

HARRIS COUNTY, TEXAS

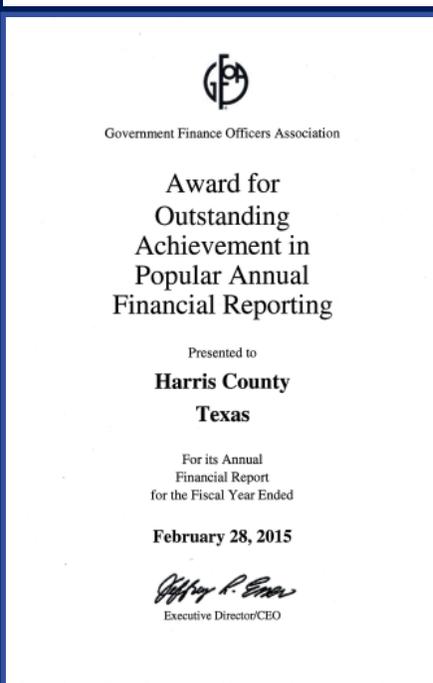
Popular Annual Financial Report for the fiscal year ended February 29, 2016



A Report for the Citizens of
Harris County, Texas
Barbara J. Schott, CPA
County Auditor

TABLE OF CONTENTS

	<u>Page</u>
A Letter to the Citizens of Harris County	1
Your Harris County Government	2
Profile of Harris County	4
A Brief History	4
Geographic Location and Population	4
Services	4
The Harris County Auditor's Office	6
Executive Division	6
Accounting Division	6
Audit Division	6
Economic Outlook for Harris County	8
Financial Policies and Major Initiatives	10
Financial Policies	10
Major Initiatives	11
Financial Position Statement	11
Summary	11
Financial Statements Comments	11
Assets	11
Liabilities	13
Bonded Debt and Commercial Paper	13
Financial Activity Statement	14
Summary	14
Resources Received	14
Services Rendered	15
Property Taxes	16
Government-wide Financial Trends	17
Demographics / Key Indicators	18
Harris County Elected Officials	20



The Government Finance Officers Association of the United States and Canada (GFOA) has given an award for Outstanding Achievement in Popular Annual Financial Reporting to Harris County, Texas for the fiscal year ended February 28, 2015. The Award for Outstanding Achievement in Popular Annual Financial Reporting is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government popular reports.

In order to receive an Award for Outstanding Achievement in Popular Annual Financial Reporting, a government unit must publish a Popular Annual Financial Report, whose contents conform to program standards of creativity, presentational understandability and reader appeal. An Award for Outstanding Achievement in Popular Annual Financial Reports is valid for a period of one year only. We believe our current report conforms to the Popular Annual Financial Reporting requirements, and therefore are submitting it to GFOA.



A Letter to the Citizens of Harris County:

I am pleased to present the Harris County Popular Annual Financial Report (PAFR) for the fiscal year ended February 29, 2016. The purpose of the report is to provide a snapshot of the County's financial performance and major initiatives as well as an overview of financial, economic, and demographic trends. Above all, it is designed to present a more easily understandable financial report. It also represents the County's ongoing commitment to keep Harris County citizens informed about the County's finances and to be accountable in all respects for the receipt and expenditures of public funds.



The financial information contained in this report has been derived from the 2016 Harris County Comprehensive Annual Financial Report (CAFR). The CAFR is comprised of approximately 230 pages of detailed financial statements, notes, schedules and reports. For financial reporting purposes, the Harris County Flood Control District, the Harris County Juvenile Board, the Harris County Sports & Convention Corporation, and the Harris County Redevelopment Authority are included in the operations and activities of the County as blended component units of the primary government. Blended component units are legally separate entities that function as an integral part of the County's operations. The data from the blended component units are treated as funds of the County. The CAFR was audited by Deloitte & Touche, LLP, and received an unmodified opinion.

The Popular Annual Financial Report, which was prepared by the Harris County Auditor's Office, summarizes the financial activities of the primary government of Harris County. The reports and statements contained in the PAFR condense and simplify our 2016 Comprehensive Annual Financial Report for all Harris County funds. The information in this report is unaudited, and not in accordance with generally accepted accounting principles due to the condensed and simplified presentation and absence of notes to the financial statements.

As you review our Popular Annual Financial Report, I invite you to share any questions, concerns or recommendations you may have. Those seeking a deeper understanding of the County's finances are encouraged to review a copy of the County's CAFR. Questions concerning any data provided in the PAFR or requests for additional financial information should be addressed to the County Auditor's Office, 1001 Preston, Suite 800, Houston, Texas 77002 or by visiting the County's website at www.hctx.net/auditor.

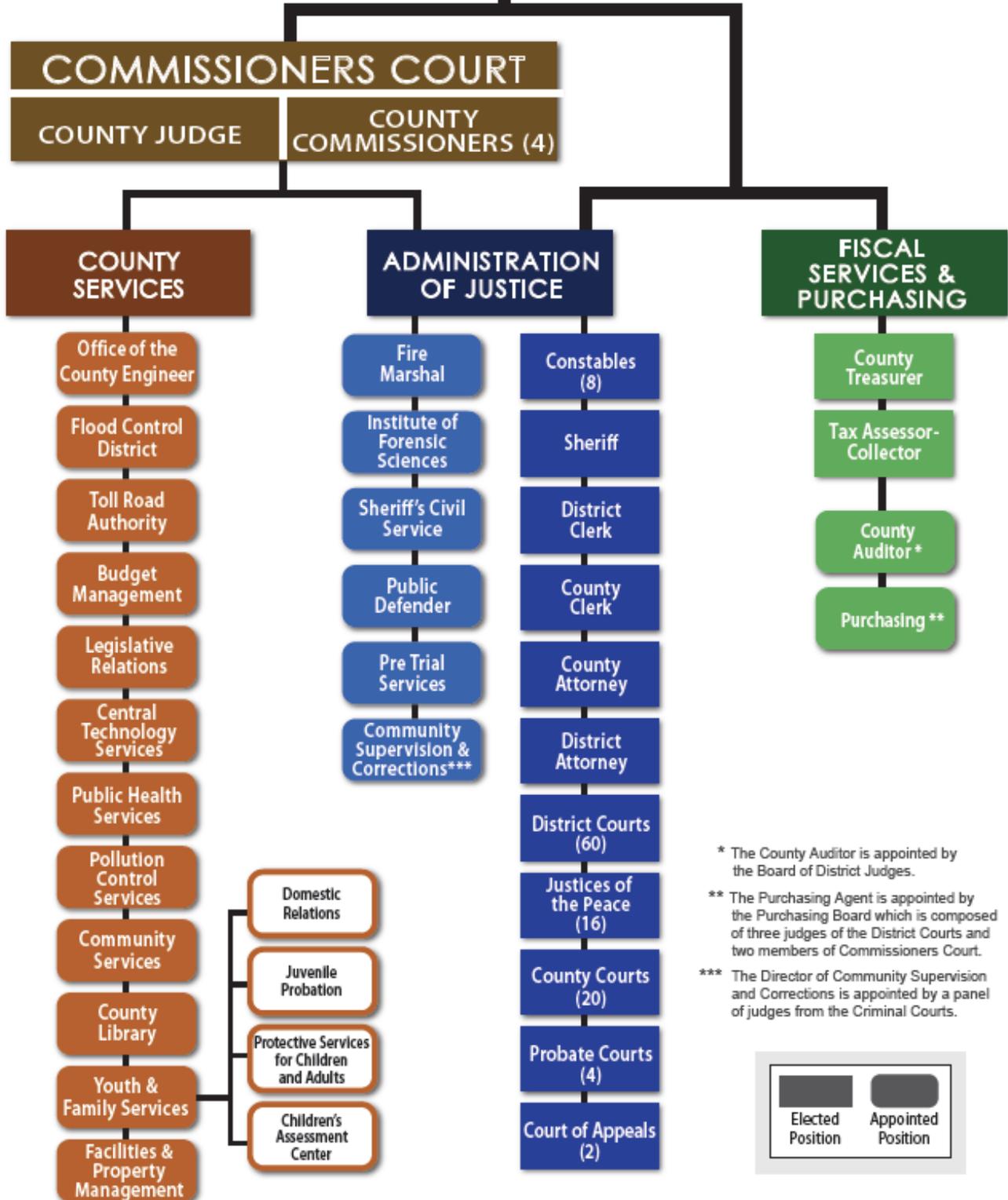
Sincerely,

A handwritten signature in blue ink that reads "Barbara J. Schott". The signature is fluid and cursive, with a long horizontal flourish extending to the right.

Barbara J. Schott, CPA
Harris County Auditor

Your Harris County Government

Harris County Organization Chart HARRIS COUNTY VOTERS



Organization

Harris County had 16,453 employees as of February 29, 2016. Administration of Justice, which includes law enforcement and the courts, accounts for the majority of employees. Twenty percent of County employees work in County Administration and 8.7 percent in Health and Human Services. The number of employees by function is displayed in the table below.

Number of Harris County Employees By Function for 2016 (as of 2/29/16)



Administration of Justice
9,768



County Administration
3,280



Health & Human Services
1,432



Roads & Bridges
451



Parks
867



Tax Administration
368



Flood Control
287

TOTAL 16,453

Popular Links on Harris County Website

Auditor's Office Accounts Payable

Vendor payment search, County annual utility usage and expenses, and other Accounts Payable information.

County Budget

Harris County's Current Fiscal Year Budget

County Disbursement Report

Harris County's Disbursement Report by Month

County Financials

Harris County's Financial Statements and Reports

Employee Links

Health, Financial, and HR Resources

Employment Opportunities

Employment application and available job openings

Harris County Commissioner Precincts

Finalized commissioner precincts district lines based on 2010 Census Data

Harris County Debt Info

Information regarding Harris County debt obligations

HC GIS Services

Harris County Geographical Information System (GIS) Services Portal

Housing Resource Center

Provides referrals on housing-related information

Harris County Housing Authority

Provides housing and assistance programs

Jury Service

Reschedule jury service online or through an automated phone system

Parks

Harris County Park System Map

Property Tax

Pay current and delinquent tax accounts

Tax Rate Information

All Harris County taxing jurisdictions tax rate information

Voter Information

Search voter records; get registration forms

Profile of Harris County

A Brief History

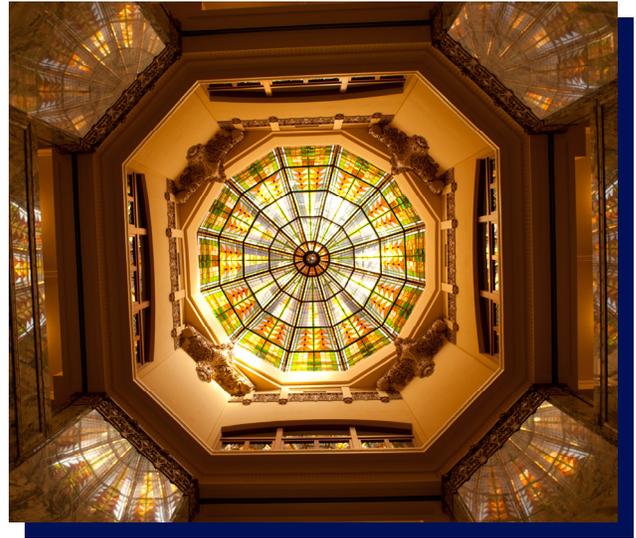
Archeological sites in Harris County reveal evidence of human habitation as far back as 6,000 years ago. In 1528, the Texas Gulf Coast was claimed by Spain and in 1821 the region became part of an independent Mexico. The Mexican government granted Stephen F. Austin permission to establish a colony that included Harris County. In 1826, John R. Harris, one of the colony's early settlers, opened a store and built a saw mill where Brays Bayou joined Buffalo Bayou. After Texas became independent, Harrisburg County was formed, but in 1839, the county's name was changed to Harris County in honor of John R. Harris.

In 1836, two other early Harris County settlers, A. C. and John Allen, set aside a full square block in their original plat of Houston for a County Courthouse. It was called "Courthouse Square". In March of 1837, County government convened under the boughs of a Courthouse Square tree until a courthouse could be built. In 1838, the county's first courthouse was completed and was situated on the northwest corner of the square. It was a crude log cabin with a broad passage between the two rooms. On one side of the passage was a courtroom and the other was a jail. The jail was simply a square log box having neither doors nor windows. A trap door in the roof was used to lower prisoners inside with a ladder.



1860 County Courthouse after cupola removal in 1870

In 1851, a two-story brick structure was built and stood staunchly until 1857, when "instability in the walls" raised fears and it was vacated. In 1860, a \$25,000 two story masonry structure was begun, but was converted into a Confederate ammunition factory and military officers' quarters. After the Civil War, repairs and remodeling went on for 15 years. In 1882, a storm damaged the building so badly it was declared unsafe and torn down to make room for a "larger and more pretentious building." A Victorian style structure costing \$98,000 and hailed as a "first class" courthouse was built in 1884. It stood for twenty five years before being replaced in 1910.



View from the interior of the 1910 County Courthouse

The fifth courthouse was constructed of pink Texas granite and brick, reaching 210 feet into the modest Houston skyline. In 1910, this was almost 100 feet above the highest point of any other Houston building. The stairwell and rotunda was lined with "the most perfectly matched marble in the United States". Every piece was measured and fitted at the Georgia quarry and the panels were placed so that the veins of the marble formed all kinds of figures - from owls and peacocks to women's figures. The courthouse attracted visitors from all over the country.

Geographic Location and Population

Harris County is located in the Gulf Coast region of Texas approximately 50 miles from the Gulf of Mexico and covers over 1,700 square miles with over 4.5 million residents. Harris County, the nation's third most populous, gained over 445,000 residents from the 2010 census to 2015.

Services

Harris County is a political subdivision of the State of Texas and Commissioners Court is the governing body of the County. It is composed of the County Judge elected from the County at large, and four Commissioners, each elected from a separate precinct, all elected for four year terms. The County Judge is the presiding officer of the Commissioners Court.

The County (the primary government) and its component units, solely or in cooperation with other local governmental entities, provide a full range of services as allowed by the Texas Constitution and Statutes including construction and maintenance of roads and bridges, health and housing services, social services, judicial and law enforcement, juvenile and adult justice programs, economic development, a library system, parks, recreation and cultural enrichment, flood control, a sports and entertainment complex, and general administration.

Harris County Component Units

- Harris County Flood Control District
- Harris County Hospital District, dba Harris Health System
- Harris County Juvenile Board
- Harris County Sports & Convention Corp.
- Children's Assessment Center Foundation, Inc.
- Harris Center for Mental Health and IDD (formerly MHMRA of Harris County)
- Harris County Industrial Development Corp.
- Harris County Housing Finance Corp.
- Harris County Health Facilities Development Corp.
- Harris County Cultural Education Facilities Finance Corp.
- Friends of Countypets
- Harris County Redevelopment Authority

Harris County, Texas Operating Indicators—Fiscal Year 2015

Administration of Justice

10,836 cases investigated by the Medical Examiners Office
603,852 filings with the Justice of the Peace Courts
94,957 new cases filed with the County Courts
169,635 cases filed with the District Courts

County Administration

297,098,374 annual traffic on Harris County websites
583,185 real property filings

Health & Human Services

15,189 food inspections performed by PHES Dept.
Library program attendance of 441,793

Parks

187 active parks

Road & Bridges

6,353 road miles
747 toll road lane miles
23 bridge miles

Tax Administration

1,595,574 tax account statements
2,006,280 voter registrations

Source: Reported by County Departments



Texas Comptroller
Leadership Circle
Platinum Member

The Texas Comptroller of Public Accounts awarded Harris County the **Platinum Leadership Circle Award** in 2014 for its efforts to make its finances open and accessible to all county residents. During the previous four years, Harris County was awarded the Gold Leadership Award.



Harris County was awarded the **National Association of Counties (NACo) 2016 Achievement Award** for the automation of the property tax audit. The National Association of Counties (NACo) Achievement Award Program is a non-competitive awards program which seeks to recognize innovative county government programs.

The Harris County Auditor's Office

The County Auditor is responsible for the accounting and internal audit functions for Harris County, the Toll Road Authority and the Harris County Flood Control District. Although not all inclusive, the following enumerates the County Auditor's responsibilities:

- Strict enforcement of the laws governing county finances as set forth by state statute.
- Maintain the integrity of financial administration in County government by jointly approving or rejecting claims for disbursement of County funds as entrusted by law in a dual control system of "checks and balances" with Commissioners Court.
- Provides general oversight of the books and records of all County Officials which include statutory compliance and financial reviews.
- Keeps the general accounting records and prepares financial reports.
- Prescribes the system of accounting for the County.
- Audits the records and accounts of the various elected and appointed officials and department heads.
- Administers the County budgets as approved by the Commissioners Court.
- Forecast revenues for budgetary formulation purposes.
- Payroll processing.

The County Auditor is appointed by the State District Judges for a two-year term.

Mission Statement

To be an independent and progressive organization recognized for professionalism in carrying out the County Auditor's statutory duties and responsibilities.

Vision

Create and maintain an environment of sound fiscal management and efficient financial operations at all levels of county government, while providing support to Commissioners Court, County Officials, Department Heads, and the public with the highest level of integrity and financial stewardship.

EXECUTIVE DIVISION

The Executive Division consists of the County Auditor and the Executive Administration Department. The Executive Administration Department is an operational support department within the Auditor's Office.

ACCOUNTING DIVISION



Mike Post
First Assistant and Accounting
Division Chief

The Accounting Division consists of the accounting functions for the Auditor's Office that includes the following departments: Accounting Division Chief, Disbursements (Accounts Payable and Payroll), Financial Accounting, Accounts Receivable and Grants Accounting, Revenue Accounting and Financial Analysis and Special Projects.

AUDIT DIVISION



Mark Ledman
Audit Division Chief

This division includes the following departments: Audit Division Chief, Audit Services, Compliance Audit, Systems & Procedures, Continuous Auditing, and Health System. The responsibilities of the Audit Division are to assist the County and other entities with the effective discharge of their responsibilities, including management's efforts to provide the public and concerned entities with financial accountability, minimizing exposure to contingent liabilities; safeguarding assets, and compliance with applicable policies, laws, regulations, and covenants governing County finances.



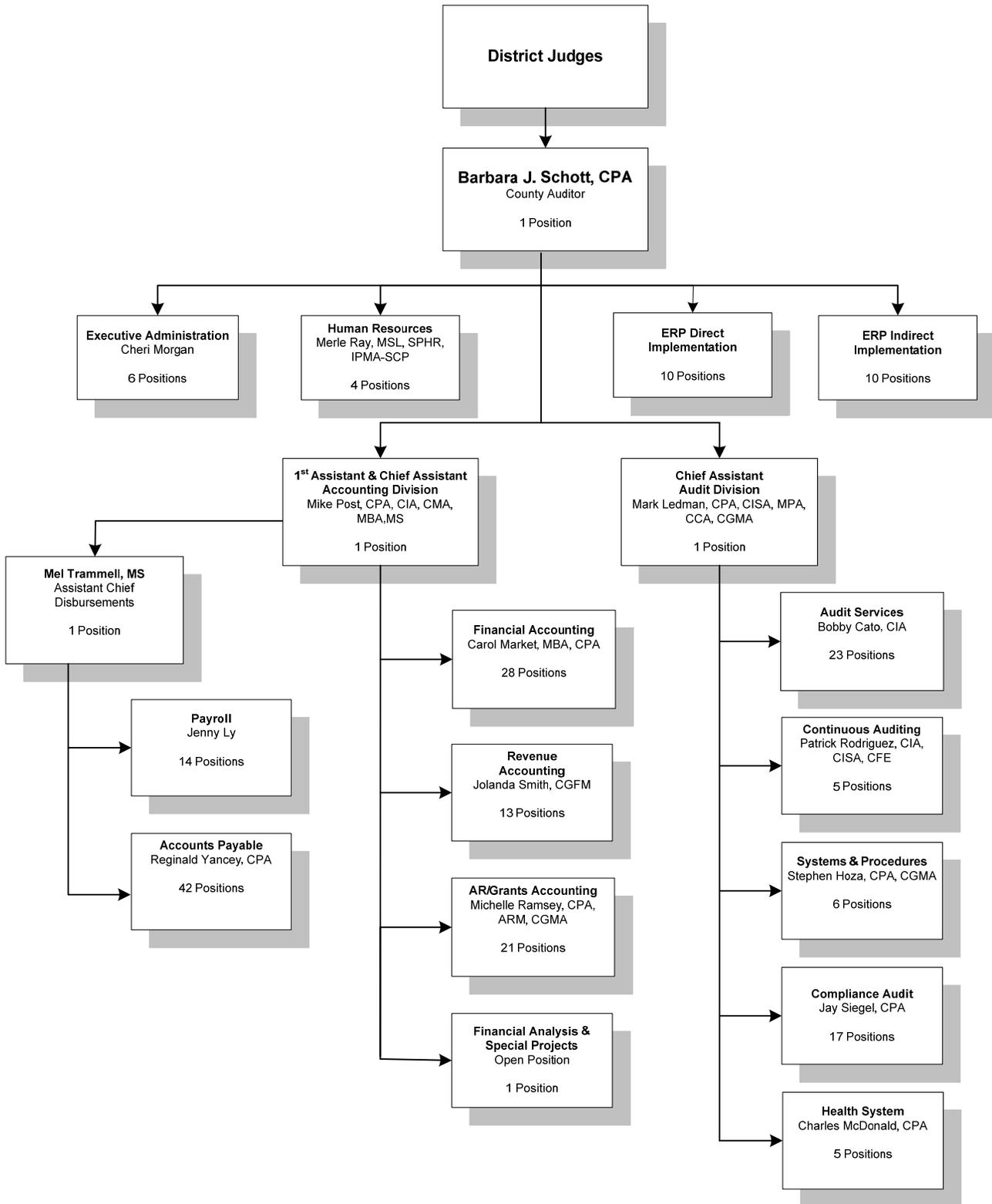
1923 County Grammar School



Harris County Auditor's Office

ORGANIZATION CHART

9/16



TOTALS: Executive Accounting Audit = 209
 31 121 57
 Funded Positions = 203

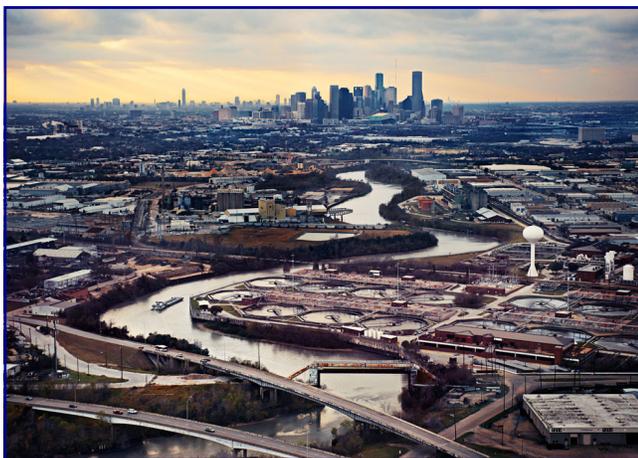
Economic Outlook for Harris County

The Houston—Woodlands—Sugar Land Metropolitan Statistical Area (“Houston MSA”), the fifth largest metropolitan area in the United States, had 2.9 million payroll jobs in the second quarter of 2016, with an unemployment rate of 4.8 percent.

The Houston Association of Realtors reported that the inventory of homes in May 2016 was 3.6 months’ supply compared with 3.0 months in May 2015. During this same period, the average price of a single-family home declined to \$290,931, a 0.5 percent decrease.

Catalysts for growth in Harris County, the Port of Houston and the Houston Ship Channel are vibrant components of the regional economy. The Port of Houston is a 25-mile assembly of public and private facilities along the Houston Ship Channel. In 2013, the Port was ranked first in the United States in the volume of foreign tonnage and was the largest container port on the Gulf of Mexico.

The Houston Ship Channel is a 52-mile inland waterway which connects Houston to the Bay of Galveston, the Gulf Intra-coastal Waterway, and the Gulf of Mexico. It traces its origin to early trade on Buffalo Bayou and in 1837, the first steamboat, the *Laura*, ascended Buffalo Bayou to the town of Houston. Deepened and widened over the years, the Houston Ship Channel has become one of the busiest waterways in the United States and is home to the largest petrochemical complex in the world.



Houston Ship Channel

In addition to the County’s moderate climate and diverse economic base, it offers a modern and efficient infrastructure for people working and doing business in the County. This includes local government that encourages business development, high capacity freeways, major rail lines, and state-of-the-art telecommunication services. The Houston Airport System experienced its highest ever passenger volume in 2015 with approximately 55 million passengers; both Bush Intercontinental and Hobby Airports reported record high passenger volume.

As of the 2010 U.S. Census, Harris County had a population of 4.1 million, making it the most populous county in Texas and the third most populous county in the United States, ranking behind Los Angeles County, California and Cook County, Illinois. Twenty-four companies on the 2016 *Fortune 500* list are headquartered in the Houston MSA. Only two metropolitan statistical areas have more *Fortune 500* headquarters, New York with 68 and Chicago with 34.

2015 Top Corporate Employers in Harris County

Memorial Hermann Health System	24,000
United Airlines	15,000
Houston Methodist	14,985
ExxonMobil Corp	13,000
Kroger Company	12,000
Shell Oil Company	11,892
National Oilwell Varco	11,563
Schlumberger Ltd.	10,000
Chevron	9,000
Baylor College of Medicine	8,924

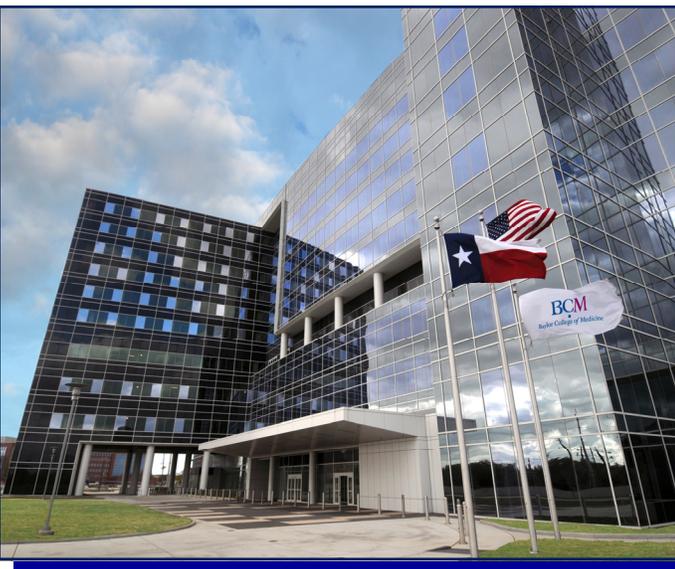
Source: Houston Business Journal, Business First Survey/Greater Houston Partnership/HBJ

The cost of living in Houston is among the lowest of all urban settings in the United States. According to the *2016 Annual Average Council for Community and Economic Research Cost of Living Index*, Houston has the fifth lowest cost of living among the nation's 20 most populous metropolitan areas. Houston's housing costs are 43.3 percent below the average when compared to the 20 most popular metropolitan areas.



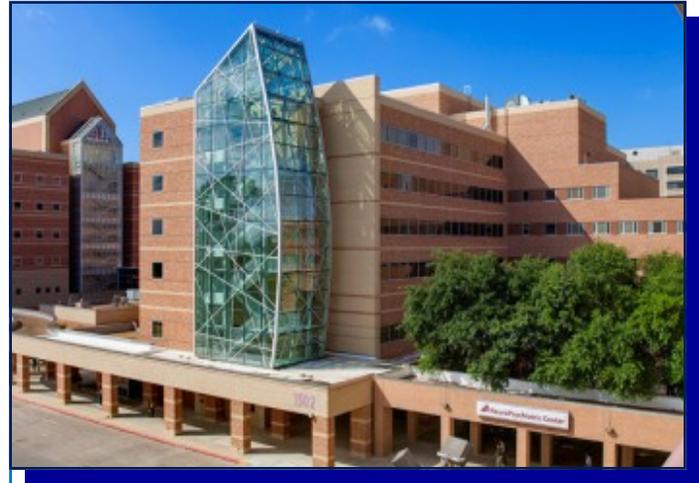
University of St. Thomas

Educational opportunities play a key role in Harris County's quality of life. The County has a number of acclaimed school districts and outstanding colleges and universities. Major institutions of higher learning include Rice University, Texas Southern University, University of Houston, University of St. Thomas and Houston Baptist University. Houston's three medical schools are the University of Texas Medical School, Baylor College of Medicine, and the Houston campus of the Texas A&M Health Science Center College of Medicine.



Baylor College of Medicine

The County's major hospitals consistently rank among the nation's top institutions. Many of these facilities are located in the Texas Medical Center, a non-profit organization devoted to health education, research and patient care. Located just south of downtown Houston, the Texas Medical Center includes 21 hospitals and eight academic and research institutions and employs 106,000. The Texas Medical Center is at the forefront of research and treatment of cancer and heart disease.



Harris County Hospital District, dba Harris Health System, is the public health care system for the nation's third most populous county.

Cultural attractions within Houston include a thriving theater district and numerous museums. Year-round resident companies in the major performing arts include the Houston Symphony Orchestra, the Houston Grand Opera, the Houston Ballet, and the Alley Theater. Major museums include the Museum of Fine Arts, the Contemporary Arts Museum, and the Menil Collection.



Houston Ballet

Financial Policies and Major Initiatives

Financial Policies

Some of the County's financial policies and strategies are:

- The County will continue to focus on building a strong balance sheet to maintain both financial stability and current bond ratings;
- Budget Management does not expect to recommend issuing road or flood control bonds, approved by the voters in November 2015, during the 2016-2017 fiscal year; and
- Budget Management will work with the County Engineer to review the formula used in allocation of future mobility funds and road bond proceeds and recommend any changes for Court consideration.

Harris County Long Term Bond Ratings

<u>Bond Rating Service</u>	<u>Bond Rating</u>
----------------------------	--------------------

Moody Investor's Service, Inc.	Aaa
--------------------------------	-----

Standard & Poor's Rating Service	AAA
----------------------------------	-----

Fitch IBCA, Inc.	AAA
------------------	-----

The best companies, governments, and organizations receive AAA ratings. Borrowing is less costly with a high bond rating.

Fair Market Value Harris County Cash and Investments*

	<u>2016</u>	<u>2015</u>
U.S. Agency Notes	\$1,078,233,769	\$ 872,579,913
Commercial Paper	1,120,360,808	1,307,932,738
Money Market Mutual Funds	1,303,420,457	973,754,274
Local Governments	326,497,315	336,547,262
Cash and cash equivalents	<u>20,727,759</u>	<u>25,131,460</u>
Total Cash and Investments	<u>\$3,849,240,108</u>	<u>\$3,515,945,647</u>

*This schedule includes Fiduciary Funds.



Houston area flooding

Major Initiatives

Flood Control District - The District has plans for 30 projects in 12 watersheds, which will cost approximately \$60 million. Planned projects are designed to reduce flood risks within the County.

Toll Road Authority - The Authority continues to move forward on projects authorized by Commissioners Court including the Hardy Toll Road Downtown Connector and widening portions of Sam Houston Tollway.

Central Technology Services – The process of acquiring and implementing a new enterprise accounting system is underway and is expected to cost a total of \$35 million over the next two years.



Harris County Flood Control District will launch the Cedar Bayou Flood Risk Reduction Study, which will analyze flooding and drainage issues in the Cedar Bayou watershed in east Harris County.

Financial Position Statement

Summary

The Harris County Financial Position Statement, known in accounting terms as the “Statement of Net Position” presents the financial condition of the County at a specific point in time (in this case, as of the end of the County’s fiscal years, February 29, 2016 and February 28, 2015).

Financial Statements Comments

The financial information in the Harris County Financial Position Statement and the Harris County Financial Activity Statement is derived from information presented in the Harris County’s Comprehensive Annual Financial Report (“CAFR”) for 2016. The CAFR is lengthy and somewhat complex. However, it is available on the County Auditor’s webpage, which can be accessed from the County’s website, www.harriscountytexas.gov/auditor. The condensed statements presented herein do not include the detail presented in the CAFR including footnotes required for full disclosure. In addition, the statements do not include information related to Harris County’s discrete component units (separate legal entities whose financial information is provided in the CAFR separately from the County’s financial information).

The CAFR distinguishes between Governmental Activities and Business-Type Activities. Governmental Activities are generally financed through taxes, intergovernmental revenues, fines, grants, etc. Business-Type Activities such as Harris County’s Toll Road Authority are financed by fees charged to external parties for goods or services. The Financial Position Statement and the Financial Activity Statement included in the PAFR combine Governmental Activities and Business-Type Activities for reporting purposes.

Assets

Cash and Cash Equivalents include amounts in demand deposits as well as short-term investments with a maturity date of 90 days or less from the date of purchase. Investments are stated at fair value, which is based on quoted market prices with the difference between the purchase price and fair value being recorded as earnings on investments. Cash and investments increased during fiscal year 2016, as the County continues to rebuild cash reserves.

Financial Position Statement (cont'd)

Receivables are amounts owed to the County by external parties and includes property taxes, accounts receivable, and notes receivable.

Capital assets include land, structures, improvements, park improvements and facilities, infrastructure, equipment, vehicles, machinery, other tangible and intangible assets, and construction in progress. Capital assets (net of depreciation) increased during the year primarily as a result of spending for construction in process.

Other assets are assets that cannot be classified in any other asset category. These include prepaid accounts and inventory.

Deferred Outflows of Resources

Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense) until then. Deferred outflows consist of deferred charges on

debt refundings, the changes in fair value of the Toll Road's hedging derivative instruments that are applicable to future reporting periods, pension contributions after the measurement date, the differences in projected and actual earnings on pension assets, and changes in pension assumptions. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. The amount is deferred and amortized over the shorter of the life of the refunded (old) debt or refunding (new) debt. The implementation of new pension standards resulted in a \$393 million increase in deferred outflows in fiscal year 2016. The new standards require that pension contributions after the measurement date are deferred and recognized in the following fiscal year. Additionally, the differences in projected and actual earnings on pension assets are amortized over a closed five year period. Finally, the financial impact of pension assumption changes are recognized over the average remaining service life for all members.

Harris County Financial Position Statement

	<u>2016</u>	<u>2015</u>
Assets		
Cash	\$ 1,172,576,401	\$ 848,901,107
Investments	2,201,943,174	2,203,019,581
Receivables	289,316,854	269,513,160
Capital Assets	13,881,643,499	13,799,038,821
Other Assets	22,048,606	19,047,622
Total Assets	<u>17,567,528,534</u>	<u>17,139,520,291</u>
Deferred Outflows of Resources	<u>531,361,235</u>	<u>138,802,729</u>
Liabilities		
Amounts Owed to Employees & Vendors	306,823,751	358,863,512
Other Current Liabilities	154,610,882	138,575,194
Long Term Liabilities	6,466,997,403	5,838,780,210
Total Liabilities	<u>6,928,432,036</u>	<u>6,336,218,916</u>
Deferred Inflows of Resources	<u>80,553,913</u>	<u>70,054,695</u>
Total Assets & Deferred Outflows of Resources		
Over Total Liabilities & Deferred Inflows of Resources	<u>\$11,089,903,820</u> *	<u>\$10,872,049,409</u>

*Net Position has been adjusted by \$295,332,859 for the pension liability and expense attributable to prior years based on the implementation of new pension standards.

Fiduciary funds are excluded. Harris County Flood Control District, the Harris County Juvenile Board, the Harris County Sports & Convention Corporation, and the Harris County Redevelopment Authority are included as blended component units of Harris County. Readers of the Financial Position Statement and the Financial Activity Statement should keep in mind that these statements are presented on a non-GAAP basis. Non-GAAP means that the statements do not comply with generally accepted accounting principles. The statements include summarizations and combinations of accounting data that would not be allowed by GAAP.

Liabilities

Amounts Owed to Employees and Vendors are funds the County owes individuals and companies for goods or services with expected payment due within 12 months.

Other Current Liabilities include unearned revenue and accrued interest.

Long Term Liabilities represent amounts owed for bonds, commercial paper, and notes the County has issued, as well as compensatory time, capital leases, judgments, other Post Employment Benefits (OPEB), net pension liability, pollution remediation obligations, and other long term liabilities. The County issues debt to finance an ongoing capital improvement program. Long term liabilities have increased during fiscal year 2016 primarily due to implementation of Governmental Accounting Standards Board Statement No. 68 (“GASB 68”) which required the County to record a net pension liability.

Deferred Inflows of Resources

Deferred inflows of resources represent 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 inflows consist of the changes in fair value of the Toll Road’s hedging derivative instruments that are applicable to future reporting periods, and differences in expected and actual pension expense.

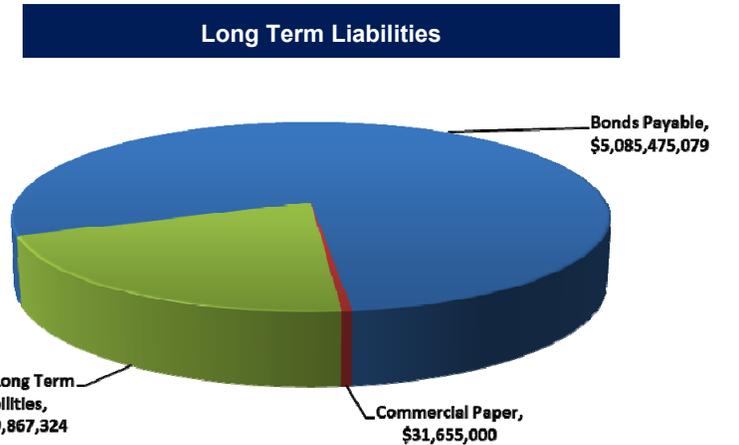
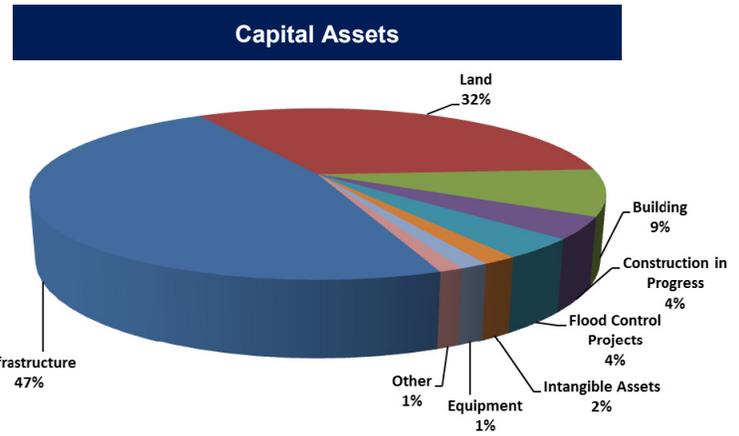
Total Assets & Deferred Outflows of Resources Over Total Liabilities & Deferred Inflows of Resources

This amount represents the difference between the assets of the County plus the deferred outflows and the liabilities owed plus the deferred inflows. This total may serve over time as a useful indicator of a government’s financial position. In the case of the County, assets plus deferred outflows exceeded liabilities plus deferred inflows by \$11,089,903,820 for fiscal year 2016 and \$10,872,049,409 for fiscal year 2015. The resources received exceeded the cost of services rendered during fiscal year 2016, increasing net position by \$217,854,411, after the net position has been adjusted by \$295,332,859 for the pension liability and expense attributable to prior years due to the implementation of new pension standards.

Capital Assets

The County’s capital assets include land, improvements, structures, park improvements and facilities, infrastructure, equipment, vehicles, machinery, other tangible and intangible assets, and construction in progress. Major capital asset projects include the following:

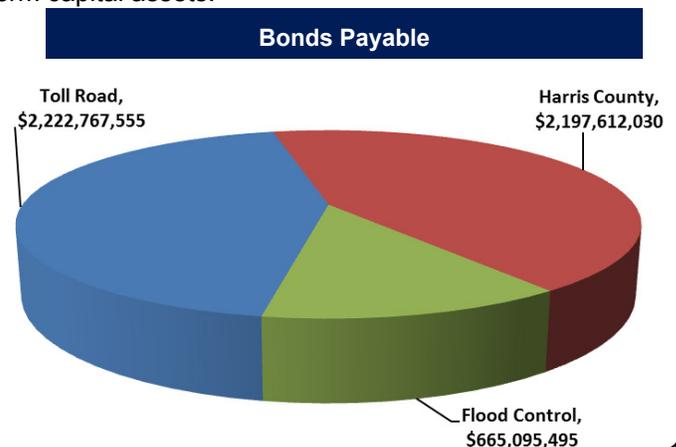
- The County has several ongoing capital improvement projects, including renovations to the Canal Street Warehouse and Library Administration Office, as well as improvements to County roads.
- The Flood Control District participated in ongoing flood damage reduction and mitigation projects to reduce flood risk within the County.



- The Harris County Toll Road Authority has several ongoing projects, including the Hardy Toll Road Downtown Connector and widening portions of Sam Houston and Tomball Tollways.

Bonded Debt and Commercial Paper

Bonded debt of the County consists of various issues of General Obligation Bonds, and Revenue Bonds. General Obligation Bonds are direct obligations of the County with the County’s full faith and credit pledged toward the payment of this debt. Revenue Bonds are generally payable from the pledged revenue generated by the respective activity for which the bonds are issued. In addition to the outstanding bonded debt of the County, the Commissioners Court has established a general obligation commercial paper program secured by ad valorem taxes for the purpose of financing various short-term assets and temporary construction financing for certain long-term capital assets.



Financial Activity Statement

Summary

The Financial Activity Statement, known in accounting terms as the "Income Statement" provides a record of funds received and spent during the year. Explanations of specific resources and services are provided below:

Resources Received

Resources Received are monies the County receives from a variety of sources in order to pay for the services it provides.

Property and Hotel Occupancy Taxes of \$1,762,499,508 were the largest revenue source for governmental activities and 53% of total revenues. The tax rate was \$.41923 per \$100 of assessed value for fiscal year 2016. The taxable value increased in fiscal year 2016 to \$391,521,792,000 from the taxable value in the prior fiscal year of \$350,425,713,000.

Charges for Services are resources from various County departments and agencies for fees paid to them, such as fees collected by the tax collector, charges for patrol services, and court costs and fees. Toll Road receipts are also included as charges for services. Toll Road receipts increased \$71 million from fiscal year 2015 to fiscal year 2016.

Intergovernmental Revenue and Other Contributions include grants, reimbursements or contributions to the County from other governmental agencies. Capital grants and contributions increased from the prior year partially due to an increase in donations/dedications of roads.

Investment Earnings include interest earned, as well as realized and unrealized gains on County investments.

Miscellaneous Resources received are revenue receipts that cannot be classified in any other category.

County Ad Valorem Tax Rates	
Purpose	2015
Harris County	
Maintenance & Operation	\$0.34547
County Debt Service	0.05237
Road Bond Debt Service	<u>0.02139</u>
Total Harris County Tax Rate	<u>0.41923</u>
Harris County Flood Control District	0.02733
Port of Houston Authority	
Debt Service	0.01342
Harris County Hospital District dba Harris Health Systems	<u>0.17000</u>
Total County-Wide Ad Valorem Tax Rate	<u>\$0.62998</u>

(Table reflects ad valorem tax rates per \$100 of assessed value levied by Harris County)

Harris County Financial Activity Statement		
	2016	2015
Resources Received		
Taxes	\$1,762,499,508	\$1,588,595,773
Charges for Services	1,066,511,152	987,689,962
Intergovernmental Revenue	349,517,115	348,988,155
Investment Earnings	23,141,527	28,988,153
Miscellaneous	<u>140,546,060</u>	<u>108,158,392</u>
Total Resources Received	<u>3,342,215,362</u>	<u>3,062,420,435</u>
Services Rendered		
Administration of Justice	1,090,317,878	1,016,759,151
Parks	123,242,876	96,828,468
County Administration	356,255,615	323,698,892
Health & Human Services	206,559,813	202,201,712
Flood Control	109,293,543	99,230,946
Tax Administration	41,533,509	36,666,488
Roads & Bridges	354,830,326	349,826,914
Interest & Fiscal Charges	111,513,994	109,651,447
Toll Road	423,260,608	590,655,791
Other Business Type Activity	<u>12,219,930</u>	<u>9,507,506</u>
Total Services Rendered	<u>2,829,028,092</u>	<u>2,835,027,315</u>
Resources Received over Services Rendered	<u>\$ 513,187,270</u>	<u>\$ 227,393,120</u>

Fiduciary Funds are excluded.

Services Rendered

Services Rendered are the funds spent to provide services to citizens.

Administration of Justice expenses include the costs of administering justice through the civil and criminal courts, Pretrial Services, District Attorney, District Clerk, Institute of Forensic Sciences, Juvenile Probation, Constables, and the Sheriff's Department. These expenses can be attributed to salaries, fringe benefits, costs of housing and trial of inmates, and fuel costs for patrol vehicles. The number of Administration of Justice employees increased during Fiscal Year 2016.

Parks expenses are the costs of maintaining the County's parks.

County Administration expenses are incurred for administrative offices including Commissioners Court, Budget Management, Auditor's Office, County Treasurer, Purchasing, County Attorney, Central Technology Services and other administrative areas of the County. These expenses increased \$32.6 million from the prior year partially due to an increase in salary expenses attributable to additional employees and \$4.2 million for pension expense related to the implementation of GASB 68.

Health and Human Services expenses include the costs of providing public health assistance, social services, economic development, and libraries.

Flood Control expenses are the costs to administer the Harris County Flood Control District and maintain the flood control system of drainage ditches and bayous throughout the County.

Tax Administration expenses are the expenses incurred in the collection of taxes for the County.

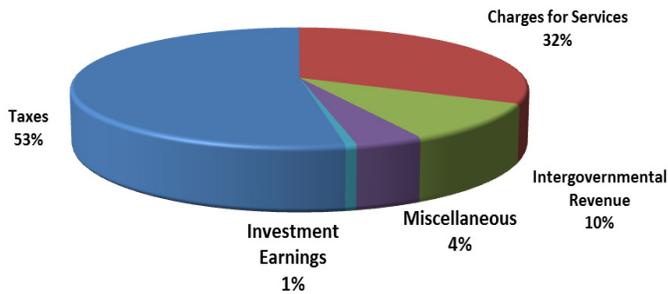
Roads and Bridges expenditures are the costs incurred to maintain County roads and bridges. The County owns and maintains over 6,000 miles of roads and bridges.

Interest and Fiscal Charges are primarily expenses related to the issuance and repayment of County bonds.

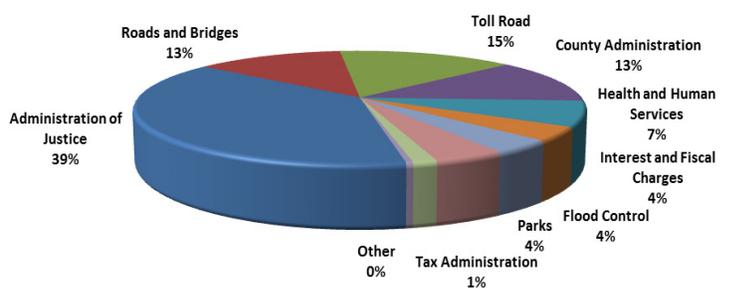
Toll Road expenses are the costs of operating the Harris County Toll Road Authority and maintaining the roads within the toll road system. These expenses decreased from the prior year primarily due to payment and accrual in fiscal year 2015 of \$200 million that the County agreed to pay the State of Texas for the County's commitment towards the U.S. 290 project.

Other Business-Type Activities are services that are self-supporting through user charges. These include Parking Facilities and the Sheriff's Commissary.

Resources By Source
Year Ended February 29, 2016

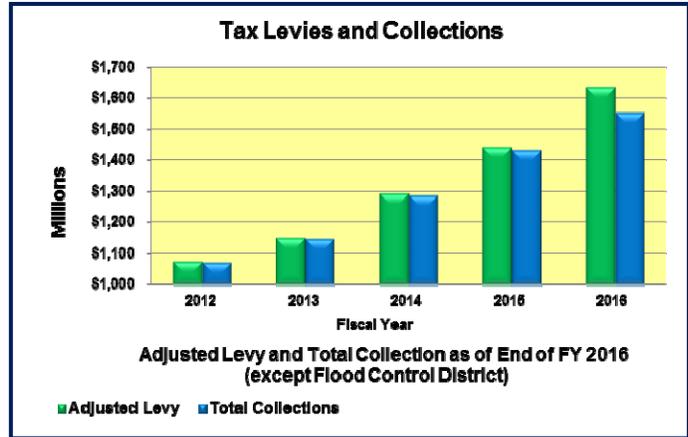
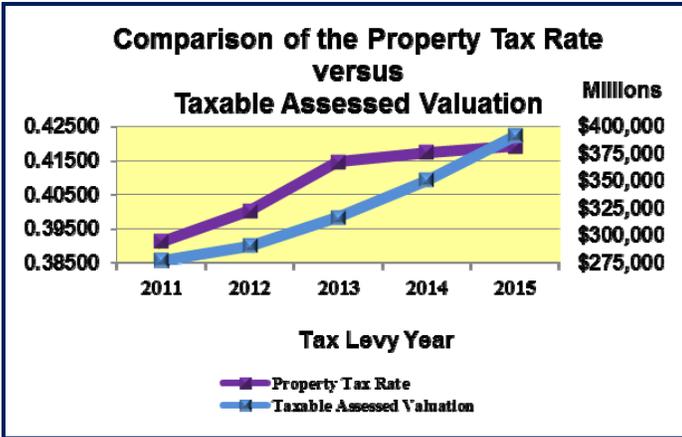


Expenses By Function
Year Ended February 29, 2016



Property Taxes

Property taxes are a large revenue source for governmental activities, and represents 51% of the total resources received. Tax rates are levied for maintenance and operations and debt service requirements. The respective tax rates which were adopted in 2015 for the County per \$100 of taxable value are: \$0.34000 for the General Fund, \$0.00547 for the Public Improvement Contingency Fund, and \$0.07376 for debt service, for a total of \$0.41923 for Harris County excluding component units. The taxable assessed value was 391,521,792,000 at February 29, 2016.



Harris County, Texas 2016 Principal Property Tax Payers (Unaudited)

Rank	Taxpayers	2015 Taxable Valuations (a) (amt. in thousands)	% of Total 2015 Taxable Valuation (b)
1	ExxonMobil Corporation	\$ 3,406,677	0.87%
2	Centerpoint Energy, Inc.	2,706,997	0.69%
3	Chevron Chemical Company	2,366,494	0.60%
4	Shell Oil Company	2,336,677	0.60%
5	Equistar Chemicals Ltd. Partnership	1,614,521	0.41%
6	National Oilwell, Inc.	1,454,824	0.37%
7	Hewlett Packard	1,167,324	0.30%
8	Palmetto Transoceanic LLC	1,130,070	0.29%
9	BP Amoco	1,062,238	0.27%
10	Cousins Greenway	1,026,262	0.26%
11	Baker Hughes	1,010,241	0.26%
12	Crescent Real Estate	939,427	0.24%
13	United Airlines Inc.	914,777	0.23%
14	Walmart	904,217	0.23%
15	Halliburton Company	800,424	0.20%
	Total	<u>\$22,841,170</u>	<u>5.82%</u>

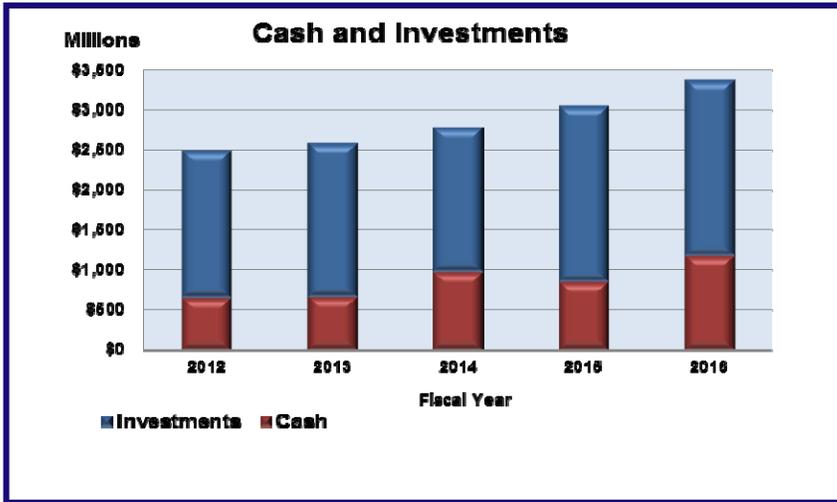
Source: Harris County Appraisal District.
 (a) Amounts shown for these taxpayers do not include taxable valuations, which may be substantial, attributable to certain subsidiaries and affiliates which are not grouped on the tax rolls with the taxpayers shown.
 (b) Based on the County's total taxable value as of February 29, 2016.

Harris County, Texas 2015 Assessed Value Taxable Value By Type for FY 2016 (Billions)

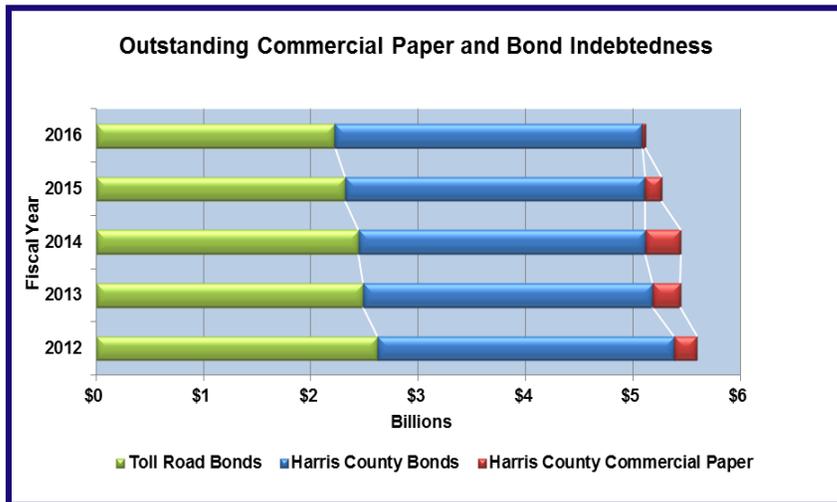
Rank	Taxable Type	2015 Total Taxable Assessed Value	% of Total
1	Residential & Rural Improved	\$158.352	40.45%
2	Commercial	97.886	25.00%
3	Industrial Personal	37.748	9.64%
4	Commercial Personal	27.799	7.10%
5	Apartments	31.178	7.96%
6	Industrial Real	22.599	5.77%
7	Vacant Land	10.971	2.80%
8	Utility	4.655	1.19%
9	Other	0.333	0.09%
		<u>\$391.521</u>	<u>100.00%</u>

Source: Harris County Appraisal Districts' Adjusted Certified Roll as of February 5, 2016.

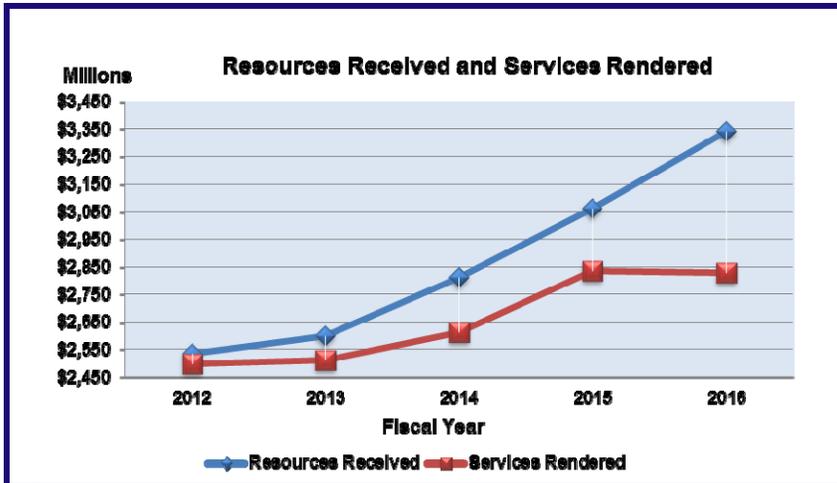
Government-wide Financial Trends



This graph includes cash and investments (excluding fiduciary funds) that are available for use as well as restricted cash and investments (and collateral held by others). Investments are stated at fair value.

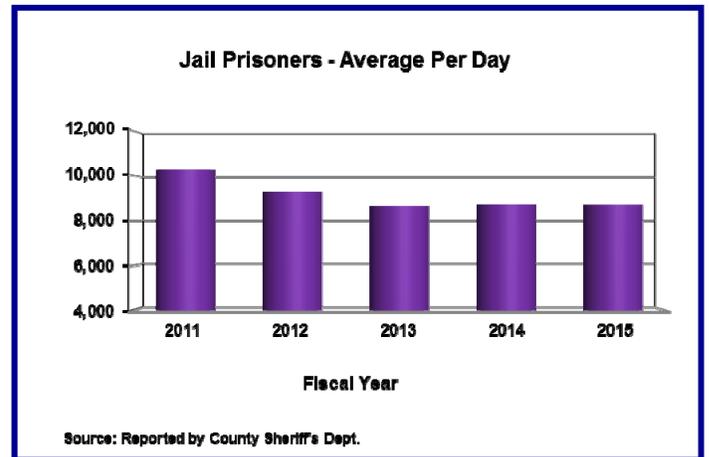
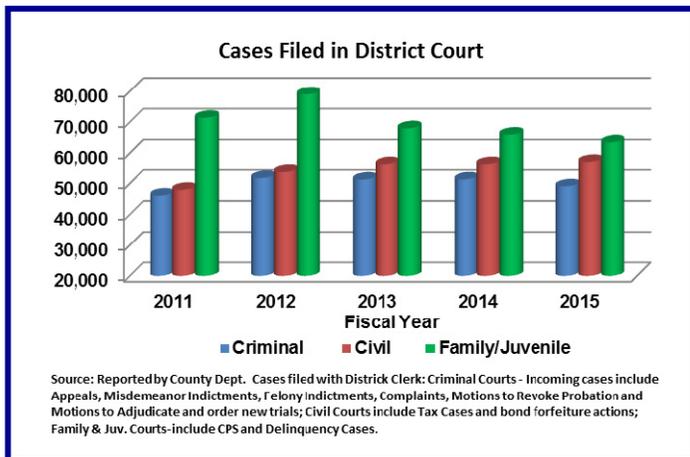
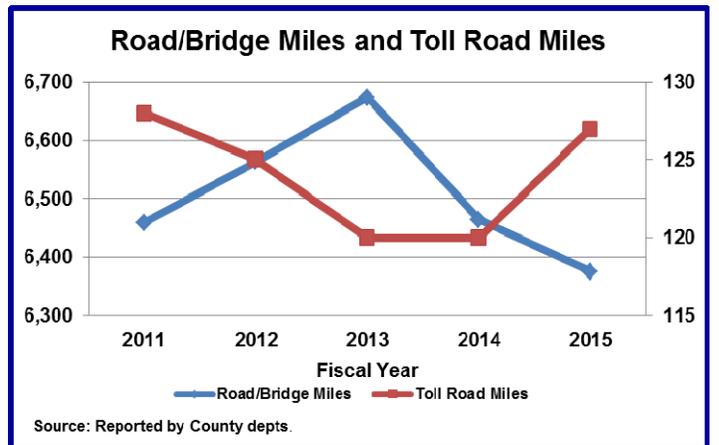
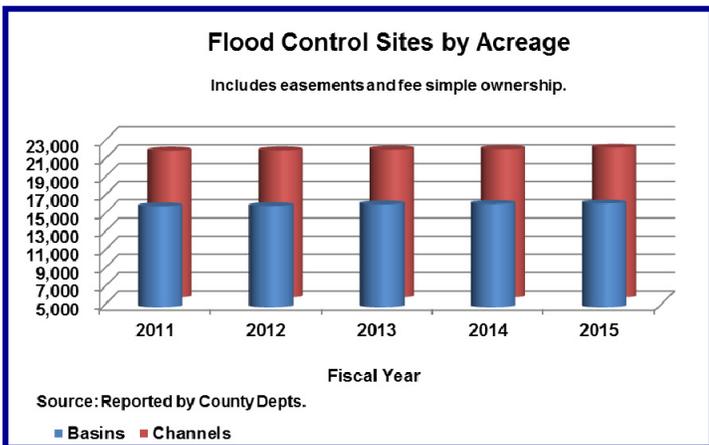
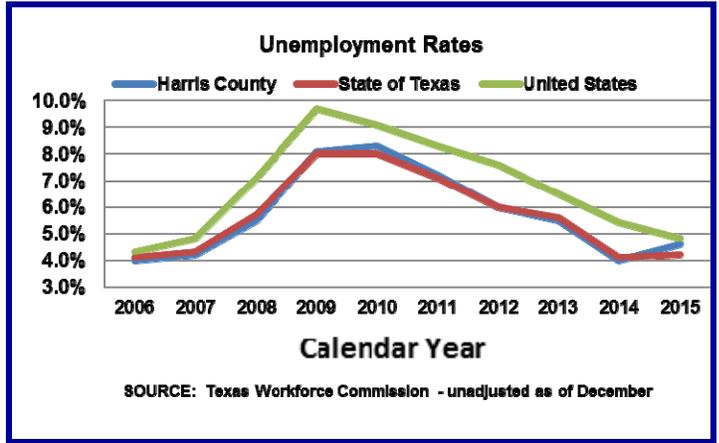
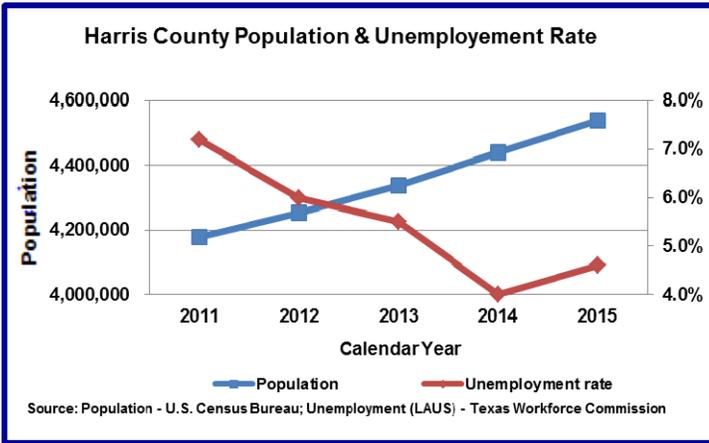


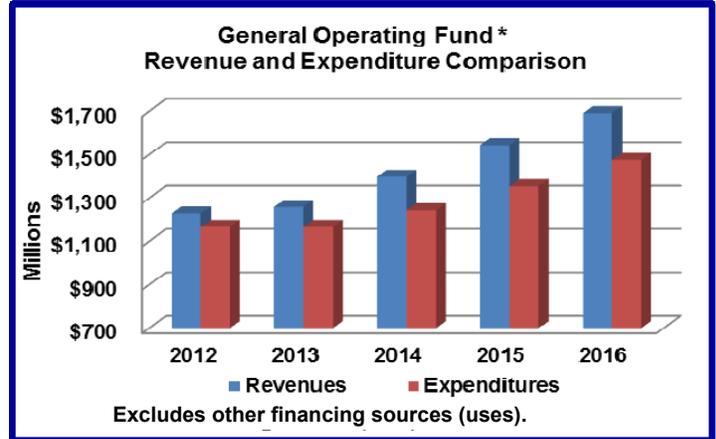
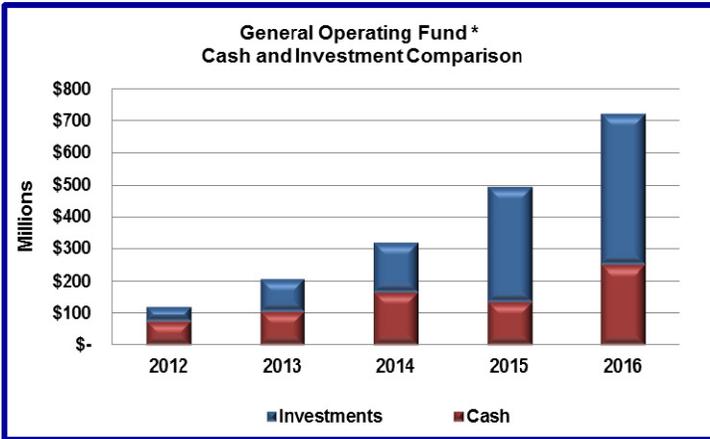
The County issues debt to finance an ongoing capital improvement program. Harris County Bonds also includes Flood Control Bonds.



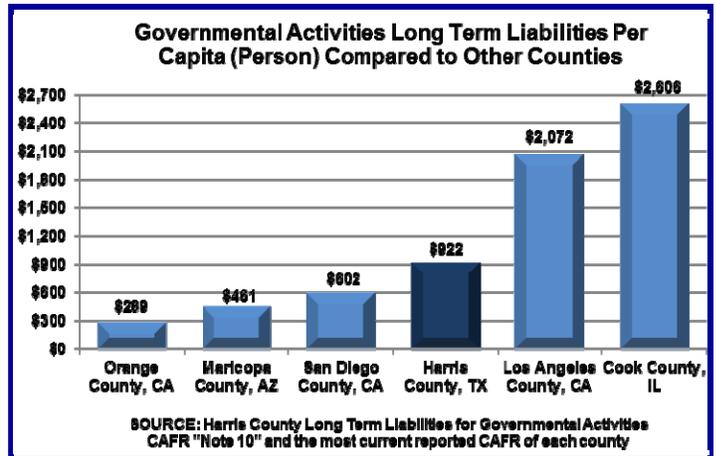
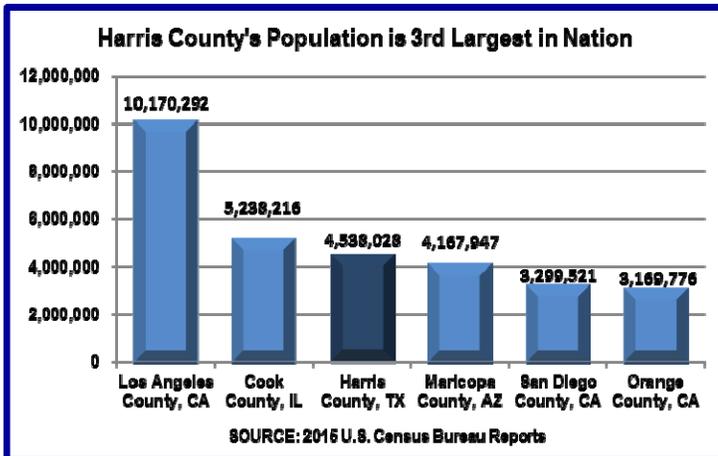
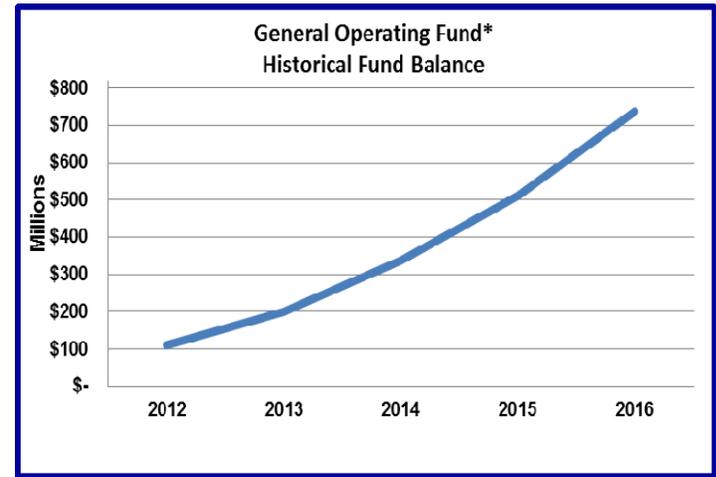
Resources received are monies the County receives from a variety of sources to pay for the services it provides. Services rendered are the funds spent to provide services to citizens.

Demographics / Key Indicators





*The County's General Fund has four sub-funds including the General Operating Fund. Further detail is provided in the statistical section of the CAFR.



Harris County Elected Officials, and Selected Appointed Officials and Department Heads

As of February 29, 2016

Commissioner's Court

County Judge	Emmett, Edward
Precinct 1	Locke, Gene
Precinct 2	Morman, Jack
Precinct 3	Radack, Steve
Precinct 4	Cagle, R. Jack

Sheriff

Hickman, Ron

District Attorney

Anderson, Devon

County Attorney

Ryan, Vince

Tax Assessor/Collector

Sullivan, Mike

District Clerk

Daniel, Chris

County Clerk

Stanart, Stan

County Treasurer

Sanchez, Orlando

Justice of the Peace

Precinct 1, Position 1	Gorczynski, Dale M.
Precinct 1, Position 2	Patronella, David M.
Precinct 2, Position 1	Delgado, JoAnn
Precinct 2, Position 2	Risner, George E.
Precinct 3, Position 1	Parrott, Mike
Precinct 3, Position 2	Coffey, Don
Precinct 4, Position 1	Goodwin, Lincoln
Precinct 4, Position 2	Korduba, Laryssa
Precinct 5, Position 1	Ridgway, Russ
Precinct 5, Position 2	Williams, Jeffrey S.
Precinct 6, Position 1	Vara, Richard C.
Precinct 6, Position 2	Rodriguez, Armando V.
Precinct 7, Position 1	Green, Hilary
Precinct 7, Position 2	Burney, Zinetta
Precinct 8, Position 1	Williamson, Holly
Precinct 8, Position 2	Ditta, Louie

Constables

Precinct 1	Rosen, Alan
Precinct 2	Diaz, Christopher E.
Precinct 3	Jones, Ken
Precinct 4	Herman, Mark
Precinct 5	Camus, Phil
Precinct 6	Martinez, Heliodoro
Precinct 7	Walker, May
Precinct 8	Sandlin, Phil

District Judges—Civil Courts

11th District Court	Miller, Mike
55th District Court	Shadwick, Jeff
61st District Court	Lunceford, Erin
80th District Court	Weiman, Larry
113th District Court	Landrum, Michael
125th District Court	Carter, Kyle
127th District Court	Sandill, R.K.
129th District Court	Gomez, Michael
133rd District Court	McFarland, Jaclanel
151st District Court	Engelhart, Mike
152nd District Court	Schaffer, Robert
157th District Court	Wilson, Randy
164th District Court	Smoots-Hogan, Alexandra
165th District Court	Mayfield, Debra Ibarra
189th District Court	Burke, Bill
190th District Court	Kerrigan, Patricia J.
215th District Court	Palmer, Elaine H.
234th District Court	Ward, Wesley
269th District Court	Hinde, Dan
270th District Court	Gamble, Brent
281st District Court	Matthews, Sylvia A.
295th District Court	Baker, Caroline E.
333rd District Court	Halbach, Joseph J. "Tad" Jr.
334th District Court	Dorfman, Grant

District Judges—Criminal Courts

174th District Court	Guerrero, Ruben
176th District Court	Bond, Stacey W.
177th District Court	Patrick, Ryan
178th District Court	Mendoza, David
179th District Court	Guiney, Kristin M.
180th District Court	Evans, Catherine
182nd District Court	Barr, Jeannine
183rd District Court	Velasquez, Vanessa
184th District Court	Krocker, Jan
185th District Court	Brown, Susan
208th District Court	Collins, Denise
209th District Court	McSpadden, Michael
228th District Court	Carter, Marc
230th District Court	Hart, Brad
232nd District Court	Keel, Mary Lou
248th District Court	Cabaniss, Katherine
262nd District Court	Bradley, Denise
263rd District Court	Wallace, Jim
337th District Court	Magee, Renee
338th District Court	Thomas, Brock
339th District Court	Jackson, Maria T.
351st District Court	Ellis, Mark Kent

Harris County Elected Officials, and Selected Appointed Officials and Department Heads (cont'd)

District Judges—Family Courts

245th District Court	Moore, Roy L.
246th District Court	Prine, Charley
247th District Court	Schmude, John
257th District Court	Warne, Judy
280th District Court	Bradshaw-Hull, Lynn
308th District Court	Lombardino, James
309th District Court	Dean, Sheri Y.
310th District Court	Millard, Lisa
311th District Court	Franklin-York, Alicia
312th District Court	Farr, David
507th District Court	Lemkuil, Alyssa

District Judges—Juvenile Courts

313th District Court	Devlin, Glenn
314th District Court	Phillips, John
315th District Court	Schneider, Michael

County Courts—Civil

Court at Law No. 1	Leuchtag, Clyde
Court at Law No. 2	Chang, Theresa
Court at Law No. 3	Storey, Linda
Court at Law No. 4	Lloyd, Roberta A.

County Courts—Criminal

Court at Law No. 1	Goodhart, Paula
Court at Law No. 2	Harmon, Bill
Court at Law No. 3	Fleming, Natalie C.
Court at Law No. 4	Clinton, John
Court at Law No. 5	Harris, Margaret
Court at Law No. 6	Standley, Larry
Court at Law No. 7	Derbyshire, Pam
Court at Law No. 8	Karahan, Jay
Court at Law No. 9	Wilkerson, Analia
Court at Law No. 10	Spjut, Dan
Court at Law No. 11	Bull, Diane
Court at Law No. 12	Brown, Robin
Court at Law No. 13	Smyth, Don
Court at Law No. 14	Fields, Michael R.
Court at Law No. 15	Hughes, Jean Spradling
Court at Law No. 16	Garcia, Linda

Probate Courts

Court No. 1	Wright, Loyd
Court No. 2	Wood, Mike
Court No. 3	Olsen, Rory R.
Court No. 4	Butts, Christine

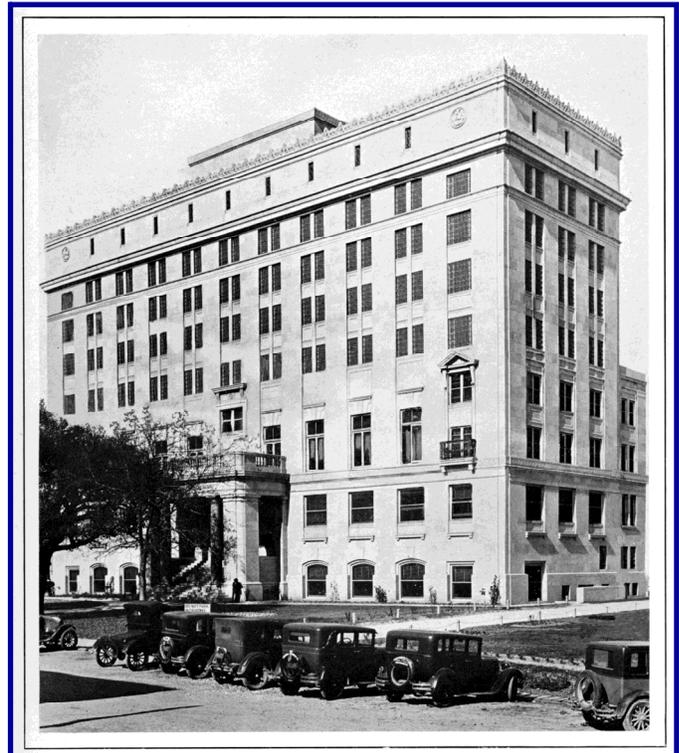
Court of Appeals

1st Court of Appeals	Radack, Sherry, Chief Justice
14th Court of Appeals	Frost, Kem T., Chief Justice

Selected Appointed Officials and Department Heads

Admin. Offices of the District Courts	Bowman, Clay
Office of County Court Management	Wells, Ed
Central Technology Services	High, Bruce
Children's Assessment Center	Stolte, Elaine
Protective Services for Children and Adults	Ford, George
Texas A&M AgriLife Extension-Harris Cty	Malone, Allen A. Dr.
County Auditor	Schott, Barbara J. *
County Library	Melton, Edward
Pre Trial Services	Potts, Dennis (<i>Interim</i>)
Domestic Relations	Simpson, David W.
Greater Harris Co. 9-1-1 Emergency Network	Rau, Russell
Fire and Emergency Services	Montgomery, Michael S.
Community Services Department	Turkel, David B.
Juvenile Probation	Brooks, Tom
Budget Management Department	Jackson, William J. *
Institute of Forensic Science (ME)	Sanchez, Luis A., MD
Public Health & Environmental Services	Shah, Umair A., MD
County Engineer	Blount, John R.
Flood Control District	Talbott, Michael
Toll Road Authority	Trietsch, Gary
Purchasing	Dopslauf, DeWight *
Sheriff Civil Services	Mims, William H., Jr

* *Appointed Officials*



1928 Criminal Courts Building and Jail



HARRIS COUNTY, TEXAS

Information Sources

The following sources were used to compile this report:

**Greater Houston Partnership
Handbook of Texas Online
Harris County Toll Road Authority
Harris County Flood Control District
Houston Association of Realtors
Metropolitan Transit Authority
Port of Houston Authority
Texas Workforce Commission
US Census Bureau**

Designed by

Cheri Morgan

Photographs taken and/or supplied by

**Commissioners Offices; Precincts 1,2,3, and 4
Harris County Fire Marshal
Harris County Historical Commission
Harris County Public Health
Harris County Public Library
Harris County Sheriffs Office
Harris Health System
Office of Emergency Management
Office of Emergency and Homeland Management**

