



# HARRIS COUNTY, TEXAS

## Popular Annual Financial Report for the fiscal year ended February 28, 2009

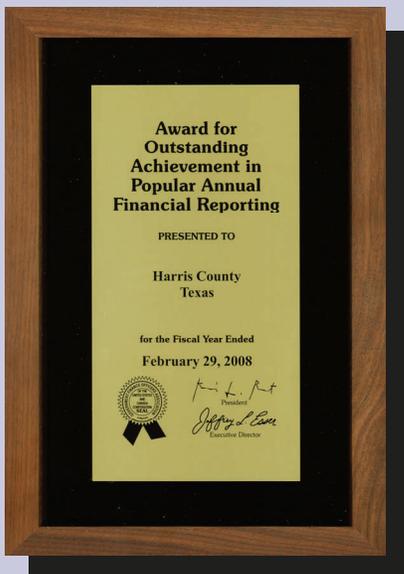


## Hurricane Ike Response

Barbara J. Schott, CPA  
County Auditor

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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, 2008. 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 28, 2009. 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 2009 Harris County Comprehensive Annual Financial Report (CAFR). The CAFR is comprised of approximately 200 pages of detailed financial statements, notes, schedules and reports. For financial reporting purposes, the Harris County Flood Control District, the Harris County Juvenile Board, and the Harris County Sports & Convention Corporation are included in the operations and activities of the County as blended component units of the primary government. The CAFR was audited by Deloitte & Touche, LLP, and received an unqualified 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 2009 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.co.harris.tx.us/auditor](http://www.co.harris.tx.us/auditor).

Sincerely,

Barbara J. Schott, CPA  
Harris County Auditor

# 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 and 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, 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.

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.

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 3.9 million residents. Harris County, the nation's third most populous, gained over 580,000 residents from the 2000 census to mid-2008.

## 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
- Harris County Juvenile Board
- Harris County Sports & Convention Corp.
- Harris County Housing Authority
- Children's Assessment Center Foundation, Inc.
- Mental Health & Mental Retardation Authority 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.

## Harris County, Texas Operating Indicators—Fiscal Year 2008

### Administration of Justice

16,357 cases investigated by the Medical Examiners Office

555,852 filings with the Justice of the Peace Courts

103, 876 new cases filed with the County Courts

143,296 cases filed with the District Courts

### County Administration

223,675,416 annual traffic on Harris County websites

736,403 real property filings

### Health & Human Services

15,948 food inspections performed by PHES Dept.

Library program attendance of 417,712

### Parks

145 active parks

### Road & Bridges

6,564 road miles

556 toll road lane miles

24 bridges

### Tax Administration

1,505,318 tax account statements

1,835,385 voter registrations

Source: Reported by County Departments



Hurricane Ike left millions without power. Workers worked around the clock to restore power.



Tons of debris were removed by vendors throughout Harris County following Hurricane Ike.



Residents removed waste from inside and outside their homes.

# 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.

## 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

The Accounting Division consists of the accounting functions for the Auditor's Office that includes the following departments: Accounting Division Chief, Financial Accounting, Accounts Payable, Revenue Accounting, and Grants & Accounts Receivable Accounting.

- **Financial Accounting** - This department is responsible for the general accounting and financial reporting of transactions for Harris County, Harris County Flood Control District, Toll Road Authority, Harris County Juvenile Board, and Harris County Community Supervision and Corrections Department. The department's goal is to provide timely and accurate interim and annual financial reporting. The CAFR, PAFR, and interim monthly financial reports are prepared by the Financial Accounting Department.
- **Accounts Payable** - The Accounts Payable department is responsible for auditing and processing all claims submitted for payment for Harris County, Harris County Flood Control District, Harris County Toll Road, Harris County Juvenile Board and Harris County Community Supervision and Corrections Department. The audited claims are then approved by Commissioners Court prior to distribution to the vendors by the County Treasurer. All payments are made in compliance with budgetary control and with the approvals of the user departments.

- **Revenue Accounting** - This department forecasts revenues for the County, Flood Control, and Toll Road Authority for the annual budget. After the adoption of the budget, this department monitors the collection of revenues as compared to annual revenue estimates. It is also responsible for ensuring that funds collected by the County's Fee Officers are accounted for according to statute. This department performs reconciliations of bank and investment accounts maintained by Harris County, Harris County Flood Control, Harris County Toll Road, Harris County Juvenile Board and Harris County Community Supervisions and Corrections Department.
- **Grants & Accounts Receivable Accounting** - This department is responsible for the accounting of grants and certain receivables of the County including inter-local agreements with other governmental entities. The department is also responsible for reporting County receivables at fiscal year-end including receivables related to fines, fees and court costs.

## AUDIT DIVISION

This division includes the following departments: Audit Division Chief, Audit Services, Compliance Audit, Payroll Audit, Systems & Procedures, and Continuous Auditing. 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.

- **Audit Services** - This department performs procedures in accordance with the International Standards for the Professional Practice of Internal Auditors relative to elected and appointed County officials and department heads, external entities (e.g., Port of Houston, Harris Hospital District, Harris County Sports and

Convention Corporation), financial processes, and financial balances. Engagements are selected for inclusion in the annual audit plan based upon the perceived level of inherent and control risk.

- **Compliance Audit** - In compliance with specific statutes, this department performs procedures to test the County's primary revenue sources (e.g., tax and fee collections) and most financial transactions at the Port of Houston Authority.
- **Payroll Audit** - Payroll information originates in each County department. This department works with the County's Human Resources and Risk Management Department and the Information Technology Center to establish automated edits in the County's human resources, time collection, and payroll systems to enforce compliance with federal and state statutes, as well as Harris County's Personnel Regulations. Payroll Audit also verifies the accuracy of the payroll, processes the payroll, and prepares the required state and federal mandated reports.
- **Systems & Procedures** - This department is responsible for statutory research, legislative monitoring, and the development, distribution and implementation of county-wide accounting policies, procedures and forms. In addition, this department coordinates the responses to Open Record Requests, the Auditor's Office Web Page e-mail, and the Auditor's Office Help Line inquiries.
- **Continuous Auditing** - Performs procedures focused on providing assurances that internal controls are working properly within the County's financial accounting system(s). This group principally uses automated audit techniques to identify weaknesses through the monitoring of individual controls and transactions against a set of control rules.



**Mike Post**  
First Assistant and  
Accounting Division Chief



**Steve Garner**  
Audit Division Chief

# Economic Outlook for Harris County

The global recession along with weak energy prices have curtailed the County's robust employment growth. This became apparent during the first quarter of 2009. Sectors of the local economy that have shed jobs include refining, petrochemicals, construction, retail and wholesale trade, transportation, utilities, finance and informational services. Upstream energy employment job growth has slowed with the Texas Alliance of Energy producers predicting that the oil and gas industry will not recover until 2010. The University of Houston's Institute for Regional Forecasting has forecast regional job losses in 2009 and 2010 of 56,000, mostly occurring in 2009. Factors that will continue to influence the County's economic future are the health of the national economy, energy prices, and the value of the dollar against major foreign currencies.

Today, Harris County's economy is largely based on a broad spectrum of industries including:

- Oil and gas exploration
- Basic petroleum refining
- Petrochemical production
- Medical research and healthcare delivery
- High technology – computers, aerospace, environmental, etc.
- Government – city, county, state and federal (e.g. NASA)
- International import & export
- Commercial fishing
- Agriculture
- Education
- Banking and finance
- Manufacturing and distribution
- Related service industries

The Houston Association of Realtors reported a 17.3 percent decline in closings during 2008, with the total sales volume falling 15.9 percent. In April 2009, the average sales price for a single-family home was \$194,222, which was 5.8 percent lower than in April 2008. However, the median price was \$149,050, virtually unchanged from April 2008. Sales of foreclosed single-family properties have slowed recently. In April 2009, foreclosures made up 23.6 percent of all single-family sales compared to 34.0 percent in January 2009.

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. The Port of Houston is ranked first in the U.S. in foreign waterborne commerce and second in total tonnage, with a total of 8,053 vessel calls in 2008. Two major railroads and numerous trucking lines connect the Port with the rest of the United States, Mexico and Canada. In November 1999, Harris County voters approved a \$387 million bond issue for the construction of a new container facility at the Port's Bayport Terminal. The opening phase of the project celebrated its grand opening in February 2007. The Bayport facility is expected to generate almost 12,000 jobs in its first ten years of operation and to generate nearly \$1 billion in new business revenues and more than \$40 million in new tax revenues annually.

## 2008 Top 10 Corporate Employers in Harris County

1.	Administaff	22,475
2.	Wal-Mart Stores, Inc.	17,260
3.	Continental Airlines	15,522
4.	Exxon Mobil	15,340
5.	Center Point Energy	8,568
6.	Baker Hughes Inc.	8,500
7.	National Oilwell Varco	7,400
8.	AT&T Inc (former SBC)	7,018
9.	Chevron/Texaco	7,011
10.	JP Morgan Chase	5,900

Source: Houston Business Journal, Harris County Community Services Dept., Office of Economic Development

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.

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, the fourth largest airport in the country, and state of the art telecommunication services. In January 2004, a 7.5-mile light rail line was completed, linking Houston's Central Business District, the Museum District, the Texas Medical Center, and Reliant Stadium. In March 2009, the Metropolitan Transit Authority contracted to construct approximately 20 additional miles of light rail lines.

Harris County is the nation's third most populous county, ranking behind Los Angeles County, California and Cook County, Illinois. Houston is tied with Chicago for second place among metropolitan statistical areas for the number of *Fortune 500* headquarters with twenty-nine, behind New York, which has seventy-three.

The cost of living in Houston is among the lowest of all urban settings in the United States. The ACCRA Cost of Living Index for the first quarter of 2009 shows that Houston's overall after-taxes living costs are 11 percent below the national average, largely due to housing costs that are 25 percent below the average. Compared to the 26 of 27 metropolitan areas with more than two million residents (Phoenix did not report), Houston's housing costs were 43 percent below the average and Houston's overall living costs were 20 percent below the average.

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 two medical schools are the University of Texas Medical School and Baylor College of Medicine.

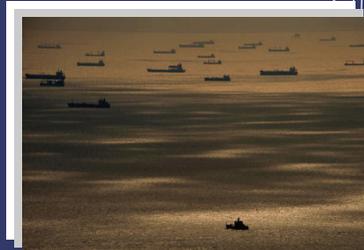
The County's major hospitals consistently rank among the nation's top institutions. Many of these facilities are located in the Texas Medical Center, a non-profit organization devoted to health education, research and patient care. Located just south of downtown Houston, the Texas Medical Center includes 13 hospitals, two medical schools, four nursing schools, and schools of dentistry, public health and pharmacy. The Texas Medical Center is at the forefront of research and treatment of cancer and heart disease.

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 is home to a number of professional sports teams with state-of-the-art facilities. The Astros, Houston's Major League Baseball team, plays its home games at Minute Maid Park; the Texans of the National Football League make their home at Reliant Park; and the Rockets of the National Basketball Association and the Aeros of the American Hockey League share the Toyota Center. The Houston Dynamo soccer team plays its home games at the University of Houston's Robertson Stadium. In addition, collegiate teams from the University of Houston, Rice University, Texas Southern University and Houston Baptist University compete in most major sports.



Heavy rains from Hurricane Ike flooded refineries.

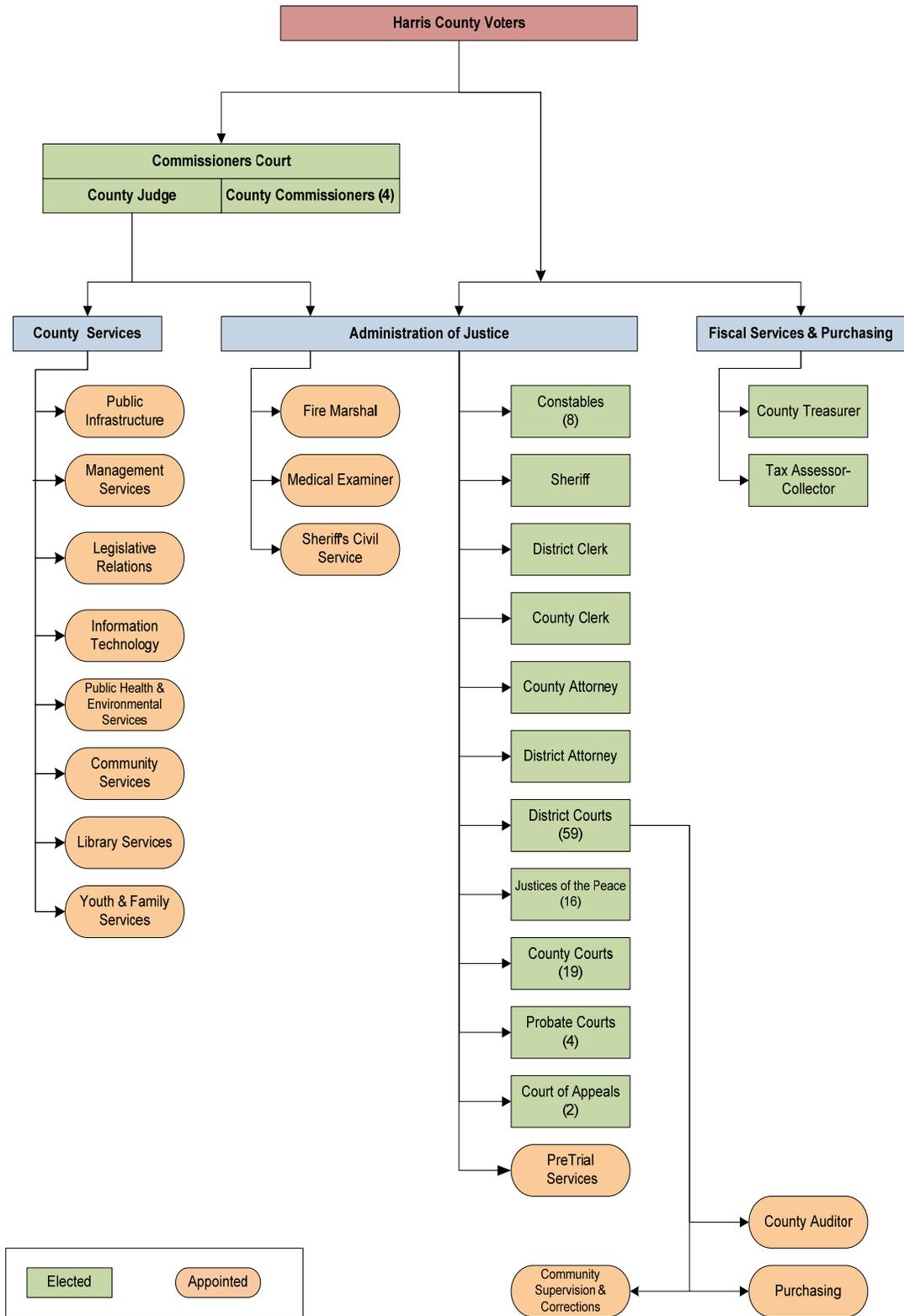


Ships waited out Hurricane Ike off the coast.

# Your Harris County Government

## Harris County Organization Chart

03/01/09



## Organization

Harris County has 16,985 employees. 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 11 per cent 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 2009



Administration of Justice  
9,425



County Administration  
3,339



Health & Human Services  
1,796



Road & Bridges  
856



Parks  
787



Tax Administration  
428



Flood Control  
354

**TOTAL 16,985**



After Hurricane Ike residents lined up for water and ice.



Many homes participated in the Blue Roof program while waiting for insurance adjusters and workers to make repairs.



Suppliers were not able to stock Harris County grocery stores after Hurricane Ike.

# Financial Policies and Major Initiatives

## Financial Policies

The population growth of the unincorporated areas is considered by the Commissioners Court in assessing the appropriate service delivery within available resources in a cost-effective manner. Some of the examples of the County's financial policies are:

- Expenditures are to be budgeted and controlled so that at the end of the fiscal year the minimum undesignated fund balance for the general fund and other operating funds will be no less than 15 percent of the fiscal year expenditures;
- Balanced financial operations will be maintained;
- Department heads and business managers are to keep expenditures within allocated budget amounts;
- Full disclosure and open lines of communications will be provided for rating agencies with a goal of sustaining the County's debt rating. The long term bond ratings assigned to Harris County are presented herein.
- Tax anticipation notes for annual cash flow purposes are issued for the general operating fund.

### Harris County Long Term Bond Ratings

<u>Bond Rating Service</u>	<u>Bond Rating</u>
Moody Investment Service, Inc.	Aa1
Standard & Poor's Rating Service	AAA
Fitch Group, Inc.	AA+

- The County's investment policy has been adopted to establish policies and procedures that enhance opportunities for a prudent and systematic investment of County funds. The County's general objectives in investing its funds are: understanding the suitability of the investment to the financial requirements of the County, preservation and safety of principal, liquidity, marketability of the investment, diversification, and yield. The "prudent person" standard has been adopted for managing the portfolio for the County. To ensure the safety of public funds, the policy adheres to Chapter 2256 of the Texas Government Code, The Public Funds Investment Act, and the statutory requirements of Local Government Code 116.112.

### Fair Market Value Harris County Cash and Investments\*

	<u>2009</u>	<u>2008</u>
U.S. Agency Notes	\$1,274,714,546	\$ 1,522,127,548
Commercial Paper	30,475,252	527,058,174
Money Market Mutual Funds	763,360,241	262,231,605
Local Governments	347,647,603	102,784,089
Demand and Time Deposits	<u>331,546,846</u>	<u>110,942,693</u>
Total Investments	<u>\$2,747,744,488</u>	<u>\$ 2,525,144,109</u>

\*This schedule includes Fiduciary Funds

## Major Initiatives

Flood Control District - The District has \$264 million available for continuation of its capital program. The more prominent projects include using FEMA grants for County-wide buyouts and construction projects, the Brays Bayou federal project, and the Sims Bayou federal project. The District's partnership with the Federal Government through the U.S. Army Corps of Engineers, and increasingly through FEMA, forms the foundation of the District's Capital Improvements program for the next fifteen years or more.

Toll Road Authority - The Authority continues moving forward on projects authorized by Commissioners Court including Segment E of the Grand Parkway, Beltway 8 East, and replacement of the existing toll collection system. Currently, the Authority has sufficient available cash to fund projects previously approved by Commissioners Court.

Precinct Roads - Expenditures of \$762.7 million are planned over the next five years for various road projects.

Parks - Expenditures of \$37 million are planned for Fiscal Year 2010. The County currently has 166 park sites on 26,296 acres of land.

County Buildings - Various County facility projects are underway or are being considered. Some of the projects and estimated costs are shown in the table below.



### Harris County Facilities Major Projects

<u>Facility</u>	<u>Estimated Cost</u>
North Bayou Central Plant	\$ 34,000,000
Medical Examiner's Forensic Center	105,000,000
New Family Law Center	82,200,000
Plaza & Jury Assembly	15,500,000
1910 Civil Courthouse Renovation	58,300,000
Library Projects	<u>39,410,000</u>
TOTAL	\$ <u>334,410,000</u>

# Financial Position Statement

## Summary

The Harris County Financial Position Statement, known in accounting terms as the "Statement of Net Assets" 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 28, 2009 and February 29, 2008).

## Financial Statements Comments

The financial information in the Harris County Financial Position Statement and the Harris County Financial Activity Statement which follows is derived from information presented in the Harris County's Comprehensive Annual Financial Report ("CAFR") for 2009. 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.co.harris.tx.us/auditor](http://www.co.harris.tx.us/auditor). The condensed statements presented here 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).

## Assets

**Cash** is the amount of physical cash held by the County in checking accounts and on-hand to pay expenses. **Investments** are funds not required to pay current expenses which are invested in a variety of securities such as U.S. government agency notes, commercial paper, money market mutual funds, and local government securities. This allows the County to earn interest on its surplus cash. Forty million dollars of County investments were held by others as collateral to conform with provisions of interest rate SWAP agreements as of February 28, 2009.

**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.

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

## Harris County Financial Position Statement

	2009	2008
<b>Assets</b>		
Cash	\$ 620,329,798	\$ 549,177,789
Investments	1,717,939,496	1,565,997,714
Receivables	277,294,212	258,878,614
Capital Assets	13,809,680,120	13,799,533,104
Other Assets	55,223,620	46,150,823
<b>Total Assets</b>	<b><u>16,480,467,246</u></b>	<b><u>16,219,738,044</u></b>
<b>Liabilities</b>		
Amounts Owed to Employees & Vendors	310,727,905	292,548,396
Other Current Liabilities	94,446,958	84,916,457
Long Term Liabilities	<u>5,359,352,387</u>	<u>5,033,724,512</u>
<b>Total Liabilities</b>	<b><u>5,764,527,250</u></b>	<b><u>5,411,189,365</u></b>
<b>Total Assets over Total Liabilities</b>	<b><u>\$10,715,939,996</u></b>	<b><u>\$10,808,548,679</u></b>

*Fiduciary funds are excluded.*

*Harris County Flood Control District, the Harris County Juvenile Board, and the Harris County Sports & Convention Corporation 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 deferred revenue, funds due to other governmental units, 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) and other long term liabilities. The County issues debt to finance an ongoing capital improvement program.

### Total Assets Over Total Liabilities

This amount represents the difference between the assets of the County and the liabilities owed. Total assets over total liabilities may serve over time as a useful indicator of a government's financial position. In the case of the County, assets exceeded liabilities by \$10,715,939,996 for fiscal year 2009 and \$10,808,548,679 for fiscal year 2008. The costs of services rendered exceeded the resources received during fiscal year 2009, decreasing net assets by \$92,608,683.

### Capital Assets

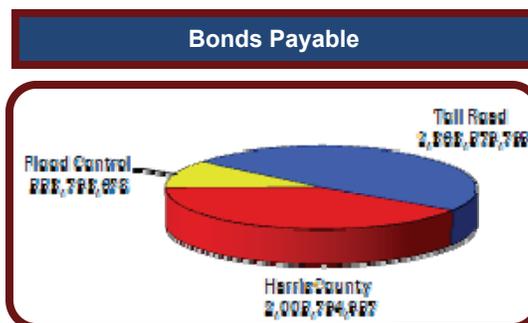
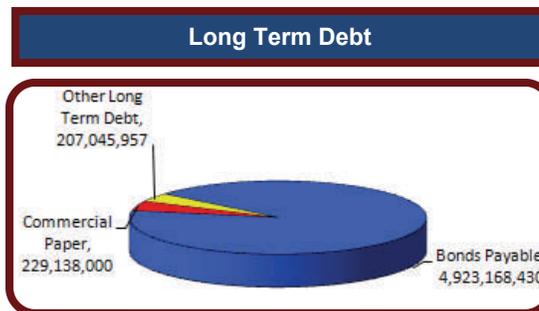
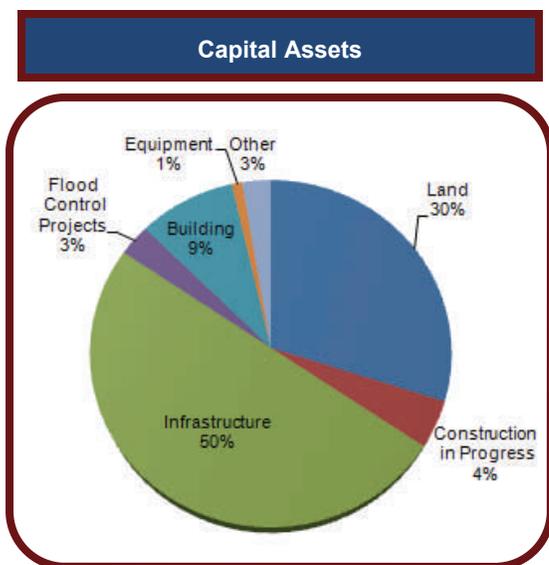
The County's capital assets include land, improvements, structures, park improvements and facilities, infrastructure, equipment, vehicles, machinery, other tangible and intangible assets, and construction in progress. Major capital asset projects include

the following:

- The County has several ongoing capital improvement projects, including a new Plaza/Jury Assembly Facility with a tunnel connection to the Civil Justice Center, a Medical Examiner's Forensic Center, and restoration of the 1910 Civil Courts Building.
- The Flood Control District has several ongoing flood damage reduction and mitigation projects in cooperation with the Federal Emergency Management Agency and the United States Army Corps of Engineers.
- The Harris County Toll Road Authority has several ongoing projects, including Segment E of the Grand Parkway and Beltway 8 East.

### Bonded Debt and Commercial Paper

Bonded debt of the County consists of various issues of General Obligation Bonds, Certificates of Obligation and Revenue Bonds. General Obligation Bonds and Certificates of Obligation 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 as follows.

### 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 \$1,187,697,538 were the largest revenue source for governmental activities and 48% of total revenues. The tax rate was \$.38923 per \$100 of assessed value for fiscal year 2009. The assessed value increased in fiscal year 2009 to \$364,193,653,000 from the assessed value in the prior fiscal year of \$327,373,322,000.

**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.

**Intergovernmental Revenue** include grants, reimbursements or contributions to the County from other governmental agencies. Capital grants and contributions decreased from the prior year primarily due to a decrease in road dedications/donations.

### County Ad Valorem Tax Rates

Purpose	2008
Harris County	
Maintenance & Operation	\$0.33815
County Debt Service	0.03192
Road Bond Debt Service	0.01916
Toll Road Authority Tax	
Bond Debt Service	-0-
<b>Total Harris County Tax Rate</b>	<b>0.38923</b>
Harris County Flood Control District	0.03086
Port of Houston Authority	
Debt Service	0.01773
Harris County Hospital District	0.19216
<b>Total County-Wide Ad Valorem Tax Rate</b>	<b>\$0.62998</b>

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

**Investment Earnings** include interest earned, realized and unrealized gains on County investments. Since interest rates declined during fiscal year 2009, the County's investment earnings decreased.

**Miscellaneous Resources** received are revenue receipts that cannot be classified in any other category. Revenues in this category decreased approximately \$31 million dollars in fiscal year 2009 primarily as a result of a one time change reported as a special item.

## Harris County Financial Activity Statement

	2009	2008
<b>Resources Received</b>		
Taxes	\$1,187,697,538	\$1,130,223,559
Charges for Services	709,710,235	701,795,599
Intergovernmental Revenue	430,633,122	465,435,273
Investment Earnings	74,388,609	108,440,752
Miscellaneous	67,363,989	98,041,305
<b>Total Resources Received</b>	<b>2,469,793,493</b>	<b>2,503,936,488</b>
<b>Services Rendered</b>		
Administration of Justice	944,399,706	846,106,683
Parks	78,910,844	82,221,786
County Administration	407,483,418	299,309,731
Health & Human Services	182,119,902	193,347,768
Flood Control	97,695,485	90,253,472
Tax Administration	37,949,451	35,190,948
Roads & Bridges	373,484,374	364,111,518
Interest & Fiscal Charges	125,017,764	136,943,595
Toll Road	305,753,503	272,971,765
Other Business Type Activity	9,587,729	9,256,143
<b>Total Services Rendered</b>	<b>2,562,402,176</b>	<b>2,329,713,409</b>
<b>Resources Received over Services Rendered</b>	<b>\$ (92,608,683)</b>	<b>\$ 174,223,079</b>

Fiduciary Funds are excluded.

Miscellaneous resources includes the gain on capital assets and special items.

**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, Medical Examiner, Juvenile Probation, Constables, and the Sheriff's Department. The increase in expenses from fiscal year 2008 can be mostly attributed to increases in salaries and fringe benefits.

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

**County Administration** expenses are incurred for administrative offices including Commissioners, Management Services, Auditor's Office, County Treasurer, Purchasing, County Attorney, County Clerk, Information Technology Center and other administrative areas of the County. The increase in expenses in this category is partially attributable to the increases in payroll costs and expenses related to Hurricane Ike.

**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 buyouts throughout the County.

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

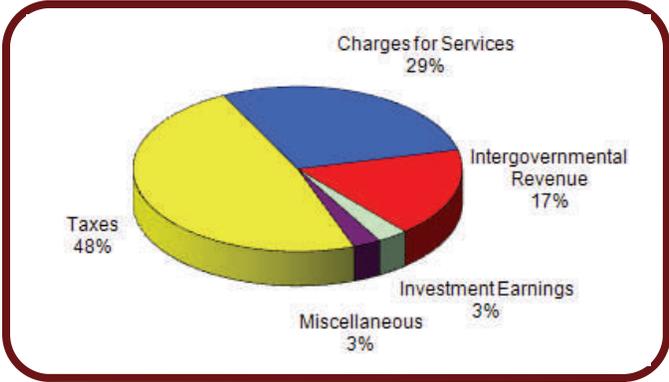
**Roads and Bridges** expenditures are the costs incurred to maintain County roads and bridges. The County owns and maintains over 6,000 miles of roads and bridges.

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

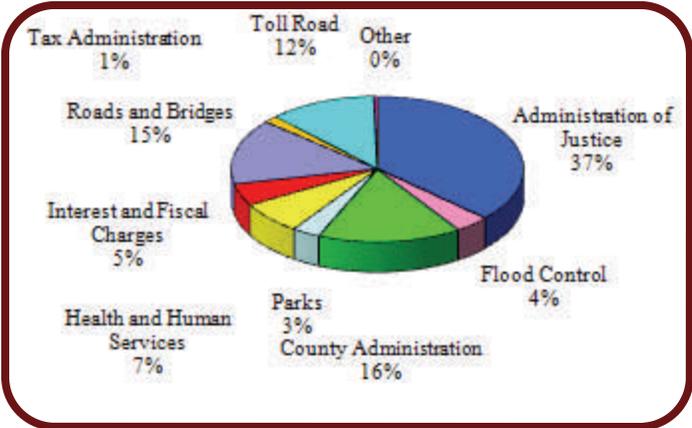
**Toll Road** expenses are the costs of administering the Harris County Toll Road Authority and maintaining the roads within the toll road system. Services and fees increased primarily due to an increase in maintenance on roadways and facilities, because of an aging infrastructure, additional constable support, and handling fees related to credit card transactions. Payroll costs also increased since 79 positions were added during the year.

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

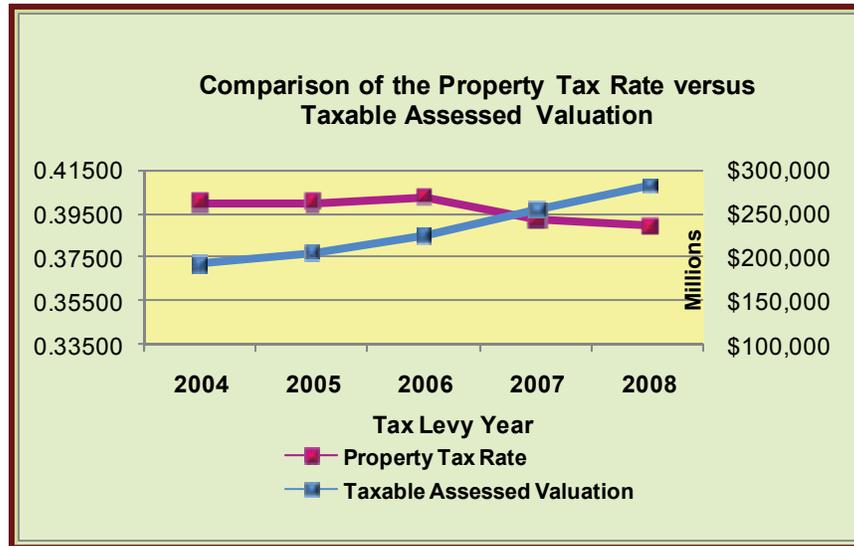
**Resources By Source  
Year Ended February 28, 2009**



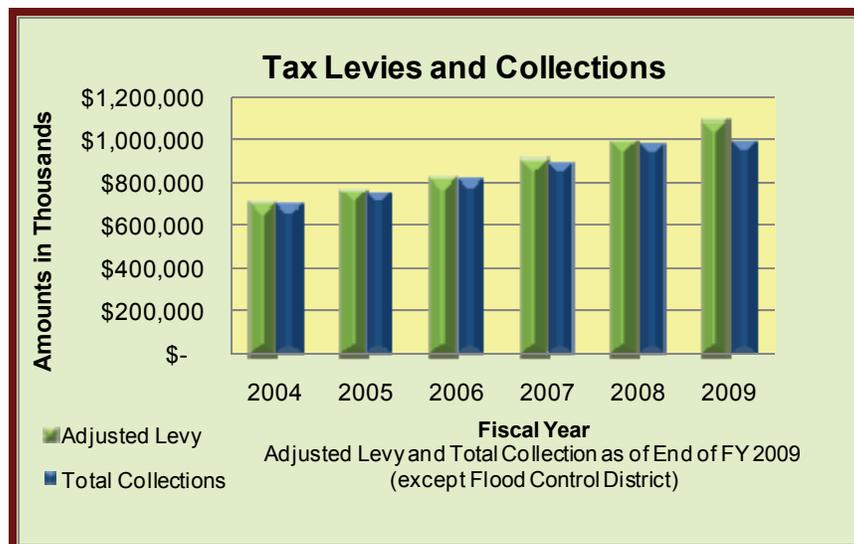
**Expenses By Function  
Year Ended February 28, 2009**



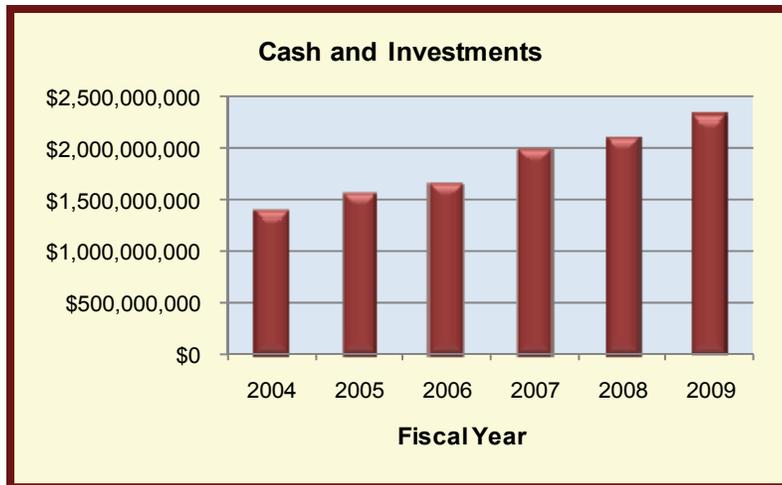
# Property Taxes



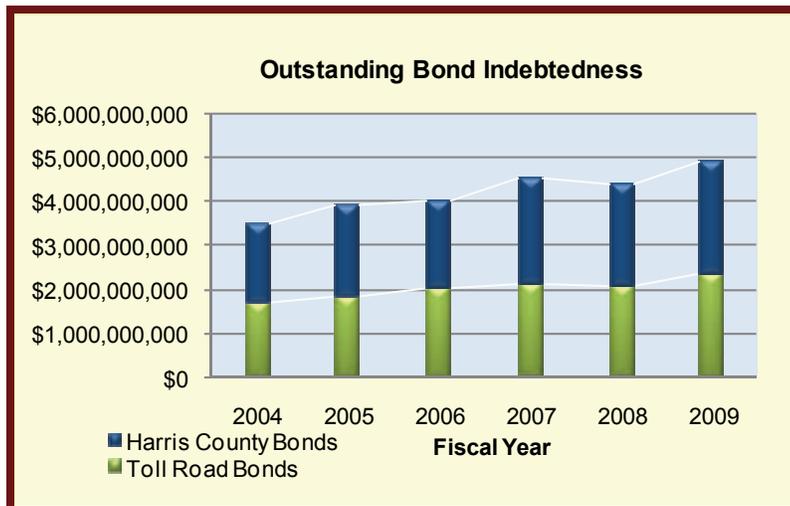
Property taxes are a large revenue source for governmental activities, and is 47% of the total resources received. During the past two tax levy years, 2007 and 2008, the property tax rate has decreased and the total taxable assessed value has continued to increase. Tax rates are levied for maintenance and operations and debt service requirements relative to General Obligation Bonds, Certificates of Obligation, Revenue Bonds and Commercial Paper. The respective tax rates which were adopted in 2008 for the County per \$100 of taxable value are: \$0.33221 for the General Fund, \$0.00594 for the Public Improvement Contingency Fund, and \$0.05108 for debt service, for a total of \$0.38923 for Harris County excluding any component units.



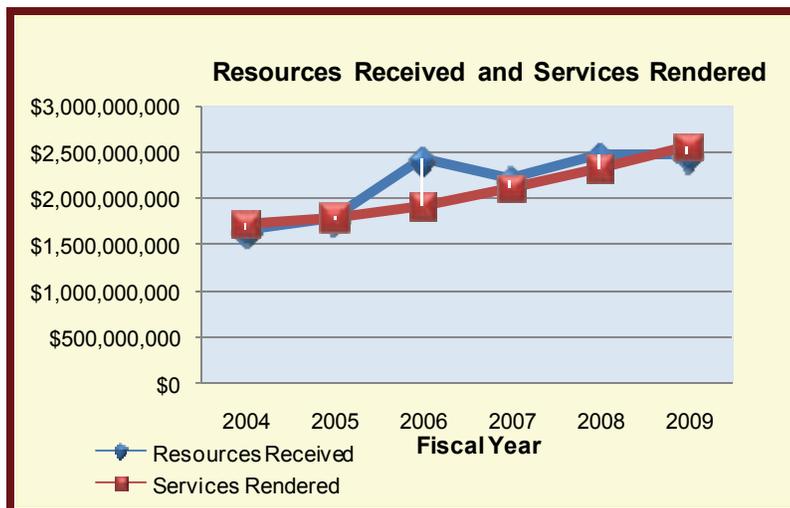
# Government-wide Financial Trends



The above 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.



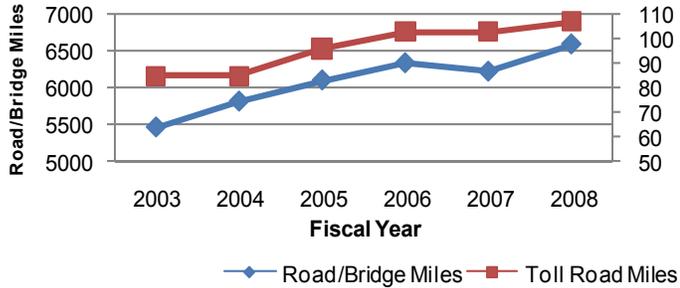
The County issues debt to finance an ongoing capital improvement program. Harris County Bonds also include Flood Control bonds.



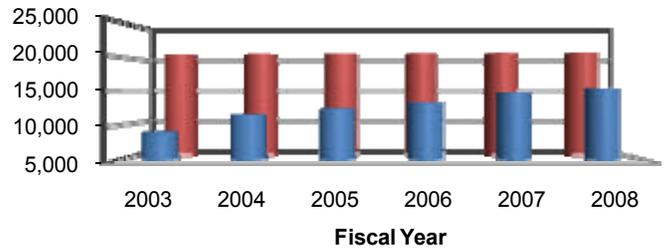
Resources received are monies the County receives from a variety of sources to pay for the services it provides. Services rendered are the funds spent to provide services to citizens.

# Demographics / Key Indicators

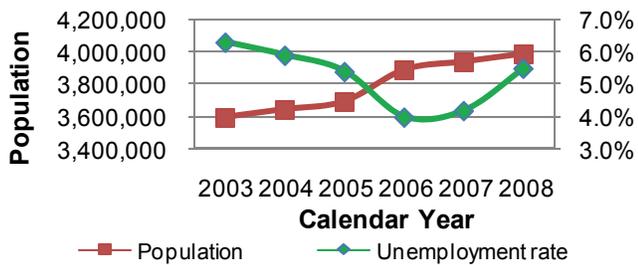
### Road/Bridge Miles and Toll Road Miles



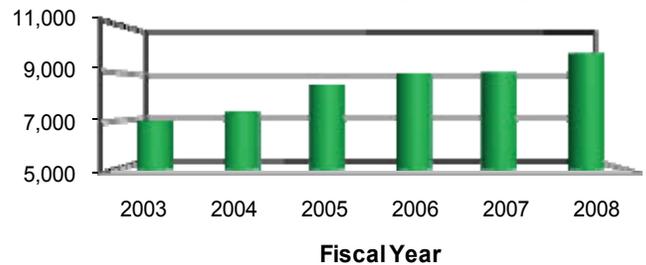
### Flood Control Sites by Acreage



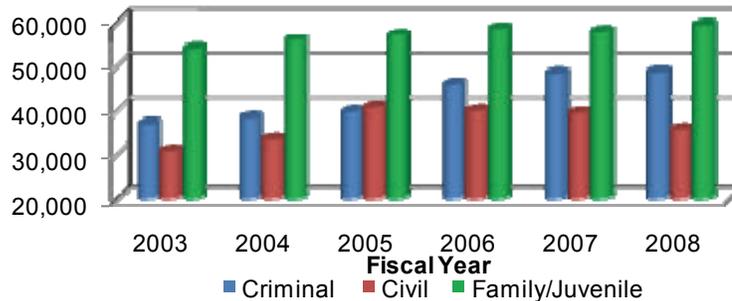
### Harris County Population & Unemployment Rate



### Jail Prisoners - Average Per Day



### Cases Filed in District Court



# Harris County Elected Officials as of February 28, 2009

## Commissioners Court

County Judge	Emmett, Edward
Precinct 1	Lee, El Franco
Precinct 2	Garcia, Sylvia R.
Precinct 3	Radack, Steve
Precinct 4	Eversole, Jerry

## Sheriff

Garcia, Adrian

## District Attorney

Lykos, Pat

## County Attorney

Ryan, Vince

## Tax Assessor/Collector

Vasquez, Leo  
(Appointed December 2008)

## District Clerk

Jackson, Loren

## County Clerk

Kaufman, Beverly

## County Treasurer

Sanchez, Orlando

## Justices of the Peace

Precinct 1, Position 1	Gorczyński, 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	Polumbo, Tony
Precinct 4, Position 1	Adams, J. Kent
Precinct 4, Position 2	Lawrence, Tom
Precinct 5, Position 1	Ridgway, Russ
Precinct 5, Position 2	Yeoman, William V.
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	Abercia, Jack F.
Precinct 2	Freeman, Gary L.
Precinct 3	Jones, Ken
Precinct 4	Hickman, Ron
Precinct 5	Camus, Phil
Precinct 6	Trevino, Victor
Precinct 7	Walker, May
Precinct 8	Bailey, Bill

## District Judges - Civil Courts

11th District Court	Miller, Mike
55th District Court	Ramos, Dion
61st District Court	Bennett, Al
80th District Court	Weiman, Larry
113th District Court	Hancock, Patricia
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	Rendon, Josefina Muniz
189th District Court	Burke, Bill R. Jr.
190th District Court	Kerrigan, Patricia
215th District Court	Kirkland, Steven E.
234th District Court	Rondon, Reece
269th District Court	Hinde, Dan
270th District Court	Gamble, Brent
280th District Court	Lindsay, Tony
281st District Court	Matthews, Sylvia A.
295th District Court	Christopher, Tracy
333rd District Court	Halbach, Joseph J.
334th District Court	McCally, Sharon

## District Judges - Criminal Courts

174th District Court	Guerrero, Ruben
176th District Court	Reagin, Shawna L.
177th District Court	Fine, Kevin
178th District Court	Mendoza, David
179th District Court	Roll, Randy
180th District Court	Stricklin, Debbie Mantooth
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 T.
228th District Court	Carter, Marc C.
230th District Court	Hill, Belinda
232nd District Court	Keel, Mary Lou
248th District Court	Campbell, Joan
262nd District Court	Anderson, Mike
263rd District Court	Wallace, Jim
337th District Court	Ritchie, Herb
338th District Court	Jones, Hazel B.
339th District Court	Jackson, Maria T.
351st District Court	Ellis, Mark Kent

# Harris County Elected Officials (cont'd.)

## District Judges - Family Courts

245th District Court	Kuntz, Annette
246th District Court	York, James
247th District Court	Hellums, Bonnie C.
257th District Court	Warne, Judy
308th District Court	Dempster, Georgia
309th District Court	Rynd, Frank
310th District Court	Millard, Lisa A.
311th District Court	Warne, Doug
312th District Court	Hinojosa, Robert

## District Judges - Juvenile Courts

313th District Court	Shelton, Pat
314th District Court	Phillips, John F.
315th District Court	Schneider, Michael

## County Courts - Civil

Court at Law No. 1	Cagle, R. Jack
Court at Law No. 2	Smith, Jacqueline Lucci
Court at Law No. 3	Storey, Linda
Court at Law No. 4	Lloyd, Roberta A.

## County Courts - Criminal

Court at Law No. 1	Helm, Reagan C.
Court at Law No. 2	Harmon, Bill
Court at Law No. 3	Jackson, Donald W.
Court at Law No. 4	Anderson, James
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	Ross, Sherman
Court at Law No. 11	Bull, Diane
Court at Law No. 12	Brown, Robin
Court at Law No. 13	Atkinson, Mark
Court at Law No. 14	Fields, Michael R.
Court at Law No. 15	Hughes, Jean Sprading

## Probate Courts

Court No. 1	Stone, Kathleen S.
Court No. 2	Wood, Mike
Court No. 3	Olsen, Rory R.
Court No. 4	McCulloch, William C.

## Court of Appeals

1st Court of Appeals	Radack, Sherry
14th Court of Appeals	Hedges, Adele

## SELECTED APPOINTED OFFICIALS

Admin. Offices of The District Courts	Bowman, Clay
Children's Assessment Center	Stolte, Elaine
County Auditor	Schott, Barbara J.
County Criminal Courts at Law Mgm't	Wessels, Bob
County Library	Goldberg, Rhoda
Domestic Relations	Simpson, David W.
Fire and Emergency Services	Montgomery, Michael S.
Greater Harris Co. 9-1-1 Emergency Network	Schwender, Lavergne
Housing and Economic Development	Turkel, David B.
Information Technology Center	Jennings, Steve W.
Juvenile Probation	Hetzel, Harvey
Law Library	Eichstadt, John R.
Management Services	Raycraft, R. L.
Medical Examiner	Sanchez, Luis A. MD
Pre Trial Services	Oeller, Carol
Protective Services for Children and Adults	Ford, George
Public Health & Environmental Services	Palacio, Herminia MD
Public Infrastructure Department	Storey, Arthur L., Jr.
Purchasing	Johnson, Kelly E.
Sheriff Civil Services	Mims, William H. Jr.
Texas AgriLife Extension-Harris County	Williams-Willis, Linda





### **Information Sources**

The following sources were used to compile this report:

Greater Houston Partnership  
Harris County Toll Road Authority  
Harris County Flood Control District  
Houston Association of Realtors  
Metropolitan Transit Authority  
Port of Houston Authority  
Handbook of Texas Online

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**HARRIS COUNTY, TEXAS**