.2235 %
Memorial Hermann Health System	27,211	2	0.8635 %	20,990	2	0.8410 %
H-E-B	26,956	3	0.8554 %	13,575	8	0.5439 %
Houston Methodist Hospital System	23,669	4	0.7511 %	12,408	9	0.4972 %
UT MD Anderson Cancer Center	21,001	5	0.6664 %	17,295	4	0.6930 %
McDonald's Corporation	16,100	6	0.5109 %	-	-	-
The Kroger Co.	15,902	7	0.5046 %	15,117	6	0.6057 %
Exxon Mobile Corporation	15,000	8	0.4760 %	14,359	7	0.5752 %
Texas Children's Hospital	15,000	9	0.4760 %	-	-	-
United Airlines	13,904	10	0.4412 %	-	-	-
Shell Oil Co.	-	-	-	11,000	10	0.4408 %
Continental Airlines	-	-	-	16,643	5	0.6669 %
Administaff	-	-	-	17,511	3	0.7016 %
Total	<u>205,743</u>			<u>169,433</u>		

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			
	2010	2011	2012	2013
Office of the Chief Appraiser	6	6	4	4
Support Services	163	163	163	162
Appraisal	316	317	321	315
Information Systems	42	42	46	41
Administration	50	49	50	50
Regular Positions	577	577	584	572

Notes:

(1) Data represents employed positions at year end.

Year					
2014	2015	2016	2017	2018	2019
5	5	3	5	7	6
166	165	172	168	166	166
319	327	340	345	332	336
36	45	34	40	39	40
50	41	52	49	50	52
576	583	601	607	594	600

HARRIS COUNTY APPRAISAL DISTRICT

STATE COMPTROLLER'S STUDY BY MEDIAN LEVEL OF APPRAISAL ⁽¹⁾

Last Ten Years

Property Category	Year			
	2010	2011	2012	2013
Single family residential	n/a	0.99	n/a	0.97
Multi-family residential	n/a	0.99	n/a	0.94
Vacant lots	n/a	1.00	n/a	n/a
Acreage	n/a	0.96	n/a	n/a
Commercial real property	n/a	0.97	n/a	1.01
Utilities	n/a	1.02	n/a	0.98
Commercial personal property	n/a	0.99	n/a	0.99
Overall Median Level	n/a (2)	0.99	n/a (2)	1.03

(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 market value (Property Value Study or PVS). Study results are used by the State of Texas in a complex formula for allocating state funds for education. For 2010, legislation was enacted requiring the annual study to be conducted every two years and established the requirement for a review of appraisal districts.

Data from the district's appraisal department.

Year					
2014	2015	2016	2017	2018	2019
n/a	0.99	n/a	0.99	n/a	0.98
n/a	0.97	n/a	0.93	n/a	0.94
n/a	n/a	n/a	n/a	n/a	0.93
n/a	n/a	n/a	n/a	n/a	n/a
n/a	1.00	n/a	0.95	n/a	0.92
n/a	0.96	n/a	0.90	n/a	0.89
n/a	1.00	n/a	0.97	n/a	0.98
n/a (2)	0.99	n/a (2)	0.98	n/a (2)	0.98

HARRIS COUNTY APPRAISAL DISTRICT

PROTEST ACTIVITY AND LITIGATION VOLUME

Last Ten Years

Property Category	Year			
	2010	2011	2012	2013
Reappraisal year	Yes	Yes	Yes	Yes
Accounts protested	322,285	305,639	296,228	302,336
Value of accounts	\$ 186,762,906,578	\$ 183,786,736,165	\$ 198,242,427,719	\$ 230,189,392,360
Average percentage reduction	8.19%	8.99%	9.29%	8.75%
Total lawsuits	2,195	2,939	2,864	3,568
Number of accounts	5,433	6,601	6,985	11,019
Value of accounts	\$ 17,720,051,500	\$ 23,561,742,530	\$ 29,508,040,449	\$ 55,331,218,880
Number of accounts resolved	5,416	6,601	6,985	10,985
Average percentage reduction	11.10%	10.97%	10.43%	9.88%

Data from district's appraisal department.

Year					
2014	2015	2016	2017	2018	2019
Yes	Yes	Yes	Yes	Yes	Yes
346,041	372,584	380,550	388,248	367,846	415,846
\$ 247,547,796,763	\$ 285,432,274,329	\$ 311,654,617,880	\$ 318,678,038,155	\$ 317,976,610,855	\$ 361,346,636,086
8.52%	6.29%	10.79%	10.29%	9.45%	7.78%
4,022	4,133	4,212	4,656	7,162	6,303
9,734	10,124	12,018	11,907	18,964	13,206
\$ 62,482,106,824	\$ 64,584,698,576	\$ 90,788,838,462	\$ 81,085,657,544	\$ 87,533,578,986	\$ 95,639,459,279
9,708	10,059	11,839	11,377	12,647	2,254
9.87%	11.36%	11.89%	11.20%	9.94%	9.58%

HARRIS COUNTY APPRAISAL DISTRICT

OPERATING INDICATORS BY FUNCTION/PROGRAM

Last Ten Years

Function / Program	Year			
	2010	2011	2012	2013
Appraisal				
Appraised value	\$ 359,326,951	\$ 363,527,388	\$ 380,886,243	\$ 413,396,777
Number of accounts	1,542,759	1,555,477	1,563,992	1,576,093

Source: Various district departments.

Year					
2014	2015	2016	2017	2018	2019
\$ 449,206,021 1,593,793	\$ 503,278,759 1,604,903	\$ 532,811,166 1,624,760	\$ 562,968,171 1,640,520	\$ 571,596,277 1,642,501	\$ 620,125,271 1,658,632

HARRIS COUNTY APPRAISAL DISTRICT

CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM

Last Ten Years

Function/Program	Year			
	2010	2011	2012	2013
General Fund				
Office of the Chief Appraiser	70	66	66	63
Support Services	249	217	211	201
Appraisal	502	488	487	478
Information Systems	1,635	1,482	1,432	1,263
Administration	179	179	176	176

Source: Various district departments.

Figures represent total capital assets by function.

Year					
2014	2015	2016	2017	2018	2019
59	57	57	57	56	48
198	191	191	189	186	171
476	471	470	459	455	371
1,222	1,158	1,141	1,060	1,031	1,009
173	169	168	167	161	118