

Comprehensive Annual Financial Report

HARRIS COUNTY, TEXAS



For The Fiscal Year Ended

February 29, 2004

HARRIS COUNTY, TEXAS

Comprehensive Annual Financial Report For The Fiscal Year Ended February 29, 2004

**Prepared By:
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BARBARA J. SCHOTT, C.P.A.
HARRIS COUNTY AUDITOR

July 22, 2004

Honorable District Judges of Harris County and
Honorable Members of the Harris County Commissioners Court

The County Auditor's Office (the "Auditor's Office") is pleased to present the Comprehensive Annual Financial Report ("CAFR") of Harris County, Texas (the "County") for the fiscal year ended February 29, 2004. This report is submitted in accordance with Section 114.025 of the Texas Local Government Code and was prepared by the staff of the County Auditor's Office

The report consists of management's representations concerning the finances of the County. Therefore, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. We believe the information and data contained herein are accurate in all material respects; that it is reported in a manner designed to present fairly the financial position and results of operations of the County in accordance with generally accepted accounting principles in the United States of America ("GAAP"). All disclosures necessary to enable the reader to gain an understanding of the County's financial activities have been included.

Management of the County has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse, and to compile sufficient reliable information for the preparation of the County's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the County's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements are free from material misstatement.

The County's financial statements were audited by Deloitte & Touche LLP, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the County for fiscal year ended February 29, 2004 are free of material misstatement. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the County's financial statements are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

The independent audit of the County's financial statements was part of a broader, federally mandated "Single Audit" designed to meet the special needs of federal and state grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the government's internal controls and compliance

with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal and state awards. These reports are available in the compliance section of this report.

This is the second year that the CAFR was prepared in conformity with the new financial reporting requirements established by Governmental Accounting Standards Board (GASB) No. 34, “Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments.” The County is required by GASB 34 to provide a narrative introduction, overview, and analysis to accompany the basic financial statements. The narrative is referred to as “Management’s Discussion and Analysis: (MD&A) and the current year’s CAFR presents the first period for which comparative financial information is displayed in the MD&A. The CAFR is presented in four sections as illustrated in the following:

- ◆ The ***Introductory Section***, which is unaudited, contains the letter of transmittal (this letter), an organization chart of the County and a list of elected and selected appointed officials, and a reproduction of the County’s Certificate of Achievement for Excellence in Financial Reporting for the year preceding this report.
- ◆ The ***Financial Section*** includes the Independent Auditor’s Report, Management Discussion and Analysis (“MD&A”), the Basic Financial Statements (including notes) and required Supplementary Information. The MD&A is designed to complement the letter of transmittal and should be read in conjunction with it and can be found immediately following the report of the independent auditors. The Basic Financial Statements include the government-wide financial statements that are designed to provide an overview of the County’s entire financial operations. In addition, the fund financial statements present financial information of each of the County’s major funds, as well as non-major funds, fiduciary funds, and other funds.
- ◆ The ***Statistical Section*** includes selected financial, demographic, and statistical data that is generally presented on a multiyear basis, and other information which includes supplemental disclosures to comply with Securities Exchange Commission Rule 15c2-12.
- ◆ The ***Compliance Section*** contains information related to the County’s annual single audit, which is required under the provisions of the Single Audit Act of 1984, the Single Audit Act Amendments of 1996, and the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Included are a Supplementary Schedule of Federal and State Awards, Notes to Supplementary Schedule of Expenditures of Federal and State Awards, the Independent Auditor’s Report on Compliance and Internal Control Over Financial Reporting Based on an Audit of Basic Financial Statements Performed in Accordance With Government Auditing Standards, the Independent Auditor’s Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133, and a Schedule of Findings and Questioned Costs.

PROFILE OF THE COUNTY

History, Geographic Location, and Population

The first written record of the area that is now Harris County was made in 1528 by Alvar Nunez Cabeza De Vaca, a member of a Spanish expedition. In 1821, Stephen F. Austin began a survey of land for a settlement of 300 families. Two years later, John Richardson Harris erected a trading post between Buffalo and Brays Bayous, and within three more years he laid out the town of Harrisburg.

The approval of Harrisburg was one of the first acts of the new congress in 1837, Texas itself having come into being in 1836. In 1839, it was renamed Harris County.

The 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 approximately 3.4 million residents. The County ranks as one of the top ten fastest growing counties in the nation as well as third most populous county in the nation.

County Structure and Services

Harris County is a political subdivision of the State of Texas and the 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 office 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 allowed by the Texas Constitution and Statutes that include, construction and maintenance of roads and bridges, health and housing services, social services, judicial and law enforcement, juvenile and adult justice programs, economic development, library system, parks, recreation and cultural enrichment, flood control, a sports and entertainment complex, and general administration.

Component Units

The combined financial statements of the County as a *financial reporting entity* report all activities, organizations, and functions of the County, both as the primary government and its legally separate component units for which (1) the elected officials of the County are financially accountable and/or (2) exclusion of component units activities would cause the County's financial statements to be misleading or incomplete. The County's component units have been reported as blended with the County as the primary government or as discrete (separate) component unit, as appropriate. Criteria used by the County for including activities in preparing these financial statements are in conformity with the GASB14, *The Financial Reporting Entity* and GASB 39, *Determining Whether Certain Organizations are Component Units*. Based on the requirements of these accounting standards, the County is financially accountable for the following component units:

- Harris County Flood Control District
- Harris County Industrial Development Corporation
- Harris County Hospital District
- Harris County Juvenile Board
- Harris County Housing Finance Corporation
- Mental Health and Mental Retardation Authority of Harris County
- Harris County Sports and Convention Corporation
- Children's Assessment Center Foundation, Incorporated
- Housing Authority of Harris County
- Harris County Health Facilities Development Corporation
- Harris County Cultural Education Facilities Finance Corporation

Budget Process

In accordance with Chapter 111 of the Local Government Code, the County prepares and adopts an annual operating budget which serves as a financial plan for the new fiscal year beginning March 1. After adoption of the budget by Commissioners Court, the County Auditor is responsible for ensuring

expenditures are made in compliance with budgeted appropriations. The level of budgetary control is the department within an individual fund. Commissioners Court may transfer available funds between various departments. However, no transfer may increase the total appropriation of a fund. Commissioners Court may also adopt supplemental budgets for the limited purposes of spending grant or aid money or for capital projects through the issuance of bonds. Purchase orders and contracts are not valid until the County Auditor certifies availability of funds for payment of the obligation. Encumbrance accounting is utilized to ensure effective budgetary control and accountability, and unencumbered appropriations lapse at year-end.

INFORMATION USEFUL IN ASSESSING ECONOMIC CONDITION

Local Economy

The County currently enjoys a favorable economic environment. This is primarily attributable to expansion and diversification away from the oil and gas industry subsequent to a recovery from a major recession in 1982 and growth in high technology industries, medical research, health care and professional services. The County's traditional dependence on the energy sector is projected to continue to decrease since economic expansion is also fueled by the County's proximity to the Gulf of Mexico, as well as by the important role the area plays as a major manufacturing, shipping, and tourism center. Substantial structural alteration of the County's economy over the past 22 years has reduced its vulnerability to downturns in upstream energy, which nonetheless continues to influence the County far more than it does the nation as a whole. However, the primary factors that will influence the County's economic future are: the health of the national economy, energy prices, and the value of the dollar against major foreign countries.

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 health care delivery
- High technology – computers, aerospace, environmental, etc.
- Government – city, county, state and federal (i.e. NASA)
- International import & export
- Commercial fishing
- Agriculture
- Education
- Banking and finance
- Manufacturing and distribution
- Related service industries

The County is also home to many businesses including corporate headquarters for 19 of the Fortune 500 companies. Houston, the largest city in the County ranks fifth among metro areas (MSAs and CMSAs) in the number of Fortune 500 headquarters, behind New York, Chicago, San Francisco, and Los Angeles. Many other Fortune 500 companies maintain U.S. administrative offices in Houston.

Among U.S. ports, the Port of Houston is ranked first in the U.S. in foreign waterborne commerce, second in total tonnage, and sixth in the world overall. The Port of Houston continued to serve as the main driver of global trade and commerce in fiscal year 2004.

The Houston Ship Channel is a 52-mile inland waterway which connects Houston to the Bay of Galveston, the Gulf Intra-coastal Waterway, the Gulf of Mexico, and ultimately the major shipping lanes of the world. It has been a catalyst for growth in Harris County since the first journey of a steamship up Buffalo Bayou in 1837. The ship channel plays a critical role in today's community as

well in generating jobs and opportunities that allow businesses to flourish. Economic studies reveal that ship channel-related businesses support more than 287,000 direct and indirect jobs throughout Texas while generating nearly \$11 billion in economic impact. Additionally, more than \$649 million in state and local tax revenues are generated by business activities related to the port.

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 a local government that encourages business development, high capacity freeways, major rail lines, three major airports (George Bush Intercontinental, Houston Hobby, and Ellington Field) and telecommunication services that are state of the art.

For the 12 months ending July 2003, Houston sustained a net loss of 9,300 jobs or 0.4 percent while the nation as a whole lost 404,000 jobs. Among the 10 most populous areas, Houston ranked 4th in nominal employment growth and 5th in employment growth rate.

Harris County is the nation's third most populous county, ranking behind Los Angeles County and Cook County. The County's population base includes a wide variety of racial and ethnic groups that give a rich diversity and cosmopolitan feel. During 2003 – 2030, the Perryman Group sees population growth averaging 1.71 percent annually in the Houston region. Over the same period, the prominent Texas based economic forecasting firm expects employment to rise at a 1.81 percent annual rate.

Bargain housing prices and a low tax burden keep living expenses in the County below those of most major metropolitan areas. The ACCRA Cost of Living Index (second quarter of 2003) shows that Houston's overall after-taxes living costs are 9 percent below the nationwide average, largely due to housing costs that are 21 percent below the average.

There are 23 public school districts entirely or partially within Harris County. Some school districts offer "magnet" school programs, whereby students can attend a special school where the electives focus on career-related courses. In addition, approximately 51,000 students attend 195 accredited private and parochial schools. The area's private schools are concentrated in Harris County, which has 172 private schools and approximately 40,000 students in these school systems. The County is also home to over 47 colleges, universities, institutes, and technical schools. Major institutions include Rice University, University of Houston, Texas Southern University, Houston Baptist University, 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 concentrated 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 offers world-class facilities for general and specialized medical needs.

Cultural attractions within Houston include a thriving theater district and numerous museums. Houston's theater district includes the Wortham Center (ballet and opera), Jones Hall (symphony), The Alley (live theater) and the Hobby Center (Broadway productions, etc.). All of these companies have mounted productions that are considered world class by experts in the field.

Houston is home to numerous professional and collegiate sports teams. Professional teams include: Astros, Major League Baseball; Texans, National Football League; Rockets, National Basketball Association; Comets, Women's National Basketball Association; and the Aeros, American Hockey League. Houston hosted Super Bowl XXXVIII on February 1, 2004 and the Major League Baseball All-Star Game in July 2004.

Financial Policies and Long-Term Financial Planning

The County continued to enjoy a favorable financial environment during the fiscal year. 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:

- Encouraged the use of five-year planning tool for revenue and expenditure projections;
- Expenditures are controlled to not exceed revenues;
- The policy of Commissioners Court is that balance financial operations will be maintained;
- Departments and managers are encouraged to build savings within their budget for future use;
- The minimum fund balance for the general fund and other operating funds should be no less than 15% of fiscal year expenditures;
- Full disclosure and open lines of communications are maintained with rating agencies. A continuing goal is to upgrade the County's debt rating. The bond rating services of Moody's Investors Service, Inc., Standard & Poor's Ratings Services, and Fitch IBCA, Inc. have assigned the County long term bond ratings of Aa1, AA+, and AA+.
- Use of the commercial paper program to take advantage of short-term interest rates during the interim financing period for voter authorized and other court approved projects rather than initially issuing long-term bonds.
- The County's investment policy primary objective is protection of principal and to provide for an effective cash management program to include accurate cash projections, expeditious collection of revenue, control of disbursements, cost-effective banking relations and a short term borrowing program, when needed. The "prudent person" concept is utilized in managing the portfolio for the County. To ensure safety of public funds, the policy adheres to Chapter 2256, Texas Government Code, The Public Funds Investment Act, and the statutory requirements of Local Government Code 116.112.

The County is responsible for setting the tax rates for the County, the Flood Control District, the Hospital District, and Port of Houston Authority (debt service only). 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 2003 by the County per \$100 of taxable value are: \$.34490 and \$.04313 for a total of \$.38803.

The investible funds under the County's investment program as of February 29, 2004 were \$1.66 billion and total investment earnings on that portfolio were \$25.1 million. The average yield and maturity of such investments were 1.625% and 173 days.

The Risk Management Department is responsible for assessing the County's exposure to risk and obtaining coverage against that risk. The County is self-insured for workers' compensation medical and indemnity payments and self-funded for dental and vision coverage provided under the employees' health insurance program. Although the County is now self insured for group medical benefits, traditional group medical insurance was purchased by the County during fiscal year 2004.

Additional information regarding the County's risk management program can be found in Note 15 of the notes to the financial statements.

The County provides retirement, disability, and death benefits for all of its full-time employees through a nontraditional defined benefit pension plan in the statewide Texas County and District Retirement

System (TCDRS). The County has elected the annually determined contribution rate (ADCR) plan provisions of the TCDRS Act. The plan is funded by monthly contributions from both employee members and the employer based on the covered payroll of employee members. Under the TCDRS ACT, the County's contribution rate is actuarially determined annually. The contribution rate payable by the employee members for fiscal year 2004 was 7%. In addition to providing retirement benefits, the County provides certain healthcare and life insurance benefits for retired employees. Additional information regarding the County's pension plan and post employment benefits can be found in Notes 13 and 14 of the notes to the financial statements.

Major Initiatives

Flood Control - The district's plans for improvements over the next five years of FY 2005 through FY 2009 total \$957.5 million. Federal reimbursements, watershed impact fees, and wetland mitigation funds would cover \$130.5 million or 13.6 % of the cost, and county funds would be required for \$827 million, or 86.4% of the five-year total. The District has requested the Commissioners Court for direction for two proposed programs that would be scheduled in the district's capital program beginning in FY 2006-07. Both programs are in response to requests for assistance from local governments. One would require \$10 million per year for offsite drainage needs in connection with road and bridge projects. Another would require an equal annual amount to assist local governments with flood damage reduction projects.

Toll Road - The Toll Road Authority has planned expenditures over the next five years of \$1,042,233,000. Current projects are completion of the Westpark Tollway, the Fort Bend Toll Road Connector, and Sam Houston Tollway lane widening from US 59S to IH 45N, and constructing Beltway 8 East and extension of Hardy. The Commissioners Court will continue to analyze the value and future direction of the authority.

Roads and Bridges - Expenditures in the amount of \$730.6 million for the next five years related to various road and bridge projects are planned. Joint funding from Metro, City of Houston, Toll Road for connectivity projects, and the Texas Department of Transportation is expected.

County Buildings - Various County facility projects are underway or are being considered. Some of the projects and related costs include the following:

• Civil Justice Center	\$121,534,000
• Juvenile Justice Center	55,918,470
• Plaza & Jury Assembly	29,755,500
• Tunnels	5,488,000
• West Dallas Detention Center	31,000,000
• Burnett-Bayland Home Reovations	1,000,000
• Youth Village	1,015,000
• Chimney Rock Replacement	8,900,000
• Aquatics Center	5,400,000
• Probable Cause Court	800,000
• Central Processing Facility	38,000,000
• Fire Training and Sheriff's Academy	9,493,556
• Shooting Range	3,050,000
• Expansion of 1401 Congress Garage	10,377,000
• Old Civil Courts Building	36,025,484
• Roof Repairs -Various Buildings	1,200,000
• Annex 10 and 67	2,800,000
• Annex 14 Replacement Building	14,000,000
• Libraries	5,411,946

AWARDS AND ACKNOWLEDGMENTS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the County for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended February 28, 2003. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports.

In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report, whose contents conform to program standards. This report must satisfy both accounting principles generally accepted in the United States and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. The County has received a Certificate of Achievement for the last twenty one years. We believe our current report continues to conform to the Certificate of Achievement program requirements, and we are submitting it for review to GFOA.

The timely completion of this report could not have been achieved without the dedicated efforts of the County Auditor's staff, and the professional services provided by our independent auditors, Deloitte & Touche LLP. I wish to express my gratitude to the Commissioners Court, District Judges, and other County officials and departments for their interest and support in planning and conducting the financial affairs of the County in a responsible and professional manner.

REQUEST FOR INFORMATION

This financial report is designed to provide an overview of the County's finances for individuals who are interested in this information. Questions concerning any of the data provided in this report or requests for additional financial information should be addressed to the County Auditor's Office, 1001 Preston Suite 800 Houston, Texas 77002 or visit the County's website at www.co.harris.tx.us.

Barbara J. Schott, C.P.A.
County Auditor

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Harris County,
Texas

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
February 28, 2003

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.

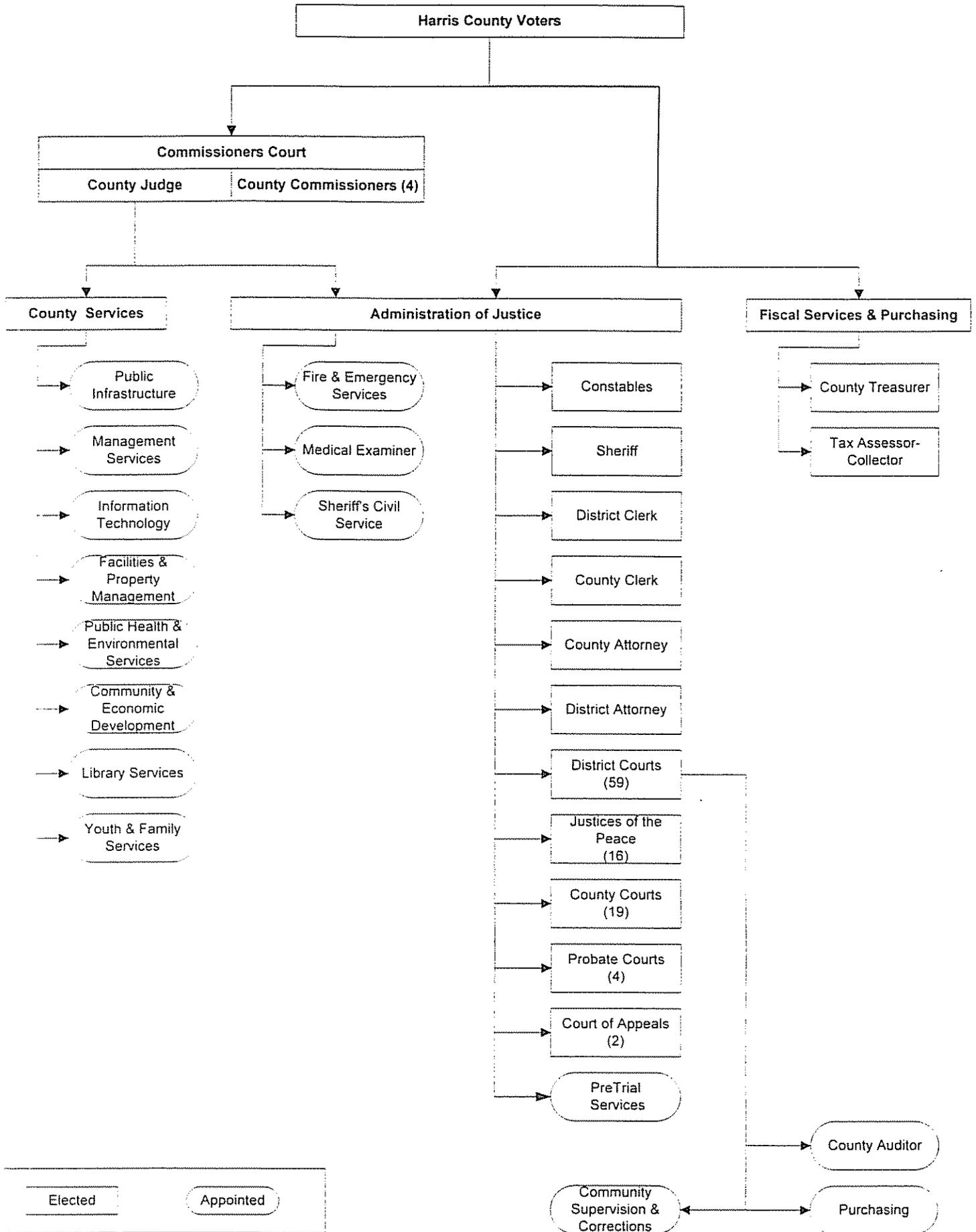


President

Executive Director

Harris County Organization Chart

03/01/04



HARRIS COUNTY, TEXAS
SCHEDULE OF ELECTED AND SELECTED APPOINTED OFFICIALS
February 29, 2004

Commissioner's Court

County Judge Eckels, Robert A.
Precinct 1 Lee, El Franco
Precinct 2 Garcia, Sylvia R.
Precinct 3 Radack, Steve
Precinct 4 Eversole, Jerry

Sheriff

Thomas, Tommy B.

District Attorney

Rosenthal, Charles A., Jr.

County Attorney

Stafford, Michael A.

Tax Assessor/Collector

Bettencourt, Paul

District Clerk

Bacarisse, Charles

County Clerk

Kaufman, Beverly

County Treasurer

Cato, Jack

Justices 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 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 Bell, Betty Brock
Precinct 7, Position 2 Calloway, Alfred J.
Precinct 8, Position 1 Maness-Barnes, Molly
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 Cheek, Glen
Precinct 6 Trevino, Victor
Precinct 7 Butler, Michael C.
Precinct 8 Bailey, Bill

District Judges - Civil Courts

11th District Court
55th District Court
61st District Court
80th District Court
113th District Court
125th District Court
127th District Court
129th District Court
133rd District Court
151st District Court
152nd District Court
157th District Court
164th District Court
165th District Court
189th District Court
190th District Court
215th District Court
234th District Court
269th District Court
270th District Court
280th District Court
281st District Court
295th District Court
333rd District Court
334th District Court

District Judges - Criminal Courts

174th District Court
176th District Court
177th District Court
178th District Court
179th District Court
180th District Court
182nd District Court
183rd District Court
184th District Court
185th District Court
208th District Court
209th District Court
228th District Court
230th District Court
232nd District Court
248th District Court
262nd District Court
263rd District Court
337th District Court
338th District Court
339th District Court
351st District Court

Davidson, Mark
Brown, Jeffery
Donovan, John
Sullivan, Kent
Hancock, Patricia
Coselli, John
Wood, Sharolyn
Dorfman, S. Grant
McCorkle, T. Lamar
Baker, Caroline E.
Wise, Ken
Wilson, Randy
Jamison, Martha Hill
Ray, Elizabeth
Burke, Bill R. Jr.
Elrod, Jennifer Walker
Benton, Levi
Oakley, Bruce D.
Wooldridge, John T.
Gamble, Brent
Lindsay, Tony
Bernal, David J.
Christopher, Tracy
Halbach, Joseph J.
Rondon, Reece

Godwin, George H.
Rains, Brian
Davies, Carol G.
Harmon, Bill
Wilkinson, J. Michael
Stricklin, Debbie Mantooth
Barr, Jeannine
Huffman, Joan
Krocker, Jan
Brown, Susan
Collins, Denise
McSpadden, Michael T.
Carter, Marc C.
Hill, Belinda
Keel, Mary Lou
Campbell, Joan
Anderson, Mike
Wallace, Jim
Stricklin, Don
Thomas, Brock
Cosper, Caprice
Ellis, Mark Kent

HARRIS COUNTY, TEXAS
SCHEDULE OF ELECTED AND SELECTED APPOINTED OFFICIALS
February 29, 2004

District Judges - Family Courts

245th District Court	Galik, Annette
246th District Court	York, Jim
247th District Court	Hellums, Bonnie C.
257th District Court	Motheral, Linda
308th District Court	Dempster, Georgia
309th District Court	Rynd, Frank
310th District Court	Millard, Lisa A.
311th District Court	Warne, Doug
312th District Court	Squier, James D.

District Judges - Juvenile Courts

313th District Court	Shelton, Pat
314th District Court	Phillips, John F.
315th District Court	Ellis, Kent

County Courts - Civil

Court at Law No. 1	Cagle, R. Jack
Court at Law No. 2	Block, Gary Michael
Court at Law No. 3	Bradshaw-Hull, Lynn
Court at Law No. 4	Crowe, Cynthia

County Courts - Criminal

Court at Law No. 1	Helm, Reagan C.
Court at Law No. 2	Peters, Michael A.
Court at Law No. 3	Jackson, Donald W.
Court at Law No. 4	Anderson, James
Court at Law No. 5	Stewart-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	Austin, Russell
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	Thompson, Jack
County Criminal Courts at Law Mgm't	Wessels, Bob
Central Technology Center	Jennings, Steve W.
Children's Assessment Center	Stolte, Elaine
Children's Protective Services	Ford, George
Community Supervision and Corrections	Donnelly, Paul
Cooperative Extension	Russell, Susan K.
County Auditor	Schott, Barbara J.
County Library	Park, Catherine S.
Pre Trial Services	Oeller, Carol
Domestic Relations	Simpson, David W.
Emergency Services Network	Hogan, Laverne Heath
Facilities and Property Mgm't	Yancey, Michael
Financial Services	Harrison, Edwin
Fire and Emergency Services	Montgomery, Michael S.
Fleet Services	Branner, Keith
Flood Control	Talbott, Michael
Housing and Economic Development	Turkel, David B.
Juvenile Probation	Hetzel, Harvey
Law Library	Eichstadt, John R.
Management Services	Raycraft, R. L.
Medical Examiner	Sanchez, Luis A. MD
Public Health & Environmental Services	Palacio, Herminia MD
Public Infrastructure Department	Storey, Arthur L.
Purchasing	McCown, Jack R.
Sheriff Civil Services	Mims, William H. Jr.
Toll Road Authority	Strech, Harold M.

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INDEPENDENT AUDITORS' REPORT

County Judge Robert Eckels
and Members of Commissioners Court of
Harris County, Texas:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Harris County, Texas (the "County"), as of and for the year ended February 29, 2004, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express an opinion on the respective financial statements based on our audit. We did not audit the financial statements of the discretely presented component units. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the discretely presented component units, is based solely on the reports of the other auditors. We also did not audit the financial statements of the Harris County Clerk Registry Fund and the Harris County District Clerk Registry Fund, fiduciary funds, which statements reflect 54 percent of the assets of the fiduciary funds at February 29, 2004. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the fiduciary funds, is based solely on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the Harris County Clerk Registry Fund and the Harris County District Clerk Registry Fund were audited in accordance with generally accepted auditing standards, but were not audited in accordance with *Government Auditing Standards*. The financial statements of the Harris County Hospital District, Harris County Housing Finance Corporation, and Harris County Industrial Development Corporation, discretely presented component units, were audited in accordance with generally accepted auditing standards, but were not audited in accordance with *Government Auditing Standards*. The financial statements of the Mental Health and Mental Retardation Authority of Harris County, Children's Assessment Center Foundation, Inc. and Housing Authority of Harris County, discretely presented component units, were audited in accordance with generally accepted auditing standards and *Government Auditing Standards*. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of the other auditors provides a reasonable basis for our opinion.

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, discretely presented component units, each major fund, and the aggregate remaining fund information of Harris County, Texas as of February 29, 2004, and the respective changes in financial position (and respective cash flows, where applicable), thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis, Schedule of Available Resources – Budget and Actual-Budgetary Basis – General Fund, and the Schedule of Expenditures and Other Uses – Budget and Actual – Budgetary Basis – General Fund are not required parts of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. The supplementary information is the responsibility of the County's management. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the respective financial statements that collectively comprise the County's basic financial statements. The Introductory Section, Combining and Individual Fund Information and Other Supplementary Information and Statistical Section are presented for purposes of additional analysis and are not a required part of the basic financial statements. This supplementary information is the responsibility of the County's management. The Combining and Individual Fund Information and Other Supplementary Information have been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, in our opinion, based on our audit and the report of the other auditors, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The Introductory Section and Statistical Section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 22, 2004, on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Deloitte & Touche LLP

July 22, 2004

Harris County, Texas
Management's Discussion and Analysis (Unaudited)

This section of the Harris County, Texas (the "County") Comprehensive Annual Financial Report ("CAFR") presents a narrative overview and analysis of the financial activities of the primary government for the fiscal year ended February 29, 2004. Please read it in conjunction with the transmittal letter in the introductory section of this report and the County's basic financial statements following this section.

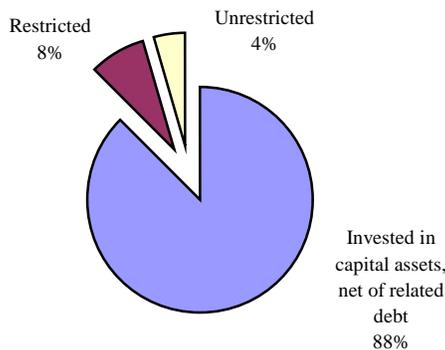
FINANCIAL HIGHLIGHTS

Government-wide

The total government-wide assets of the County exceeded the liabilities at February 29, 2004 by \$9,663,041,977. This is comparable to the previous year when assets exceeded liabilities by \$9,741,707,801 (restated).

- Total net assets of the primary government are comprised of the following:
 - (1) Capital assets, net of related debt, of \$8,445,230,916 include land, improvements, construction in progress, and other capital assets, net of accumulated depreciation, and reduced for outstanding debt related to the purchase or construction in capital assets. A decrease of 3% from the prior year is due to a larger increase in related debt than the increase in capital assets.
 - (2) Net assets of \$789,789,977 are restricted by constraints imposed from outside the County such as debt obligations, laws, or regulations. This 1% increase is comparable to the prior year amount of \$709,766,943.
 - (3) Unrestricted net assets of \$428,021,084 represent the portion available to meet ongoing obligations to citizens and creditors, which is an increase of 2% from the prior year.

NET ASSETS BY CATEGORY
 February 29, 2004



NET ASSETS BY CATEGORY
 February 28, 2003



Fund Level

- As of February 29, 2004, the County governmental funds reported combined fund balances of \$773,042,688. This compares to the prior year combined fund balances of \$809,213,968 showing a decrease of \$36,171,280 during the current year. Combined unreserved fund balances of \$341,294,077 for fiscal year 2004 shows a decrease of \$29,470,585 over the prior year.

***Harris County, Texas
Management's Discussion and Analysis (Unaudited)***

- At the end of the fiscal year, unreserved fund balance for the General fund was \$250,938,733, or 25% of total general fund expenditures and 27% of general fund revenues. In addition, the General fund had a reserved fund balance of \$100,142,836.
- The nonmajor governmental funds had total fund balances of \$421,961,119 at February 29, 2004. Of this amount, \$90,355,344 is unreserved with \$13,146,769 designated for capital projects and special revenue funds. The remaining \$331,605,775 is reserved for encumbrances, debt service, imprest fund and grant programs.
- The County issues debt to finance an ongoing capital improvement program. During fiscal year 2003-2004, the County issued \$460 million in bonds, of which refunded \$112 million of bonded debt and \$348 million of commercial paper. Note 10 to the financial statements provides details of long-term debt.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to the County's basic financial statements, which are comprised of the following three components: 1) Government-wide financial statements; 2) Fund financial statements and 3) Notes to the basic financial statements. Required Supplementary Information is included in addition to the basic financial statements. The Single Audit is included in the CAFR in the compliance section.

Government-wide Financial Statements are designed to provide readers with a broad overview of County finances, in a manner similar to a private-sector business.

The Statement of Net Assets presents information on all County assets and liabilities, with the difference between the two representing net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

The Statement of Activities presents information that indicates how net assets changed during the fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods.

Both of these government-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or in part a portion of their costs through user fees and charges (business-type activities). The governmental activities of the County include administration of justice, parks, county administration, health and human services, flood control, tax administration, and roads and bridges. The business-type activities of the County include toll road, subscriber access, parking facilities, and sheriff's commissary fund activities.

Component units are included in our basic financial statements and consist of legally separate entities for which the County is financially accountable and that have substantially the same board as the County or provide services entirely to the County. The County's component units have been reported as blended with the County as the primary government or as discrete (separate) component unit, as appropriate. The following component units have been included in this year's report: Harris County Flood Control District, Harris County Juvenile Board, Harris County Sports and Convention Corporation, Harris County Hospital District, Harris County Housing Finance Corporation, Mental Health and Mental Retardation Authority of Harris County, Harris County Industrial Development Corporation, Children's Assessment Center Foundation, Inc., Housing Authority of Harris County, Harris County Health Facilities Development Corporation, and Harris County Cultural Education Facilities Finance Corporation. For more detailed information on these component units, refer to Note 1A of the basic financial statements.

***Harris County, Texas
Management's Discussion and Analysis (Unaudited)***

Fund Financial Statements are groupings of related accounts that are used to maintain control over resources that have been segregated for specific activities or objectives. The County, like other state and local governments, uses fund accounting to ensure and demonstrate finance-related legal compliance. All of the funds of the County can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental funds financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the County's near-term financing requirements.

Because the focus of governmental funds is narrower than of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The County maintains 47 individual government funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures and changes in fund balances for the major governmental funds. Data from other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

Proprietary funds are maintained two ways. An enterprise fund is used to report the same functions presented as business-type activities in the government-wide financial statements. The County uses an enterprise fund to account for toll road operations, computer access to certain District Clerk and County Clerk records, acquisition, operation and maintenance of parking facilities, and operation of a commissary for jail inmates. Internal service funds are an accounting device used to accumulate and allocate costs internally among the County's various functions. The County uses internal service funds to account for its maintenance of County vehicles, sale of surplus items, operation of County radios, operation of the printing shop provided by inmates, workers compensation, health insurance and other risk management activities. Because these services predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The toll road fund is considered to be a major fund of the County. The subscriber access, parking facilities, and sheriff's commissary funds are combined as nonmajor enterprise funds for the basic financial statements, but are presented individually in the fund financial statements that follow the required supplementary information. The County's internal service funds are combined into a single, aggregated presentation in the proprietary funds financial statements. Individual fund data for the internal service funds is provided in the form of combining statements elsewhere in this report.

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the County's own programs. The County's only fiduciary funds are agency funds. Agency funds are purely custodial (assets equal liabilities) and thus do not involve measurement of results of operations.

Harris County, Texas
Management's Discussion and Analysis (Unaudited)

Notes to the Basic Financial Statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes can be found beginning on page 45 of this report.

Required Supplementary Information is presented concerning the County's General Fund budgetary schedule. The County adopts an annual budget for this fund. A budgetary comparison schedule, which includes the original and final amended budget and actual figures, has been provided to demonstrate compliance with this budget. Required supplementary information can be found beginning on page 85 of this report.

The combining and individual fund statements and schedules referred to earlier provide information for non-major governmental funds and internal service funds and are presented immediately following the required supplementary information.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

As noted earlier, net assets may serve over time as useful indicator of a government's financial position. In the case of the County, assets exceeded liabilities by \$9,663,041,977 for fiscal year 2004 and \$9,741,707,801 as restated for fiscal year 2003. Net assets decreased primarily due to an increase in liabilities without an offsetting increase in assets. Also, revenues decreased while expenses increased.

Statement of Net Assets
February 29, 2004
(Amounts in thousands)
Primary Government

	Governmental Activities	Business-type Activities	Total
Current and other assets	\$ 1,059,836	\$ 643,539	\$ 1,703,375
Capital assets	10,764,653	1,337,338	12,101,991
Total assets	<u>11,824,489</u>	<u>1,980,877</u>	<u>13,805,366</u>
Current and other liabilities	218,771	130,448	349,219
Long-term liabilities	2,011,196	1,781,909	3,793,105
Total liabilities	<u>2,229,967</u>	<u>1,912,357</u>	<u>4,142,324</u>
Net assets:			
Invested in capital assets, net of related debt	8,794,570	(349,339)	8,445,231
Restricted net assets	383,592	406,198	789,790
Unrestricted net assets	416,360	11,661	428,021
Total net assets	<u>\$ 9,594,522</u>	<u>\$ 68,520</u>	<u>\$ 9,663,042</u>

Harris County, Texas
Management's Discussion and Analysis (Unaudited)

Statement of Net Assets
February 28, 2003
(Amounts in thousands)
Primary Government

	Governmental Activities	Business-type Activities	Total
Current and other assets	\$ 1,100,446	\$ 701,389	\$ 1,801,835
Capital assets	10,668,698	1,191,263	11,859,961
Total assets	<u>11,769,144</u>	<u>1,892,652</u>	<u>13,661,796</u>
Current and other liabilities	208,452	130,567	339,019
Long-term liabilities	1,874,723	1,706,346	3,581,069
Total liabilities	<u>2,083,175</u>	<u>1,836,913</u>	<u>3,920,088</u>
Net assets:			
Invested in capital assets, net of related debt	9,107,059	(246,050)	8,861,009
Restricted net assets	417,163	292,604	709,767
Unrestricted net assets	161,747	9,185	170,932
Total net assets (as restated)	<u>\$ 9,685,969</u>	<u>\$ 55,739</u>	<u>\$ 9,741,708</u>

The largest portion of the County's current fiscal year net assets (87.4 percent) reflects its investments in capital assets (e.g. land, improvements, buildings, equipment, infrastructure), less any related debt used to acquire those assets that is still outstanding. The main use of these capital assets is to provide services to citizens; consequently, these assets are not available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. The County's net assets invested in capital assets, net of related debt, decreased in part because of issuance of refunding bonds that was larger than the additions to capital assets in the current year.

Another portion of the County's current fiscal year net assets (4.4 percent) represents unrestricted net assets, which may be used to meet the County's ongoing obligations to citizens and creditors.

The remaining balance of the County's current fiscal year net assets (8.2 percent) represents resources that are subject to external restrictions on how they may be used.

At the end of the current fiscal year, the County reported positive net assets in all three categories of net assets for its governmental activities and positive net assets in two of the three categories for its business-type activities. Net assets invested in capital assets, net of related debt for business-type activities was negative \$349,339,380.

The following table indicates changes in net assets for governmental and business-type activities:

Harris County, Texas
Management's Discussion and Analysis (Unaudited)

Statement of Activities
(In Thousands)
For the Year Ended February 29, 2004
Primary Government

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
REVENUES			
Program revenues:			
Charges for services	\$ 256,825	\$ 272,621	\$ 529,446
Operating grants and contributions	140,624	-	140,624
Capital grants and contributions	28,418	15,189	43,607
General revenues:			
Taxes-levied for general purposes	685,002	-	685,002
Taxes-levied for debt service	100,282	-	100,282
Investment earnings	14,643	10,529	25,172
Miscellaneous	126,718	1,707	128,425
Total revenues	<u>1,352,512</u>	<u>300,046</u>	<u>1,652,558</u>
EXPENSES			
Administration of justice	565,038	-	565,038
Parks	50,446	-	50,446
County administration	230,597	-	230,597
Health and human services	174,341	-	174,341
Flood control	65,744	-	65,744
Tax administration	34,308	-	34,308
Roads and bridges	320,911	-	320,911
Interest and fiscal charges	69,582	-	69,582
Toll road	-	213,526	213,526
Other	-	5,761	5,761
Total expenses	<u>1,510,967</u>	<u>219,287</u>	<u>1,730,254</u>
Excess (deficiency) before other items and transfers	(158,455)	80,759	(77,696)
Loss on sale of capital assets	(492)	(478)	(970)
Transfers	67,500	(67,500)	-
Change in net assets	(91,447)	12,781	(78,666)
Net assets - beginning (as restated)	9,685,969	55,739	9,741,708
Net assets - ending	<u>\$ 9,594,522</u>	<u>\$ 68,520</u>	<u>\$ 9,663,042</u>

Harris County, Texas
Management's Discussion and Analysis (Unaudited)

Statement of Activities
(In Thousands)
For the Year Ended February 28, 2003
Primary Government

	Governmental Activities	Business-type Activities	Total
REVENUES			
Program revenues:			
Charges for services	\$ 251,866	\$ 250,072	\$ 501,938
Operating grants and contributions	157,977	-	157,977
Capital grants and contributions	23,230	5,048	28,278
General revenues:			
Taxes-levied for general purposes	700,199	-	700,199
Taxes-levied for debt service	54,105	-	54,105
Investment earnings	20,544	16,267	36,811
Miscellaneous	228,245	124	228,369
Total revenues	<u>1,436,166</u>	<u>271,511</u>	<u>1,707,677</u>
EXPENSES			
Administration of justice	549,453	-	549,453
Parks	37,509	-	37,509
County administration	311,997	-	311,997
Health and human services	142,918	-	142,918
Flood control	23,262	-	23,262
Tax administration	29,286	-	29,286
Roads and bridges	325,921	-	325,921
Interest and other fees	96,328	-	96,328
Debt service	1	-	1
Toll road	-	180,728	180,728
Other	-	6,737	6,737
Total expenses	<u>1,516,675</u>	<u>187,465</u>	<u>1,704,140</u>
Excess (deficiency) before other items and transfers	(80,509)	84,046	3,537
Loss on sale of capital assets	(2,154)	(119)	(2,273)
Transfers	20,058	(20,058)	-
Change in net assets	(62,605)	63,869	1,264
Net assets - beginning (as restated)	9,748,574	(8,130)	9,740,444
Net assets - ending (as restated)	<u>\$ 9,685,969</u>	<u>\$ 55,739</u>	<u>\$ 9,741,708</u>

Revenues

For fiscal year ended February 29, 2004, revenues for the primary government totaled \$1,652,558,159. These revenues can be divided by activity type; governmental activities totaled \$1,352,512,091 and business-type activities totaled \$300,046,068.

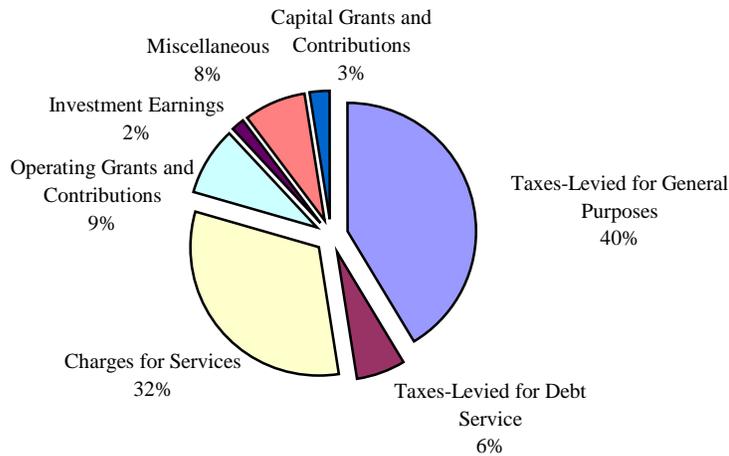
Property taxes of \$785,283,872 were the largest revenue source for governmental activities and 46% of total revenues. The tax rate was \$.38803 per \$100 of assessed value for fiscal year 2004 and \$.38814 for fiscal year 2003. The assessed value increased in fiscal year 2004 to \$219,978,637,000 from the assessed value in fiscal year 2003 of \$207,980,339,000.

Program revenues are derived from the program itself and reduce the cost of the function to the County. Total program revenues were \$713,677,839 or 44% of total revenues. The largest portion of program revenues is charges for services of \$529,446,648 (32%). Of that \$256,825,341 is from governmental activities, which represents receipts fees collected by the tax collector, automobile registration, and charges for patrol services. The business-type charges for services of \$272,621,307, primarily is toll road receipts. The other portions of program revenues are operating grants and contributions of \$140,623,786 (9%) and capital grants and contributions of \$43,607,405 (3%). These represent receipts from various federal, state, and local agencies.

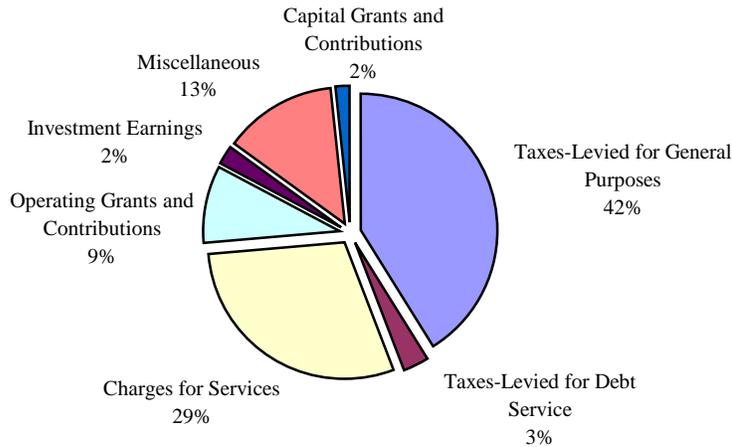
Harris County, Texas
Management's Discussion and Analysis (Unaudited)

General revenues are revenues that can not be assigned to a specific function. They consist of property taxes (discussed above), earnings on investments of \$25,171,704 (2% of total revenues), and miscellaneous income of \$128,424,744 (8% of total revenues).

REVENUES BY SOURCE
 Year ended February 29, 2004



REVENUES BY SOURCE
 Year ended February 28, 2003



Expenses

For fiscal year ended February 29, 2004, expenses for the primary government totaled \$1,730,254,100. These expenses divided by activity type; governmental activities of \$1,510,966,651 and business-type activities of \$219,287,449.

Harris County, Texas
Management's Discussion and Analysis (Unaudited)

The governmental activities administration of justice of \$565,038,026 is the County's largest function in the expenses at 33% of total expenses, an increase of \$15,584,888 from fiscal year 2003 of \$549,453,138.

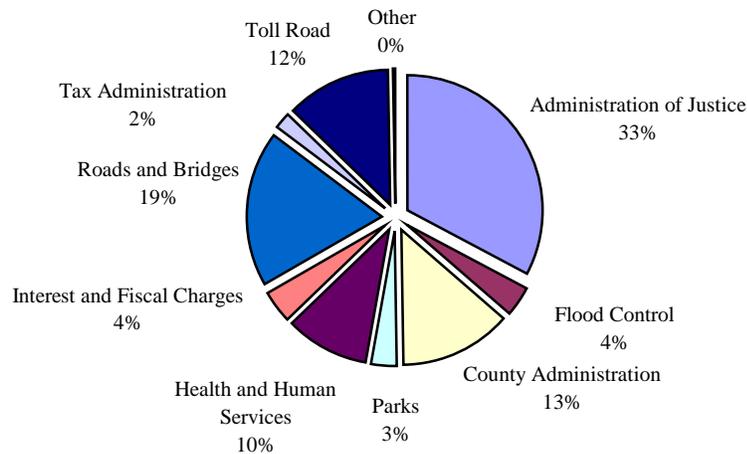
Roads and bridges governmental activities function of \$320,910,629 or 19% of total expenses decreased \$5,010,935 from fiscal year 2003 of \$325,921,564. This is primarily due to a decrease in depreciation expense in this function.

County administration governmental activities function of \$230,596,836 or 13% of total expenses decreased \$81,400,033 or 4% of total expenses from prior year of \$311,996,869. The decrease is primarily due to decreases in overall expenses and depreciation.

Toll road business-type activities function of \$213,526,452 or 12% of total expenses increased \$32,798,954 from fiscal year 2003 of \$180,727,498. The increase was due to items purchased that did not meet the criteria to be classified as capital assets, an increase in allowance for bad debts, and a slight increase in depreciation.

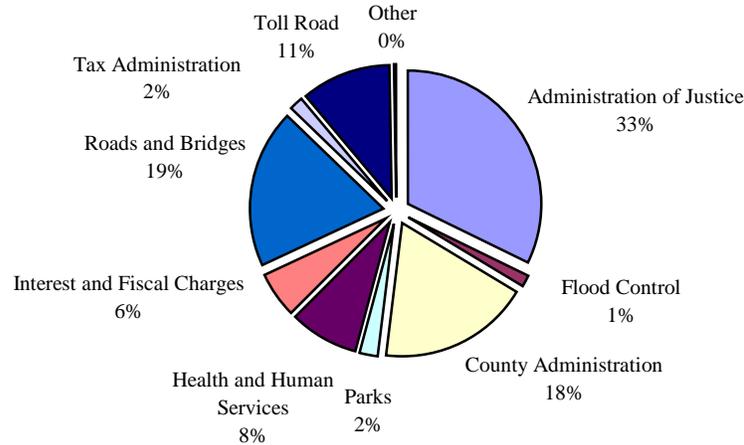
The remaining governmental activities expense functions are health and human services of \$174,341,361 or 10%, interest and fiscal charges of \$69,582,035 or 4%, parks of \$50,446,435 or 3% and tax administration of \$34,307,829 or 2%. Other business-type activities expense function of \$5,760,997 is less than 1% of total expenses.

EXPENSES BY FUNCTION
Year Ended February 29, 2004



Harris County, Texas
Management's Discussion and Analysis (Unaudited)

EXPENSES BY FUNCTION
Year Ended February 28, 2003



FINANCIAL ANALYSIS OF MAJOR FUNDS

The General Fund is the chief operating fund of the County and the major governmental fund. At February 29, 2004, the General Fund reported a net change in fund balance of \$31,760,115. This change was primarily due to an increase in tax collections and charges for services.

The Toll Road Fund is the County's only major proprietary fund at February 29, 2004. This fund is used to account for the acquisition, operation, and maintenance of County toll roads. As of February 29, 2004, net assets is made up of a negative \$358,530,985 net assets invested in capital assets, net of related debt and \$406,198,168 restricted net assets. The net asset invested in capital assets, net of related debt decreased from fiscal year 2003 of a negative \$379,121,341 primarily due to the issuance of refunding bonds and an increase in capital asset purchases. Restricted net assets decreased \$9,888,467 from prior year of \$416,086,635, due to the repayment of debt and monies being spent on capital assets.

GENERAL FUND BUDGETARY HIGHLIGHTS

Differences between the original budget and the final amended budget resulted in an increase of \$87,991,597 in available resources. This increase is due to an increase in the amount to be transferred from the Toll Road proprietary fund, an increase in governmental income, and issuance of debt. Differences between the original budget and the final amended budget resulted in a \$355,761,165 increase in appropriations which is primarily due to debt issuance.

Differences between final amended budget and actual amounts resulted in \$330,873,776 more in revenues and transfers in than budgeted. This is primarily due to issuance of debt and higher collections of taxes, charges for services, and miscellaneous income. Differences between final amended budget and actual expenditure amounts resulted in \$276,308,893 less expenditures than were budgeted. This difference is primarily due refunding of debt and less expenses in the commissioner precincts than were expected.

Harris County, Texas
Management's Discussion and Analysis (Unaudited)

Budget variances are not expected to impact future services or liquidity.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. The County's capital assets, net of accumulated depreciation for its governmental and business-type activities as of February 29, 2004, amounted to \$12,101,990,984, a net increase of \$242,029,762 from capital assets as of February 28, 2003 of \$11,859,961,222 as restated. These capital assets include land, improvements, structures, park improvements and facilities, infrastructure, equipment, vehicles, machinery, other tangible and intangible assets, easements, and construction in progress.

Major capital asset events during the current fiscal year included the following:

- The County has several ongoing capital improvement projects, including the Juvenile Justice Center and the West Dallas Detention Center. There are also several new construction projects in the works, such as the Civil Justice Center, a new Plaza/Jury Assembly Facility with a tunnel connection to the Civil Justice Center, and a Fire Training and Sheriff's Academy.
- The County made several land purchases during the year, primarily due to flood control hazard mitigation buyouts in cooperation with the Federal Emergency Management Agency.
- Westpark Tollway Phase I was completed in May 2004 with \$211,673,664 being capitalized over the last two years.

For further information regarding capital assets, see Note 6 to the financial statements.

Harris County, Texas
Management's Discussion and Analysis (Unaudited)

	Balance	Balance
	February 29, 2004	February 28, 2003
<u>Governmental Activities:</u>		
Land	\$ 3,536,469,460	\$ 3,399,400,430
Construction in progress	275,882,169	246,839,118
Infrastructure	8,902,430,022	8,792,206,622
Park facilities	25,954,133	24,747,741
Flood control projects	272,703,569	265,296,006
Buildings	715,269,265	628,824,723
Equipment	197,919,547	186,271,673
	<u>13,926,628,165</u>	<u>13,543,586,313</u>
Less: Accumulated depreciation	(3,161,975,585)	(2,874,887,828)
Total governmental activities	<u>\$ 10,764,652,580</u>	<u>\$ 10,668,698,485</u>
 <u>Business-type Activities:</u>		
Land	\$ 237,582,990	\$ 206,808,960
Construction in progress	345,159,434	206,878,634
Land improvements	694,561	-
Other tangible assets	514,250	-
Buildings	17,277,151	14,214,281
Infrastructure	1,227,607,879	1,212,467,506
Equipment	11,535,224	12,427,411
	<u>1,840,371,489</u>	<u>1,652,796,792</u>
Less: Accumulated depreciation	(503,033,085)	(461,534,055)
Total business-type activities	<u>\$ 1,337,338,404</u>	<u>\$ 1,191,262,737</u>

Long-term Debt. At February 29, 2004, the County had total long-term debt outstanding of \$3,854,760,834. Refer to Note 10 to the financial statements for further information on the County's long-term debt. County officials, citizens and investors will find the ratio of net bonded debt to assessed valuation and the amount of bonded debt per capita as useful indicators of the County's debt position and is shown in the statistical section of this report.

	Outstanding at	Outstanding at
	February 29, 2004	February 28, 2003
<u>Governmental Activities:</u>		
Bonds payable	\$ 1,758,552,692	\$ 1,451,148,055
Commercial paper payable	176,109,000	335,605,000
Compensatory time payable	20,513,877	19,271,467
Obligations under capital leases	29,776,916	31,093,512
Capital lease - Sports Corp.	838,850	-
Note payable	25,404,152	37,605,450
Total governmental activities	<u>\$ 2,011,195,487</u>	<u>\$ 1,874,723,484</u>
 <u>Business-type Activities:</u>		
Bonds payable	\$ 1,736,776,059	\$ 1,781,309,595
Commercial paper payable	106,270,000	-
Compensatory time payable	519,288	416,535
Total business-type activities	<u>\$ 1,843,565,347</u>	<u>\$ 1,781,726,130</u>

Harris County, Texas
Management's Discussion and Analysis (Unaudited)

The County has a continuing goal to upgrade the County's debt rating. The bond rating services of Moody's Investors Service, Inc., Standard & Poor's Ratings Services, and Fitch IBCA, Inc. have assigned the County long term bond ratings of Aa1, AA+, and AA+.

ECONOMIC FACTORS

The unemployment rate for Harris County for calendar year 2003 was 6.3%, this is an unfavorable increase from the prior year rate of 5.4%. Also, an unfavorable result when compared to the state unemployment rate for calendar year 2003 of 6.0%. The number of people employed with Harris County has increased by 735 over the year. Enrollment in area colleges and universities increased 7,603 students.

REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of the County's finances for all those with an interest in the County's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the County Auditor's Office, 1001 Preston, Suite 800, Houston, Texas 77002, or visit the County's website at www.co.harris.tx.us.



BASIC FINANCIAL STATEMENTS

HARRIS COUNTY, TEXAS
STATEMENT OF NET ASSETS
February 29, 2004

	Primary Government			Component Units
	Governmental Activities	Business- Type Activities	Total	
ASSETS				
Cash and cash equivalents	\$ 80,232,851	\$ 8,196,543	\$ 88,429,394	\$ 45,483,739
Pooled cash and investments	471,690,956	-	471,690,956	-
Investments	216,328,119	-	216,328,119	296,752,166
Taxes receivable, net	23,344,052	-	23,344,052	34,524,000
Accounts receivable, net	113,575,642	-	113,575,642	62,762,809
Due from other governmental units	23,656,642	-	23,656,642	-
Other receivables	34,950,811	3,818,601	38,769,412	8,975,093
Internal balances	107,380	-	107,380	-
Inventories, prepaids and other assets	2,459,004	167,977	2,626,981	50,026,706
Restricted:				
Cash and cash equivalents	23,859,461	30,478,332	54,337,793	79,882,178
Investments	39,096,238	528,311,292	567,407,530	-
Accrued interest receivable	-	2,984,568	2,984,568	-
Prepaids and other assets	-	12,670,667	12,670,667	-
Internal balances	-	(107,380)	(107,380)	-
Deferred charges, net of amortization	9,686,676	19,517,919	29,204,595	-
Notes receivable	20,848,835	-	20,848,835	-
Intangible asset	-	37,500,000	37,500,000	-
Capital assets:				
Land, improvements, and construction in progress	3,812,351,629	582,742,424	4,395,094,053	-
Other capital assets, net of depreciation	6,952,300,951	754,595,980	7,706,896,931	229,498,514
Total assets	<u>11,824,489,247</u>	<u>1,980,876,923</u>	<u>13,805,366,170</u>	<u>807,905,205</u>
LIABILITIES				
Vouchers payable and other current liabilities	169,665,822	521,533	170,187,355	148,064,709
Due to other governmental units	2,860,148	-	2,860,148	-
Deferred revenue	22,001,326	14,166,664	36,167,990	195,260
Payable from restricted assets:				
Vouchers payable and other current liabilities	-	54,103,648	54,103,648	-
Current portion of long-term liabilities	-	61,656,246	61,656,246	-
Non-current portion of long-term liabilities	-	1,781,908,456	1,781,908,456	-
Accrued interest	22,293,918	-	22,293,918	397,000
Judgements payable	1,950,300	-	1,950,300	-
Long-term liabilities:				
Due within one year	89,563,719	516	89,564,235	11,956,704
Due in more than one year	1,921,631,768	129	1,921,631,897	163,204,427
Total liabilities	<u>2,229,967,001</u>	<u>1,912,357,192</u>	<u>4,142,324,193</u>	<u>323,818,100</u>
NET ASSETS				
Invested in capital assets, net of related debt	8,794,570,296	(349,339,380)	8,445,230,916	34,193,369
Restricted for:				
Debt service	152,193,257	68,070,686	220,263,943	-
Capital projects	228,350,488	27,436,439	255,786,927	36,538,791
Donor restricted	3,048,064	-	3,048,064	1,675,558
Other purposes	-	310,691,043	310,691,043	-
Unrestricted	416,360,141	11,660,943	428,021,084	411,679,387
Total net assets	<u>\$ 9,594,522,246</u>	<u>\$ 68,519,731</u>	<u>\$ 9,663,041,977</u>	<u>\$ 484,087,105</u>

See notes to the financial statements.

HARRIS COUNTY, TEXAS
STATEMENT OF ACTIVITIES
For The Year Ended February 29, 2004

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			Component Units
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total	
					Governmental Activities	Business-type Activities		
Primary government:								
Governmental activities:								
Administration of Justice	\$ 565,038,026	\$ 104,343,993	\$ 38,847,029	\$ -	\$ (421,847,004)	-	\$ (421,847,004)	
Parks	50,446,435	1,079,470	59,287	-	(49,307,678)	-	(49,307,678)	
County Administration	230,596,836	57,027,703	28,301,810	9,657,297	(135,610,026)	-	(135,610,026)	
Health and Human Services	174,341,361	9,238,472	67,409,360	-	(97,693,529)	-	(97,693,529)	
Flood Control	65,743,500	2,898,888	6,006,300	-	(56,838,312)	-	(56,838,312)	
Tax Administration	34,307,829	50,872,165	-	-	16,564,336	-	16,564,336	
Road and Bridges	320,910,629	29,079,723	-	18,760,656	(273,070,250)	-	(273,070,250)	
Debt service	-	2,284,927	-	-	2,284,927	-	2,284,927	
Interest and fiscal charges	69,582,035	-	-	-	(69,582,035)	-	(69,582,035)	
Total governmental activities	<u>1,510,966,651</u>	<u>256,825,341</u>	<u>140,623,786</u>	<u>28,417,953</u>	<u>(1,085,099,571)</u>	<u>-</u>	<u>(1,085,099,571)</u>	
Business-type activities:								
Toll Road	213,526,452	265,913,082	-	15,189,452	-	\$ 67,576,082	67,576,082	
Other	5,760,997	6,708,225	-	-	-	947,228	947,228	
Total business-type activities	<u>219,287,449</u>	<u>272,621,307</u>	<u>-</u>	<u>15,189,452</u>	<u>-</u>	<u>68,523,310</u>	<u>68,523,310</u>	
Total primary government	<u>\$ 1,730,254,100</u>	<u>\$ 529,446,648</u>	<u>\$ 140,623,786</u>	<u>\$ 43,607,405</u>	<u>(1,085,099,571)</u>	<u>68,523,310</u>	<u>(1,016,576,261)</u>	
Component units:								
Hospital District	790,419,000	240,858,000	110,769,000	116,606,000				\$ (322,186,000)
MHMRA	136,542,557	22,799,363	96,567,302	(757,776)				(17,933,668)
Other component units	15,310,749	2,609,902	13,934,860	-				1,234,013
Total component units	<u>\$ 942,272,306</u>	<u>\$ 266,267,265</u>	<u>\$ 221,271,162</u>	<u>\$ 115,848,224</u>				<u>(338,885,655)</u>
General revenues:								
Taxes:								
Property taxes levied for general purposes					685,002,068	-	685,002,068	-
Property taxes levied for debt service					100,281,804	-	100,281,804	-
Earnings on investments					14,643,596	10,528,108	25,171,704	5,488,583
Miscellaneous					126,717,543	1,707,201	128,424,744	370,412,187
Gain (loss) on disposal of capital assets					(492,113)	(477,770)	(969,883)	622,150
Transfers					67,500,000	(67,500,000)	-	-
Total general revenues and other items					<u>993,652,898</u>	<u>(55,742,461)</u>	<u>937,910,437</u>	<u>376,522,920</u>
Change in net assets					(91,446,673)	12,780,849	(78,665,824)	37,637,265
Net assets - beginning (as restated)					<u>9,685,968,919</u>	<u>55,738,882</u>	<u>9,741,707,801</u>	<u>446,449,840</u>
Net assets - ending					<u>\$ 9,594,522,246</u>	<u>\$ 68,519,731</u>	<u>\$ 9,663,041,977</u>	<u>\$ 484,087,105</u>

See notes to the financial statements.

HARRIS COUNTY, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
February 29, 2004

	General	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS			
Cash and investments:			
Cash and cash equivalents	\$ 737,934	\$ 52,016,039	\$ 52,753,973
Pooled cash and investments	275,711,404	195,979,552	471,690,956
Investments	-	198,704,399	198,704,399
Receivables:			
Taxes, net	18,907,190	4,436,862	23,344,052
Accounts	9,439,653	86,487,507	95,927,160
Accrued interest	-	759,571	759,571
Other	31,140,715	-	31,140,715
Due from other funds	42,916,763	45,239,165	88,155,928
Due from other governmental units	19,998,090	3,658,552	23,656,642
Inventories	-	436,421	436,421
Restricted cash and cash equivalents	23,859,461	-	23,859,461
Restricted investments	39,096,238	-	39,096,238
Deferred charges	-	2,892,539	2,892,539
Note receivable	-	1,743,835	1,743,835
Total assets	<u>\$ 461,807,448</u>	<u>\$ 592,354,442</u>	<u>\$ 1,054,161,890</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Vouchers payable	\$ 28,016,644	\$ 48,531,815	\$ 76,548,459
Accrued payroll and compensated absences	44,423,659	3,740,969	48,164,628
Retainages payable	752,753	6,086,903	6,839,656
Due to other funds	1,007,781	87,093,758	88,101,539
Due to other governmental units	12,013	2,848,135	2,860,148
Customer deposits	165,453	44,863	210,316
Deferred revenue	34,397,276	22,046,880	56,444,156
Judgements payable	1,950,300	-	1,950,300
Total liabilities	<u>110,725,879</u>	<u>170,393,323</u>	<u>281,119,202</u>
Fund balances:			
Reserved for:			
Encumbrances	47,660,823	258,596,627	306,257,450
Debt service	51,227,870	69,952,904	121,180,774
Imprest fund	1,254,143	8,180	1,262,323
Grant programs	-	3,048,064	3,048,064
Unreserved:			
Designated for capital projects	-	12,459,108	12,459,108
Designated for special revenue funds	-	687,661	687,661
Undesignated - general fund	250,938,733	-	250,938,733
Undesignated - special revenue funds	-	108,384,632	108,384,632
Undesignated - debt service funds	-	(2,591)	(2,591)
Undesignated - capital project funds	-	(31,173,466)	(31,173,466)
Total fund balances	<u>351,081,569</u>	<u>421,961,119</u>	<u>773,042,688</u>
Total liabilities and fund balances	<u>\$ 461,807,448</u>	<u>\$ 592,354,442</u>	<u>\$ 1,054,161,890</u>

See notes to the financial statements.

HARRIS COUNTY, TEXAS
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
February 29, 2004

Total fund balances for governmental funds \$ 773,042,688

Total net assets reported for governmental activities in the statement of net assets is different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. Those assets consist of:

Land	\$ 3,536,219,460	
Construction in progress	275,882,169	
Infrastructure, net of \$2,669,364,740 accumulated depreciation	6,233,065,282	
Parks, net of \$11,075,370 accumulated depreciation	14,878,763	
Flood control projects, net of \$125,231,292 accumulated depreciation	147,472,277	
Buildings, net of \$231,276,513 accumulated depreciation	482,524,184	
Equipment and vehicles, net of \$108,014,360 accumulated depreciation	<u>57,994,477</u>	
Total capital assets		10,748,036,612

Long-term assets are not recognized in the current period and accordingly are not reported as fund assets. Balances as of February 29, 2004 were:

Notes receivable	19,105,000	
Accrued interest receivable	2,978,057	
Deferred charges	<u>6,794,137</u>	
		28,877,194

Long-term liabilities applicable to Harris County's activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities - both current long-term - are reported in the statement of net assets.

Balances as February 29, 2004 were:

Accrued interest on bonds and loans	(22,293,918)	
Bonds payable	(1,758,552,692)	
Notes payable	(25,404,152)	
Capital leases	(30,615,766)	
Commercial paper payable	(176,109,000)	
Compensated absences	<u>(20,326,865)</u>	
		(2,033,302,393)

Internal service funds are used by the County. The assets and liabilities of the internal service funds are included in the governmental activities in the Statement of Net Assets. Internal service fund net assets are:

25,755,024

Some of the County's receivables are classified as long-term and therefore are not reported in the funds.

17,164,617

Some of the County's revenues will be collected after year-end but are not available soon enough to pay for the current period's expenditures and therefore are deferred in the funds.

34,948,504

Total net assets of governmental activities \$ 9,594,522,246

HARRIS COUNTY, TEXAS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For The Year Ended February 29, 2004

	<u>General</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES			
Taxes	\$ 662,528,930	\$ 134,569,135	\$ 797,098,065
Charges for services	181,033,066	2,925,601	183,958,667
User fees	4,084,446	-	4,084,446
Fines and forfeitures	23,513,365	-	23,513,365
Intergovernmental	32,323,372	149,952,319	182,275,691
Earnings on investments	7,091,074	5,479,157	12,570,231
Miscellaneous	35,550,501	13,409,774	48,960,275
Total revenues	<u>946,124,754</u>	<u>306,335,986</u>	<u>1,252,460,740</u>
EXPENDITURES			
Current operating:			
Administration of justice	505,404,663	42,001,074	547,405,737
Parks	39,595,638	236,884	39,832,522
County administration	171,442,545	32,535,097	203,977,642
Health and human services	92,321,667	81,268,262	173,589,929
Flood control	-	49,533,854	49,533,854
Tax administration	29,426,253	558,583	29,984,836
Roads and bridges	62,400,202	208,742	62,608,944
Capital outlay	27,658,934	301,665,293	329,324,227
Debt service:			
Principal retirement	54,110,000	42,890,000	97,000,000
Interest and fiscal charges	39,810,993	24,779,578	64,590,571
Total expenditures	<u>1,022,170,895</u>	<u>575,677,367</u>	<u>1,597,848,262</u>
Deficiency of revenues under expenditures	<u>(76,046,141)</u>	<u>(269,341,381)</u>	<u>(345,387,522)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	290,538,436	277,670,500	568,208,936
Transfers out	(104,221,459)	(400,665,822)	(504,887,281)
Loans issued	-	2,376,550	2,376,550
Bonds issued	108,750,000	351,325,000	460,075,000
Premium on debt issued	10,036,692	17,695,793	27,732,485
Commercial paper issued	-	221,334,000	221,334,000
Payment to refunding bond escrow agent	(30,672,956)	(86,422,279)	(117,095,235)
Payment to defease commercial paper	(167,330,000)	(200,000,000)	(367,330,000)
Capital Leases	-	838,850	838,850
Sale of capital assets	705,543	2,600,099	3,305,642
Note restructure	-	5,000,000	5,000,000
Capital contributions	-	9,657,295	9,657,295
Total other financing sources (uses)	<u>107,806,256</u>	<u>201,409,986</u>	<u>309,216,242</u>
Net changes in fund balances	31,760,115	(67,931,395)	(36,171,280)
Fund balances, beginning	319,321,454	489,892,514	809,213,968
Fund balances, ending	<u>\$ 351,081,569</u>	<u>\$ 421,961,119</u>	<u>\$ 773,042,688</u>

See notes to the financial statements.

HARRIS COUNTY, TEXAS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
February 29, 2004

Net change in fund balances - total governmental funds \$ (36,171,280)

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital expenditures in the current period. 6,976,749

Capital asset donations 89,397,141

Debt proceeds are reported as financing sources in governmental funds and thus contribute to the change in fund balance. In the statement of net assets, however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net assets.

Debt issued:			
Refunding bonds		\$(460,075,000)	
Bond premiums		(27,732,485)	
Commercial paper		(221,334,000)	
Loans		(2,376,550)	
Capital lease		(838,850)	
Repayments:			
To paying agent for bond principal		70,000,000	
Commercial paper		13,500,000	
To refunding bond escrow agent		117,095,235	
Defeasance of commercial paper		367,330,000	
Loans		14,577,848	
Capital lease principal		1,316,596	
Refunding interest expense		(2,409,300)	
Net adjustment		<u>(130,946,506)</u>	(130,946,506)

Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the statement of activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is not recognized under the modified accrual basis of accounting until due, rather as it accrues. This adjustment combines the net changes of 7 balances.

Compensated absences	(1,206,631)	
Amortization of debt premium	3,664,970	
Accretion of capital appreciation bond interest	(6,821,557)	
Amortization of advanced refunding difference	(1,126,500)	
Accrued interest on debt	(457,918)	
Amortization of deferred charges	(194,004)	
Capitalization of deferred charges	3,037,405	
Combined adjustment	<u>(3,104,235)</u>	(3,104,235)

Internal service funds are used by the County. The net revenue of the internal service funds are reported with governmental activities. 3,753,849

Some of the County's receivables are classified as long-term and therefore the net of revenue and bad debt expense associated with these receivables are not reported in the funds. (13,057,918)

Because some revenues will not be collected for several months after the County's fiscal year end, they are not considered "available" revenues and are deferred in the governmental funds. Deferred revenues increased by this amount in the current period. 1,672,638

Note Restructure (5,000,000)

The net effect of sales involving capital assets is to decrease net assets. (4,967,111)

Change in net assets of governmental activities \$ (91,446,673)

HARRIS COUNTY, TEXAS
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
February 29, 2004

	<u>Enterprise Funds</u>			<u>Internal Service Funds</u>
	<u>Toll Road</u>	<u>Nonmajor Enterprise Funds</u>	<u>Total</u>	
ASSETS				
Current assets:				
Cash and cash equivalents	\$ -	\$ 8,196,543	\$ 8,196,543	\$ 27,478,878
Investments	-	-	-	17,623,720
Receivables, net	-	3,818,601	3,818,601	483,865
Inventories, prepaids and other assets	-	167,977	167,977	2,095,051
Due from other funds	-	-	-	52,991
Restricted assets:				
Cash and cash equivalents	30,478,332	-	30,478,332	-
Investments	528,311,292	-	528,311,292	-
Receivables, net	2,984,568	-	2,984,568	-
Due from other funds	661,818	-	661,818	-
Prepaid and other assets	12,670,667	-	12,670,667	-
Total current assets	<u>575,106,677</u>	<u>12,183,121</u>	<u>587,289,798</u>	<u>47,734,505</u>
Noncurrent assets:				
Deferred charges, net of amortization	19,517,919	-	19,517,919	-
Intangible asset	37,500,000	-	37,500,000	-
Capital assets:				
Land and construction in progress	578,778,826	3,963,598	582,742,424	250,000
Other capital assets, net of depreciation	749,367,973	5,228,007	754,595,980	16,365,968
Total noncurrent assets	<u>1,385,164,718</u>	<u>9,191,605</u>	<u>1,394,356,323</u>	<u>16,615,968</u>
Total assets	<u>1,960,271,395</u>	<u>21,374,726</u>	<u>1,981,646,121</u>	<u>64,350,473</u>
LIABILITIES				
Current liabilities:				
Vouchers payable	-	329,695	329,695	10,016,552
Accrued payroll and compensated absences	-	3,029	3,029	510,730
Surplus auction payable	-	-	-	827,830
Estimated outstanding claims	-	-	-	19,472,656
Incurred but not reported claims	-	-	-	7,074,995
Customer deposits and other	-	188,809	188,809	-
Due to other funds	769,198	-	769,198	-
Due to other units	-	-	-	-
Deferred revenue	14,166,664	-	14,166,664	505,674
Current portion of long-term liabilities	-	516	516	149,610
Payable from restricted assets:				
Vouchers payable and accrued liabilities	33,831,716	-	33,831,716	-
Retainage payable	8,270,977	-	8,270,977	-
Customer deposits	12,000,955	-	12,000,955	-
Current portion of long-term liabilities	61,656,246	-	61,656,246	-
Total current liabilities	<u>130,695,756</u>	<u>522,049</u>	<u>131,217,805</u>	<u>38,558,047</u>
Noncurrent liabilities:				
Noncurrent portion of long-term liabilities	-	129	129	37,402
Noncurrent portion of long-term liabilities from restricted assets	1,781,908,456	-	1,781,908,456	-
Total noncurrent liabilities	<u>1,781,908,456</u>	<u>129</u>	<u>1,781,908,585</u>	<u>37,402</u>
Total liabilities	<u>1,912,604,212</u>	<u>522,178</u>	<u>1,913,126,390</u>	<u>38,595,449</u>
NET ASSETS				
Invested in capital assets, net of related debt	(358,530,985)	9,191,605	(349,339,380)	16,615,968
Restricted for:				
Capital projects	27,436,439	-	27,436,439	-
Debt service	68,070,686	-	68,070,686	-
Other purposes	310,691,043	-	310,691,043	-
Unrestricted	-	11,660,943	11,660,943	9,139,056
Total net assets	<u>\$ 47,667,183</u>	<u>\$ 20,852,548</u>	<u>\$ 68,519,731</u>	<u>\$ 25,755,024</u>

See notes to the financial statements.

HARRIS COUNTY, TEXAS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS
For The Year Ended February 29, 2004

	Enterprise Funds			Internal Service Funds
	Toll Road	Nonmajor Enterprise Funds	Total	
OPERATING REVENUES				
Toll revenues	\$ 265,913,082	\$ -	\$ 265,913,082	\$ -
Lease revenue	-	-	-	6,950,279
Charges for services	-	6,708,225	6,708,225	124,748,079
Total operating revenues	<u>265,913,082</u>	<u>6,708,225</u>	<u>272,621,307</u>	<u>131,698,358</u>
OPERATING EXPENSES				
Salaries	23,070,478	539,070	23,609,548	-
Services and fees	24,876,579	835,789	25,712,368	-
Utilities	1,518,091	282,615	1,800,706	-
Administration	-	-	-	15,322,331
Materials and supplies	12,322,317	809,836	13,132,153	-
Transportation and travel	345,382	-	345,382	-
Incurred claims	-	-	-	106,541,517
Estimated claims	-	-	-	2,257,485
Reinsurance premiums	-	-	-	823,794
Cost of goods sold	-	2,945,356	2,945,356	3,907,468
Depreciation	42,518,752	348,331	42,867,083	4,221,319
Total operating expenses	<u>104,651,599</u>	<u>5,760,997</u>	<u>110,412,596</u>	<u>133,073,914</u>
Operating income (loss)	<u>161,261,483</u>	<u>947,228</u>	<u>162,208,711</u>	<u>(1,375,556)</u>
NONOPERATING REVENUES (EXPENSES)				
Earnings on investments	10,376,752	151,356	10,528,108	541,012
Interest expense	(101,075,728)	-	(101,075,728)	-
Loss on disposal of capital assets	(465,589)	(12,181)	(477,770)	(27,047)
Amortization expense	(1,069,795)	-	(1,069,795)	-
Bad debt expense	(6,729,330)	-	(6,729,330)	-
Other nonoperating revenue (expense)	714,644	992,557	1,707,201	437,095
Total nonoperating revenues (expenses)	<u>(98,249,046)</u>	<u>1,131,732</u>	<u>(97,117,314)</u>	<u>951,060</u>
Income (loss) before contributions and transfers	<u>63,012,437</u>	<u>2,078,960</u>	<u>65,091,397</u>	<u>(424,496)</u>
Contributions	15,189,452	-	15,189,452	-
Transfers in	-	-	-	4,450,537
Transfers out	(67,500,000)	-	(67,500,000)	(272,192)
Total contributions and transfers	<u>(52,310,548)</u>	<u>-</u>	<u>(52,310,548)</u>	<u>4,178,345</u>
Change in net assets	10,701,889	2,078,960	12,780,849	3,753,849
Net assets, beginning	36,965,294	18,773,588	55,738,882	22,001,175
Net assets, ending	<u>\$ 47,667,183</u>	<u>\$ 20,852,548</u>	<u>\$ 68,519,731</u>	<u>\$ 25,755,024</u>

See notes to the financial statements.

HARRIS COUNTY, TEXAS
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
For The Year Ended February 29, 2004

	Enterprise Funds			Internal Service Funds
	Toll Road	Nonmajor Enterprise Funds	Total	
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customer	\$ 265,913,082	\$ 3,885,571	\$ 269,798,653	\$ 131,679,143
Payment to employees	(22,606,118)	(548,738)	(23,154,856)	(111,569,779)
Payment to vendors	(26,050,105)	(6,435,769)	(32,485,874)	(6,780,299)
Internal activity - net payments to other funds	(1,652,748)	-	(1,652,748)	(1,529,449)
Other receipts (payments)	9,462,162	(226,346)	9,235,816	(6,457,737)
Net cash provided by (used for) operating activities	<u>225,066,273</u>	<u>(3,325,282)</u>	<u>221,740,991</u>	<u>5,341,879</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Loan to FT Bend County	28,500,000	-	28,500,000	-
Contribution from other entity	267,270	-	267,270	-
Transfers (to) from other funds	(67,500,000)	-	(67,500,000)	4,178,345
Net cash provided by (used for) noncapital financing activities	<u>(38,732,730)</u>	<u>-</u>	<u>(38,732,730)</u>	<u>4,178,345</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
(Purchases) disposals of capital asset	(212,034,956)	36,619	(211,998,337)	(8,245,487)
Principal paid on capital debt	(347,205,792)	-	(347,205,792)	-
Interest paid on capital debt	(117,255,515)	-	(117,255,515)	-
Capital debt issuance	423,937,971	-	423,937,971	-
Bond issuance cost	(576,004)	-	(576,004)	-
Net cash provided by (used for) capital and related financing activities	<u>(253,134,296)</u>	<u>36,619</u>	<u>(253,097,677)</u>	<u>(8,245,487)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of investments	(588,266,090)	-	(588,266,090)	(29,590,356)
Proceeds from sale and maturity of investments	607,825,509	-	607,825,509	29,830,961
Interest received	10,002,906	151,356	10,154,262	596,324
Net cash provided by investing activities	<u>29,562,325</u>	<u>151,356</u>	<u>29,713,681</u>	<u>836,929</u>
Net change in cash and cash equivalents	(37,238,428)	(3,137,307)	(40,375,735)	2,111,666
Cash and cash equivalents, beginning	67,716,760	11,333,850	79,050,610	25,367,212
Cash and cash equivalents, ending	<u>\$ 30,478,332</u>	<u>\$ 8,196,543</u>	<u>\$ 38,674,875</u>	<u>\$ 27,478,878</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:				
Operating income (loss)	\$ 161,261,483	\$ 947,228	\$ 162,208,711	\$ (1,375,556)
Adjustment to reconcile operating income (loss) to net cash provided by (used for) operating activities:				
Depreciation	42,518,752	348,331	42,867,083	4,221,319
Other nonoperating revenues (expenses)	(6,014,686)	992,557	(5,022,129)	(113,099)
Changes in current assets and liabilities:				
Receivables, net	3,748,383	(3,749,899)	(1,516)	(1,548,179)
Prepays and other assets	9,365,753	43,502	9,409,255	(319,154)
Vouchers payable and accrued liabilities	10,342,572	(500,546)	9,842,026	4,299,102
Due to other funds	(1,626,805)	-	(1,626,805)	-
Other liabilities	2,336,769	(1,404,943)	931,826	33,630
Retainage payable	3,029,788	-	3,029,788	-
Compensatory time payable	104,264	(1,512)	102,752	143,816
Net cash provided by (used for) operating activities	<u>\$ 225,066,273</u>	<u>\$ (3,325,282)</u>	<u>\$ 221,740,991</u>	<u>\$ 5,341,879</u>
Non-Cash Operating, Capital and Related Financing, And Investing Activities:				
Capital contributions received from other governments	\$ 14,922,182	\$ -	\$ 14,922,182	\$ -
Decrease in the fair market value of investments	(1,083,797)	-	(1,083,797)	-

See notes to the financial statements.

HARRIS COUNTY, TEXAS
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
February 29, 2004

ASSETS	AGENCY FUNDS
Cash and cash equivalents	\$133,279,240
Investments	142,096,334
Accounts receivable	52,607
Accrued interest receivable	509,629
TOTAL ASSETS	\$275,937,810
LIABILITIES	
Payables	\$ 4,256,142
Held for others	271,681,668
TOTAL LIABILITIES	\$275,937,810

See notes to the financial statements.

HARRIS COUNTY, TEXAS
STATEMENT OF NET ASSETS - COMPONENT UNITS
FEBRUARY 29, 2004

	Mental Health Mental Retardation Authority of Harris County	Harris County Hospital District	Nonmajor Component Units	Total
ASSETS				
Cash and cash equivalents	\$ 12,841,742	\$ 28,323,000	\$ 4,318,997	\$ 45,483,739
Investments, including accrued interest	-	289,170,000	7,582,166	296,752,166
Receivables:				
Taxes, net	-	34,524,000	-	34,524,000
Accounts, net	4,654,460	58,027,000	81,349	62,762,809
Other	7,832,305	-	1,142,788	8,975,093
Inventories	386,863	6,840,000	-	7,226,863
Restricted cash and investments	18,131	79,210,000	654,047	79,882,178
Capital assets, net	29,600,893	184,909,000	14,988,621	229,498,514
Other	364,091	41,852,000	583,752	42,799,843
	<u>55,698,485</u>	<u>722,855,000</u>	<u>29,351,720</u>	<u>807,905,205</u>
LIABILITIES				
Accounts payable and accrued liabilities	11,784,126	87,842,000	995,583	100,621,709
Deferred revenue	195,260	-	-	195,260
Accrued interest payable	-	397,000	-	397,000
Other	-	47,443,000	-	47,443,000
Noncurrent liabilities:				
Due within one year	1,806,353	6,968,000	3,182,351	11,956,704
Due in more than one year	18,747,950	142,108,000	2,348,477	163,204,427
	<u>32,533,689</u>	<u>284,758,000</u>	<u>6,526,411</u>	<u>323,818,100</u>
NET ASSETS				
Invested in capital assets, net of related debt	9,046,590	25,021,000	125,779	34,193,369
Restricted for:				
Capital projects	11,791	36,527,000	-	36,538,791
Donor restrictions	132,843	-	1,542,715	1,675,558
Unrestricted net assets	13,973,572	376,549,000	21,156,815	411,679,387
	<u>\$ 23,164,796</u>	<u>\$ 438,097,000</u>	<u>\$ 22,825,309</u>	<u>\$ 484,087,105</u>

See notes to the financial statements.

HARRIS COUNTY, TEXAS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
COMPONENT UNITS
For The Year Ended February 29, 2004

	Mental Health Mental Retardation Authority of Harris County	Harris County Hospital District	Nonmajor Component Units	Total
EXPENSES	\$ 136,542,557	\$ 790,419,000	\$ 15,310,749	\$ 942,272,306
REVENUES				
Program Revenues:				
Charges for services	22,799,363	240,858,000	2,609,902	266,267,265
Operating grants and contributions	96,567,302	110,769,000	13,934,860	221,271,162
Capital grants, contributions and other	(757,776)	116,606,000	-	115,848,224
Total program revenues	<u>118,608,889</u>	<u>468,233,000</u>	<u>16,544,762</u>	<u>603,386,651</u>
Net (expenses) program revenues	<u>(17,933,668)</u>	<u>(322,186,000)</u>	<u>1,234,013</u>	<u>(338,885,655)</u>
General Revenues (Expenses):				
Earnings on investments	183,246	5,223,000	82,337	5,488,583
Other	19,420,340	351,190,000	(198,153)	370,412,187
Gain on sale of capital assets	622,150	-	-	622,150
Net general revenues (expenses)	<u>20,225,736</u>	<u>356,413,000</u>	<u>(115,816)</u>	<u>376,522,920</u>
Change in net assets	2,292,068	34,227,000	1,118,197	37,637,265
Net assets, beginning	20,872,728	403,870,000	21,707,112	446,449,840
Net assets, ending	<u>\$ 23,164,796</u>	<u>\$ 438,097,000</u>	<u>\$ 22,825,309</u>	<u>\$ 484,087,105</u>

See notes to the financial statements.

HARRIS COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
February 29, 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Harris County, Texas ("County") have been prepared in conformity with generally accepted accounting principles ("GAAP") in the United States of America for local governmental units. The Governmental Accounting Standards Board ("GASB") is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The most significant accounting and reporting policies of the County are described in the following notes to the financial statements.

A. REPORTING ENTITY

The County is a public corporation and a political subdivision of the State of Texas. The County is governed by Commissioners Court, composed of four County Commissioners and the County Judge, all of whom are elected officials.

The County provides a vast array of services which include public safety, administration of justice, health and human services, culture and recreation services, public improvements, flood control and general administration.

As required by GAAP, the financial statements of the reporting entity include those of the County (the primary government) and its component units in conformity with GASB Statement No. 14, *The Financial Reporting Entity* ("GASB 14") and GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units* ("GASB 39").

In accordance with GASB Statement No. 14, a financial reporting entity consists of the primary government and its component units. Component units are legally separate organizations for which the elected officials of the County are financially accountable, or the relationship to the County is such that exclusion would cause the County's financial statements to be misleading or incomplete. Blended component units, although legally separate entities, are, in substance, part of the County's operations, and so data from these units are combined with data of the County. Each discretely presented component unit, on the other hand, is reported in a separate column under the component unit total column on the combined statements to emphasize that it is legally separate from the government.

The criteria used to determine whether an organization is a component unit of the County and whether it is a discretely or a blended component unit includes: financial accountability of Harris County for the component unit, appointment of a voting majority, ability to impose the County's will on the component unit, fiscal dependency criterion, and whether there is a financial benefit to or burden to the County.

Blended Component Units. 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.

HARRIS COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
February 29, 2004

Harris County Flood Control District (“Flood Control District”). The Flood Control District provides program, policies and flood control issues to protect homes and businesses from the hazards of flooding and facilitate economic development. The County prepares and approves the budget, sets the tax rate and approves all bond issuance of the Flood Control District. The criteria used to include the Flood Control District as a blended component unit of the County include: the County appoints a voting majority of the Flood Control District’s governing body, the County is able to impose its will on the Flood Control District, and the County’s and the Flood Control District’s governing bodies are substantially the same.

Harris County Juvenile Board (“Juvenile Board”). The Juvenile Board monitors all of the department’s programs, institutional services, and residential placement facilities. It also sets administrative policies and approves the department’s annual budget prior to submission to Commissioners Court. The County has ministerial approval rights over the Juvenile Board budget. The criteria used to include the Juvenile Board as blended component unit of the County include: fiscal dependency and that the Juvenile Board provides services entirely to the County.

Harris County Sports & Convention Corporation (“Sports and Convention Corporation”). The Sports and Convention Corporation was formed to aid and act on behalf of the County in the managing, operation, maintenance and development of the Reliant Park complex. The criteria used to include the Sports & Convention Corporation as a blended component unit of the County include: the County appoints a voting majority of the Sports & Convention Corporation’s governing body, the County is able to impose its will on the Sports & Convention Corporation through the approval of the Corporation’s annual budget, provision of funding to the Corporation, and the rights to any surpluses of the Corporation, and the County’s and the Sports & Convention Corporation’s governing bodies are substantially the same.

Discretely Presented Component Units. The component unit columns in the combined financial statements include the financial data of the County’s discrete component units. These units are reported in a separate column to emphasize that they are legally separate from the County.

Harris County Hospital District (“Hospital District”). The Hospital District provides medical, dental and hospital care for Harris County’s indigent and needy. The criteria used to determine inclusion as a discretely presented component unit are: members of the governing board of the Hospital District are appointed by Commissioners Court, Commissioners Court approves the Hospital District’s tax rate and annual budget but does not provide any funding or hold title to any of the Hospital District’s assets, and the Hospital District cannot issue bonded debt without Commissioners Court approval. Complete financial statements may be obtained from:

Chief Financial Officer – Clifford J. Bottoms
Harris County Hospital District
2500 First City Tower
Houston, Texas 77002

HARRIS COUNTY, TEXAS
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Harris County Housing Finance Corporation (“Housing Finance Corporation”). The Housing Finance Corporation is exempt from federal income tax and is authorized to issue debt instruments for the purpose of purchasing single family home mortgages and providing financing for multifamily projects, both relating to low and moderate income residents. The criterion used to determine the Housing Finance Corporation’s inclusion as a discretely presented component unit is based on the Housing Finance Corporation’s fiscal dependency on the County, as Commissioners Court must approve all bond issuance and members of the governing bodies are all appointed by Commissioners Court. The Housing Finance Corporation was created by Commissioners Court but is not a political subdivision of Harris County under state law. The Housing Finance Corporation is authorized to issue debt instruments without approval from the County. Services provided by the Housing Finance Corporation are to the citizenry and not to the County. Complete financial statements may be obtained from:

Board President – W.F. Burge, III
Harris County Housing Finance Corporation
1001 Fannin, Suite 2300
Houston, Texas 77002-6760

Mental Health and Mental Retardation Authority (“MHMRA”) of Harris County. The MHMRA is a public agency providing services for residents of the County who do not require long-term institutional mental health care. The criteria used to determine inclusion as a discretely presented component unit are: members of the governing Board of Directors are appointed by Commissioners Court and the County approves the MHMRA's budget, but does not hold title to any of the MHMRA's assets. MHMRA can issue bonded debt without approval from the County. Complete financial statements may be obtained from:

Chief Financial Officer – David Witt
MHMRA
7011 Southwest Freeway
Houston, TX 77074

Harris County Industrial Development Corporation (“Industrial Development Corporation”). The Industrial Development Corporation provides financing through the issuance of municipal bonds for qualified manufacturing and certain other facilities located in the County. The criteria used to determine inclusion as a discretely presented component unit are: members of the governing body are appointed by Commissioners Court and the Industrial Development Corporation has the authority to issue bonded debt, which must be approved by Commissioners Court, however, the County has no obligation to assume the bonded debt. In addition, the Industrial Development Corporation does not provide services to the County. Complete financial statements may be obtained from:

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Board President – Robert L. Silvers
Fulbright & Jaworski, L.L.P.
1301 McKinney, Suite 5100
Houston, Texas 77010-3095

Children’s Assessment Center Foundation, Inc. (“CACF”). The Foundation was created to raise and provide funding for the Children’s Assessment Center (“CAC”). The CAC provides a safe haven to sexually abused children and their families. CAC employs an extraordinarily effective, multidisciplinary team approach in the prevention, assessment, investigation, referral for prosecution and treatment of child sexual abuse. The criteria used to determine inclusion as a discretely presented component unit are: CACF provides a direct benefit to the County, has a history of supporting the County and the resources are significant to the County. Complete financial statements may be obtained from:

Chief Financial Officer - Betsey Runge
The Children’s Assessment Center Foundation
2500 Bolsover
Houston, TX 77005

Housing Authority of Harris County (“Housing Authority”). The Housing Authority was formed to provide decent, safe and sanitary housing for low to moderate income families. The criteria used to determine inclusion as a discretely presented component unit are: members of the governing body are appointed by Commissioners Court, the County approves the Housing Authority’s budget, and the employees are County Employees. In addition, the Housing Authority provides services to the citizenry, not to the County. Complete financial statements may be obtained from:

Controller - David Gunter
Housing Authority of Harris County
8410 Lantern Point
Houston, TX 77054

Harris County Health Facilities Development Corporation (“HFDC”). The HFDC provides financing for qualified health facilities. Eligible projects must improve the adequacy, cost and accessibility of health care in Houston, Texas. Under the current tax code, eligible borrowers are limited to non-profit corporations. HFDC financing costs are limited to land, buildings, and equipment. The criteria used to determine inclusion as a discretely presented component unit are: members of the governing body are appointed by Commissioners Court and the County approves the HFDC’s budget and any bonded debt issued by the HFDC. HFDC is not required to issue separate audited financial statements and therefore are not included in the component

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unit column of the County's financial statements, but significant items are noted in the notes to the financial statements.

Harris County Cultural Education Facilities Finance Corp. ("CEFFC"). The CEFFC provides and finances cultural education facilities for the exhibition and promotion of and education about the performing, dramatic, visual and literary arts, natural history and science for the public purpose of promotion the health, education and welfare of the citizens of the State of Texas. The criteria used to determine inclusion as a discretely presented component unit are: members of the governing body are appointed by Commissioners Court and the services of CEFFC are provided to the citizenry and not to the County. CEFFC is not required to issue separate audited financial statements and therefore are not included in the component unit column of the County's financial statements, but significant items are noted in the notes to the financial statements.

Condensed Financial Statements. Condensed financial statements of each discretely presented component unit discussed above are presented. The fiscal year-ends for the discretely presented component units are as follows:

- Harris County Hospital District: February 29, 2004
- Harris County Housing Finance Corporation: December 31, 2003
- Mental Health and Mental Retardation Authority of Harris County: August 31, 2003
- Harris County Industrial Development Corporation: August 31, 2003
- Children's Assessment Center Foundation, Inc.: February 29, 2004
- Housing Authority of Harris County: March 31, 2004

B. RELATED ORGANIZATIONS AND JOINTLY GOVERNED ORGANIZATIONS

Related organizations and jointly governed organizations provide services within the County that are administered by separate boards or commissions, but the County is not financially accountable, and such organizations are therefore not component units of the County, even though Commissioners Court may appoint a voting majority of an organization's board. Consequently, financial information for the following entities is not included within the scope of these financial statements.

Related Organizations. Related organizations of the County include the Emergency Service Districts which were created to implement emergency services to specific areas.

Jointly Governed Organizations. The County is a participant in jointly governed organizations. Commissioners Court appoints two of seven board members of the Port of Houston Authority; four of thirty-seven board members of the Gulf Coast Community Services Association; three of nineteen board members of the Harris-Galveston Coastal Subsidence District; two of thirty-five board members of the Houston-Galveston Area Council; two of nine board members of the Metropolitan Transit Authority of Harris County; six of thirteen board members of the Harris County/Houston Sports Authority, and the chairman is appointed jointly by Harris County and the City of Houston.

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During fiscal year 2004, the County disbursed the following amounts to these organizations: \$516,072 to the Port of Houston Authority, \$48,562 to the Gulf Coast Community Services Association, and \$384,517 to the Metropolitan Transit Authority of Harris County. The County also collected \$792,082 from the Port of Houston Authority, \$10,576,505 from the Metropolitan Transit Authority of Harris County, and \$38,593 from the Harris County/Houston Sports Authority.

C. IMPLEMENTATION OF NEW STANDARDS

In the current year, the County implemented the following new standards:

GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units* (GASB "39"), requires state and local governments to report legally separate, tax exempt organizations as discrete component units if they meet the following criteria:

- The economic resources raised and held by the affiliated organization almost entirely is for the benefit of the County.
- The County is entitled to or has the ability to access the funds raised by the affiliated organization.
- The funds held by the affiliated organization are material to the County's financial statements.

With the implementation of this standard, the Children's Assessment Center Foundation was added, which affects the non-major component units beginning net assets total by \$13,349,067.

D. FINANCIAL STATEMENT PRESENTATION, MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

Government-wide Statements

Government wide financial statements consist of the Statement of Net Assets and the Statement of Activities. These statements report information on all of the non-fiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The government-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Under this measurement focus, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of the timing of cash flows. Property taxes are recognized as revenues in the year for which they are levied. Fines and forfeitures are recognized when they have been assessed and adjudicated and earned. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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The Statement of Activities demonstrates the degree to which the direct expenses of the County's programs are offset by those programs' revenues. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by the program and 2) grants and contributions that are restricted to meeting the operational and/or capital requirements of a particular program. Program revenues include those generated from administration of justice, parks, County administration, health and human services, flood control, tax administration, and roads and bridges. Taxes and other items not included among program revenues are reported instead as general revenues. In miscellaneous general revenues are non program specific contributions including capital asset contributions.

Agency funds are excluded in the government-wide presentation of the financial statements.

Fund-level Statements

All governmental funds use the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The County considers property taxes and other revenues as available if they are collected within 60 days after year-end. Expenditures are recorded when the related fund liability is incurred. Principal and interest on governmental long-term debt are recorded as fund liabilities when due or when amounts have been accumulated in the debt service fund for payments to be made early in the following year. Grant and entitlement revenues are also susceptible to accrual. Encumbrances are used during the year and any unliquidated items are reported at year-end as a reservation of fund balance. These funds are accounted for on a spending "financial flow" measurement focus. This means that only current assets and current liabilities are generally included on their balance sheets. Their reported fund balance (net current assets) is considered a measure of "available spendable resources." Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period.

All proprietary funds, including the enterprise fund and internal service funds, and fiduciary funds, including agency funds, are accounted for using the accrual basis of accounting. Revenues are recognized when earned, and expenses when they are incurred. Claims incurred but not reported are included in payables and expenses. These funds are accounted for using a cost of service or "capital maintenance" measurement focus. This means that all assets and liabilities (whether current or non-current) associated with their activity are included in the funds' statement of net assets. The agency funds are custodial in nature and involve no measurement of results of operations.

The accounts of the County are organized and operated on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a

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separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures/expenses. Government resources are allocated to and accounted for in individual funds based on the purpose for which they are to be spent and the means by which spending activities are controlled.

Funds are classified into three categories: Governmental, Proprietary and Fiduciary. The major funds of the County are noted within each category.

GOVERNMENTAL FUNDS: Used to account for all or most of a government's general activity.

General Fund - used to account for the general operations of the County and limited-tax permanent improvement debt service of the County.

PROPRIETARY FUNDS: Used to account for operations that are financed in a manner similar to those in the private sector, where the determination of net income is appropriate for sound financial administration.

Toll Road Enterprise Fund - used to account for the acquisition, operation, and maintenance of County toll roads. These facilities are financed primarily through user charges.

FIDUCIARY FUNDS: Used to report assets held in a trustee or agency capacity for others and therefore cannot be used to support the government's own programs.

Additionally, the County reports the following fund types:

INTERNAL SERVICE FUNDS: Used to account for the financing of goods and services provided by one department or agency of the County to other County departments or agencies on a cost reimbursement basis. The County reports five internal service funds: 1) Vehicle Maintenance – to account for the County's vehicle maintenance department financed through user charges, 2) Auction Proceeds – to account for the County's sale of surplus items, 3) Radio Operations – to account for the operation of County radios, 4) Inmate Industries – to account for operation of the printing shop provided by inmates to County departments, and 5) Risk Management – to account for the County's workers' compensation, health insurance and other risk management activities.

AGENCY FUNDS: Used to account for assets held by the County as an agent on behalf of a third party. The County reports nine agency funds held for various third parties outside the primary government.

The County and its Component Units apply all GASB pronouncements as well as the Financial Accounting Standards Board ("FASB") pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, to business-type activities and enterprise funds, under the provision of GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*.

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Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing goods in connection with the proprietary fund's principal operations. The principal operating revenues of the Subscriber Access and Parking Facilities Enterprise Funds are user fees. Operating revenues of the Sheriff's Commissary Enterprise Fund are comprised of sales revenue from the sale of items to inmates. Toll Road Enterprise Fund operating revenues consist of fees assessed each time a vehicle passes through a toll station on the County's toll roads. Operating revenues in the Internal Service Funds consist primarily of charges to the various County departments, plus lease revenue reported in the Vehicle Maintenance and Radio Operations Funds. Operating expenses in the enterprise and internal service funds include the cost of sales and services, administrative expenses, incurred and estimated claims and reinsurance, utilities, travel and transportation, and depreciation on capital assets. All revenues and expenses not meeting these definitions are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the County's policy to use restricted resources first, then unrestricted resources to the extent they are needed.

E. BUDGETS

Harris County adheres to the following procedures in its consideration and adoption of its annual operating budget:

- Departmental annual budget requests are submitted by the Department or Agency Head to the County Budget Officer during the third quarter of the fiscal year for the upcoming fiscal year to begin March 1.
- The County Auditor prepares an estimate of available resources for the upcoming fiscal year.
- The County Budget Officer prepares the proposed annual operating budget to be presented to the Commissioners Court for their consideration. The budget represents the financial plan for the new fiscal year.
- Public hearings are held on the proposed budget.
- The Commissioners Court must adopt an annual operating budget by a majority vote of the Commissioners Court before April 1. The adopted budget must be balanced; that is, available resources must be sufficient to support annual appropriations.
- The department is the legal level of budgetary control. Commissioners Court approval is necessary to transfer appropriations between departments. Transfers may not increase the total budget.
- The Commissioners Court may approve expenditures as an amendment to the budget in an emergency situation that could not have been foreseen at the time the original budget was approved.

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- The Commissioners Court may adopt a supplemental budget for the limited purpose of spending proceeds of the sale of bonds or other obligations to be issued against future revenues and public or private grant or aid money for its intended purpose.
- The County Auditor shall certify to the Commissioners Court the receipt of all public or private grant or aid money that is available for disbursement in a fiscal year, but not included in the budget for the fiscal year.
- Annual budgets are legally adopted for the General Fund, Special Revenue Funds (except Grant Funds), and Debt Service Funds. The budget for the Grants Special Revenue fund is established pursuant to grant awards. The budgets for Capital Projects funds are established on a project basis.
- Appropriations lapse at year-end for all funds except Grants Special Revenue and Capital Project Funds.
- Budgets are prepared on a cash basis (budget basis) which differs from GAAP basis.

A reconciliation of revenues and expenditures on a cash basis (budgetary basis) compared to modified accrual basis (GAAP) is presented in the Notes to Required Supplementary Information.

F. RESTRICTED ASSETS

Certain assets of the County's General Fund are classified as restricted assets because their use is restricted for a specific purpose by contract or state statute. The County uses the General Fund to account for the debt service on bonds issued for permanent improvement purposes. The County also uses the General Fund to account for bank accounts maintained by the Juvenile Probation and to account for seized assets in the custody of the District Attorney.

All of the Toll Road Enterprise Fund's assets, except deferred charges and net property, are classified as restricted assets because their use is completely restricted by bond indentures.

G. DEPOSITS AND INVESTMENTS

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 date of purchase. Pooled cash and investments, includes cash that has been pooled within the County for investment purposes and the investments are maintained at the pool rather than the individual fund level. Investments are stated at fair value, which is based on quoted market prices, in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, with the difference between the purchase price and market price being recorded as earnings on investments.

State statutes authorize the County to invest in fully collateralized or insured time deposits, direct debt securities of the United States or its Agencies, investment grade commercial paper, money

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market mutual funds and fully collateralized repurchase agreements. County policy requires that repurchase agreements be purchased under a master repurchase agreement which specifies the rights and obligations of both parties and requires that the securities involved in the transaction be held in a safekeeping account subject to the control and custody of the County.

The margin requirement for all repurchase agreements is that market value must be at least 101% of the purchase price. Investments in repurchase agreements may be made only through a primary government securities dealer, as defined by the Federal Reserve, or a bank domiciled in the State of Texas with which the County has signed a master repurchase agreement.

H. INTERFUND TRANSACTIONS

During the course of normal operations, the County has many transactions between funds. The accompanying Fund Level financial statements reflect as transfers the resources provided and expenditures used to provide services, construct assets and meet debt service requirements. The effect of interfund activity has been eliminated in the Government-wide financial statements, except for transactions between governmental and business-type activities.

I. INVENTORY

Inventory is stated at the lower of cost or market value, using the first-in, first-out method for proprietary fund types. Purchases of inventories for governmental funds are recorded as expenditures when purchased in the governmental fund financial statements.

J. PREPAIDS AND OTHER ASSETS

Certain payments to vendors reflect costs applicable to future accounting periods and are reported as prepaid items in both the government-wide and fund level financial statements.

K. DEFERRED CHARGES AND PREMIUMS (DISCOUNTS) ON BONDS PAYABLE

Deferred charges consist of bond issuance costs of the bonds. Such costs are amortized on a straight-line basis over the term of the bonds. Premiums (discounts) on bonds payable are amortized using the effective interest method over the term of the bonds.

L. CAPITAL ASSETS AND INFRASTRUCTURE

Capital assets include land, land improvements, buildings and building improvements, park improvements and facilities, equipment, machinery, vehicles, other tangible and certain intangible assets, easements, works of art and historical treasures, and infrastructure that are used in the County's operations and benefit more than a single fiscal year. Infrastructure assets are long-lived assets that are generally stationary in nature and can typically be preserved for a significantly greater number of years than other capital assets. Infrastructure assets of the County include roads, bridges, flood control facilities, lighting, storm sewers, and tunnels.

Capital assets of the County are defined as assets with individual costs of \$5,000 or more and estimated useful lives in excess of one year. Exceptions to the \$5,000 capitalization threshold are as follows: it is the County's policy to capitalize all land, easements, and works of art and historical treasures, regardless of the historical cost. The threshold for capitalizing land

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improvements, buildings and building improvements and park improvements is \$100,000. The capitalization threshold for infrastructure ranges from \$25,000 to \$250,000, depending on the type of infrastructure asset.

All capital assets are stated at historical cost or estimated historical cost if actual cost is not available. Donated fixed assets are stated at their estimated fair value on the date donated.

It is the County's policy not to capitalize interest on construction for capital assets reported in the governmental activities of the government-wide financial statements. The Toll Road Enterprise Fund capitalizes, as a cost of its constructed property, the interest expense and certain other costs of bonds issued for construction purposes less the interest earned on the proceeds of those bonds from the date of the borrowing until the date the property is ready for use. During fiscal year 2004, \$764,043 of interest expense was capitalized.

Capital assets are depreciated in the government-wide financial statements using the straight-line method over the following useful lives:

<u>Asset</u>	<u>Years</u>
Land improvements	20
Buildings	45
Park improvements	30
Equipment	3-20
Machinery	15
Vehicles	4-15
Animals	7
Other tangible assets	5
Computer software	5
Infrastructure:	
Bridges	40
Flood control channels	25-75
Roads	20-50
Lighting	20
Storm sewers	30-75
Tunnels	40
Exhaustible works of art and historical treasures	10

M. NET ASSETS AND FUND BALANCES

NET ASSETS CLASSIFICATIONS

Net assets in the proprietary fund financial statements and the government-wide financial

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statements are classified in three categories: 1) Net assets invested in capital assets, net of related debt, 2) Restricted net assets, and 3) Unrestricted net assets.

In connection with the preparation of the February 29, 2004 financial statements, the County has restated net assets as of March 1, 2003 in the amount of \$837,612,888. This restatement is due to certain capital assets that had been depreciated using an incorrect useful life.

RESERVATIONS, DESIGNATIONS, AND RESTRICTIONS

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for a specific purpose. These specific purposes include: debt service and grant programs. Designations of fund balance represent tentative management plans that are subject to change.

In the proprietary fund financial statements and in the government-wide financial statements, restricted net assets are reported for amounts that are externally restricted by 1.) creditors (eg. bond covenants), grantors, contributors, or laws and regulations of other governments or 2.) law through constitutional provision or enabling legislation.

N. COMPENSATED ABSENCES

Accumulated compensatory time, vacation and sick leave expected to be liquidated with expendable available financial resources are reported as expenditures in the respective governmental funds. Accumulated compensated absences not expected to be liquidated with expendable available resources are reported as long-term liabilities in the governmental activities column of the government-wide Statement of Activities. The majority of these have typically been liquidated from the General Fund in previous years. Accumulated compensated absences of Proprietary Funds are recorded as an expense and liability in the respective fund and the business-type activities column of the government-wide Statement of Activities as the benefit accrues for the employee.

Employees are allowed to accrue 9.75 days of sick leave per year. Sick leave benefits are recognized as expenditures as they are used by the employees. Employees may accumulate up to 480 hours of sick leave. Unused sick leave benefits are not paid at termination. Employees with more than one year of service accrue from two to four weeks vacation per year, depending on years of service. Unused vacation benefits lapse at calendar year-end or upon termination except for exempt employees who may convert such benefits to compensatory time, subject to a 240 hour maximum.

Non-exempt employees earn compensatory time at one and one-half times their full rate of pay times the excess of 40 hours per week worked. The compensatory time balance for non-exempt employees may not exceed 240 hours. Hours in excess of the 240 hour maximum must be paid to the non-exempt employee at the rate of one and a half times the regular rate. Upon termination, non-exempt employees will be paid for compensatory time at their wage rate at time of termination. Exempt employees earn compensatory time at their regular rate of pay for hours worked in excess of 40 hours a week. Exempt employees can accumulate up to 240 hours of

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compensatory time. Upon termination, exempt employees are paid one-half of the compensatory time earned at the wage rate at time of termination. Compensatory time is carried forward indefinitely.

O. STATEMENT OF CASH FLOWS

For purposes of cash flows, the County considers cash equivalents to include all highly liquid investments (including restricted) with a maturity of three months or less when purchased.

P. DEFERRED CHARGES

The difference between the reacquired price and net carrying amount of old debt incurred due to a bond refunding transaction is deferred and amortized in a manner that is systematic and rational over the remaining life of the old or new debt, whichever is shorter.

Q. USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

R. COMPONENT UNIT TAX REVENUES

The Hospital District is partially financed by property tax levies (recorded as operating revenues), and partially financed by user charges, the usual revenue source for a proprietary fund activity. However, because of the unique character of services provided by the Hospital District, proprietary fund accounting is necessary to provide meaningful measurement of cost of services of the Hospital District.

2. DEPOSITS AND INVESTMENTS

COUNTY

The Harris County Sports & Convention Corporation (the "Corporation"), a blended component unit of the County, maintains investments made during the fiscal year ended February 28, 2003 of \$12 million in the Sports Authority's Subordinate Lien Notes Series 2001 C-1 and Series 2001 C-2 were not in compliance with Chapter 2256 of the Texas Government Code, the Public Investment Act (the "Act"), because the notes did not receive a rating from at least one nationally recognized investment rating firm. In addition, the Corporation did not have a written investment policy in place as required under the Act. The Board of Directors of the Corporation adopted an investment policy in January 2004.

Deposits: At February 29, 2004, the carrying amount of the County's demand and time deposits was \$11,609,574. The bank balance of \$ 45,008,804 was covered by federal depository insurance or collateralized with securities held by the County's agent in the County's name.

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Investments: The County's investments are categorized below to give an indication of the level of risk, with Category 1 being the lowest level of risk to Category 3 being the highest level of risk. Investments are included in the credit risk categories as follows:

- Category 1: Investments that are insured or registered or for which the securities are held by the County or its agent in the County's name.
- Category 2: Uninsured and unregistered investments, with securities held by the County's counterparty's trust department or agent in the County's name.
- Category 3: Uninsured and unregistered investments, with securities held by the County's counterparty, or by its trust department or agent, but not in the County's name.

Shown below are the County's investments by risk category as of February 29, 2004.

	Categories			
	1	2	3	Fair Value
U.S. Government Securities	\$ 1,142,309,800	\$ 29,355,971	\$ -	\$ 1,171,665,771
Commercial Paper	203,981,064	-	-	203,981,064
Municipal Bonds	87,090,360	-	-	87,090,360
Subtotal	\$ 1,433,381,224	\$ 29,355,971	\$ -	\$ 1,462,737,195
Investments not subject to categorization:				
Money Market Mutual Funds				199,222,597
Total Investments				\$ 1,661,959,792

COMPONENT UNITS

The combined cash and investments for the Hospital District and MHMRA make up more than 99% of the total cash and investments for all the County's discretely presented component units. The cash and investment policies for the Hospital District and MHMRA are as follows:

Deposits. The Hospital District's demand and time deposits and short-term government securities at February 29, 2004 were insured by the Federal Deposit Insurance Corporation and collateralized by pledged U.S. Government securities held by their agents, Bank of America, in the Hospital District's name. As of August 31, 2003, MHMRA had a bank balance of \$13,927,053. Of the bank balance \$10,570,821 was insured by the Federal Deposit Insurance Corporation or collateralized by pledged collateral held in safekeeping in MHMRA's name. The remaining \$3,356,232 was uncollateralized.

MHMRA is authorized to invest in fully collateralized or insured time or certificates of deposits only. Accordingly, excess cash is invested in short-term certificates of deposit stated at cost, which approximates market, and is classified as a cash equivalent on the balance sheet.

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The Harris County Industrial Development Corporation's bank balance at August 31, 2003 was \$469,639. Of the bank balance, \$100,000 was covered by federal depository insurance, and the remainder of \$369,639 was not collateralized.

Investments. By state statute, the Hospital District is authorized to invest in fully collateralized time deposits, certificates of deposit, and government securities. Accordingly, excess cash is invested in short-term certificates of deposit and government securities which are stated at fair value on the Statement of Net Assets. The fair value of governmental securities is based on quoted market prices as of February 27, 2004.

The Hospital District's investments are categorized below to give an indication of the level of risk, with Category 1 being the lowest level of risk to Category 3 being the highest level of risk as of February 29, 2004.

	Categories			Fair Value
	1	2	3	
U.S. Government Securities	\$ 289,170,000	\$ -	\$ -	\$ 289,170,000
Investments not subject to categorization:				
Money Market Mutual Funds				28,323,000
Total Investments				\$ 317,493,000

3. PROPERTY TAXES

COUNTY

Property taxes for the County and the Flood Control District are levied each October 1 on the taxable value as of the preceding January 1 for all taxable real and personal property. Taxes are due and payable when levied. On January 1, at the time of assessment, an enforceable lien is attached to the property for property taxes. All tax payments not received by February 1, after the taxes are levied, are considered delinquent. Accordingly, no current taxes receivable are reported. Appraised values are determined by the Harris County Appraisal District ("Appraisal District") equal to 100% of the appraised market value as required by the State Property Tax Code. Real property must be appraised at least every four years. Taxpayers and taxing units may challenge appraisals of the Appraisal District through various appeals and, if necessary, legal action.

The County is responsible for setting the tax rate for the County, the Flood Control District, the Hospital District and Port of Houston Authority for debt service only. The County adopted the 2003 tax rate, per \$100 of taxable value, for the County and Flood Control District as follows:

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	<u>Operations and Maintenance</u>	<u>Debt Service</u>	<u>Total</u>
Harris County			
Constitutional Funds	\$ 0.34490	\$ 0.01889	\$ 0.36379
Road Debt Service	-	0.02424	0.02424
	<u>\$ 0.34490</u>	<u>\$ 0.04313</u>	<u>\$ 0.38803</u>
Total - Harris County			
Flood Control District	<u>\$ 0.02981</u>	<u>\$ 0.01193</u>	<u>\$ 0.04174</u>

The County is permitted by law to levy tax rates for general fund, jury fund, road and bridge fund and permanent improvement fund purposes up to \$0.80 per \$100 of taxable valuation. The County levied a tax rate of \$0.38803 per \$100 of taxable valuation subject to the \$0.80 tax rate limitation, of which \$0.36379 per \$100 valuation was for Constitutional Funds, and a tax rate of \$0.02424 per \$100 valuation was for the Road Debt Service.

The Flood Control District is permitted by law to levy a tax rate up to \$0.30 per \$100 of taxable valuation. There is no limitation on the tax rate which may be set for debt service within the \$0.30 tax rate limit. The tax rate for operations and maintenance is limited to the rate as may from time to time be approved by the voters of the Flood Control District. The maximum tax rate for operations and maintenance is \$0.15 per \$100 of taxable valuation. A tax rate of \$0.02981 per \$100 valuation was levied in 2003 for the Flood Control District's operations and maintenance. The County Tax Assessor bills and collects the taxes for the County, Flood Control District, Hospital District, Port of Houston Authority, City of Houston and various area junior colleges and fire protection districts. Collections of the property taxes and subsequent remittances to the proper entities are accounted for in the Tax Assessor's Agency Fund. Tax collections deposited for the County and Flood Control District are distributed on a periodic basis to the respective General Funds and Debt Service Funds. These distributions are based upon the tax rate established for each fund by order of the Commissioners Court for the tax year for which the collections are made.

Property tax receivables of \$23,344,052 as of February 29, 2004 are reported net of an allowance for uncollectible taxes of \$154,770,252.

COMPONENT UNITS

The Hospital District receives property taxes levied by the County Commissioners Court for operations. Ad Valorem tax revenues are recorded at the time the taxes are assessed, net of provisions for uncollected amounts and collection expenses. Subsequent adjustments to the tax rolls, made by the County Tax Assessor, are included in the revenues in the period such adjustments are made by the County Tax Assessor.

Property tax receivables of \$34,524,000 as of February 29, 2004 are reported net of an allowance for uncollectible taxes of \$54,799,000 for the Hospital District.

HARRIS COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
February 29, 2004

4. OTHER RECEIVABLES

The County reports other receivables in the various funds for amounts to be received from customers, granting agencies, and the Tax Assessor. Additionally, the County reports receivables from other governments as Due from other governmental units. A breakdown of these receivables at February 29, 2004 is as follows:

	General	Nonmajor Governmental	Toll Road	Nonmajor Enterprise	Internal Service	Component Units
OTHER RECEIVABLES AND DUE FROM OTHER GOVERNMENTAL UNITS						
Customers	\$ 31,140,715	\$ 574	\$ 2,984,568	\$ 3,818,601	\$ 483,865	\$ 1,133,899
Granting agencies	-	-	-	-	-	7,841,194
Tax Assessor	19,998,090	3,346,195	-	-	-	-
Department of Housing and Urban Development	-	311,783	-	-	-	-
Total	<u>\$ 51,138,805</u>	<u>\$ 3,658,552</u>	<u>\$ 2,984,568</u>	<u>\$ 3,818,601</u>	<u>\$ 483,865</u>	<u>\$ 8,975,093</u>

5. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

On April 7, 1998, the Commissioners Court approved an interfund loan to the Harris County General Fund in the amount of \$13.5 million to finance the payment of the settlement for a judgment against the County. The interfund loan was made from the Toll Road Enterprise Fund. A promissory note was executed requiring a three-year maturity with principal payable at maturity and an option to extend the note for an additional two years with principal due at the final maturity date. The principal shall bear interest at a variable rate equal to the monthly weighted yield of the Toll Road's investment portfolio. Interest will be based on a 360-day year/simple interest payable on each one-year anniversary date of the note. The County exercised its option to extend the interfund loan for an additional two years. The interfund loan was repaid to the Toll Road Enterprise Fund in the current year on April 24, 2003.

In the fund financial statements, interfund balances, other than those discussed above, are the result of normal transactions between funds and will be liquidated in the subsequent fiscal year. Balances between individual governmental funds and between governmental funds and internal service funds are eliminated in the government-wide financial statements.

The interfund receivable and payable balances, by individual major fund, other governmental funds (aggregated), other proprietary funds (aggregated), internal service funds (aggregated), and fiduciary funds as of February 29, 2004 are as follows:

	<u>Receivable</u>	<u>Payable</u>
General	\$ 42,916,763	\$ 1,007,781
Nonmajor Governmental	45,239,165	87,093,758
Toll Road	661,818	769,198
Internal Service	52,991	-
Total	<u>\$ 88,870,737</u>	<u>\$ 88,870,737</u>

HARRIS COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
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The following is a summary of the County's transfers for the year ended February 29, 2004:

	Transfers In:			
	General	Nonmajor Governmental	Internal Service	Total
Transfers Out:				
General	\$ 88,680,922	\$ 11,090,000	\$ 4,450,537	\$ 104,221,459
Nonmajor Governmental	134,085,322	266,580,500	-	400,665,822
Toll Road	67,500,000	-	-	67,500,000
Internal Service	272,192	-	-	272,192
Total	<u>\$ 290,538,436</u>	<u>\$ 277,670,500</u>	<u>\$ 4,450,537</u>	<u>\$ 572,659,473</u>

Flood Control-Debt Service fund transferred \$200,000,000 to Flood Control-Special Revenue fund for payment of defeased commercial paper in the current year. Toll Road transferred \$67,500,000 to the General fund for funding of a County thoroughfare program. Another \$167,330,000 was transferred to the General fund to make the payment to defease commercial paper refunded in the current year. All other transfers are routine in nature.

6. CAPITAL ASSETS

COUNTY

Capital asset activity for the year ended February 29, 2004 was as follows:

	Balance March 1, 2003	Additions	Deletions	Transfers	Balance February 29, 2004
Governmental Activities:					
Land	\$ 3,399,400,430	\$ 141,474,288	\$ (4,405,258)	\$ -	\$ 3,536,469,460
Construction in progress	246,839,118	148,643,995	-	(119,600,944)	275,882,169
Total capital assets not depreciated	<u>3,646,239,548</u>	<u>290,118,283</u>	<u>(4,405,258)</u>	<u>(119,600,944)</u>	<u>3,812,351,629</u>
Infrastructure	8,792,206,622	83,368,321	-	26,855,079	8,902,430,022
Park facilities	24,747,741	-	-	1,206,392	25,954,133
Flood control projects	265,296,006	-	-	7,407,563	272,703,569
Buildings	628,824,723	1,734,211	(71,699)	84,782,030	715,269,265
Equipment	186,271,673	26,614,252	(19,026,398)	4,060,020	197,919,547
	<u>9,897,346,765</u>	<u>111,716,784</u>	<u>(19,098,097)</u>	<u>124,311,084</u>	<u>10,114,276,536</u>
Less accumulated depreciation for:					
Infrastructure	(2,414,393,341)	(254,971,399)	-	-	(2,669,364,740)
Park facilities	(10,252,277)	(823,093)	-	-	(11,075,370)
Flood control projects	(117,140,438)	(8,090,854)	-	-	(125,231,292)
Buildings	(218,488,949)	(13,395,898)	58,426	(99,926)	(231,926,347)
Equipment	(114,612,821)	(23,740,516)	17,653,269	(3,677,768)	(124,377,836)
	<u>(2,874,887,826)</u>	<u>(301,021,760)</u>	<u>17,711,695</u>	<u>(3,777,694)</u>	<u>(3,161,975,585)</u>
Total capital assets being depreciated, net	<u>7,022,458,939</u>	<u>(189,304,976)</u>	<u>(1,386,402)</u>	<u>120,533,390</u>	<u>6,952,300,951</u>
Governmental activities capital assets, net	<u>\$ 10,668,698,487</u>	<u>\$ 100,813,307</u>	<u>\$ (5,791,660)</u>	<u>932,446</u>	<u>\$ 10,764,652,580</u>

The \$932,446 balance in the transfers column, is due to assets that were transferred from the enterprise funds.

HARRIS COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
February 29, 2004

	<u>Balance</u> <u>March 1, 2003</u>	<u>Additions/</u> <u>Transfers</u>	<u>Deletions/</u> <u>Transfers</u>	<u>Balance</u> <u>February 29, 2004</u>
Business-type Activities:				
Land	\$ 206,808,960	\$ 30,774,030	\$ -	\$ 237,582,990
Construction in progress	206,878,634	154,115,733	(15,834,933)	345,159,434
Total capital assets not depreciated	<u>413,687,594</u>	<u>184,889,763</u>	<u>(15,834,933)</u>	<u>582,742,424</u>
Land improvements	-	694,561	-	694,561
Other tangible assets	-	514,250	-	514,250
Buildings	14,214,281	3,062,870	-	17,277,151
Infrastructure	1,212,467,506	15,140,373	-	1,227,607,879
Equipment	12,427,411	1,055,102	(1,947,289)	11,535,224
	<u>1,239,109,198</u>	<u>20,467,156</u>	<u>(1,947,289)</u>	<u>1,257,629,065</u>
Less accumulated depreciation for:				
Land improvements	-	(10,781)	-	(10,781)
Other tangible assets	-	(34,283)	-	(34,283)
Buildings	(4,922,514)	(757,010)	-	(5,679,524)
Infrastructure	(448,844,618)	(41,029,267)	-	(489,873,885)
Equipment	(7,766,923)	(1,035,742)	1,368,053	(7,434,612)
	<u>(461,534,055)</u>	<u>(42,867,083)</u>	<u>1,368,053</u>	<u>(503,033,085)</u>
Total capital assets being depreciated, net	<u>777,575,143</u>	<u>(22,399,927)</u>	<u>(579,236)</u>	<u>754,595,980</u>
Business-type activities capital assets, net	<u>\$ 1,191,262,737</u>	<u>\$ 162,489,836</u>	<u>\$ (16,414,169)</u>	<u>\$ 1,337,338,404</u>

Depreciation expense was charged to the programs of the primary government as follows:

Governmental activities:

Administration of Justice	\$ 5,929,102
Parks	10,404,494
County Administration	12,094,006
Health and Human Services	962,193
Flood Control	9,291,404
Tax Administration	4,137,065
Roads and Bridges	258,203,496
	<u>\$ 301,021,760</u>

Business-type activities:

Subscriber Access	\$ 46,074
Parking Facilities	169,250
Sheriff's Commissary	133,007
Toll Road	42,518,752
	<u>\$ 42,867,083</u>

HARRIS COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
February 29, 2004

COMPONENT UNITS

	Beginning Balance	Additions/ Transfers	Deletions/ Transfers	Ending Balance
<u>MHMRA (August 31, 2003)</u>				
Land	\$ 5,010,364	\$ -	\$ (8,728)	\$ 5,001,636
Buildings & Improvements	27,179,902	-	(79,806)	27,100,096
Equipment, Furniture & Vehicles	10,102,082	587,978	(18,427)	10,671,633
	<u>42,292,348</u>	<u>587,978</u>	<u>(106,961)</u>	<u>42,773,365</u>
Less accumulated depreciation for:				
Buildings & Improvements	(7,252,012)	(1,105,328)	70,383	(8,286,957)
Equipment, Furniture & Vehicles	(4,847,273)	(1,423,710)	18,428	(6,252,555)
	<u>(12,099,285)</u>	<u>(2,529,038)</u>	<u>88,811</u>	<u>(14,539,512)</u>
MHMRA capital assets, net	<u>\$ 30,193,063</u>	<u>\$ (1,941,060)</u>	<u>\$ (18,150)</u>	<u>\$ 28,233,853</u>
 <u>Hospital District (February 29, 2004)</u>				
Land & Improvements	\$ 11,881,000	\$ 230,000	\$ (293,000)	\$ 11,818,000
Construction in progress	1,202,000	3,816,000	(85,000)	4,933,000
Total capital assets not depreciated	<u>13,083,000</u>	<u>4,046,000</u>	<u>(378,000)</u>	<u>16,751,000</u>
Buildings and Improvements	252,835,000	4,716,000	(1,425,000)	256,126,000
Equipment	148,748,000	29,617,000	(16,782,000)	161,583,000
	<u>401,583,000</u>	<u>34,333,000</u>	<u>(18,207,000)</u>	<u>417,709,000</u>
Less accumulated depreciation	<u>(236,237,000)</u>	<u>(27,847,000)</u>	<u>14,533,000</u>	<u>(249,551,000)</u>
	<u>(236,237,000)</u>	<u>(27,847,000)</u>	<u>14,533,000</u>	<u>(249,551,000)</u>
Total capital assets being depreciated, net	<u>165,346,000</u>	<u>6,486,000</u>	<u>(3,674,000)</u>	<u>168,158,000</u>
Hospital District capital assets, net	<u>\$ 178,429,000</u>	<u>\$ 10,532,000</u>	<u>\$ (4,052,000)</u>	<u>\$ 184,909,000</u>

The Hospital District records land, buildings, improvements and equipment at cost or fair market value at the time of donation and includes expenditures for new facilities and equipment and those which substantially increase the useful life of existing assets. Depreciation of facilities and equipment is provided using the straight-line method over the estimated useful lives of the assets.

MHMRA records all governmental capital assets at cost, except for donated fixed assets, which are recorded at their fair market value on the date donated. Depreciation is reported at the government-wide level using the straight-line method over the estimated useful lives of the assets. The schedule included here does not include the capital assets of MHMRA's component units (a net value of \$1,367,040).

HARRIS COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
February 29, 2004

7. CAPITAL LEASES PAYABLE AND INSTALLMENT PURCHASES

The County has entered into several capital lease agreements for the purchase of buildings and one for Sports Convention and Corporation signage, the amounts capitalized are \$34,287,691 and \$838,850, respectively. Payments for the buildings during the fiscal year ended February 29, 2004 totaled \$3,231,455. Payments, including interest at an average rate of 8.9% per annum for buildings and 8.25% per annum for signage, are due as follows as of February 29, 2004:

<u>Fiscal year</u>	<u>Governmental Activities</u>	
	<u>Buildings</u>	<u>Signage</u>
2005	\$ 3,231,451	\$ 318,750
2006	3,231,451	175,000
2007	3,231,451	175,000
2008	3,178,874	175,000
2009	2,969,767	131,250
2010-2014	14,848,835	-
2015-2019	12,078,692	-
2020-2023	4,019,647	-
Total future lease payments	46,790,168	975,000
Less: Interest	(17,013,252)	(136,150)
	<u>\$ 29,776,916</u>	<u>\$ 838,850</u>

8. OTHER LIABILITIES

The balances Due to Other Governmental Units, by Fund, as of February 29, 2004 are as follows:

<u>Receivable Entity</u>	<u>Payable Entity</u>	
Department of Housing & Urban Development	Special Revenue Fund - Grants	\$ 2,677,476
Multiple Beneficiaries	General Governmental	12,013
Multiple Beneficiaries	Nonmajor Debt Service	170,659
Total Due to Other Governmental Units		<u>\$ 2,860,148</u>

9. SHORT-TERM DEBT

Tax Anticipation Notes

The County issues tax anticipation notes in advance of property tax collections, depositing the proceeds in its general fund. These notes are necessary because the County's payments to other local agencies are made on January 1 and July 1, whereas tax collections are received shortly before their April 1 and October 1 due dates.

Activity for the year ended February 29, 2004, was as follows:

	<u>Outstanding</u> <u>March 1,</u> <u>2003</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Outstanding</u> <u>February 29,</u> <u>2004</u>
Governmental Activities				
Tax Anticipation Notes	\$ -	\$ 175,000,000	\$ 175,000,000	\$ -

HARRIS COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
February 29, 2004

10. LONG-TERM DEBT

The changes in the County's Governmental Long-Term Debt and Enterprise Fund Debt for fiscal year 2003-2004 were as follows:

	<u>Outstanding March 1, 2003</u>	<u>Issued/ Increased</u>	<u>Redeemed/ (Decreased)</u>	<u>Accreted Int CAB and Amortization Prem/Disc Ref. Loss</u>	<u>Outstanding February 29, 2004</u>	<u>Due Within Year</u>
(1) <u>Governmental Long-Term Debt:</u>						
<u>General Obligation Debt</u>						
Road Bonds	\$ 452,531,674	\$ 122,615,000	\$ (65,925,000)	\$ 6,412,406	\$ 515,634,080	\$ 23,885,000
Permanent Improvement Bonds	623,639,176	108,750,000	(50,730,000)	8,532,133	690,191,309	20,375,000
Flood Control Bonds	180,782,314	228,710,000	(57,235,000)	15,813,505	368,070,819	18,200,000
Total General Obligation Debt	<u>1,256,953,164</u>	<u>460,075,000</u>	<u>(173,890,000)</u>	<u>30,758,044</u>	<u>1,573,896,208</u>	<u>62,460,000</u>
<u>Revenue Bonds</u>						
Lien Revenue Refunding, Series 1997	13,875,000	-	(1,105,000)	-	12,770,000	1,155,000
Psychiatric Hospital, Series 1995	2,200,000	-	(2,200,000)	-	-	-
Total Revenue Bonds	<u>16,075,000</u>	<u>-</u>	<u>(3,305,000)</u>	<u>-</u>	<u>12,770,000</u>	<u>1,155,000</u>
<u>Tax and Subordinate Lien Revenue Bonds</u>						
Tax and Subordinate Lien Revenue Refunding, Series 1997	3,150,000	-	(3,150,000)	-	-	-
Tax and Subordinate Lien Revenue Forward Refunding, Series 1998	41,720,000	-	(290,000)	-	41,430,000	3,650,000
Total Tax and Subordinate Lien Revenue Bonds	<u>44,870,000</u>	<u>-</u>	<u>(3,440,000)</u>	<u>-</u>	<u>41,430,000</u>	<u>3,650,000</u>
<u>Certificates of Obligation</u>						
Series 1998	65,670,000	-	(1,915,000)	-	63,755,000	2,000,000
Series 2001	32,510,000	-	(690,000)	-	31,820,000	720,000
Series 2002	35,069,891	-	-	(188,407)	34,881,484	-
Total Certificates of Obligation	<u>133,249,891</u>	<u>-</u>	<u>(2,605,000)</u>	<u>(188,407)</u>	<u>130,456,484</u>	<u>2,720,000</u>
Total Bonds Payable	<u>1,451,148,055</u>	<u>460,075,000</u>	<u>(183,240,000)</u>	<u>30,569,637</u>	<u>1,758,552,692</u>	<u>69,985,000</u>
Commercial Paper Payable	335,605,000	221,334,000	(380,830,000)	-	176,109,000	-
Compensatory Time Payable	19,271,467	1,242,410	-	-	20,513,877	16,411,102
Obligations Under Capital Leases	31,093,512	-	(1,316,596)	-	29,776,916	1,391,519
Capital Lease - Sports Corp.	-	838,850	-	-	838,850	276,098
Note Payable	37,605,450	2,376,550	(14,577,848)	-	25,404,152	1,500,000
Total Governmental Long-Term Debt	<u>\$1,874,723,484</u>	<u>\$ 685,866,810</u>	<u>\$(579,964,444)</u>	<u>\$ 30,569,637</u>	<u>\$2,011,195,487</u>	<u>\$ 89,563,719</u>

HARRIS COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
February 29, 2004

	Principal				Outstanding February 29, 2004	Due Within Year
	Outstanding March 1, 2003	Issued/ Increased	Redeemed/ (Decreased)	Accreted Int CAB and Amortization Prem/Disc Ref. Loss		
(2) Enterprise Fund Debt						
Senior Lien Revenue Bonds	\$ 987,038,880	\$ -	\$ (17,530,000)	\$ (914,441)	\$ 968,594,439	\$ 19,730,000
Tax Bonds	805,644,850	321,500,000	(329,453,831)	(16,236,641)	781,454,378	7,164,679
Deferred Amount on Refunding	(140,996,870)	(1,302,047)	11,020,280	-	(131,278,637)	-
Accrued Interest Payable	129,622,735	106,406,159	(118,023,015)	-	118,005,879	34,346,653
Total Bonds Payable	<u>1,781,309,595</u>	<u>426,604,112</u>	<u>(453,986,566)</u>	<u>(17,151,082)</u>	<u>1,736,776,059</u>	<u>61,241,332</u>
Commercial Paper Payable	-	106,270,000	-	-	106,270,000	-
Compensatory Time Payable	416,535	474,010	(371,257)	-	519,288	415,430
Totals - Enterprise Fund Debt	<u>\$ 1,781,726,130</u>	<u>\$ 533,348,122</u>	<u>\$ (454,357,823)</u>	<u>\$ (17,151,082)</u>	<u>\$ 1,843,565,347</u>	<u>\$ 61,656,762</u>

The bonded debt in the above schedules includes principal, premiums, and discounts.

A. BONDED DEBT

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 towards the payment of this obligation. General Obligation Bonds are issued upon approval by the public at an election. Certificates of Obligation are issued by the vote of Commissioners Court as allowed under the Certificates of Obligation Act. Debt service is primarily paid from ad valorem taxes. Revenue Bonds are generally payable from the pledged revenue generated by the respective activity for which the bonds are issued.

Principal and interest on Hotel Occupancy Tax Bonds are payable solely from revenues collected from hotel occupancy taxes. Principal and interest on Psychiatric Hospital Revenue Bonds are payable solely from lease payments to be received from MHMRA, these bonds were redeemed during the current year.

The Toll Road Project has been financed with a combination of unlimited tax and senior lien revenue bonds, subordinate lien revenue bonds and commercial paper. The proceeds from such bonds, including the interest earned, are being used to finance the construction and the related debt service.

HARRIS COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
February 29, 2004

Annual debt service requirements to maturity as of February 29, 2004 are as follows:

<u>Fiscal year</u>	<u>Governmental Activities</u>			<u>Business-Type Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005	\$ 69,985,000	\$ 69,984,172	\$ 139,969,172	\$ 26,894,679	\$ 118,601,622	\$ 145,496,301
2006	73,080,000	70,144,894	143,224,894	27,165,251	118,248,320	145,413,571
2007	65,785,620	74,495,309	140,280,929	29,367,906	116,315,084	145,682,990
2008	59,942,614	79,649,248	139,591,862	30,693,227	115,448,788	146,142,015
2009	65,041,286	70,963,663	136,004,949	37,960,665	109,643,782	147,604,447
2010-2014	369,068,351	288,444,675	657,513,026	414,690,000	396,447,052	811,137,052
2015-2019	280,780,683	290,575,554	571,356,237	454,770,000	227,567,247	682,337,247
2020-2024	428,266,704	122,635,462	550,902,166	354,010,000	117,921,104	471,931,104
2025-2029	89,351,318	68,468,505	157,819,823	163,955,000	58,137,556	222,092,556
2030-2034	79,245,000	8,307,593	87,552,593	153,115,000	17,425,401	170,540,401
	<u>\$ 1,580,546,576</u>	<u>\$ 1,143,669,075</u>	<u>\$ 2,724,215,651</u>	<u>\$ 1,692,621,728</u>	<u>\$ 1,395,755,956</u>	<u>\$ 3,088,377,684</u>

SIGNIFICANT DEBT COVENANTS

The Senior Lien Revenue Bonds are payable from the revenues of the Toll Roads. The Tax Bonds are secured by and payable from a pledge of the County's unlimited ad valorem tax and also are secured by a pledge of and lien on the revenues of the Toll Roads, subordinate to the lien of the Senior Lien Revenue Bonds. The County has covenanted to assess a maintenance tax to pay project expenses if revenues, after paying debt service, are insufficient. The County also has covenanted to collect tolls to produce revenues at the beginning of the third fiscal year following completion of the Toll Roads equal to at least 1.25 times the debt service requirements on the Senior Lien Revenue Bonds. The revenue coverage requirement became effective with the completion of the project during fiscal year 1994. The Toll Road Project's revenue coverage ratio for fiscal year 2004 was 3.74.

B. COMMERCIAL PAPER

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 fixed assets. The commercial paper program consists of six series totaling \$950 million payable from ad valorem taxes levied and Toll Road revenues. As of February 29, 2004, the County has outstanding, \$282.4 million of commercial paper. Commissioners Court, by policy, limits the period allowed for a commercial paper project not to exceed three years. During the length of time the paper is outstanding, the paper may have a maturity term of 1 – 270 days.

The County enters into non-cancelable agreements with credit facilities to provide a line of credit that will act as assurance to the purchaser of the commercial paper, that funds will be available to redeem the paper upon demand and that the County can rollover the commercial paper. For Commercial Paper Series B & C, the County has a credit agreement with the Bank of Nova Scotia and Lloyds TSB Bank plc, which expires August 25, 2004. The County anticipates a renewal of the credit agreement prior to the expiration date. For this line of credit, the County is assessed a fee of .12% per annum on the aggregate amount of commitment. For Commercial Paper Series A-1 & D, the County has a credit agreement with the Bank of Nova Scotia, which expires August 25, 2004.

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For this line of credit the County is assessed a fee of .12% per annum on the aggregate amount of commitment. If converted to a term loan, the principal amount for Series A, B and C is to be paid in three equal annual installments, commencing on the date which is one year following the date of the advance of such unpaid principal. If converted to a term loan, the principal amount outstanding for Series A-1 and D is to be repaid in equal annual installments commencing on the date which is one year following the date of the advance of such unpaid principal amount and ending on September 1, 2007. Interest is payable quarterly in arrears, at a rate per annum equal to the adjusted term rate, provided that the principal amount of any term loan not paid when due shall bear interest at a rate per annum equal to the lesser of (A) the default rate (fluctuating rate of per annum interest equal to the greater of (i) the base rate plus 2.00% or (ii) the federal funds rate plus 2.00%) and (B) the highest lawful rate.

COMMERCIAL PAPER – FLOOD CONTROL

On August 21, 2001, Commissioners Court authorized a \$200,000,000 commercial paper program designated as the Harris County Flood Control District Contract Tax Commercial Paper Notes, Series F (“Series F Notes”) to fund projects identified in an agreement between the County and the Flood Control District (“Flood Contract”) and refinance, refund, and renew the notes themselves and fund issuance costs. The estimated cost of projects anticipated under the Flood Contract is \$718,830,000.

The terms of the Series F Notes require the notes to be issued with a maturity of 270 days or less and allow for interest up to the maximum rate allowable under Chapter 1204 of the Texas Government Code, currently 15%. The notes will be dated as of the date of issuance with a maximum maturity date of September 1, 2031. Payment of the principal and interest on the Series F Notes and all expenditures associated with the issuing and paying agent, the dealer and the credit provider is secured by a pledge and lien on the payments to be received by the Flood Control District from the County under the Flood Contract. Under the Flood Contract, the Flood Control District pays all costs relating to the County flood control projects and issues notes to provide the funding for such projects.

The County’s commitment under the Flood Contract is the payment to the Flood Control District of amounts necessary for the principal and/or interest due; the fees and expenditures of the issuing and paying agent, the dealer, and the credit provider; amounts related to any special or contingency funds or accounts for the notes; and any amounts to restore deficiencies in such funds or accounts. The County’s payment obligation is secured by a levy and pledge of a portion of the County’s ad valorem taxes which extends until all obligations under the Series F Notes, including any obligations to refund the notes, are no longer outstanding. During the term of the Flood Contract, the County is required to levy taxes computed at a tax rate sufficient to provide the funds required to make the annual payments and to provide and maintain a sinking fund adequate for such amounts as they become due. Commissioners Court issued an order whereby the sinking fund may never be less than 2% of the County’s outstanding indebtedness under the Flood Contract at the time of the tax levy. In setting the tax rate, the County may consider all sources of funding lawfully available or that are to be available including the credit agreement entered into for the Series F Notes, discussed below. Because of the timing of adoption of tax rates, the County has not yet been required to set a tax rate

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as of February 29, 2004. However, the County has allocated other available funds sufficient to pay the annual amounts due under the Flood Contract prior to the required first adoption of the tax rate. Based on the County's outstanding indebtedness as of February 29, 2004 (exclusive of Flood Control District debt), this amount required under the 2% limitation is estimated to be \$1,915,320.

Under a dealer agreement between the Flood Control District and Morgan Stanley & Co. Incorporated, the Series F Notes are issued in denominations of a minimum of \$100,000 and integral multiples of \$1,000 thereafter and may bear interest or sold at a discount. The dealer agreement does not provide for extension, renewal, or automatic rollover of the notes upon maturity. In consideration for the services of the dealer, the Flood Control District is obligated to make quarterly payments equaling .05% of the daily outstanding principal amount of issued Series F Notes. The paying agent for the Series F Notes is Bankers Trust Company for which it receives an annual administration fee of \$2,500 and per transaction fees ranging from \$10 to \$40.

The Series F Notes are also secured through an irrevocable, direct-pay, transferable letter of credit between the Flood Control District and the New York branch of Landesbank Hessen-Thüringen Girozentrale. The amount of the letter of credit totals \$220,712,326. This total includes the principal amount of the notes (\$200,000,000) and interest of \$20,712,326 calculated as 270 days at an assumed per annum rate of 14% and a 365-day year. The term of the letter of credit expires August 1, 2007 and is subject to extension of up to 364 days per request. The letter of credit also provides for the establishment of loans with maturity dates ranging from three to four years depending on the earliest of several anniversary dates. The interest rate on such loans may not exceed the maximum rate allowed by law, currently 15%. The principal portion of the loans is repayable in equal quarterly installments and the interest quarterly. Under the terms of the letter of credit, the Flood Control District is charged a quarterly fee, based on the daily average amount of the outstanding draws against the letter of credit, presently at .14%. This fee is dependent on the County's parity debt rating at the time. In addition, there are fixed transactional fees ranging from \$12 to \$1,000.

COMMERCIAL PAPER – TOLL ROAD

In addition to the outstanding long-term debt of the Toll Road Authority ("Toll Road"), the Commissioners Court has established a commercial paper program secured by and payable from Toll Road revenues. The commercial paper program consists of Harris County Toll Road Senior Lien Revenue Notes, Series E ("Notes") in an aggregate principal amount not to exceed \$150 million outstanding at any one time. As of February 29, 2004, the Toll Road has \$106,270,000 outstanding commercial paper.

The purpose of the Series E Notes is to provide funding for costs of acquiring, constructing, operating and maintaining, and improving Toll Road Project components, as well as to fund reserves, pay interest during construction, refinance, refund, and renew the notes themselves, and fund issuance costs.

The Notes will be offered at par only, will mature in not more than 270 days from the date of issue, and will pay par plus interest at maturity. Interest on the Notes is payable on an actual/365 or 366-

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day basis. The interest on the Notes may not exceed the lesser of 10% per annum or the maximum rate allowed by law, currently 15%. A minimum purchase of \$100,000 aggregate principal amount and integral multiples of \$1,000 in excess thereof is required.

The Notes will have a maximum maturity date of August 15, 2031 and no Series E Note shall (i) mature after the maximum maturity date, (ii) have a term in excess of 270 days, (iii) have a term beyond the third business day prior to the scheduled expiration date for the credit agreement relating to such Series E Note or (iv) be issued at any time that a “no issuance notice” has been issued by the credit provider pursuant to the credit agreement which provides that such Series E Note would not be entitled to the security provided by the credit agreement.

The Toll Road entered into a Revolving Credit Agreement as of October 1, 2001 with Dexia Credit Local, whereby Dexia has agreed to advance up to \$150 million to the Toll Road to pay the principal of any or all maturing Series E Notes as necessary for a period through October 27, 2004, which is the date of expiration. The Toll Road anticipates a renewal of the credit agreement prior to the expiration date. For this agreement, the County will be assessed a fee of .125% per annum on the aggregate amount of the commitment. Advances received under the line of credit are payable in full no later than the earlier of 60 days after the date of such advance, unless converted to term loans pursuant to the agreement, or the revolving credit maturity date. The principal amount outstanding for Series E shall be paid in six equal semi-annual installments so that the term loan is repaid in full after three years from the date the term loan is made. Interest is payable monthly during the Term Loan Period at a rate equal to the base rate (which is the higher of (i) the Prime Rate or (ii) the Federal Funds Rate plus one-half of one percent) plus two percent per annum.

CHANGES IN COMMERCIAL PAPER

The following is a schedule of changes in commercial paper for the year ended February 29, 2004:

	Balance Outstanding March 1, <u>2003</u>	Issued	Retired/ Refunded	Balance Outstanding February 29, <u>2004</u>	Amount Due Within <u>One Year</u>
<u>Governmental Activities</u>					
Commercial Paper A, A-1, B, C	\$ 174,765,000	\$ 61,795,000	\$ 162,690,000	\$ 73,870,000	\$ -
Commercial Paper D, D-1	65,074,000	41,305,000	18,140,000	88,239,000	-
Commercial Paper - Flood Control	<u>95,766,000</u>	<u>118,234,000</u>	<u>200,000,000</u>	<u>14,000,000</u>	<u>-</u>
	<u>\$ 335,605,000</u>	<u>\$ 221,334,000</u>	<u>\$ 380,830,000</u>	<u>\$ 176,109,000</u>	<u>\$ -</u>
<u>Business-type Activities</u>					
Commercial Paper - Toll Road	<u>\$ -</u>	<u>\$ 106,270,000</u>	<u>\$ -</u>	<u>\$ 106,270,000</u>	<u>\$ -</u>

DEBT SERVICE TO MATURITY - COMMERCIAL PAPER

Expected debt service requirements for the various Commercial Paper issuances are shown below. These requirements assume that as of February 29, 2004 the County had drawn down the

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outstanding principal balance on the line of credit and subsequently executed term loans with the banks for a principal balance of \$282,379,000 at the average rate for the quarter ending February 29, 2004 by series and reflect the effects of any refundings. The County would not be required to make any principal payments until fiscal year 2005.

<u>Fiscal year</u>	<u>Governmental Activities</u>			<u>Business-Type Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005	\$ 1,272,727	\$ 9,892,413	\$ 11,165,140	\$ -	\$ 5,298,982	\$ 5,298,982
2006	41,732,442	17,214,482	58,946,924	17,711,667	15,025,881	32,737,548
2007	41,732,442	12,267,357	53,999,799	35,423,333	10,184,209	45,607,542
2008	39,186,989	7,368,621	46,555,610	35,423,333	4,870,708	40,294,041
2009	26,092,200	3,852,758	29,944,958	17,711,667	442,792	18,154,459
2010	26,092,200	1,284,253	27,376,453	-	-	-
	<u>\$ 176,109,000</u>	<u>\$ 51,879,884</u>	<u>\$ 227,988,884</u>	<u>\$ 106,270,000</u>	<u>\$ 35,822,572</u>	<u>\$ 142,092,572</u>

C. COMPONENT UNITS' DEBT

The County has no obligation to assume any liability for the bonds issued by any of the discretely presented component units.

The total debt of the Harris County Hospital District was \$149,076,000 as of February 29, 2004 which comprises 86% of the total long-term debt of the County's discretely presented component units. These bonds are secured by a lien on the pledged revenues of the Harris County Hospital District and certain funds pursuant to the bond order.

The Harris County Hospital District also has defeased bonds, in the amount of \$38,159,000 whereby the proceeds are held as irrevocable deposits of funds sufficient with trustees to pay the principal and interest of such bonds through their maturity. Accordingly, these trustee funds and the related defeased indebtedness are excluded from the Harris County Hospital District's balance sheet as of February 29, 2004.

The total debt of the MHMRA was \$20,554,303, of which \$19,077,576, represents debt and of the primary government (comprised of \$17,115,797 bonded debt and notes payable and \$1,961,779 compensated absences), as of August 31, 2003 which comprises less than 11% of the total debt of all the County's discretely presented component units.

The MHMRA debt covenants include requirements for (1) the cash and investments in the general fund equal, at a minimum, six weeks of "current operating expenses", and (2) MHMRA to maintain a "Debt Service Coverage Ratio" of 1.0x for each consecutive two fiscal years. At August 31, 2003, the MHMRA's cash and investment balance is equal to 4.7 weeks of current operating expense and their debt service coverage ratio is (0.01). The MHMRA is in violation of these covenants. However, the bank has waived these cumulative violations until the next scheduled measurement date of August 31, 2004.

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The total debt of The Children's Assessment Center Foundation was \$5,012,549 as of February 29, 2004 which comprises 3% of the total long-term debt of the County's discretely presented component units.

Debt service requirements for component units' debt are as follows:

<u>Fiscal year</u>	<u>Hospital District</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005	\$ 6,968,000	\$ 9,513,620	\$ 16,481,620
2006	7,524,000	9,033,730	16,557,730
2007	8,088,000	8,518,320	16,606,320
2008	8,694,000	7,964,060	16,658,060
2009	8,734,000	7,367,990	16,101,990
Thereafter	<u>109,068,000</u>	<u>27,050,470</u>	<u>136,118,470</u>
	<u>\$ 149,076,000</u>	<u>\$ 69,448,190</u>	<u>\$ 218,524,190</u>

<u>Fiscal year</u>	<u>MHMRA</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2004	\$ 1,521,655	\$ 996,017	\$ 2,517,672
2005	1,601,760	908,594	2,510,354
2006	1,688,658	815,376	2,504,034
2007	1,777,455	716,358	2,493,813
2008	1,729,098	612,937	2,342,035
2009-2013	6,681,449	1,532,088	8,213,537
2014-2015	<u>2,115,722</u>	<u>145,344</u>	<u>2,261,066</u>
	<u>\$ 17,115,797</u>	<u>\$ 5,726,714</u>	<u>\$ 22,842,511</u>

<u>Fiscal year</u>	<u>The Children's Assessment Center Foundation</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005	\$ 2,664,072	\$ 159,509	\$ 2,823,581
2006	41,789	156,777	198,566
2007	44,694	153,856	198,550
2008	47,801	150,731	198,532
2009	51,124	147,390	198,514
Thereafter	<u>2,163,069</u>	<u>625,830</u>	<u>2,788,899</u>
	<u>\$ 5,012,549</u>	<u>\$ 1,394,093</u>	<u>\$ 6,406,642</u>

D. COMPONENT UNITS' CONDUIT DEBT OBLIGATIONS

Harris County Industrial Development Corporation, Harris County Housing Finance Corporation, Harris County Health Facilities Development Corporation and Harris County Cultural Education Facilities Finance Corporation have issued bonds to provide financial assistance to private and public sector entities engaged in activities that are deemed to be in the public interest. These bonds

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are limited obligations of the issuing entities payable solely from the proceeds of the underlying financing agreements, and in the opinion of legal counsel, do not represent indebtedness or liability to the issuing entity, Harris County, the State of Texas, or any political subdivision; therefore, the bonds are not reported as liabilities in the accompanying financial statements. The Harris County Health Facilities Development Corporation and Harris County Cultural Education Facilities Finance Corporation have no other financial activity that would materially affect the County's financial statements, and are not required to issue separate audited financial statements, and as a result are not included in the Reporting Entity disclosure within the accompanying notes to the financial statements. A summary of the debt issued by each entity follows.

Harris County Industrial Development Corporation

The Corporation has issued Industrial Revenue Bonds to provide financial assistance to private-sector entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from the payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private-sector entity served by the bond issuance. Neither the Corporation, the County, nor any political subdivision thereof is obligated in any manner for repayment of the bonds.

As of August 31, 2003, there were eighty-four (84) series of Industrial Revenue Bonds outstanding. The aggregate principal amount payable at August 31, 2003 for the bonds issued could not be determined; however, their original issue amounts totaled approximately \$751,859,000.

Harris County Housing Finance Corporation

As of December 31, 2003, there were forty-three (43) series of bonds outstanding with an aggregate principal payable of \$342,198,809. These bonds have been issued by the Housing Finance Corporation to provide financing for the purpose of purchasing single family home mortgages and multifamily home projects for low and moderate income owners/residents, and will be repaid from sources defined in the various underlying financing agreements between the Housing Finance Corporation and the entities for whose benefit the bonds were issued.

Harris County Health Facilities Development Corporation

The corporation issues bonds if there is a public benefit or public purpose that is necessary or convenient for health care, research or education. As of February 29, 2004 there were twenty-five (25) series of bonds outstanding with an aggregate principal payable of \$2,935,960,000. The bonds will be repaid from sources defined in the various underlying financing agreements between the Health Facilities Development Corporation and the entities for whose benefit the bonds were issued.

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Harris County Cultural Education Facilities Finance Corporation

As of February 29, 2004 there were ten (10) series of Bonds outstanding with an aggregate principal payable of \$98,603,629. The bonds were issued for the purpose of defraying expansion costs, construction of a parking facility for the Houston Museum of Natural Science, the construction of Space Center Houston facility, Houston Livestock Show and Rodeo projects, and the Hobby Center for the Performing Arts. The bonds will be repaid from payments required to be made under loan agreements between the issuing entity and the aforementioned parties.

E. UNISSUED AUTHORIZED BONDS

Capital projects are funded primarily by the issuance of bonded debt. The County has received voter approval for the issuance of bonds to maintain an ongoing capital improvement program.

The following is the summary of authorized, issued and unissued bonds:

<u>Description</u>	<u>Year of Voter Authorization</u>	<u>Amount Authorized</u>	<u>Issued as of 2/29/2004</u>	<u>Authorized but Unissued 2/29/2004</u>
(amounts in millions)				
<u>Ad Valorem Tax Bonds</u>				
Toll Road	1983	\$ 900.0	\$ 882.3	\$ 17.7
Flood Control	1987	250.0	155.0	95.0
Fire-Fighting Facilities	1989	5.0	1.1	3.9
Roads	1997	356.0	238.6	117.4
Civil Justice Center	1999	119.0	95.0	24.0
Roads	2001	475.0	-	475.0
Parks	2001	60.0	6.0	54.0
		<u>\$ 2,165.0</u>	<u>\$ 1,378.0</u>	<u>\$ 787.0</u>
Total Ad Valorem Tax Bonds				

F. REFUNDINGS

On July 30, 2003, the County issued \$321,500,000 Toll Road Unlimited Tax and Subordinate Lien Revenue Refunding Bonds, Series 2003 to refund all the County's outstanding Toll Road Unlimited Tax and Subordinate Lien Revenue Adjustable/Fixed Rate, Series 1994 B-H, at a redemption price equal to 100% of the principal amount thereof and to pay cost of issuance. The issuance had a discount of \$2,139,904. No economic gain or loss resulted from the refunding because, the refunded bond had a variable interest rate determined weekly by Bankers Trust Securities Corporation and J.P. Morgan Securities Inc. and was based upon current yields on short-term tax-exempt obligations. The variable interest rate ranged from 0.90% to 1.45% in fiscal year 2004.

On August 28, 2003, the County issued \$29,025,000 Permanent Improvement Bonds, Series 2003 A. The bonds were issued for the purpose of refunding and defeasing the Permanent Improvement

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Refunding Bonds, Series 1993 and to pay cost of issuance. The annual interest rates range from 3% to 5%. The issuance had a premium of \$1,841,894. Interest accrues semiannually and the bonds mature in fiscal year 2013. The refunding resulted in a decrease in the cash flow requirements of \$1,989,170 and an economic gain of \$1,808,504.

On August 28, 2003, the County issued \$46,105,000 Unlimited Tax Road Refunding Bonds, Series 2003 A. The bonds were issued for the purpose of refunding and defeasing the Tax Road Refunding Bonds, Series 1993 and to pay cost of issuance. The annual interest rates range from 3% to 5.25%. The issuance had a premium of \$2,064,934. Interest accrues semiannually and the bonds mature in fiscal year 2016. The refunding resulted in a decrease in the cash flow requirements of \$2,557,701 and an economic gain of \$2,289,955.

On September 25, 2003 the Flood Control District issued \$36,945,000 Refunding Bonds, Series 2003 A. The proceeds of the bonds were used to refund a portion of the District's Series 1993 Refunding Bonds and to pay certain costs incurred in connection with the issuance of the refunding bonds. The annual interest rates range from 3% to 6%. The issuance had a premium of \$1,842,036. Interest accrues semiannually and the bonds mature in fiscal year 2016. The refunding resulted in a decrease in cash flow requirements of \$2,467,812 and an economic gain of \$2,214,399.

On December 17, 2003, the County issued \$79,725,000 Permanent Improvement Refunding Bonds, Series 2003 B. The bonds were issued for the purpose of defeasing a portion of the County's outstanding General Obligation Tax Commercial Paper Notes, Series A-1, Series B and Series D. The annual interest rates range from 4% to 5.25%. Interest accrues semiannually and the bonds mature in fiscal year 2018.

On December 17, 2003, the County issued \$76,510,000 Unlimited Tax Road Refunding Bonds, Series 2003 B. The bonds were issued for the purpose of defeasing a portion of the County's outstanding General Obligation Unlimited Tax Commercial Paper Notes, Series C. The annual interest rates range from 5% to 5.25%. Interest accrues semiannually and the bonds mature in fiscal year 2023.

On December 17, 2003, the Flood Control District issued \$191,765,000 Refunding Bonds, Series 2003 B. The bonds were issued for the purpose of defeasing all of the District's Contract Tax Commercial Paper Notes, Series F. The annual interest rates range from 5% to 5.25%. Interest accrues semiannually and the bonds mature in fiscal year 2023.

G. DEFEASANCE OF DEBT

In prior years, the County has defeased certain property tax bonds, revenue bonds and Toll Road revenue bonds by placing the proceeds of the refunding bonds in an irrevocable trust to provide for all future debt service on the refunded bonds. The trust account assets and the liability for the defeased bonds are not included in the County's basic financial statements. As of February 29, 2004, the outstanding principal balance of these defeased bonds was as follows:

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Property Tax Bonds:

Road	\$ 51,790,000
Permanent Improvement	83,900,000

Toll Road Bonds:

Senior Lien Revenue Bonds	\$ 777,085,000
Tax Bonds	322,267,000

H. SUBSEQUENT BOND ISSUANCES

On March 11, 2004, the County issued and settled \$168,715,000 Toll Road Senior Lien Revenue Refunding Bonds, Series 2004 A to refund all of the County's outstanding Toll Road Senior Lien Revenue Commercial Paper Notes, Series E, to provide for the capitalized interest on the Bonds, to satisfy the increase in the Debt Service Reserve Fund requirement and to pay costs incurred in connection with the issuance of the bonds.

On March 18, 2004, the County issued and settled \$63,515,000 Criminal Justice Center Refunding Bonds, Series 2004 to refund and defease a portion of the County's outstanding Criminal Justice Center Bonds, Series 1996.

On March 18, 2004, the County issued and settled \$56,055,000 Unlimited Tax Road Refunding Bonds, Series 2004 A to refund and defease a portion of the County's outstanding Unlimited Tax Road Bonds, Series 1995.

On May 18, 2004, the County issued and settled \$478,270,000 Toll Road Senior Lien Revenue Refunding Bonds, Series 2004 B-1, B-2 to refund and defease a portion of the County's outstanding Toll Road Senior Lien Revenue Bonds, Series 1994, to purchase bond insurance policies for the Bonds and to pay cost of issuance and refunding.

On June 3, 2004, the County issued \$175,000,000 in Tax Anticipation Notes, Series 2004. The tax anticipation notes were issued to fund the County's cumulative cash flow deficit for the fiscal year beginning March 1, 2004 and ending February 28, 2005, and will be repaid from fiscal year 2005 tax revenues. The tax anticipation notes, which mature on February 28, 2005, were issued at annual interest rate of 4.75%.

On July 12, 2004, the County issued and settled \$3,680,000 Tax and Subordinate Lien Revenue Refunding Bonds, Series 2004 A and \$176,800,000 Tax and Subordinate Lien Revenue Refunding Bonds, Series 2004 B to refund and defease certain hotel occupancy tax-supported obligations of the County in order to restructure and extend the County's long-term hotel occupancy tax-supported debt and to pay cost of issuance and refunding.

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I. ARBITRAGE REBATE LIABILITY

The Tax Reform Act of 1986 established regulations for the rebate to the federal government of arbitrage earnings on certain local government bonds issued after December 31, 1985, and all local governmental bonds issued after August 31, 1986. Issuing governments must calculate any rebate due and remit the amount due at least every five years. There were no arbitrage rebate payments made during fiscal year 2004. As of February 29, 2004 there were no estimated liabilities for arbitrage rebate on governmental or enterprise debt. The Debt Service Funds have typically been used to liquidate arbitrage liabilities in previous year.

11. COMPENSATED ABSENCES PAYABLE

Changes in long-term compensated absences for the year ended February 29, 2004 were as follows:

	Balance Outstanding March 1, 2003	Earned	Taken/ Paid	Balance Outstanding February 29, 2004	Amount Due Within One Year
Governmental Activities	\$ 19,271,467	\$ 16,659,584	\$ (15,417,174)	\$ 20,513,877	\$ 16,411,102
Business-type Activities	<u>416,535</u>	<u>474,010</u>	<u>(371,257)</u>	<u>519,288</u>	<u>415,430</u>
Total	<u>\$ 19,688,002</u>	<u>\$ 17,133,594</u>	<u>\$ (15,788,431)</u>	<u>\$ 21,033,165</u>	<u>\$ 16,826,532</u>

12. DEFICIT EQUITY BALANCES

Appellate Judicial System - Special Revenue Fund has a deficit of \$86,478, which has resulted from a decline in revenues.

Hotel Occupancy Tax – Debt Service Fund has a deficit of \$2,591, which has resulted from a lower than anticipated tax year closeout, but has improved from the prior year’s deficit of \$3,059.

Subscriber Access – Enterprise Fund has a deficit of \$12,622, which has significantly improved from the prior year’s deficit of \$74,003.

13. RETIREMENT PLAN

Plan Description

Harris County provides retirement, disability, and death benefits for all of its full-time employees through a nontraditional defined benefit pension plan in the statewide Texas County and District Retirement System (“TCDRS”). The Board of Trustees of TCDRS is responsible for the administration of the statewide agent multiple-employer public employee retirement system consisting of 553 non-traditional defined benefit pension plans. TCDRS in the aggregate issues a comprehensive annual financial report (“CAFR”) on a calendar year basis. The CAFR is available upon written request from the TCDRS Board of Trustees at P.O. Box 2034, Austin, Texas 78768-2034.

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Under the state law governing TCDRS since 1991, the County has had the option of selecting the plan of benefits to provide in the future, while at the same time considering the level of the employer contribution rate required to adequately finance the plan. Effective January 1, 1995, the County adopted an annually determined contribution rate plan, for which the employer contribution rate is actuarially determined as a part of the annual actuarial valuation. The rate, applicable for a calendar year, consists of the normal cost contribution rate plus the rate required to amortize the unfunded actuarial liability over the remainder of the plan's 25-year amortization period which began January 1, 1995 using the entry age actuarial cost method. Monthly contributions by the County are based on the covered payroll and the employer contribution rate in effect. The contribution rate for 2004 is 10.53%. The contribution rates for 2003 and 2002 were 10.31 % and 9.86%, respectively.

The plan provisions are adopted by Commissioners Court, within the options available in the state statutes governing TCDRS ("TCDRS Act"). Members can retire at ages 60 and above with 8 or more years of service, with 30 years of service regardless of age, or when the sum of their age and years of service equals 75 or more. Members are vested after eight years of service but must leave their accumulated contributions in the plan to receive any employer-financed benefit. Members who withdraw their personal contributions in a lump sum are not entitled to any amounts contributed by the County.

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

Funding Policy

The County has elected the annually determined contribution rate ("ADCR") plan provisions of the TCDRS Act. The plan is funded by monthly contributions from both employee members and the County based on the covered payroll of employee members. Under the TCDRS Act, the contribution rate of the County is actuarially determined annually. The County contributed using actuarially determined rate of 10.31% for the months of the calendar year in 2003, and 10.53% for the months of the calendar year in 2004.

The contribution rate payable by the employee members for 2003 and 2004 is the rate of 7% as adopted by Commissioners Court. The employee contribution rate and the employer contribution rate may be changed by Commissioners Court, within the options available in the TCDRS Act.

Annual Pension Cost

For the County's accounting year ending February 29, 2004, the annual pension cost for the TCDRS plan and the actual contributions for its employees were \$56,659,405.

HARRIS COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
February 29, 2004

The annual required contributions were actuarially determined as a percent of the covered payroll of the participating employees, and were in compliance with GASB Statement No. 27, *Accounting for Pensions by State and Local Governmental Employees*, parameters based on the actuarial valuations as of December 31, 2002 and December 31, 2003, the basis for determining the contribution rates for calendar years 2003 and 2004. The December 31, 2003 is the most recent valuation.

Actuarial Valuation Method			
Actuarial Valuation Date	12/31/01	12/31/02	12/31/03
Actuarial Cost Method	Entry Age	Entry Age	Entry Age
Amortization Method	Level percentage of payroll, open	Level percentage of payroll, open	Level percentage of payroll, open
Amortization period in years	20	20	20
Asset Valuation Method	Long-term appreciation with adjustments	Long-term appreciation with adjustments	Long-term appreciation with adjustments
Actuarial Assumption			
Investment return (1)	8.00 %	8.00 %	8.00 %
Projected Salary Increases (1)	5.5 %	5.5 %	5.5 %
Inflation	3.5 %	3.5 %	3.5 %
Cost of Living Adjustments	0.0%	0.0%	0.0%
(1) Includes inflation at the stated rate.			

Trend Information			
Accounting Year Ending	Annual Pension Cost	Percentage of APC Contributed	Net Pension Obligation
2/29/04	\$ 56,659,405	100%	-
2/28/03	\$ 56,254,388	100%	-
2/28/02	\$ 48,448,052	100%	-

Schedule of Funding			
Actuarial Valuation Date	12/31/01	12/31/02	12/31/03
Actuarial Value of Assets	\$1,380,976,806	\$1,484,207,932	\$1,640,964,686
Actuarial Accrued Liability (AAL)	\$1,578,523,738	\$1,711,255,341	\$1,848,669,873
Unfunded Actuarial Accrued Liability (UAAL)	\$ 197,546,932	\$ 227,047,409	\$ 207,705,187
Funded Ratio	87.49%	86.73%	77.76%
Annual Covered Payroll (Actuarial)	\$ 509,600,340	\$ 537,764,570	\$ 570,304,250
UAAL as Percentage of Covered Payroll	38.77%	42.22%	36.42%

14. POST EMPLOYMENT BENEFITS

In addition to providing pension benefits described herein, the County provides certain retirement health care and life insurance benefits for retired employees. In accordance with the Personnel

HARRIS COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
February 29, 2004

Regulations adopted by Commissioner's Court all County employees become eligible for these benefits after meeting the service and retirement age requirements of the County's retirement plan. These requirements, which were modified effective January 1, 1995, require 30 years of service, or 8 years of service and 60 years of age, or years of service plus age equal 75 or more. The County pays 100% of the cost of medical and life insurance coverage for retirees. The County recognizes expenditures for retirement benefits as paid, which during fiscal year 2004 totaled \$10,461,416. Presently, 1,708 retirees qualify for retirement benefits.

15. RISK MANAGEMENT

The County's risk-of-loss exposures include exposure to liability and accidental loss of real and personal property as well as human resources. County operations involve a variety of high risk activities including, but not limited to, law enforcement, cash collections, construction, and maintenance activities. The Office of Human Resources & Risk Management is responsible for identifying, evaluating, and managing risk in order to reduce the exposure from liability and accidental loss of property and human resources.

The County has established the Risk Management Internal Service Fund to account for risk management activity. Risk financing activities include the purchase of property insurance, professional liability insurance, and crime and fidelity coverage. Harris County is self-insured for general liability, vehicle liability, and liability from property damage claims. Such non-litigated claims are handled on a pay-as-you-go basis and are expensed as paid; due to immateriality, no liabilities are reported in the financial statements for such claims or for an estimate of any claims which may have been incurred but have not been reported. Any liability arising from operation of motorized equipment will be considered under the Texas Tort Claims Act.

The County is self-insured for workers' compensation claims and reimburses a third-party administrator who evaluates and pays claims in accordance with State statute. The County's workers' compensation self-insurance program provides medical and indemnity payments as required by law for job-related injuries. The County has insurance coverage for excess workers' compensation and employer's liability. The retention (deductible) for the policy for the fiscal year ended February 29, 2004 is \$850,000 per occurrence. The liability for outstanding losses includes an actuarially determined amount for incurred but not reported claims. Interfund premiums for workers' compensation are actuarially determined by claims expense experience and payroll history.

The County currently provides medical, dental, vision, and basic life and disability insurance benefits to eligible employees and retirees. The County pays the full cost of employee and retiree coverage and 50% of the cost of dependent premiums. Retirees with less than 10 years of service pay a portion of their premium. The total obligation for health insurance benefits is limited to the monthly premiums payable during the year and is based upon the number of enrolled employees, retirees and dependents during the year. The disability insurance will pay up to 50% of an employee's salary for two years with an employee paid option to extend the benefits period to age 65 and increase the percentage to 60%.

HARRIS COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
February 29, 2004

The Risk Management Internal Service Fund serves as a clearing account for the collection of group insurance premiums from all funds and premiums for dependents and optional coverage from employee payroll deductions. Contracted insurance providers receive disbursements from the fund based upon monthly enrollment and premium calculations. Departmental billings for premiums for property insurance, professional liability insurance, and crime and fidelity policies, as well as payments to the insurance carriers, are handled through the Risk Management Fund. Payments by the County for general, vehicle, and property damage liability claims, for which the County is self-insured, are made through the Risk Management Fund unless litigation is involved. The County Attorney's Office handles any claims involving litigation.

The Risk Management Fund is available to pay claims and administrative costs of the programs and to fund claim reserves. During fiscal year 2004, a total of \$114,635,149 was paid in benefits and administrative costs. As of February 29, 2004, claims liability, including an actuarial estimate of claims that have been incurred but not reported, totaled \$26,547,651.

During fiscal year 2002, there were no claims that exceeded the insurance coverage. During fiscal year 2003, there were two claims that exceeded the insurance coverage. During fiscal year 2004, there were no claims that exceeded the insurance coverage.

The following is a summary of the changes in worker's compensation claims liability for the Risk Management Fund for the fiscal years 2004 and 2003:

	2004	2003
Claims liability, beginning of fiscal year	\$ 22,688,217	\$ 22,569,397
Incurred claims (including IBNRs)	9,949,278	7,120,307
Claim payments	(6,089,844)	(7,001,487)
Claims liability, end of fiscal year	\$ 26,547,651	\$ 22,688,217

16. COMMITMENTS AND CONTINGENT LIABILITIES

LITIGATION

The County is involved in lawsuits and other claims in the ordinary course of operations. Such litigation includes lawsuits alleging personal injuries, discriminatory hiring and firing practices, claims from contractors for amounts under construction contracts, inverse condemnation claims, and various other liability claims. The outcome of most of these lawsuits and other claims are not presently determinable and the resolutions of these matters are not expected to have a material effect on the financial condition of the County. There are several civil cases that have resulted in settlements, consent decrees or are expected to have a financial impact on the County in subsequent fiscal years. Total liabilities of \$1,950,300 for Judgments Payable have been recorded in the governmental activities of the Government-Wide financial statements. \$1,950,300 is considered current and is recorded in the General Fund reported in the Fund Level financial statements.

HARRIS COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
February 29, 2004

OTHER

The County received significant financial assistance from numerous federal and state governmental agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements, and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund. However, in the opinion of management, any such disallowed claims, if any, will not have a material effect on any financial statements to the individual fund types included herein or on the overall financial position of the County as of February 29, 2004.

OPERATING LEASES

As of February 29, 2004, the County had several significant operating leases for office space. Such leases have terms from one to twenty years and are subject to renewal each year based upon the County's annual appropriation.

As of February 29, 2004, the County's obligation for such annual rental payments, if the annual renewal option is exercised, is as follows:

	Governmental Activities
<u>Fiscal year</u>	<u>Office Space</u>
2005	\$ 2,292,840
2006	1,721,697
2007	896,028
2008	341,403
2009	102,722
2010	7,858
	<u>\$ 5,362,548</u>

CONSTRUCTION COMMITMENTS

The County is committed under various contracts in connection with the construction of County facilities, buildings, and roads of \$306,257,450. In addition, the County has construction commitments outstanding relating to the Toll Roads of approximately \$213,841,515.

REQUIRED SUPPLEMENTARY INFORMATION

**HARRIS COUNTY, TEXAS
GENERAL FUND**

**SCHEDULE OF AVAILABLE RESOURCES
BUDGET AND ACTUAL - BUDGETARY BASIS**

For The Year Ended February 29, 2004

GENERAL FUND	<u>Adopted Budget</u>	<u>Adjusted Budget</u>	<u>Actual</u>	<u>Over (Under)</u>
Beginning Cash and Investments	\$ 220,120,000	\$ 220,120,000	\$ 235,306,456	\$ 15,186,456
Revenues and Transfers In:				
Taxes	601,650,523	601,650,523	618,590,749	16,940,226
Intergovernmental	19,420,050	27,282,956	32,401,383	5,118,427
Charges for Services	163,801,375	163,801,375	184,470,046	20,668,671
Fines and Forfeitures	21,304,107	21,304,107	25,042,639	3,738,532
Rentals & Parks	3,576,679	3,576,679	3,844,432	267,753
Reimbursements and Refunds	18,730,498	18,832,332	24,218,833	5,386,501
Interest	4,900,000	4,900,000	5,388,783	488,783
Miscellaneous	7,230,074	7,255,494	22,459,263	15,203,769
Other - Premium on Tax Anticipation Notes	-	-	1,914,000	1,914,000
Other Transfer In	20,000,000	67,500,000	71,469,074	3,969,074
 Total Revenues and Transfers In	 860,613,306	 916,103,466	 989,799,202	 73,695,736
 Total Available Resources - General Fund	 1,080,733,306	 1,136,223,466	 1,225,105,658	 88,882,192

See notes to required supplementary information.

**HARRIS COUNTY, TEXAS
GENERAL FUND**

**SCHEDULE OF AVAILABLE RESOURCES
BUDGET AND ACTUAL - BUDGETARY BASIS**

For The Year Ended February 29, 2004

	<u>Adopted Budget</u>	<u>Adjusted Budget</u>	<u>Actual</u>	<u>Over (Under)</u>
GENERAL FUND DEBT SERVICE				
Beginning Cash and Investments:				
Hotel Tax, Senior Lien Series 1997 Fund 1150	\$ -	\$ -	\$ (107,016)	\$ (107,016)
Hotel Tax, Refunding Series 1998 Fund 1160	-	-	(1,187,880)	(1,187,880)
Perm Imp Debt Series 1996 Fund 1180	6,700,000	6,700,000	6,800,920	100,920
Perm Imp Refunding Ser 93 Debt Service Fund 1230	5,100,000	5,100,000	5,108,956	8,956
Perm Imp Refunding Ser 96 Debt Service Fund 1250	541,000	541,000	586,882	45,882
Perm Imp Refunding Ser 97 Debt Service Fund 1260	3,723,000	3,723,000	3,690,883	(32,917)
Commercial Paper Series A Debt Service Fund 1380	-	-	6,014,210	6,014,210
Commercial Paper Series B Debt Service Fund 1390	1,873,138	1,873,138	2,117,444	244,306
Commercial Paper Series A1 Debt Service Fund 1420	4,110,990	4,110,990	4,005,718	(105,272)
Commercial Paper Series D Debt Service Fund 1450	-	-	(845,602)	(845,602)
Commercial Paper Series D1 Debt Service Fund 1460	-	-	(2,292,362)	(2,292,362)
Perm Imp Comm Paper Ser D Debt Service Fund 1470	2,300,000	2,300,000	1,841,793	(458,207)
Flood Control Comm Paper Agreement Fund 1480	4,787,000	4,787,000	4,776,184	(10,816)
Cert of Oblig Series 1998 Debt Service Fund 1500	4,900,000	4,900,000	5,028,050	128,050
Cert of Oblig Ser 2001 Debt Service Fund 1530	626,530	626,530	665,716	39,186
Cert of Oblig Ser 2001 Issuance Cost Fund 1540	-	-	18,167	18,167
Perm Imp Refunding Ser 2001 Debt Service Fund 1550	1,040,751	1,040,751	1,579,819	539,068
Perm Imp Ser 2001 Issuance Cost Fund 1560	-	-	12,112	12,112
Road Ser 2001 Issuance Cost Fund 1570	-	-	43,446	43,446
Gen Oblig Rev Ref Ser 2001 Issuance Cost Fund 1590	-	-	39,311	39,311
Revenue Refunding Ser 2002 Debt Service Fund 1600	4,000	4,000	2,810	(1,190)
Revenue Cert Series 2002 Debt Service Fund 1610	2,000	2,000	6,498	4,498
Perm Imp Ref Ser 2002 Debt Service Fund 1620	17,442,237	17,442,237	17,651,688	209,451
Road Ref Ser 2003 A Issuance Cost Fund 1630	-	-	-	-
Perm Imp Ref Ser 2003 A Issuance Cost Fund 1640	-	-	-	-
Perm Imp Ref Ser 2003 A Debt Service Fund 1650	-	-	-	-
Road Ref Ser 2003 B Issuance Cost Fund 1660	-	-	-	-
Perm Imp Ref Ser 2003 B Issuance Cost Fund 1670	-	-	-	-
Perm Imp Ref Ser 2003 B Debt Service Fund 1680	-	-	-	-
Perm Imp Refinancing Ser 1999 Fund 1710	1,618,000	1,618,000	1,611,711	(6,289)
Commercial Paper Series C Debt Service Fund 4800	4,232,000	4,232,000	3,496,776	(735,224)
Total Beginning Cash and Investments	59,000,646	59,000,646	60,665,434	1,664,788
Revenues and Transfers In:				
Hotel Tax, Senior Lien Series 1997 Fund 1150	3,255,367	3,255,367	3,362,384	107,017
Hotel Tax, Refunding Series 1998 Fund 1160	2,625,690	2,625,690	3,813,933	1,188,243
Perm Imp Debt Series 1996 Fund 1180	5,096,520	5,096,520	6,022,977	926,457
Perm Imp Refunding Ser 93 Debt Service Fund 1230	4,963,552	4,963,552	337,587	(4,625,965)
Perm Imp Refunding Ser 96 Debt Service Fund 1250	541,550	541,550	524,762	(16,788)
Perm Imp Refunding Ser 97 Debt Service Fund 1260	3,684,960	3,684,960	3,691,692	6,732
Commercial Paper Series A Debt Service Fund 1380	-	-	104,136	104,136
Commercial Paper Series B Debt Service Fund 1390	386,992	386,992	25,068,858	24,681,866
Commercial Paper Series A1 Debt Service Fund 1420	484,219	484,219	57,872,824	57,388,605
Commercial Paper Series D Debt Service Fund 1450	-	-	82,646	82,646
Commercial Paper Series D1 Debt Service Fund 1460	-	-	43,403	43,403
Perm Imp Comm Paper Ser D Debt Service Fund 1470	2,314,102	2,314,102	20,065,016	17,750,914
Flood Control Comm Paper Agreement Fund 1480	5,271,133	5,271,133	572,478	(4,698,655)

See notes to required supplementary information.

**HARRIS COUNTY, TEXAS
GENERAL FUND**

**SCHEDULE OF AVAILABLE RESOURCES
BUDGET AND ACTUAL - BUDGETARY BASIS**

For The Year Ended February 29, 2004

	<u>Adopted Budget</u>	<u>Adjusted Budget</u>	<u>Actual</u>	<u>Over (Under)</u>
Cert of Oblig Series 1998 Debt Service Fund 1500	5,073,647	5,073,647	4,952,261	(121,386)
Cert of Oblig Ser 2001 Debt Service Fund 1530	3,930,575	5,549,035	4,416,028	(1,133,007)
Cert of Oblig Ser 2001 Issuance Cost Fund 1540	-	-	95	95
Perm Imp Refunding Ser 2001 Debt Service Fund 1550	2,161,244	2,161,244	1,648,062	(513,182)
Perm Imp Ser 2001 Issuance Cost Fund 1560	-	-	64	64
Road Ser 2001 Issuance Cost Fund 1570	-	-	327	327
Gen Oblig Rev Ref Ser 2001 Issuance Cost Fund 1590	-	-	190	190
Revenue Refunding Ser 2002 Debt Service Fund 1600	14,728,701	14,728,701	7,352,183	(7,376,518)
Revenue Cert Series 2002 Debt Service Fund 1610	1,789,275	1,789,275	1,787,494	(1,781)
Perm Imp Ref Ser 2002 Debt Service Fund 1620	25,557,763	25,557,763	26,067,051	509,288
Road Ref Ser 2003 A Issuance Cost Fund 1630	-	125,882	126,095	213
Perm Imp Ref Ser 2003 A Issuance Cost Fund 1640	-	79,248	79,348	100
Perm Imp Ref Ser 2003 A Debt Service Fund 1650	-	30,677,847	35,653,798	4,975,951
Road Ref Ser 2003 B Issuance Cost Fund 1660	-	-	167,180	167,180
Perm Imp Ref Ser 2003 B Issuance Cost Fund 1670	-	-	178,143	178,143
Perm Imp Ref Ser 2003 B Debt Service Fund 1680	-	-	87,919,808	87,919,808
Perm Imp Refinancing Ser 1999 Fund 1710	1,619,817	1,619,817	1,636,582	16,765
Commercial Paper Series C Debt Service Fund 4800	1,801,539	1,801,539	81,418,718	79,617,179
Total Revenues and Transfers In	<u>85,286,646</u>	<u>117,788,083</u>	<u>374,966,123</u>	<u>257,178,040</u>
Total Available Resources:				
Hotel Tax, Senior Lien Series 1997 Fund 1150	3,255,367	3,255,367	3,255,368	1
Hotel Tax, Refunding Series 1998 Fund 1160	2,625,690	2,625,690	2,626,053	363
Perm Imp Debt Series 1996 Fund 1180	11,796,520	11,796,520	12,823,897	1,027,377
Perm Imp Refunding Ser 93 Debt Service Fund 1230	10,063,552	10,063,552	5,446,543	(4,617,009)
Perm Imp Refunding Ser 96 Debt Service Fund 1250	1,082,550	1,082,550	1,111,644	29,094
Perm Imp Refunding Ser 97 Debt Service Fund 1260	7,407,960	7,407,960	7,381,775	(26,185)
Commercial Paper Series A Debt Service Fund 1380	-	-	6,118,346	6,118,346
Commercial Paper Series B Debt Service Fund 1390	2,260,130	2,260,130	27,186,302	24,926,172
Commercial Paper Series A1 Debt Service Fund 1420	4,595,209	4,595,209	61,878,542	57,283,333
Commercial Paper Series D Debt Service Fund 1450	-	-	(762,956)	(762,956)
Commercial Paper Series D1 Debt Service Fund 1460	-	-	(2,248,959)	(2,248,959)
Perm Imp Comm Paper Ser D Debt Service Fund 1470	4,614,102	4,614,102	21,906,809	17,292,707
Flood Control Comm Paper Agreement Fund 1480	10,058,133	10,058,133	5,348,662	(4,709,471)
Cert of Oblig Series 1998 Debt Service Fund 1500	9,973,647	9,973,647	9,980,311	6,664
Cert of Oblig Ser 2001 Debt Service Fund 1530	4,557,105	6,175,565	5,081,744	(1,093,821)
Cert of Oblig Ser 2001 Issuance Cost Fund 1540	-	-	18,262	18,262
Perm Imp Refunding Ser 2001 Debt Service Fund 1550	3,201,995	3,201,995	3,227,881	25,886
Perm Imp Ser 2001 Issuance Cost Fund 1560	-	-	12,176	12,176
Road Ser 2001 Issuance Cost Fund 1570	-	-	43,773	43,773
Gen Oblig Rev Ref Ser 2001 Issuance Cost Fund 1590	-	-	39,501	39,501
Revenue Refunding Ser 2002 Debt Service Fund 1600	14,732,701	14,732,701	7,354,993	(7,377,708)
Revenue Cert Series 2002 Debt Service Fund 1610	1,791,275	1,791,275	1,793,992	2,717
Perm Imp Ref Ser 2002 Debt Service Fund 1620	43,000,000	43,000,000	43,718,739	718,739
Road Ref Ser 2003 A Issuance Cost Fund 1630	-	125,882	126,095	213
Perm Imp Ref Ser 2003 A Issuance Cost Fund 1640	-	79,248	79,348	100
Perm Imp Ref Ser 2003 A Debt Service Fund 1650	-	30,677,847	35,653,798	4,975,951
Road Ref Ser 2003 B Issuance Cost Fund 1660	-	-	167,180	167,180
Perm Imp Ref Ser 2003 B Issuance Cost Fund 1670	-	-	178,143	178,143
Perm Imp Ref Ser 2003 B Debt Service Fund 1680	-	-	87,919,808	87,919,808
Perm Imp Refinancing Ser 1999 Fund 1710	3,237,817	3,237,817	3,248,293	10,476
Commercial Paper Series C Debt Service Fund 4800	6,033,539	6,033,539	84,915,494	78,881,955
Total Available Resources - General Fund Debt Service	<u>144,287,292</u>	<u>176,788,729</u>	<u>435,631,557</u>	<u>258,842,828</u>
Total General Fund Revenues and Transfers In	<u>\$ 945,899,952</u>	<u>\$ 1,033,891,549</u>	<u>\$ 1,364,765,325</u>	<u>\$ 330,873,776</u>

See notes to required supplementary information.

HARRIS COUNTY, TEXAS
GENERAL FUND
SCHEDULE OF EXPENDITURES AND OTHER USES
BUDGET AND ACTUAL - BUDGETARY BASIS

For The Year Ended February 29, 2004

	<u>Adopted</u> <u>Budget</u>	<u>Adjusted</u> <u>Budget</u>	<u>Actual</u>	<u>(Over)</u> <u>Under</u>
CURRENT EXPENDITURES				
Public Infrastructure	\$ 7,362,092	\$ 8,733,131	\$ 3,759,996	\$ 4,973,135
Right of Way	-	2,080,081	1,696,123	383,958
Appraisal District	5,000,992	5,398,449	5,398,449	-
County Judge	4,395,105	4,394,666	3,490,423	904,243
Commissioner Precinct 1	41,565,814	54,621,541	21,946,117	32,675,424
Commissioner Precinct 2	76,126,131	86,023,296	27,829,076	58,194,220
Commissioner Precinct 3	49,744,671	51,588,850	29,397,961	22,190,889
Commissioner Precinct 4	88,071,083	80,035,524	32,349,334	47,686,190
Tunnel and Ferries Operation	4,865,006	4,865,931	4,144,691	721,240
Management Services	28,405,196	40,061,209	40,005,815	55,394
Legislative Services	1,187,506	1,187,506	1,105,818	81,688
Economic Development	760,955	879,619	635,743	243,876
Sports and Convention Corporation	1,058,696	1,058,696	1,058,696	-
Public Infrastructure - Engineering	25,655,625	24,483,078	20,997,093	3,485,985
Community Services Department	7,698,732	6,401,872	6,342,030	59,842
Fire and Emergency Services	2,142,447	2,476,728	2,470,091	6,637
Medical Examiner	8,873,284	8,896,311	8,738,446	157,865
Public Health	20,053,009	21,046,393	20,673,395	372,998
Public Library	18,919,795	19,772,070	19,770,342	1,728
Domestic Relations	2,693,202	2,591,494	2,478,885	112,609
Community and Economic Development	-	817,182	745,055	72,127
Central Technolgy Center	28,647,846	31,565,641	31,000,623	565,018
MHMRA	22,775,254	22,786,886	22,786,886	-
Facilities and Property Management	48,789,668	48,917,458	47,219,206	1,698,252
Constable Precinct 1	15,211,383	15,996,087	15,901,629	94,458
Constable Precinct 2	4,099,367	4,251,655	4,228,297	23,358
Constable Precinct 3	7,011,095	7,128,454	7,107,339	21,115
Constable Precinct 4	19,108,115	20,199,722	20,092,930	106,792
Constable Precinct 5	22,416,654	22,233,791	22,060,203	173,588
Constable Precinct 6	3,956,107	4,108,378	4,054,948	53,430
Constable Precinct 7	4,652,882	4,665,387	4,645,282	20,105
Constable Precinct 8	4,859,645	5,015,774	5,006,576	9,198
Justice of the Peace 1-1	1,246,100	1,246,850	1,244,968	1,882
Justice of the Peace 1-2	1,839,545	1,839,545	1,781,110	58,435
Justice of the Peace 2-1	587,981	587,981	580,433	7,548
Justice of the Peace 2-2	619,893	660,184	651,082	9,102
Justice of the Peace 3-1	1,206,799	1,232,679	1,227,029	5,650
Justice of the Peace 3-2	879,532	879,532	819,853	59,679
Justice of the Peace 4-1	2,052,830	2,141,192	2,111,711	29,481
Justice of the Peace 4-2	1,143,522	1,143,522	1,130,755	12,767

See notes to required supplementary information.

HARRIS COUNTY, TEXAS
GENERAL FUND
SCHEDULE OF EXPENDITURES AND OTHER USES
BUDGET AND ACTUAL - BUDGETARY BASIS

For The Year Ended February 29, 2004

	<u>Adopted Budget</u>	<u>Adjusted Budget</u>	<u>Actual</u>	<u>(Over) Under</u>
Justice of the Peace 5-1	1,315,752	1,315,344	1,293,291	22,053
Justice of the Peace 5-2	1,635,857	1,721,858	1,683,609	38,249
Justice of the Peace 6-1	470,989	470,989	422,561	48,428
Justice of the Peace 6-2	394,644	394,644	366,039	28,605
Justice of the Peace 7-1	547,561	547,561	528,965	18,596
Justice of the Peace 7-2	587,697	582,597	528,890	53,707
Justice of the Peace 8-1	848,719	848,329	770,428	77,901
Justice of the Peace 8-2	850,197	850,197	756,693	93,504
County Attorney	14,269,961	15,386,721	14,523,927	862,794
County Clerk	19,716,447	21,774,566	21,715,093	59,473
County Treasurer	998,588	998,588	916,088	82,500
Tax Assessor-Collector	24,745,081	24,740,399	23,794,961	945,438
County Sheriff	225,039,650	231,995,977	229,564,775	2,431,202
District Attorney	38,036,795	38,032,414	37,824,220	208,194
District Clerk	25,497,854	25,400,405	24,736,251	664,154
Community Supervision and Correction	810,835	710,835	602,970	107,865
Office of Court Services	4,934,683	4,934,683	4,845,029	89,654
County Auditor	13,511,576	13,511,576	10,756,212	2,755,364
Purchasing Agent	5,564,082	5,262,725	5,022,836	239,889
District Courts	31,965,832	36,793,615	36,687,753	105,862
Agricultural Extension Service	738,215	737,725	725,127	12,598
Juvenile Probation	45,163,684	45,244,963	45,016,396	228,567
Sheriff's Civil Service	245,082	245,082	161,177	83,905
Protective Services- Children and Adults	14,484,469	16,814,630	16,215,623	599,007
Children's Assessment Center	4,674,535	4,674,535	4,036,815	637,720
County Courts	12,472,987	12,593,690	12,286,379	307,311
Probate Court 1	1,082,828	1,082,828	1,021,157	61,671
Probate Court 2	1,082,828	1,082,828	1,026,707	56,121
Probate Court 3	2,279,490	2,446,490	2,407,394	39,096
Probate Court 4	1,082,828	1,012,328	874,135	138,193
Total General Fund By Department	<u>1,080,733,305</u>	<u>1,136,223,467</u>	<u>949,795,940</u>	<u>186,427,527</u>

See notes to required supplementary information.

HARRIS COUNTY, TEXAS
GENERAL FUND
SCHEDULE OF EXPENDITURES AND OTHER USES
BUDGET AND ACTUAL - BUDGETARY BASIS

For The Year Ended February 29, 2004

	<u>Adopted Budget</u>	<u>Adjusted Budget</u>	<u>Actual</u>	<u>(Over) Under</u>
GENERAL FUND DEBT SERVICE				
HOT Tax Senior Lien, Series 1997	\$ 3,255,368	\$ 3,255,368	\$ 3,255,368	\$ -
HOT Tax Refunding Forward, Series 1998	8,504,928	8,504,928	2,625,690	5,879,238
Criminal Justice Center, Series 1996	11,796,520	11,796,520	5,897,448	5,899,072
Permanent Improvement Refunding Series 1993	10,063,553	10,063,553	5,443,673	4,619,880
Permanent Improvement Series 1994	-	709	709	-
Permanent Improvement Refunding Series 1996	1,082,550	1,082,550	541,275	541,275
Permanent Improvement Refunding Series 1997	7,407,960	7,407,960	3,723,120	3,684,840
Commercial Paper Series B	1,769,200	26,769,200	25,198,100	1,571,100
Commercial Paper Series A1	6,342,000	64,032,000	58,543,999	5,488,001
Commercial Paper Series D	8,067,200	26,207,200	18,852,745	7,354,455
Commercial Paper Series - Flood Control	10,058,133	10,058,133	2,830,872	7,227,261
Certificate of Obligation, Series 1998	9,973,648	9,973,648	4,987,411	4,986,237
Certificate of Obligation, Series 2001	4,557,105	4,557,105	2,279,415	2,277,690
Issuance Cost CO's Series 2001	-	18,263	18,263	-
Permanent Improvement Refunding Series 2001	3,201,995	3,201,995	1,602,723	1,599,272
Issuance Cost Perm Improv Ref Series 2001	-	12,175	12,175	-
Issuance Cost Flood Control Refunding 2002	-	43,773	43,773	-
Issuance Cost General Obligation Ref 2002	-	39,502	39,502	-
Revenue Refunding Series 2002	14,682,775	14,682,775	7,341,388	7,341,387
Revenue Certificates Series 2002	3,578,500	3,578,500	1,789,250	1,789,250
Permanent Improvement Refunding Series 2002	43,008,492	43,008,492	21,898,899	21,109,593
Issuance Cost Road Refunding Series 2003A	-	126,096	126,096	-
Issuance Cost PIB Refunding Series 2003A	-	79,348	79,348	-
Permanent Improvement Refunding Series 2003A	-	30,862,003	30,862,003	-
Issuance Cost Road Refunding Series 2003B	-	166,981	160,349	6,632
Issuance Cost PIB Refunding Series 2003B	-	177,931	171,021	6,910
Permanent Improvement Refunding Series 2003B	-	87,914,222	87,914,222	-
Permanent Improvement Refunding Series 1999	3,237,818	3,237,818	1,619,395	1,618,423
Commercial Paper Series C	7,577,200	87,577,200	80,696,350	6,880,850
Total General Fund Debt Service	<u>158,164,945</u>	<u>458,435,948</u>	<u>368,554,582</u>	<u>89,881,366</u>
Total General Fund	<u>\$ 1,238,898,250</u>	<u>\$ 1,594,659,415</u>	<u>\$ 1,318,350,522</u>	<u>\$ 276,308,893</u>

See notes to required supplementary information.

HARRIS COUNTY, TEXAS
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
February 29, 2004

1. RECONCILIATION OF ACCOUNTING BASIS

A reconciliation of revenues and expenditures on a cash basis (budgetary basis) compared to modified accrual basis (GAAP) for the general fund is as follows:

	GENERAL FUND
REVENUES AND OTHER SOURCES	
Cash (budgetary) basis	\$ 1,364,765,325
Accrued in 2003, received in 2004	(128,447,866)
Accrued in 2004, to be received in 2005	<u>119,837,966</u>
Revenues on modified accrual (GAAP) basis	<u>1,356,155,425</u>
EXPENDITURES AND OTHER USES	
Cash (budgetary) basis	1,318,350,522
Incurred during 2003, paid in 2004	(140,884,309)
Incurred during 2004, payable in 2005	<u>146,929,097</u>
Expenditures on modified accrual (GAAP) basis	<u>1,324,395,310</u>
Changes in Fund Balances	<u><u>\$ 31,760,115</u></u>

For further budgeting information, see Note 1.E. of the Notes to the Financial Statement

2. ANALYSIS OF SIGNIFICANT EXPENDITURE VARIANCES

In four departments and one general fund debt service account there were significant variances between the budgeted amount and actual expenditures.

The four departments with significant variances are all Commissioner Precincts, which have a combined positive variance of \$160,746,723. The precinct budgets include capital projects for roads and bridges. These budgets are set at the beginning of the projects and roll year-to-year. Therefore, these variances are anticipated.

The Permanent Improvement Refunding Series 2002 has a positive variance of \$21,109,593. The County's practice is to have a full year's worth of payments available for tax supported debt. As the tax year and budget year are not the same, there will always be a variance between the budget and actual expenditures. In this case, the debt payment amount is high enough to cause a significant variance, and will continue to cause significant variances in the future.



NONMAJOR GOVERNMENTAL FUNDS

HARRIS COUNTY, TEXAS
COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS - SUMMARY
February 29, 2004

	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total Nonmajor Governmental Funds</u>
ASSETS				
Cash and Investments:				
Cash and cash equivalents	\$ 34,846,543	\$ 8,283,566	\$ 8,885,930	\$ 52,016,039
Pooled cash and investments	99,742,462	-	96,237,090	195,979,552
Investments	34,347,422	59,210,409	105,146,568	198,704,399
Receivables:				
Taxes, net	2,398,621	2,038,241	-	4,436,862
Accounts	74,905,655	917,326	10,664,526	86,487,507
Accrued interest	267,261	4,669	487,641	759,571
Due from other funds	15,003,604	1,811	30,233,750	45,239,165
Due from other governmental units	1,802,823	1,855,729	-	3,658,552
Deferred charges	2,892,539	-	-	2,892,539
Inventories and other assets	436,421	-	-	436,421
Long term notes receivable	1,743,835	-	-	1,743,835
	<u>\$ 268,387,186</u>	<u>\$ 72,311,751</u>	<u>\$ 251,655,505</u>	<u>\$ 592,354,442</u>
LIABILITIES AND FUND BALANCE				
Liabilities:				
Vouchers payable	\$ 26,365,723	\$ -	\$ 22,166,092	\$ 48,531,815
Accrued payroll and compensated absences	3,740,969	-	-	3,740,969
Retainages payable	1,578,168	-	4,508,735	6,086,903
Due to other funds	66,037,998	152,538	20,903,222	87,093,758
Due to other governmental units	2,677,476	170,659	-	2,848,135
Deferred revenue	19,992,723	2,038,241	15,916	22,046,880
Other	-	-	44,863	44,863
	<u>120,393,057</u>	<u>2,361,438</u>	<u>47,638,828</u>	<u>170,393,323</u>
Fund balances:				
Reserved for:				
Encumbrances	35,865,592	-	222,731,035	258,596,627
Debt service	-	69,952,904	-	69,952,904
Imprest fund	8,180	-	-	8,180
Grant programs	3,048,064	-	-	3,048,064
Unreserved:				
Designated for capital projects	-	-	12,459,108	12,459,108
Designated for special revenue	687,661	-	-	687,661
Undesignated	108,384,632	(2,591)	(31,173,466)	77,208,575
	<u>147,994,129</u>	<u>69,950,313</u>	<u>204,016,677</u>	<u>421,961,119</u>
Total fund balances	<u>\$ 268,387,186</u>	<u>\$ 72,311,751</u>	<u>\$ 251,655,505</u>	<u>\$ 592,354,442</u>
Total liabilities and fund balances	<u>\$ 268,387,186</u>	<u>\$ 72,311,751</u>	<u>\$ 251,655,505</u>	<u>\$ 592,354,442</u>

HARRIS COUNTY, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
NONMAJOR GOVERNMENTAL FUNDS - SUMMARY
For the Year Ended February 29, 2004

	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total Nonmajor Governmental Funds</u>
REVENUES				
Taxes	\$ 69,733,680	\$ 64,835,455	\$ -	\$ 134,569,135
Charges for services	2,796,197	-	129,404	2,925,601
Intergovernmental	130,451,407	-	19,500,912	149,952,319
Earnings on investments	1,749,881	506,060	3,223,216	5,479,157
Miscellaneous	5,973,444	2,284,927	5,151,403	13,409,774
	<u>210,704,609</u>	<u>67,626,442</u>	<u>28,004,935</u>	<u>306,335,986</u>
EXPENDITURES				
Current operating:				
Administration of justice	41,587,717	-	413,357	42,001,074
Parks	77,535	-	159,349	236,884
County administration	26,038,669	-	6,496,428	32,535,097
Health and human services	74,684,145	-	6,584,117	81,268,262
Flood control	46,436,900	-	3,096,954	49,533,854
Tax administration	558,583	-	-	558,583
Roads and bridges	-	-	208,742	208,742
Capital outlay	48,375,930	-	253,289,363	301,665,293
Debt service:				
Principal retirement	-	42,890,000	-	42,890,000
Interest and fiscal charges	1,768,040	23,011,538	-	24,779,578
	<u>239,527,519</u>	<u>65,901,538</u>	<u>270,248,310</u>	<u>575,677,367</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(28,822,910)</u>	<u>1,724,904</u>	<u>(242,243,375)</u>	<u>(269,341,381)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	264,780,138	5,288,794	7,601,568	277,670,500
Transfers out	(19,921,974)	(282,922,131)	(97,821,717)	(400,665,822)
Refunding bonds issued	-	351,325,000	-	351,325,000
Premium on bonds issued	-	17,695,793	-	17,695,793
Commercial paper issued	-	-	221,334,000	221,334,000
Loans issued	-	-	2,376,550	2,376,550
Capital leases	838,850	-	-	838,850
Contributions	1,340,209	-	8,317,086	9,657,295
Note restructure	-	-	5,000,000	5,000,000
Payment to refunding bond escrow agent	-	(86,422,279)	-	(86,422,279)
Payment to defease commercial paper	(200,000,000)	-	-	(200,000,000)
Sale of capital assets	2,185,831	-	414,268	2,600,099
	<u>49,223,054</u>	<u>4,965,177</u>	<u>147,221,755</u>	<u>201,409,986</u>
Net changes in fund balances	20,400,144	6,690,081	(95,021,620)	(67,931,395)
Fund balances, beginning	127,593,985	63,260,232	299,038,297	489,892,514
Fund balances, ending	<u>\$ 147,994,129</u>	<u>\$ 69,950,313</u>	<u>\$ 204,016,677</u>	<u>\$ 421,961,119</u>

Special Revenue Funds are used to account for specific revenue sources (other than expendable trusts and capital projects), which are restricted to expenditures for specified purposes.

FLOOD CONTROL DISTRICT OPERATIONS AND MAINTENANCE FUND - This fund is used to account for all revenues and expenditures relating to general operations of Harris County Flood Control District. The Flood Control District is responsible for developing a flood control plan for the County, carrying out an ongoing capital improvement program, maintaining district facilities and providing flood watch and flood alert programs.

SPORTS & CONVENTION CORPORATION - This fund was established under the Texas Transportation Act for the purpose of aiding and acting on behalf in managing, operating, maintaining and developing the sports and entertainment complex located on property owned by the County.

HOTEL OCCUPANCY TAX REVENUE FUND - This fund was established in September 1987 to account for revenues primarily generated from a hotel occupancy tax and expenditures that serve the purpose of attracting visitors and promoting tourism. Hotel Occupancy taxes are currently pledged for debt service on Hotel Occupancy Refunding Bonds that were sold in 1997.

LAW LIBRARY FUND - This fund accounts for revenues and expenditures to maintain a law library for members of the Texas Bar Association in Harris County. It is financed by a \$15.00 fee which is assessed against each civil case filed in County and District Courts of Harris County.

DEED RESTRICTION ENFORCEMENT FUND - This fund was authorized under House Bill 356 and provides for fees to administer the enforcement of deed restriction violations affecting real property subdivisions. This act requires fees be used only for enforcement of the deed restriction violations, and any unused funds are to be refunded to the complainants.

APPELLATE JUDICIAL SYSTEM FUND - This fund was authorized under House Bill 1889 and provides for a court fee of \$5.00 for each civil suit filed to be assessed to assist in financing the Courts of Appeals in processing appeals filed from County Courts, County Courts at Law, Probate Courts and District Courts.

JAIL SANCTIONS FUND - This fund was established to account for moneys received under the terms of a court order entered into on June 30, 1994. Moneys are used to defray Criminal Justice expenditures.

STORMWATER MANAGEMENT FUND - This fund was established to account for the revenues and expenditures under interagency agreements for the implementation of storm water permit program.

SAN JACINTO WETLANDS PROJECT FUND - This fund was established to account for moneys received under the terms of a court settlement. Moneys received are used to clean up a hazardous waste dump and establish a nature preserve at the site.

TCEQ POLLUTION CONTROL – This fund is used to account for funds from TNRC and donations to coordinate pollution control efforts.

ELECTION SERVICES - This fund is used for defraying expenses of the County Clerk’s Office in conducting Harris County elections.

LAW ENFORCEMENT FORFEITED FUND – This fund is used to account for expenses for the investigation of alleged violations of criminal law. It is also utilized to account for assets seized pursuant to the state forfeiture law Chapter 59, Code of Criminal Procedure and the federal forfeited asset programs.

DISPUTE RESOLUTION FUND - This fund is used to account for funds collected after October 1, 1995 from a fee of \$10.00 assessed on cases to fund an alternative system for the peaceable and expeditious resolution of citizen disputes not requiring formal court action.

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LEOSE-LAW ENFORCEMENT - This fund was authorized under S.B. 1135 and provides for state moneys to law enforcement agencies to ensure continuing education for persons licensed under Chapter 415, Government Code.

CHILD SUPPORT ENFORCEMENT - This fund accounts for funds received from the Texas Attorney General's Office for reimbursement to the County for processing child support payments sent to the County as part of the Title IV Part D of the Federal Social Security Act.

LIBRARY DONATION FUND – This fund accounts for revenues from donations and contributions made to the Harris County Library for specific reason.

MEMORIAL TRUST DONATION FUND - This fund is used to account for cash donations accepted by Commissioners Court for designated purposes. Separate accounts are maintained for various types of donations.

RECORDS MANAGEMENT – This fund is used to account for fees collected for records management and preservation services when documents are filed in the offices of the court clerks.

JUSTICE COURT TECHNOLOGY – This fund is used to account for fees collected from defendants convicted of misdemeanor offenses in a justice court.

DISTRICT ATTORNEY ADMINISTRATION - Confiscated gambling proceeds forfeited under Article 18.18 of the Texas Code of Criminal Procedure are deposited in this fund and are available to the District Attorney for use in special investigations. Fees collected in connection with processing checks issued or passed in violation of the Texas Penal Code are deposited in this fund and used for the purpose of defraying the salaries and expenses of the District Attorney's Office

COMMUNITY DEVELOPMENT RESTRICTED – This fund is used to account for funds collected and set aside by Precinct 4 related to the development of the Crosby Community Center.

TIRZ AFFORDABLE HOUSING – This fund is used to revitalize or redevelop unproductive, underproductive or blighted areas. The participating taxing units contribute some or all of the tax revenues generated by the growth in a TIRZ's taxable value to the revitalization or redevelopment effort.

HARRIS COUNTY JUVENILE BOARD - This fund was established to account for juvenile probation services funded by the Texas Juvenile Probation Commission in Harris County.

GRANTS - These funds were established to account for grant programs applicable to the County.



HARRIS COUNTY, TEXAS
COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS
SPECIAL REVENUE
February 29, 2004

	Flood Control	Sports & Convention Corporation	Hotel Occupancy Tax Revenue	Law Library	Deed Restriction Enforcement	Appellate Judicial System
ASSETS						
Cash and cash equivalents	\$ 1,696,321	\$ 3,878,289	\$ -	\$ -	\$ -	\$ -
Pooled cash and investments	87,645,027	-	1,561,585	770,926	5,044	-
Investments	-	-	-	-	-	-
Receivables:						
Taxes, net	2,398,621	-	-	-	-	-
Accounts, net	769,641	3,465,034	925,544	399	-	233,399
Accrued interest	210,703	-	-	-	-	-
Due from other funds	2,194,578	1,734,211	238,592	-	-	-
Due from other units	1,491,040	-	-	-	-	-
Deferred charges	-	-	-	-	-	-
Long term notes receivable	-	-	-	-	-	-
Inventories and other assets	-	123,516	-	-	-	-
Total assets	\$ 96,405,931	\$ 9,201,050	\$ 2,725,721	\$ 771,325	\$ 5,044	\$ 233,399
LIABILITIES AND FUND BALANCES						
Liabilities:						
Vouchers payable	\$ 3,433,057	\$ 1,441,358	\$ 1,586,969	\$ 83,470	\$ -	\$ 45,829
Accrued payroll and compensated absences	1,307,321	13,042	-	26,479	-	4,212
Due to other funds	482	569,042	-	-	-	34,592
Due to other units	-	-	-	-	-	-
Retainages payable	288,929	1,025,897	-	-	-	-
Deferred revenue	2,399,749	2,088,366	157,950	-	-	235,244
Total liabilities	7,429,538	5,137,705	1,744,919	109,949	-	319,877
Fund Balances:						
Reserved for encumbrances	30,701,122	-	293,141	16,635	-	43,854
Reserved for imprest cash fund	-	-	-	130	-	-
Reserved for grant programs	-	-	-	-	-	-
Unreserved:						
Designated for HOT debts	-	-	687,661	-	-	-
Undesignated	58,275,271	4,063,345	-	644,611	5,044	(130,332)
Total fund balances	88,976,393	4,063,345	980,802	661,376	5,044	(86,478)
Total liabilities and fund balances	\$ 96,405,931	\$ 9,201,050	\$ 2,725,721	\$ 771,325	\$ 5,044	\$ 233,399

(continued)

Jail Sanctions	Stormwater Management	San Jacinto Wetlands Project	TCEQ Pollution Control	Election Services	Law Enforcement Forfeited Fund	Dispute Resolution	LEOSE-Law Enforcement
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 10,021,864	\$ -	\$ -
-	280,765	45,996	261,372	151,807	584,502	478,181	577,680
-	-	-	-	-	25,328,954	-	-
-	-	-	-	-	-	-	-
-	-	-	-	210,557	345,980	-	-
-	-	-	-	-	-	-	-
455,584	630,266	-	312,374	-	4,944,120	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>\$ 455,584</u>	<u>\$ 911,031</u>	<u>\$ 45,996</u>	<u>\$ 573,746</u>	<u>\$ 362,364</u>	<u>\$ 41,225,420</u>	<u>\$ 478,181</u>	<u>\$ 577,680</u>
\$ -	\$ 176,367	\$ -	\$ 19,340	\$ 47,897	\$ 8,128,142	\$ 105,846	\$ 15,223
-	-	-	16,034	-	-	-	-
455,584	-	-	-	-	4,934,220	8,673	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	24,507	22,151	-	-
<u>455,584</u>	<u>176,367</u>	<u>-</u>	<u>35,374</u>	<u>72,404</u>	<u>13,084,513</u>	<u>114,519</u>	<u>15,223</u>
-	2,032,786	-	45,236	48,000	2,462,036	-	7,669
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	(1,298,122)	45,996	493,136	241,960	25,678,871	363,662	554,788
-	734,664	45,996	538,372	289,960	28,140,907	363,662	562,457
<u>\$ 455,584</u>	<u>\$ 911,031</u>	<u>\$ 45,996</u>	<u>\$ 573,746</u>	<u>\$ 362,364</u>	<u>\$ 41,225,420</u>	<u>\$ 478,181</u>	<u>\$ 577,680</u>

(continued)

HARRIS COUNTY, TEXAS
COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS
SPECIAL REVENUE
February 29, 2004

	Child Support Enforcement	Library Donation Fund	Memorial Trust Donation Fund	Records Management	Justice Court Technology
ASSETS					
Cash and cash equivalents	\$ -	\$ -	\$ 550	\$ -	\$ -
Pooled cash and investments	778,707	316,394	2,313,223	33,195	16,006
Investments	-	-	-	-	-
Receivables:					
Taxes, net	-	-	-	-	-
Accounts, net	-	-	-	1,932	-
Accrued interest	-	-	-	-	-
Due from other funds	90,000	-	-	-	-
Due from other units	-	-	-	-	-
Deferred charges	-	-	-	-	-
Long term notes receivable	-	-	-	-	-
Inventories and other assets	-	-	-	-	-
	<u>\$ 868,707</u>	<u>\$ 316,394</u>	<u>\$ 2,313,773</u>	<u>\$ 35,127</u>	<u>\$ 16,006</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Vouchers payable	\$ 63,998	\$ 14,265	\$ 197,616	\$ -	\$ -
Accrued payroll and compensated absences	-	-	6,313	-	-
Due to other funds	-	-	-	-	-
Due to other units	-	-	-	-	-
Retainages payable	-	-	-	-	-
Deferred revenue	-	-	-	-	-
	<u>63,998</u>	<u>14,265</u>	<u>203,929</u>	<u>-</u>	<u>-</u>
Fund Balances:					
Reserved for encumbrances	38,843	34,294	19,763	-	-
Reserved for imprest cash fund	-	-	550	-	-
Reserved for grant programs	-	-	-	-	-
Unreserved:					
Designated for HOT debts	-	-	-	-	-
Undesignated	765,866	267,835	2,089,531	35,127	16,006
	<u>804,709</u>	<u>302,129</u>	<u>2,109,844</u>	<u>35,127</u>	<u>16,006</u>
Total liabilities and fund balances	<u>\$ 868,707</u>	<u>\$ 316,394</u>	<u>\$ 2,313,773</u>	<u>\$ 35,127</u>	<u>\$ 16,006</u>

(continued)

District Attorney Administration	Community Development Restricted	TIRZ Affordable Housing	Harris County Juvenile Board	Grants	Total
\$ 1,389,588	\$ 1,393,006	\$ 787,558	\$ 10,451,280	\$ 5,228,087	\$ 34,846,543
3,498,320	-	423,732	-	-	99,742,462
9,018,468	-	-	-	-	34,347,422
-	-	-	-	-	2,398,621
13,093	-	-	3,303,573	65,636,503	74,905,655
56,558	-	-	-	-	267,261
-	-	70,000	-	4,333,879	15,003,604
-	-	-	-	311,783	1,802,823
-	-	-	-	2,892,539	2,892,539
-	-	-	-	1,743,835	1,743,835
-	-	-	-	312,905	436,421
\$ 13,976,027	\$ 1,393,006	\$ 1,281,290	\$ 13,754,853	\$ 80,459,531	\$ 268,387,186

\$ 4,230	\$ 130,126	\$ -	\$ 1,944,716	\$ 8,927,274	\$ 26,365,723
-	-	-	713,914	1,653,654	3,740,969
-	12,285	70,000	-	59,953,120	66,037,998
-	-	-	-	2,677,476	2,677,476
-	31,932	-	-	231,410	1,578,168
-	-	-	11,096,223	3,968,533	19,992,723
4,230	174,343	70,000	13,754,853	77,411,467	120,393,057

74,649	47,564	-	-	-	35,865,592
7,500	-	-	-	-	8,180
-	-	-	-	3,048,064	3,048,064
-	-	-	-	-	687,661
13,889,648	1,171,099	1,211,290	-	-	108,384,632
13,971,797	1,218,663	1,211,290	-	3,048,064	147,994,129
\$ 13,976,027	\$ 1,393,006	\$ 1,281,290	\$ 13,754,853	\$ 80,459,531	\$ 268,387,186

Concluded

HARRIS COUNTY, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE
For The Year Ended February 29, 2004

	Flood Control	Sports and Convention Corporation	Hotel Occupancy Tax Revenue	Law Library	Deed Restriction Enforcement	Appellate Judicial System
REVENUES						
Taxes	\$ 54,198,331	\$ -	\$ 15,535,349	\$ -	\$ -	\$ -
Charges for services	42	-	-	1,182,569	-	394,411
Intergovernmental	-	-	-	-	-	-
Earnings on investments	934,438	84,065	99,777	13,282	96	1,024
Miscellaneous	400,945	1,038,097	456,995	50,648	-	21,377
Total revenues	<u>55,533,756</u>	<u>1,122,162</u>	<u>16,092,121</u>	<u>1,246,499</u>	<u>96</u>	<u>416,812</u>
EXPENDITURES						
Current operating:						
Administration of justice	-	-	-	-	-	650,506
County administration	-	6,122,418	12,889,751	11,287	-	77,307
Health and human services	-	-	-	1,274,468	-	-
Parks	-	-	15,000	-	-	-
Flood control	46,436,900	-	-	-	-	-
Tax administration	558,583	-	-	-	-	-
Debt service - interest and fiscal charges	1,768,040	-	-	-	-	-
Capital outlay	6,532,244	-	-	-	-	-
Total expenditures	<u>55,295,767</u>	<u>6,122,418</u>	<u>12,904,751</u>	<u>1,285,755</u>	<u>-</u>	<u>727,813</u>
Excess (deficiency) of revenues over (under) expenditures	<u>237,989</u>	<u>(5,000,256)</u>	<u>3,187,370</u>	<u>(39,256)</u>	<u>96</u>	<u>(311,001)</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	231,503,847	1,058,696	-	-	-	-
Transfers out	(65,323)	-	(12,007,740)	-	-	-
Payment to defease commercial paper	(200,000,000)	-	-	-	-	-
Sale of capital assets	2,185,831	-	-	-	-	-
Sports Authority contribution	-	1,340,209	-	-	-	-
Capital leases	-	838,850	-	-	-	-
Total other financial sources (uses)	<u>33,624,355</u>	<u>3,237,755</u>	<u>(12,007,740)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net changes in fund balances	33,862,344	(1,762,501)	(8,820,370)	(39,256)	96	(311,001)
Fund balances, beginning	55,114,049	5,825,846	9,801,172	700,632	4,948	224,523
Fund balances, ending	<u>\$ 88,976,393</u>	<u>\$ 4,063,345</u>	<u>\$ 980,802</u>	<u>\$ 661,376</u>	<u>\$ 5,044</u>	<u>\$ (86,478)</u>

(continued)

Jail Sanctions	Stormwater Management	San Jacinto Wetlands Project	TCEQ Pollution Control	Election Services	Law Enforcement Forfeited Fund	Dispute Resolution	LEOSE-Law Enforcement
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	834,333	-
-	2,838,673	-	394,223	-	1,402,121	-	327,366
-	8,245	877	13,465	2,450	337,855	5,751	12,873
-	113,303	-	-	377,945	1,954,761	-	-
-	2,960,221	877	407,688	380,395	3,694,737	840,084	340,239
-	-	-	-	-	1,229,394	762,344	243,162
264,558	2,027,757	-	-	169,766	-	-	193
-	-	-	330,134	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	409,295	-	-	45,700	2,438,119	-	-
264,558	2,437,052	-	330,134	215,466	3,667,513	762,344	243,355
(264,558)	523,169	877	77,554	164,929	27,224	77,740	96,884
-	-	-	-	-	3,046,918	-	-
-	-	-	-	-	(3,046,918)	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
(264,558)	523,169	877	77,554	164,929	27,224	77,740	96,884
264,558	211,495	45,119	460,818	125,031	28,113,683	285,922	465,573
\$ -	\$ 734,664	\$ 45,996	\$ 538,372	\$ 289,960	\$ 28,140,907	\$ 363,662	\$ 562,457

(continued)

HARRIS COUNTY, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE
For The Year Ended February 29, 2004

	Child Support Enforcement	Library Donation Fund	Memorial Trust Donation Fund	Records Management	Justice Court Technology
REVENUES					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Charges for services	-	-	-	35,127	15,970
Intergovernmental	1,093,840	-	-	-	-
Earnings on investments	8,756	5,668	43,059	-	36
Miscellaneous	-	234,123	192,109	-	-
Total revenues	<u>1,102,596</u>	<u>239,791</u>	<u>235,168</u>	<u>35,127</u>	<u>16,006</u>
EXPENDITURES					
Current operating:					
Administration of justice	453,317	-	34,639	-	-
County administration	-	-	-	-	-
Health and human services	-	219,758	92,285	-	-
Parks	-	-	62,535	-	-
Flood control	-	-	-	-	-
Tax administration	-	-	-	-	-
Debt service	-	-	-	-	-
Capital outlay	4,468	-	10,362	-	-
Total expenditures	<u>457,785</u>	<u>219,758</u>	<u>199,821</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>644,811</u>	<u>20,033</u>	<u>35,347</u>	<u>35,127</u>	<u>16,006</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	-	-	-	-	-
Transfers out	-	(1,525)	-	-	-
Payment to defease commercial paper	-	-	-	-	-
Sale of capital assets	-	-	-	-	-
Sports Authority contribution	-	-	-	-	-
Capital leases	-	-	-	-	-
Total other financial sources (uses)	<u>-</u>	<u>(1,525)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net changes in fund balance	644,811	18,508	35,347	35,127	16,006
Fund balances, beginning	159,898	283,621	2,074,497	-	-
Fund balances, ending	<u>\$ 804,709</u>	<u>\$ 302,129</u>	<u>\$ 2,109,844</u>	<u>\$ 35,127</u>	<u>\$ 16,006</u>

(continued)

District Attorney Administration	Community Development Restricted	TIRZ Affordable Housing	Harris County Juvenile Board	Grants	Total
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 69,733,680
333,745	-	-	-	-	2,796,197
-	-	-	22,954,809	101,440,375	130,451,407
162,871	9,364	5,929	-	-	1,749,881
69,986	-	1,063,155	-	-	5,973,444
<u>566,602</u>	<u>9,364</u>	<u>1,069,084</u>	<u>22,954,809</u>	<u>101,440,375</u>	<u>210,704,609</u>
170,705	-	-	22,954,809	15,088,841	41,587,717
-	-	-	-	4,475,632	26,038,669
-	703,969	-	-	72,063,531	74,684,145
-	-	-	-	-	77,535
-	-	-	-	-	46,436,900
-	-	-	-	-	558,583
-	-	-	-	-	1,768,040
7,930	504,283	-	-	38,423,529	48,375,930
<u>178,635</u>	<u>1,208,252</u>	<u>-</u>	<u>22,954,809</u>	<u>130,051,533</u>	<u>239,527,519</u>
387,967	(1,198,888)	1,069,084	-	(28,611,158)	(28,822,910)
-	885,515	-	15,256	28,269,906	264,780,138
-	-	(1,368,640)	(15,256)	(3,416,572)	(19,921,974)
-	-	-	-	-	(200,000,000)
-	-	-	-	-	2,185,831
-	-	-	-	-	1,340,209
-	-	-	-	-	838,850
<u>-</u>	<u>885,515</u>	<u>(1,368,640)</u>	<u>-</u>	<u>24,853,334</u>	<u>49,223,054</u>
387,967	(313,373)	(299,556)	-	(3,757,824)	20,400,144
13,583,830	1,532,036	1,510,846	-	6,805,888	127,593,985
<u>\$ 13,971,797</u>	<u>\$ 1,218,663</u>	<u>\$ 1,211,290</u>	<u>\$ -</u>	<u>\$ 3,048,064</u>	<u>\$ 147,994,129</u>

Concluded

HARRIS COUNTY, TEXAS
COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS-
SPECIAL REVENUE - GRANTS
February 29, 2004

	Federal Grant Programs	State and Local Grant Programs	Total
ASSETS			
Cash and cash equivalents	\$ 2,400,636	\$ 2,827,451	\$ 5,228,087
Accounts receivable	61,157,287	4,479,216	65,636,503
Due from other funds	4,333,557	322	4,333,879
Due from other units	311,783	-	311,783
Long term notes	1,743,835	-	1,743,835
Deferred charges	2,892,539	-	2,892,539
Inventory	312,905	-	312,905
	<u>\$ 73,152,542</u>	<u>\$ 7,306,989</u>	<u>\$80,459,531</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Vouchers payable	\$ 8,076,702	\$ 850,572	\$ 8,927,274
Accrued payroll and compensated absences	1,130,395	523,259	1,653,654
Due to other funds	57,963,623	1,989,497	59,953,120
Due to other units	2,677,476	-	2,677,476
Retainage payable	231,410	-	231,410
Deferred revenue	24,872	3,943,661	3,968,533
	<u>70,104,478</u>	<u>7,306,989</u>	<u>77,411,467</u>
Fund Balances:			
Reserved	3,048,064	-	3,048,064
	<u>\$ 73,152,542</u>	<u>\$ 7,306,989</u>	<u>\$80,459,531</u>

HARRIS COUNTY, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS -
SPECIAL REVENUE - GRANTS
For The Year Ended February 29, 2004

	Federal Grant Programs	State and Local Grant Programs	Total
REVENUES			
Intergovernmental	\$ 90,667,177	\$ 10,773,198	\$ 101,440,375
EXPENDITURES			
Administration of justice	10,198,474	4,890,367	15,088,841
County administration	2,775,502	1,700,130	4,475,632
Health and human services	66,137,153	5,926,378	72,063,531
Capital outlay	38,282,234	141,295	38,423,529
Total expenditures	117,393,363	12,658,170	130,051,533
Excess (deficiency) of revenues over (under) expenditures	(26,726,186)	(1,884,972)	(28,611,158)
OTHER FINANCING SOURCES (USES)			
Transfers in	25,043,371	3,226,535	28,269,906
Transfers out	(2,074,409)	(1,342,163)	(3,416,572)
Total transfers	22,968,962	1,884,372	24,853,334
Net changes in fund balances	(3,757,224)	(600)	(3,757,824)
Fund balances, beginning	6,805,288	600	6,805,888
Fund balances, ending	\$ 3,048,064	\$ -	\$ 3,048,064

HARRIS COUNTY, TEXAS
COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE - GRANTS
FEDERAL PROGRAMS
February 29, 2004

	Department of Housing and Urban Development	Department of Homeland Security	Department of Justice	Department of Commerce	Department of Agriculture	Department of Health and Human Services	Other Federal Programs	Total
ASSETS								
Cash and cash equivalents	\$ 1,027,604	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,373,032	\$ 2,400,636
Accounts receivable	4,315,480	41,059,900	4,590,943	1,471,058	1,626,776	7,849,690	243,440	61,157,287
Due from other funds	62,770	4,270,787	-	-	-	-	-	4,333,557
Due from other units	311,783	-	-	-	-	-	-	311,783
Long term notes	1,743,835	-	-	-	-	-	-	1,743,835
Deferred charges	-	2,892,539	-	-	-	-	-	2,892,539
Inventory	-	-	-	-	-	312,905	-	312,905
	<u>-\$ 7,461,472</u>	<u>\$ 48,223,226</u>	<u>\$ 4,590,943</u>	<u>\$ 1,471,058</u>	<u>\$ 1,626,776</u>	<u>\$ 8,162,595</u>	<u>\$ 1,616,472</u>	<u>\$ 73,152,542</u>
LIABILITIES AND FUND BALANCES								
Liabilities:								
Vouchers payable	\$ 2,873,039	\$ 420,684	\$ 1,382,628	\$ 340,580	\$ 42,473	\$ 2,987,384	\$ 29,914	\$ 8,076,702
Accrued payroll and compensated absences	216,533	-	244,723	-	290,412	353,987	24,740	1,130,395
Due to other funds	1,468,573	47,796,983	1,023,596	1,130,478	1,293,891	3,713,156	1,536,946	57,963,623
Due to other units	2,677,476	-	-	-	-	-	-	2,677,476
Retainage payable	225,851	5,559	-	-	-	-	-	231,410
Deferred revenue	-	-	-	-	-	-	24,872	24,872
	<u>7,461,472</u>	<u>48,223,226</u>	<u>2,650,947</u>	<u>1,471,058</u>	<u>1,626,776</u>	<u>7,054,527</u>	<u>1,616,472</u>	<u>70,104,478</u>
Fund balances	<u>-</u>	<u>-</u>	<u>1,939,996</u>	<u>-</u>	<u>-</u>	<u>1,108,068</u>	<u>-</u>	<u>3,048,064</u>
	<u>\$ 7,461,472</u>	<u>\$ 48,223,226</u>	<u>\$ 4,590,943</u>	<u>\$ 1,471,058</u>	<u>\$ 1,626,776</u>	<u>\$ 8,162,595</u>	<u>\$ 1,616,472</u>	<u>\$ 73,152,542</u>

HARRIS COUNTY, TEXAS
COMBINING STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES -
NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE - GRANTS - FEDERAL PROGRAMS
For The Year Ended February 29, 2004

	Department of Housing and Urban Development	Department of Homeland Security	Department of Justice	Department of Commerce	Department of Agriculture	Department of Health and Human Services	Other Federal Programs	Total
REVENUES								
Intergovernmental	\$ 29,982,027	\$ 13,292,706	\$ 8,085,264	\$ 2,013,658	\$ 5,588,922	\$ 31,193,374	\$ 511,226	\$ 90,667,177
EXPENDITURES								
Administration of justice	-	-	9,254,715	-	-	372,900	570,859	10,198,474
County administration	47,324	-	41,400	2,034,242	-	437,551	214,985	2,775,502
Health and human services	28,785,913	121,625	310,225	-	5,548,112	31,031,186	340,092	66,137,153
Capital outlay	1,641,624	33,160,267	3,092,308	-	-	351,849	36,186	38,282,234
Total expenditures	<u>30,474,861</u>	<u>33,281,892</u>	<u>12,698,648</u>	<u>2,034,242</u>	<u>5,548,112</u>	<u>32,193,486</u>	<u>1,162,122</u>	<u>117,393,363</u>
Excess of revenues over (under) expenditures	<u>(492,834)</u>	<u>(19,989,186)</u>	<u>(4,613,384)</u>	<u>(20,584)</u>	<u>40,810</u>	<u>(1,000,112)</u>	<u>(650,896)</u>	<u>(26,726,186)</u>
Transfers in	1,168,672	19,989,186	1,837,223	20,584	78,316	959,301	990,089	25,043,371
Transfers out	(675,838)	-	(859,547)	-	(119,126)	(80,705)	(339,193)	(2,074,409)
Total transfers	<u>492,834</u>	<u>19,989,186</u>	<u>977,676</u>	<u>20,584</u>	<u>(40,810)</u>	<u>878,596</u>	<u>650,896</u>	<u>22,968,962</u>
Net changes in fund balances	-	0	(3,635,708)	-	-	(121,516)	-	(3,757,224)
Fund balance, beginning	-	-	5,575,704	-	-	1,229,584	-	6,805,288
Fund balance, ending	<u>\$ -</u>	<u>\$ 0</u>	<u>\$ 1,939,996</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,108,068</u>	<u>\$ -</u>	<u>\$ 3,048,064</u>

HARRIS COUNTY, TEXAS
COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE
GRANTS - STATE AND LOCAL PROGRAMS
February 29, 2004

	Texas Department of Health	Texas Commission on Environmental Quality	Texas Department of Protective & Regulatory Services	Criminal Justice Division Texas Governor's Office	Texas Department of Transportation	Other State Programs	Local Grants	Total
ASSETS								
Cash and cash equivalents	\$ 325,607	\$ 2,348,034	\$ -	\$ -	\$ -	\$ 109,734	\$ 44,076	\$ 2,827,451
Accounts receivable	406,841	1,451,000	831,182	763,827	591,448	8,000	426,918	4,479,216
Due from other funds	-	-	-	-	322	-	-	322
Total assets	<u>\$ 732,448</u>	<u>\$ 3,799,034</u>	<u>\$ 831,182</u>	<u>\$ 763,827</u>	<u>\$ 591,770</u>	<u>\$ 117,734</u>	<u>\$ 470,994</u>	<u>\$ 7,306,989</u>
LIABILITIES AND FUND BALANCES								
Liabilities:								
Vouchers payable	\$ 307,883	\$ 300,413	\$ 214,080	\$ 23,942	\$ 817	\$ 1,043	\$ 2,394	\$ 850,572
Accrued payroll and compensated absences	125,298	-	40,761	138,571	109,816	12,600	96,213	523,259
Due to other funds	-	-	576,341	601,314	481,137	-	330,705	1,989,497
Deferred revenue	299,267	3,498,621	-	-	-	104,091	41,682	3,943,661
Total liabilities	<u>732,448</u>	<u>3,799,034</u>	<u>831,182</u>	<u>763,827</u>	<u>591,770</u>	<u>117,734</u>	<u>470,994</u>	<u>7,306,989</u>
Fund balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ 732,448</u>	<u>\$ 3,799,034</u>	<u>\$ 831,182</u>	<u>\$ 763,827</u>	<u>\$ 591,770</u>	<u>\$ 117,734</u>	<u>\$ 470,994</u>	<u>\$ 7,306,989</u>

**HARRIS COUNTY, TEXAS
SPECIAL REVENUE FUND**

**SCHEDULE OF AVAILABLE RESOURCES
BUDGET AND ACTUAL - BUDGETARY BASIS**

For The Year Ended February 29, 2004

	<u>Adopted Budget</u>	<u>Adjusted Budget</u>	<u>Actual</u>	<u>Over (Under)</u>
Beginning Cash and Investments	\$ 147,030,769	\$ 147,030,769	\$ 129,702,594	\$ (17,328,175)
Revenues and Transfers In:				
Taxes	67,091,416	67,091,416	68,896,827	1,805,411
Charges for Services	2,209,356	2,209,356	2,977,084	767,728
Forfeitures	-	-	282	282
Interest	1,279,529	1,279,529	1,491,229	211,700
Intergovernmental	880,239	4,310,599	5,679,143	1,368,544
Miscellaneous	930,650	2,556,265	7,493,533	4,937,268
Other - Transfers In	4,836,100	5,967,606	235,783,780	229,816,174
Total Revenues and Transfers In	<u>77,227,290</u>	<u>83,414,771</u>	<u>322,321,878</u>	<u>238,907,107</u>
Total Available Resources	<u>\$ 224,258,059</u>	<u>\$ 230,445,540</u>	<u>\$ 452,024,472</u>	<u>\$ 221,578,932</u>

**HARRIS COUNTY, TEXAS
SPECIAL REVENUE FUND
SCHEDULE OF EXPENDITURES AND OTHER USES
BUDGET AND ACTUAL - BUDGETARY BASIS**

For The Year Ended February 29, 2004

	<u>Adopted Budget</u>	<u>Adjusted Budget</u>	<u>Actual</u>	<u>(Over) Under</u>
Deed Restriction Enforcement	\$ 5,004	\$ 5,004	\$ -	\$ 5,004
Commercial Paper Series F - Flood Control	9,672,200	209,672,200	201,308,480	8,363,720
TIRZ Affordable Housing - Non Interest Bearing	955,515	1,673,072	955,515	717,557
TIRZ Affordable Housing - Interest Bearing	561,980	907,577	413,125	494,452
Flood Control Refunding 2002 - Cost of issuance	-	54,446	50,447	3,999
Flood Control Refunding 2003A - Cost of issuance	-	109,099	109,099	-
Flood Control Refunding 2003B - Cost of issuance	-	382,166	365,544	16,622
Child Support Enforcement	460,854	959,431	401,044	558,387
Restricted Fund	900,682 *	1,850,682	1,145,240	705,442
Appellate Judicial System	913,919	913,919	683,420	230,499
Stormwater Management	4,408,418	7,064,513	2,260,685	4,803,828
San Jacinto Wetlands	45,680	45,680	-	45,680
TNRCC - Pollution Control	489,215	1,247,121	308,381	938,740
Election Services	372,279	372,279	214,433	157,846
District Attorney Seized Assets - Treasury	10,300	10,300	-	10,300
District Attorney Seized Assets - Justice	114,509	114,509	-	114,509
Constable Seized Assets - Treasury	83,143	83,143	-	83,143
Constable Seized Assets - Justice	104,356	104,356	-	104,356
Sheriff Seized Assets - Treasury	6,644,894	6,644,894	44,492	6,600,402
Sheriff Seized Assets - Justice	2,382,680	2,382,680	629,346	1,753,334
Sheriff Seized Assets - State	3,558,969	3,558,969	2,225,162	1,333,807
District Attorney Seized Assets - State	13,506,601	13,506,601	3,509,089	9,997,512
Constable Seized Assets - State	328,771	328,771	32,678	296,093
Commissioner's Court Seized Assets	1,340,372	1,340,372	-	1,340,372
Alternative Dispute Resolution	1,053,501	1,053,501	689,239	364,262
LEOSE Law Enforcement	821,405	821,405	235,221	586,184
Hotel Occupancy Tax	26,855,683	26,855,683	23,971,632	2,884,051
Library Donations	503,350	503,350	212,026	291,324
County Law Library	2,080,592	2,080,592	1,192,134	888,458
State Forfeited Funds - Constable Pct 7	2,895	2,895	-	2,895
State Forfeited Funds - Constable Pct 8	15,220	15,220	-	15,220
Flood Control General Fund	139,941,809	139,941,809	49,377,396	90,564,413
District Attorney Special Investigating	9,130,346	9,130,346	-	9,130,346
District Attorney Administration	4,236,374	4,236,374	174,473	4,061,901
Memorial Trust Fund	2,253,584	2,282,687	181,429	2,101,258
Total Special Revenue Fund	\$ 233,755,100	\$ 440,255,646	\$ 290,689,730	\$ 149,565,916



Debt Service Funds are used to account for payment of principal and interest on County debt. Debt Service Funds are maintained as follows: Roads Debt Service, Hotel Occupancy Tax Debt Service, Psychiatric Hospital Revenue Debt Service and Flood Control District Debt Service.

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HARRIS COUNTY, TEXAS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS - DEBT SERVICE
February 29, 2004

	Roads	Hotel Occupancy Tax	Psychiatric Hospital Revenue	Flood Control	Total
ASSETS					
Cash and cash equivalents	\$ 7,270,598	\$ 611	\$ -	\$ 1,012,357	\$ 8,283,566
Investments	36,665,248	-	-	22,545,161	59,210,409
Taxes receivable, net	1,182,003	-	-	856,238	2,038,241
Accounts receivable, net	585,202	536	-	331,588	917,326
Accrued interest receivable	2,263	-	-	2,406	4,669
Due from other funds	-	-	-	1,811	1,811
Due from other governmental units	1,213,925	574	-	641,230	1,855,729
Total assets	<u>\$ 46,919,239</u>	<u>\$ 1,721</u>	<u>\$ -</u>	<u>\$ 25,390,791</u>	<u>\$ 72,311,751</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Deferred revenues	\$ 1,182,003	\$ -	\$ -	\$ 856,238	\$ 2,038,241
Due to other governmental units	-	-	-	170,659	170,659
Due to other funds	96,243	4,312	-	51,983	152,538
Total liabilities	<u>1,278,246</u>	<u>4,312</u>	<u>-</u>	<u>1,078,880</u>	<u>2,361,438</u>
Fund Balances:					
Reserved for debt service	45,640,993	-	-	24,311,911	69,952,904
Unreserved	-	(2,591)	-	-	(2,591)
Total fund balances	<u>45,640,993</u>	<u>(2,591)</u>	<u>-</u>	<u>24,311,911</u>	<u>69,950,313</u>
Total liabilities and fund balances	<u>\$ 46,919,239</u>	<u>\$ 1,721</u>	<u>\$ -</u>	<u>\$ 25,390,791</u>	<u>\$ 72,311,751</u>

HARRIS COUNTY, TEXAS
COMBINING STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS - DEBT SERVICE
For The Year Ended February 29, 2004

	<u>Roads</u>	<u>Hotel Occupancy Tax</u>	<u>Psychiatric Hospital Revenue</u>	<u>Flood Control</u>	<u>Total</u>
REVENUES					
Taxes - Property	\$ 42,568,279	\$ 2,297	\$ -	\$ 22,264,879	\$ 64,835,455
Earnings on investments	286,248	790	7,464	211,558	506,060
Miscellaneous	-	-	2,284,927	-	2,284,927
Total revenues	<u>42,854,527</u>	<u>3,087</u>	<u>2,292,391</u>	<u>22,476,437</u>	<u>67,626,442</u>
EXPENDITURES					
Debt Service:					
Principal retirement	19,610,000	1,105,000	2,200,000	19,975,000	42,890,000
Interest and fiscal charges	17,971,372	663,583	111,100	4,265,483	23,011,538
Total expenditures	<u>37,581,372</u>	<u>1,768,583</u>	<u>2,311,100</u>	<u>24,240,483</u>	<u>65,901,538</u>
Excess (deficiency) of revenue over (under) expenditures	<u>5,273,155</u>	<u>(1,765,496)</u>	<u>(18,709)</u>	<u>(1,764,046)</u>	<u>1,724,904</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	3,431,317	1,766,000	26,154	65,323	5,288,794
Transfers out	(81,418,486)	-	(1,012,534)	(200,491,111)	(282,922,131)
Refunding bonds issued	122,615,000	-	-	228,710,000	351,325,000
Premium on bonds issued	6,154,741	-	-	11,541,052	17,695,793
Payment to refunding bonds escrow agent	(47,878,015)	-	-	(38,544,264)	(86,422,279)
Total other financing sources (uses)	<u>2,904,557</u>	<u>1,766,000</u>	<u>(986,380)</u>	<u>1,281,000</u>	<u>4,965,177</u>
Net changes in fund balances	8,177,712	504	(1,005,089)	(483,046)	6,690,081
Fund balances, beginning	37,463,281	(3,095)	1,005,089	24,794,957	63,260,232
Fund balances, ending	<u>\$ 45,640,993</u>	<u>\$ (2,591)</u>	<u>\$ -</u>	<u>\$ 24,311,911</u>	<u>\$ 69,950,313</u>

**HARRIS COUNTY, TEXAS
DEBT SERVICE FUND**

**SCHEDULE OF AVAILABLE RESOURCES
BUDGET AND ACTUAL - BUDGETARY BASIS**

For The Year Ended February 29, 2004

	<u>Adopted Budget</u>	<u>Adjusted Budget</u>	<u>Actual</u>	<u>Over (Under)</u>
Beginning Cash and Investments	\$ 62,684,678	\$ 62,684,678	\$ 61,238,641	\$ (1,446,037)
Revenues and Transfers In:				
Taxes	59,951,656	59,951,656	64,094,636	4,142,980
Interest	699,416	699,416	500,334	(199,082)
User Fees	2,311,100	2,311,100	2,284,927	(26,173)
Other Bond Proceeds	-	84,718,753	351,325,000	266,606,247
Other Bond Premium	-	1,842,035	17,695,793	15,853,758
Other Deposits with Trustee	-	-	1,546,221	1,546,221
Other Transfers In	3,497,527	3,497,527	5,581,288	2,083,761
Total Revenues and Transfers In	<u>66,459,699</u>	<u>153,020,487</u>	<u>443,028,199</u>	<u>290,007,712</u>
Total Available Resources	<u>\$ 129,144,377</u>	<u>\$ 215,705,165</u>	<u>\$ 504,266,840</u>	<u>\$ 288,561,675</u>

HARRIS COUNTY, TEXAS
DEBT SERVICE FUND
SCHEDULE OF EXPENDITURES AND OTHER USES
BUDGET AND ACTUAL - BUDGETARY BASIS

For The Year Ended February 29, 2004

	<u>Adopted Budget</u>	<u>Adjusted Budget</u>	<u>Actual</u>	<u>(Over) Under</u>
Refunding Series 1991	\$ -	\$ 292,494	\$ 292,494	\$ -
Flood Control Refunding Series 1993	16,858,885	16,858,885	9,713,950	7,144,935
Flood Control Refunding Series 2002	28,601,910	28,601,910	14,866,555	13,735,355
Flood Control Refunding Series 2003	-	38,787,036	38,781,131	5,905
Flood Control Refunding Series 2003B	-	201,460,443	201,460,443	-
Tax and Subordinate Lien Refunding Series 1997	3,533,628	3,533,628	1,768,583	1,765,045
Psychiatric Hospital Refunding Series 1995	2,311,100	2,311,225	2,311,225	-
Psychiatric Hospital Refunding Series 1995 Reserve	-	1,012,409	1,012,409	-
Road Series 1995	9,525,750	9,525,750	3,262,875	6,262,875
Road Series 1996	6,261,228	6,261,228	2,740,614	3,520,614
Road Refunding Series 1993	24,158,483	24,158,483	12,314,116	11,844,367
Road Refunding Series 2001	39,603,640	39,603,640	19,796,920	19,806,720
Road Refunding Series 2003A	-	48,165,251	48,165,251	-
Road Refunding Series 2003B	-	80,598,097	80,598,097	-
Total Debt Service Fund	<u>\$ 130,854,624</u>	<u>\$ 501,170,479</u>	<u>\$ 437,084,663</u>	<u>\$ 64,085,816</u>

Capital Projects Funds are used to account for bond sale proceeds and other revenues which are used for the construction and acquisition of major capital projects of the County, Flood Control District, and the Sports and Convention Corp.

ROADS – This fund is used for construction and improvement of roads in the County.

PERMANENT IMPROVEMENTS - Permanent Improvement bonds are used for purchase, construction or improvement of office and courts buildings, juvenile facilities, parks and other public facilities.

RELIANT PARK - This fund is used to account for construction and/or improvement of facilities in the Reliant Stadium, Reliant Exposition Center, Reliant Park Central Plant, and Astrodome Complex.

SPORTS AND CONVENTION CORPORATION – This fund is used for construction of the sports and entertainment complex located on property owned by the County.

FLOOD CONTROL DISTRICT – This fund is used to account for construction of flood control and drainage improvements.

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HARRIS COUNTY, TEXAS
COMBINING BALANCE SHEET
NON MAJOR GOVERNMENTAL FUNDS - CAPITAL PROJECTS
February 29, 2004

	<u>Roads</u>	<u>Permanent Improvements</u>	<u>Reliant Park</u>	<u>Sports and Convention Corporation</u>	<u>Flood Control</u>	<u>Total</u>
ASSETS						
Cash and cash equivalents	\$ 550,915	\$ 594,495	\$ 18,863	\$ -	\$ 7,721,657	\$ 8,885,930
Pooled cash and Investments	41,421,214	23,711,770	6,286,083	-	24,818,023	96,237,090
Investments	6,441,986	86,098,662	-	12,605,920	-	105,146,568
Accounts Receivable, Net	7,576,505	-	-	3,087,870	151	10,664,526
Accrued interest	14,644	360,144	-	-	112,853	487,641
Due from other governmental units	-	-	-	-	-	-
Due from other funds	-	16,997,266	12,411,092	-	825,392	30,233,750
Total assets	<u>\$ 56,005,264</u>	<u>\$ 127,762,337</u>	<u>\$ 18,716,038</u>	<u>\$ 15,693,790</u>	<u>\$ 33,478,076</u>	<u>\$ 251,655,505</u>
LIABILITIES AND FUND BALANCES						
Liabilities:						
Vouchers payable	\$ 4,784,987	\$ 12,501,227	\$ -	\$ -	\$ 4,879,878	\$ 22,166,092
Customer deposits	44,863	-	-	-	-	44,863
Deferred revenues	15,765	-	-	-	151	15,916
Due to other units	-	-	-	-	-	-
Due to other funds	-	1,415,710	1,734,211	12,000,000	5,753,301	20,903,222
Retainage payable	1,890,875	1,988,322	-	-	629,538	4,508,735
Total liabilities	<u>6,736,490</u>	<u>15,905,259</u>	<u>1,734,211</u>	<u>12,000,000</u>	<u>11,262,868</u>	<u>47,638,828</u>
Fund Balances:						
Reserved for encumbrances	63,869,532	111,045,650	5,334,147	-	42,481,706	222,731,035
Unreserved - designated for capital projects	-	811,428	11,647,680	-	-	12,459,108
Unreserved	<u>(14,600,758)</u>	<u>-</u>	<u>-</u>	<u>3,693,790</u>	<u>(20,266,498)</u>	<u>(31,173,466)</u>
Total fund balances	<u>49,268,774</u>	<u>111,857,078</u>	<u>16,981,827</u>	<u>3,693,790</u>	<u>22,215,208</u>	<u>204,016,677</u>
Total liabilities and fund balances	<u>\$ 56,005,264</u>	<u>\$ 127,762,337</u>	<u>\$ 18,716,038</u>	<u>\$ 15,693,790</u>	<u>\$ 33,478,076</u>	<u>\$ 251,655,505</u>

HARRIS COUNTY, TEXAS
COMBINING STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS - CAPITAL PROJECTS
For The Year Ended February 29, 2004

	<u>Roads</u>	<u>Permanent Improvements</u>	<u>Reliant Park</u>	<u>Sports and Convention Corporation</u>	<u>Flood Control</u>	<u>Total</u>
REVENUES						
Intergovernmental	\$ 12,993,080	\$ 501,532	\$ -	\$ -	\$ 6,006,300	\$ 19,500,912
Charges for services	-	-	-	-	129,404	129,404
Earnings on investments	333,720	2,142,456	119,732	-	627,308	3,223,216
Miscellaneous	1,525,633	140,049	-	-	3,485,721	5,151,403
Total revenues	<u>14,852,433</u>	<u>2,784,037</u>	<u>119,732</u>	<u>-</u>	<u>10,248,733</u>	<u>28,004,935</u>
EXPENDITURES						
Administration of justice	-	413,357	-	-	-	413,357
County administration	-	6,496,428	-	-	-	6,496,428
Health and human services	-	6,584,117	-	-	-	6,584,117
Parks	-	159,349	-	-	-	159,349
Roads and bridges	-	208,742	-	-	-	208,742
Flood Control	-	-	-	-	3,096,954	3,096,954
Capital outlay	59,349,130	58,580,432	224,425	19,068,400	116,066,976	253,289,363
Total expenditures	<u>59,349,130</u>	<u>72,442,425</u>	<u>224,425</u>	<u>19,068,400</u>	<u>119,163,930</u>	<u>270,248,310</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(44,496,697)</u>	<u>(69,658,388)</u>	<u>(104,693)</u>	<u>(19,068,400)</u>	<u>(108,915,197)</u>	<u>(242,243,375)</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	-	7,262,787	338,781	-	-	7,601,568
Transfers out	(2,219,485)	(39,682,242)	(7,748,940)	-	(48,171,050)	(97,821,717)
Capital contributions	-	-	-	8,317,086	-	8,317,086
Loans issued	-	-	-	2,376,550	-	2,376,550
Sale of capital assets	-	-	-	-	414,268	414,268
Note restructure	-	-	-	5,000,000	-	5,000,000
Commercial paper issued	45,610,000	53,913,000	3,577,000	-	118,234,000	221,334,000
Total other financing sources (uses)	<u>43,390,515</u>	<u>21,493,545</u>	<u>(3,833,159)</u>	<u>15,693,636</u>	<u>70,477,218</u>	<u>147,221,755</u>
Net change in fund balances	(1,106,182)	(48,164,843)	(3,937,852)	(3,374,764)	(38,437,979)	(95,021,620)
Fund balances, beginning	50,374,956	160,021,921	20,919,679	7,068,554	60,653,187	299,038,297
Fund balances, ending	<u>\$ 49,268,774</u>	<u>\$ 111,857,078</u>	<u>\$ 16,981,827</u>	<u>\$ 3,693,790</u>	<u>\$ 22,215,208</u>	<u>\$ 204,016,677</u>

**HARRIS COUNTY, TEXAS
CAPITAL PROJECT FUND**

**SCHEDULE OF AVAILABLE RESOURCES
BUDGET AND ACTUAL - BUDGETARY BASIS**

For The Year Ended February 29, 2004

	<u>Adopted Budget</u>	<u>Adjusted Budget</u>	<u>Actual</u>	<u>Over (Under)</u>
Beginning Cash and Investments	\$ 83,373,376	\$ 83,373,376	\$ 289,130,758	\$ 205,757,382
Revenues and Transfers In:				
Interest	1,031,058	4,171,565	3,806,499	(365,066)
Miscellaneous	-	803,523	2,716,217	1,912,694
User Fees	76,000	76,000	2,621,244	2,545,244
Intergovernmental	3,600,000	23,896,133	22,523,314	(1,372,819)
Other Proceeds Comm Paper	-	-	221,691,766	221,691,766
Other Transfers In	-	-	6,924,007	6,924,007
Total Revenues and Transfers In	<u>4,707,058</u>	<u>28,947,221</u>	<u>260,283,047</u>	<u>231,335,826</u>
Total Available Resources	<u>\$ 88,080,434</u>	<u>\$ 112,320,597</u>	<u>\$ 549,413,805</u>	<u>\$ 437,093,208</u>

**HARRIS COUNTY, TEXAS
CAPITAL PROJECTS FUND
SCHEDULE OF EXPENDITURES AND OTHER USES
BUDGET AND ACTUAL - BUDGETARY BASIS**

For The Year Ended February 29, 2004

	Adopted Budget	Adjusted Budget	Actual	(Over) Under
METRO Street Improvement	\$ 3,543,307 *	\$ 3,543,307	\$ 96,568	\$ 3,446,739
Regional Flood Control Projects	21,735,458	21,735,458	1,777,947	19,957,511
Flood Control Capital Projects	-	28,181,864	28,181,864	-
Flood Control Capital Projects	27,010,254	27,010,254	22,437,893	4,572,361
1975 Road Bonds Construction	1,138,484 *	1,138,484	11,050	1,127,434
Road Capital Projects	32,089,366	42,215,063	6,390,467	35,824,596
METRO Designated Projects	4,535,928 *	19,993,172	6,739,831	13,253,341
Buildings/Parks/Library Projects	6,356,664	6,858,196	4,093,779	2,764,417
1982 Park Bonds Construction	888,692	888,692	11,508	877,184
CO Series 2001 Construction	22,520,147 *	23,137,310	2,928,215	20,209,095
Permanent Improvements 2002 Construction	85,882,701 *	87,240,066	23,036,589	64,203,477
Co Series 2002 Construction	1,413,224 *	1,456,943	628,859	828,084
1988T Astrodome Improvements	2,440,514 *	2,440,514	-	2,440,514
Permanent Improvements 1992 Construction	51,467 *	158,712	158,335	377
Road Series 1993 Construction	2,554,989 *	2,559,487	1,126,870	1,432,617
Road Series 1995 Construction	6,972,239 *	5,630,835	2,192,993	3,437,842
Permanent Improvements 1994 Construction	242,442 *	1,146,203	937,237	208,966
Road 1996 Construction	8,067,351 *	8,218,871	2,206,527	6,012,344
CO Series 1998 Baker Street Jail	-	255,568	43,473	212,095
CO Series 1994 Construction	12,057,238 *	26,084,415	15,978,724	10,105,691
Criminal Justice Center	-	1,026,304	1,026,304	-
Commercial Paper Series D-1	3,294,729 *	3,294,729	95,526	3,199,203
Commercial Paper Series D	927,493 *	7,988,155	7,279,772	708,383
Commercial Paper Series B	21,961,824 *	46,832,398	10,494,555	36,337,843
Commercial Paper Series C	199,483,110 *	279,483,112	41,838,482	237,644,630
Commercial Paper Series A	12,956,675 *	8,809,249	-	8,809,249
Commercial Paper Series A-1	3,797,452 *	66,540,929	4,064,372	62,476,557
Commercial Paper - Flood Control	102,139,593 *	301,889,593	110,682,916	191,206,677
Commercial Paper Series New D	8,673,078 *	111,552,495	42,095,121	69,457,374
Total Capital Projects Fund	\$ 592,734,419	\$ 1,137,310,378	\$ 336,555,777	\$ 800,754,601

Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes

SUBSCRIBER ACCESS - This fund is used to account for the use of computer access to certain District Clerk and County Clerk records. The information is available only to qualified users, and all costs associated with the program are passed on to the users through user charges.

PARKING FACILITIES - This fund is used to account for the acquisition, operation and maintenance of parking facilities. These facilities are intended to be financed primarily through user charges.

SHERIFF'S COMMISSARY FUND - This fund is used to account for the operation of a commissary for jail inmates. In addition, the fund is used to account for inmate monies held in a trustee capacity, from which inmates can make commissary purchases and from which inmates are required to reimburse the County for medical services provided to them. The Commissary is funded primarily through profits on sales of commissary items to inmates.

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HARRIS COUNTY, TEXAS
COMBINING STATEMENT OF NET ASSETS - NONMAJOR ENTERPRISE FUNDS
February 28, 2005

	<u>Subscriber Access</u>	<u>Parking Facilities</u>	<u>Sheriff's Commissary Fund</u>	<u>Total</u>
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 131,989	\$ 1,449,822	\$ 7,320,683	\$ 8,902,494
Investments	89,231	912,336	-	1,001,567
Accounts receivable, net	85,200	34,709	811,195	931,104
Accrued interest receivable	385	3,935	-	4,320
Inventory	-	-	170,511	170,511
Total current assets	<u>306,805</u>	<u>2,400,802</u>	<u>8,302,389</u>	<u>11,009,996</u>
Noncurrent assets:				
Land	-	3,963,598	-	3,963,598
Buildings	-	9,390,823	-	9,390,823
Equipment	936,890	-	1,950,575	2,887,465
Accumulated depreciation	<u>(737,750)</u>	<u>(4,494,794)</u>	<u>(1,906,721)</u>	<u>(7,139,265)</u>
Total noncurrent assets	<u>199,140</u>	<u>8,859,627</u>	<u>43,854</u>	<u>9,102,621</u>
Total assets	<u>505,945</u>	<u>11,260,429</u>	<u>8,346,243</u>	<u>20,112,617</u>
LIABILITIES AND FUND EQUITY				
Current liabilities:				
Vouchers payable	1,500	33,244	294,685	329,429
Accrued payroll and compensated absences	3,991	-	-	3,991
Customer deposits	186,969	7,573	-	194,542
Current portion of compensatory time payable	489	-	-	489
Total current liabilities	<u>192,949</u>	<u>40,817</u>	<u>294,685</u>	<u>528,451</u>
Noncurrent liabilities:				
Noncurrent portion of compensatory time payable	<u>122</u>	<u>-</u>	<u>-</u>	<u>122</u>
Total noncurrent liabilities	<u>122</u>	<u>-</u>	<u>-</u>	<u>122</u>
Total Liabilities	<u>193,071</u>	<u>40,817</u>	<u>294,685</u>	<u>528,573</u>
NET ASSETS				
Invested in capital assets, net of related debt	61,378	9,027,011	43,854	9,132,243
Unrestricted	<u>251,496</u>	<u>2,192,601</u>	<u>8,007,704</u>	<u>10,451,801</u>
Total net assets	<u>\$ 312,874</u>	<u>\$11,219,612</u>	<u>\$ 8,051,558</u>	<u>\$ 19,584,044</u>

HARRIS COUNTY, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS - NONMAJOR ENTERPRISE FUNDS
For The Year Ended February 28, 2005

	Subscriber Access	Parking Facilities	Sheriff's Commissary Fund	Total
OPERATING REVENUES				
Sales	\$ -	\$ -	\$ 6,414,651	\$ 6,414,651
User fees	205,209	450,829	-	656,038
Miscellaneous	182,554	-	-	182,554
Total operating revenues	<u>387,763</u>	<u>450,829</u>	<u>6,414,651</u>	<u>7,253,243</u>
OPERATING EXPENSES				
Salaries	44,287		600,000	644,287
Services & fees	145,729	36,830	602,898	785,457
Utilities	-	287,219	-	287,219
Materials & supplies	(302,888)	-	638,682	335,794
Cost of goods sold	-	-	2,902,106	2,902,106
Depreciation	177,042	167,384	72,616	417,042
Total operating expenses	<u>64,170</u>	<u>491,433</u>	<u>4,816,302</u>	<u>5,371,905</u>
Operating Income	<u>323,593</u>	<u>(40,604)</u>	<u>1,598,349</u>	<u>1,881,338</u>
NONOPERATING REVENUES (EXPENSES)				
Earnings on investments	1,903	33,123	86,365	121,391
Loss on disposal of fixed asset	-	-	-	-
Other nonoperating revenues(expenses)	-	-	-	-
Total nonoperating revenues (expenses)	<u>1,903</u>	<u>33,123</u>	<u>86,365</u>	<u>121,391</u>
Transfers out	-	(3,175,645)	(95,588)	(3,271,233)
Change in net assets	325,496	(3,183,126)	1,589,126	(1,268,504)
Net assets, beginning	(12,622)	14,402,738	6,462,432	20,852,548
Net assets, ending	<u>\$ 312,874</u>	<u>\$11,219,612</u>	<u>\$ 8,051,558</u>	<u>\$ 19,584,044</u>

HARRIS COUNTY, TEXAS
COMBINING STATEMENT OF CASH FLOWS -
NONMAJOR ENTERPRISE FUNDS

For The Year Ended February 29, 2004

	Subscriber Access	Parking Facilities	Sheriff's Commissary Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customer	\$ 204,932	\$ 790,842	\$ 2,889,797	\$ 3,885,571
Payment to employees	(48,738)	-	(500,000)	(548,738)
Payment to vendors	(244,845)	(219,566)	(5,971,358)	(6,435,769)
Internal activity - net payments to other funds	-	-	-	-
Other receipts (payments)	113,116	-	(339,462)	(226,346)
Net cash provided by (used for) operating activities	<u>24,465</u>	<u>571,276</u>	<u>(3,921,023)</u>	<u>(3,325,282)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
	-	-	-	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Disposal of capital asset	-	-	36,619	36,619
Net cash provided by capital and related financing activities	-	-	36,619	36,619
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest received	997	88,076	62,283	151,356
Net cash provided by investing activities	<u>997</u>	<u>88,076</u>	<u>62,283</u>	<u>151,356</u>
Net change in cash and cash equivalents	25,462	659,352	(3,822,121)	(3,137,307)
Cash and cash equivalents, beginning	3,878	4,727,601	6,602,371	11,333,850
Cash and cash equivalents, ending	<u>\$ 29,340</u>	<u>\$ 5,386,953</u>	<u>\$ 2,780,250</u>	<u>\$ 8,196,543</u>
Reconciliation of Operating Income to Net Cash Provided by (Used for) Operating Activities:				
Operating income	\$ 26,179	\$ 415,942	\$ 505,107	\$ 947,228
Adjustment to reconcile operating income to net cash provided by (used for) operating activities:				
Depreciation	46,074	169,250	133,007	348,331
Other nonoperating revenues (expenses)	-	-	992,557	992,557
Change in current assets and liabilities:				
Receivables, net	(83,755)	(46,226)	(3,619,918)	(3,749,899)
Prepays and other assets	56,213	-	(12,711)	43,502
Vouchers payable and accrued liabilities	(10,325)	32,310	(522,531)	(500,546)
Other liabilities	(8,409)	-	(1,396,534)	(1,404,943)
Compensatory time payable	(1,512)	-	-	(1,512)
Net cash provided by (used for) operating activities	<u>\$ 24,465</u>	<u>\$ 571,276</u>	<u>\$ (3,921,023)</u>	<u>\$ (3,325,282)</u>



Internal Service Funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the governmental unit, or to other governmental units, on a cost-reimbursement basis.

VEHICLE MAINTENANCE - This fund is used to account for the operation of the County's Vehicle Maintenance Department which is to be financed through user charges.

AUCTION PROCEEDS - This fund is used to account for the operation of the County's sale of surplus items which is to be financed through user charges.

RADIO OPERATIONS - This fund is used to account for the operation of County radios which is to be financed through user charges.

INMATE INDUSTRIES - This fund is used to account for the operation of the printing shop provided by inmates to County departments which is to be financed by user charges.

RISK MANAGEMENT - This fund is used to account for the County's workers' compensation, health insurance and other risk management activities. Workers' Compensation includes medical and indemnity payments as required by law for on-the-job related injuries. Health Insurance includes the group health insurance program which includes HMO coverage and comprehensive major medical, dental, vision care, basic life and disability insurance benefits. Other risk management activities include coordination of all insurance policies and management of self-insured risk.

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HARRIS COUNTY, TEXAS
COMBINING STATEMENT OF NET ASSETS - INTERNAL SERVICE FUNDS
February 29, 2004

	Vehicle Maintenance	Auction Proceeds	Radio Operations	Inmate Industries	Risk Management	Total
ASSETS						
Cash and cash equivalents	\$ 4,997,654	\$ 886,090	\$ 36,167	\$ 1,208,447	20,350,520	\$ 27,478,878
Investments	-	-	-	-	17,623,720	17,623,720
Receivables:						
Accounts	29,953	1,841	256,175	9,582	186,314	483,865
Accrued interest	-	-	-	-	72,468	72,468
Due from other funds	50,807	-	2,184	-	-	52,991
Prepays and other assets	487	-	-	-	918,306	918,793
Inventory	504,372	-	599,418	-	-	1,103,790
Land	250,000	-	-	-	-	250,000
Buildings	1,468,568	-	-	-	-	1,468,568
Equipment	30,006,136	-	1,516,402	388,172	-	31,910,710
Accumulated depreciation	(15,636,571)	-	(1,219,505)	(157,234)	-	(17,013,310)
Total assets	<u>21,671,406</u>	<u>887,931</u>	<u>1,190,841</u>	<u>1,448,967</u>	<u>39,151,328</u>	<u>64,350,473</u>
LIABILITIES						
Vouchers payable	840,095	60,101	98,623	22,428	8,995,305	10,016,552
Accrued payroll and compensated absences	178,570	-	110,027	-	222,133	510,730
Surplus auction payable	-	827,830	-	-	-	827,830
Estimated outstanding claims	-	-	-	-	19,472,656	19,472,656
Incurred but not reported claims	-	-	-	-	7,074,995	7,074,995
Deferred revenue	-	-	505,674	-	-	505,674
Compensatory time payable	80,856	-	48,478	-	57,678	187,012
Total liabilities	<u>1,099,521</u>	<u>887,931</u>	<u>762,802</u>	<u>22,428</u>	<u>35,822,767</u>	<u>38,595,449</u>
NET ASSETS						
Invested in capital assets, net of related debt	16,088,133	-	296,897	230,938	-	16,615,968
Unrestricted	4,483,752	-	131,142	1,195,601	3,328,561	9,139,056
Total net assets	<u>\$ 20,571,885</u>	<u>\$ -</u>	<u>\$ 428,039</u>	<u>\$ 1,426,539</u>	<u>\$ 3,328,561</u>	<u>\$ 25,755,024</u>

HARRIS COUNTY, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN
NET ASSETS - INTERNAL SERVICE FUNDS
For The Year Ended February 29, 2004

	Vehicle Maintenance	Auction Proceeds	Radio Operations	Inmate Industries	Risk Management	Total
OPERATING REVENUES						
Lease revenue	\$ 6,950,279	\$ -	\$ -	\$ -	\$ -	\$ 6,950,279
Charges to departments	11,279,881	-	1,205,713	456,390	111,806,095	124,748,079
Total operating revenues	<u>18,230,160</u>	<u>-</u>	<u>1,205,713</u>	<u>456,390</u>	<u>111,806,095</u>	<u>131,698,358</u>
OPERATING EXPENSES						
Administration	7,537,587	-	2,580,432	191,959	5,012,353	15,322,331
Incurred claims	-	-	-	-	106,541,517	106,541,517
Estimated claims	-	-	-	-	2,257,485	2,257,485
Reinsurance premium	-	-	-	-	823,794	823,794
Cost of goods sold	3,650,284	-	257,184	-	-	3,907,468
Depreciation	4,111,186	-	79,759	30,374	-	4,221,319
Total operating expenses	<u>15,299,057</u>	<u>-</u>	<u>2,917,375</u>	<u>222,333</u>	<u>114,635,149</u>	<u>133,073,914</u>
Operating income (loss)	<u>2,931,103</u>	<u>-</u>	<u>(1,711,662)</u>	<u>234,057</u>	<u>(2,829,054)</u>	<u>(1,375,556)</u>
NONOPERATING REVENUES (EXPENSES)						
Earnings on investments	52,340	-	672	14,024	473,976	541,012
Gain (loss) on sale of capital assets	(27,047)	-	-	-	-	(27,047)
Other	550,194	-	-	-	(113,099)	437,095
Total nonoperating revenues (expenses)	<u>575,487</u>	<u>-</u>	<u>672</u>	<u>14,024</u>	<u>360,877</u>	<u>951,060</u>
Income (loss) before transfers	<u>3,506,590</u>	<u>-</u>	<u>(1,710,990)</u>	<u>248,081</u>	<u>(2,468,177)</u>	<u>(424,496)</u>
Transfers in	-	-	3,328,365	-	1,122,172	4,450,537
Transfers out	-	(272,192)	-	-	-	(272,192)
Total transfers	<u>-</u>	<u>(272,192)</u>	<u>3,328,365</u>	<u>-</u>	<u>1,122,172</u>	<u>4,178,345</u>
Change in net assets	3,506,590	(272,192)	1,617,375	248,081	(1,346,005)	3,753,849
Net assets, beginning	17,065,295	272,192	(1,189,336)	1,178,458	4,674,566	22,001,175
Net assets, ending	<u>\$ 20,571,885</u>	<u>\$ -</u>	<u>\$ 428,039</u>	<u>\$ 1,426,539</u>	<u>\$ 3,328,561</u>	<u>\$ 25,755,024</u>

HARRIS COUNTY, TEXAS
COMBINING STATEMENT OF CASH FLOWS - INTERNAL SERVICE FUNDS
For The Year Ended February 29, 2004

	Vehicle Maintenance	Auction Proceeds	Radio Operations	Inmate Industries	Risk Management	Total
CASH FLOWS FROM OPERATING ACTIVITIES						
Receipts from customers	\$ 18,243,705	\$ (1,841)	\$ 1,186,193	\$ 453,617	\$ 111,797,469	\$ 131,679,143
Payments to vendors	(9,898,079)	(233,153)	(1,404,884)	(186,801)	(99,846,862)	(111,569,779)
Payments to employees	(2,236,168)	-	(1,370,404)	-	(3,173,727)	(6,780,299)
Internal activity-receipts(payments) from (to) other funds	-	-	(1,529,449)	-	-	(1,529,449)
Claims paid	-	-	-	-	(6,378,753)	(6,378,753)
Other receipts/(payments)	(831)	-	35,238	-	(113,391)	(78,984)
Net cash provided by (used for) operating activities	<u>6,108,627</u>	<u>(234,994)</u>	<u>(3,083,306)</u>	<u>266,816</u>	<u>2,284,736</u>	<u>5,341,879</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES						
Subsidies and transfers to/from other funds	-	(272,192)	3,328,365	-	1,122,172	4,178,345
Net cash provided by (used for) noncapital financing activities	<u>-</u>	<u>(272,192)</u>	<u>3,328,365</u>	<u>-</u>	<u>1,122,172</u>	<u>4,178,345</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
(Purchases) disposals of capital assets	(8,060,156)	24,233	(209,564)	-	-	(8,245,487)
Net cash provided by (used for) capital and related financing activities	<u>(8,060,156)</u>	<u>24,233</u>	<u>(209,564)</u>	<u>-</u>	<u>-</u>	<u>(8,245,487)</u>
CASH FLOWS FROM INVESTING ACTIVITIES						
Purchase of investment securities	-	-	-	-	(29,590,356)	(29,590,356)
Proceeds from sales and maturities of investments	-	-	-	-	29,830,961	29,830,961
Interest and dividends	52,340	-	672	14,024	529,288	596,324
Net cash provided by investing activities	<u>52,340</u>	<u>-</u>	<u>672</u>	<u>14,024</u>	<u>769,893</u>	<u>836,929</u>
Net change in cash and cash equivalents	(1,899,189)	(482,953)	36,167	280,840	4,176,801	2,111,666
Cash and cash equivalents, beginning	6,896,843	1,369,043	-	927,607	16,173,719	25,367,212
Cash and cash equivalents, ending	<u>\$ 4,997,654</u>	<u>\$ 886,090</u>	<u>\$ 36,167</u>	<u>\$ 1,208,447</u>	<u>\$ 20,350,520</u>	<u>\$ 27,478,878</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:						
Operating income (loss)	\$ 2,931,103	\$ -	\$ (1,711,662)	\$ 234,057	\$ (2,829,054)	\$ (1,375,556)
Adjustments to reconcile operating income to net cash						
Provided by operating activities:						
Depreciation expense	4,111,186	-	79,759	30,374	-	4,221,319
Other non-operating revenues/expenses	-	-	-	-	(113,099)	(113,099)
Change in assets and liabilities:						
Receivables, net	13,545	(1,356)	(1,548,969)	(2,773)	(8,626)	(1,548,179)
Pre-paids and other assets	(487)	-	-	-	(8,407)	(8,894)
Inventories	(263,245)	6,775	(53,790)	-	-	(310,260)
Accounts and other payables	(738,801)	(239,928)	74,476	5,158	5,198,197	4,299,102
Deferred revenue	(831)	(485)	35,238	-	(292)	33,630
Accrued expenses	56,157	-	41,642	-	46,017	143,816
Net Cash Provided by (Used for) Operating Activities	<u>\$ 6,108,627</u>	<u>\$ (234,994)</u>	<u>\$ (3,083,306)</u>	<u>\$ 266,816</u>	<u>\$ 2,284,736</u>	<u>\$ 5,341,879</u>



DISTRICT CLERK REGISTRY - Established for the purpose of accounting for moneys held in the custody of the District Clerk under orders of various Harris County courts.

COUNTY CLERK REGISTRY - Established for the purpose of accounting for moneys held in the custody of the County Clerk under orders of various Harris County courts.

OFFICERS' FEES - This fund is used as a clearing fund for fees, fines and court costs collected by Sheriff, County Clerk, District Clerk, and/or other fee officers of the County.

BAIL SECURITY - Assets pledged by Bail Bond licensees as collateral are accounted for in this fund.

CPS BENEFICIARY TRUST - Established for the purpose of accounting for moneys held in the custody of the County for the benefit of children residing in Harris County under the conservatorship of the Texas Department of Protective and Regulatory Services.

TAX COLLECTOR'S - Tax collections are deposited in the Tax Collector's agency fund pending audit and distribution to the County or other taxing jurisdiction. Receipts from the sale of beer licenses are deposited in this fund pending approval by the State Alcoholic Beverage Commission.

INMATE PROPERTY – This fund is used to account for jail inmates' properties held in the custody of Harris County

TREASURER ESCHEAT - This fund is used to account for unclaimed property \$100 or less held in the custody of Harris County.

CUSTODIAL - This fund is used to account for various custodial bank accounts activities.

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HARRIS COUNTY, TEXAS
COMBINING STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
For The Year Ended February 29, 2004

	<u>District Clerk Registry</u>	<u>County Clerk Registry</u>	<u>Officers' Fees</u>	<u>Bail Security</u>
ASSETS				
Cash and cash equivalents	\$ 2,708,937	\$ 2,454,642	\$ 45,595,048	\$ 13,656,393
Investments	87,106,798	54,989,536	-	-
Accounts receivable	-	-	16,477	-
Accrued interest receivable	310,132	199,497	-	-
Total assets	<u>\$ 90,125,867</u>	<u>\$ 57,643,675</u>	<u>\$ 45,611,525</u>	<u>\$ 13,656,393</u>
LIABILITIES				
Payables	\$ -	\$ -	\$ -	\$ -
Held for others	90,125,867	57,643,675	45,611,525	13,656,393
Total liabilities	<u>\$ 90,125,867</u>	<u>\$ 57,643,675</u>	<u>\$ 45,611,525</u>	<u>\$ 13,656,393</u>

<u>CPS Beneficiary Trust</u>	<u>Tax Collector's</u>	<u>Inmate Property</u>	<u>Treasurer Escheat</u>	<u>Custodial</u>	<u>Total Agency Funds</u>
\$ 223,873	\$ 62,297,002	\$ 4,664,110	\$ 427,645	\$ 1,251,590	\$ 133,279,240
-	-	-	-	-	142,096,334
-	-	36,130	-	-	52,607
-	-	-	-	-	509,629
<u>\$ 223,873</u>	<u>\$ 62,297,002</u>	<u>\$ 4,700,240</u>	<u>\$ 427,645</u>	<u>\$ 1,251,590</u>	<u>\$ 275,937,810</u>
\$ -	\$ -	\$ 4,256,142	\$ -	\$ -	\$ 4,256,142
<u>223,873</u>	<u>62,297,002</u>	<u>444,098</u>	<u>427,645</u>	<u>1,251,590</u>	<u>271,681,668</u>
<u>\$ 223,873</u>	<u>\$ 62,297,002</u>	<u>\$ 4,700,240</u>	<u>\$ 427,645</u>	<u>\$ 1,251,590</u>	<u>\$ 275,937,810</u>

HARRIS COUNTY, TEXAS
COMBINING STATEMENT OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
For The Year Ended February 29, 2004

	<u>Balance</u> <u>March 1, 2003</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>February 29, 2004</u>
District Clerk Registry				
ASSETS				
Cash and cash equivalents	\$ 8,536,342	\$ 253,340,866	\$ 259,168,271	\$ 2,708,937
Investments	68,565,315	221,720,634	203,179,151	87,106,798
Accrued interest receivable	675,744	1,251,709	1,617,321	310,132
Total Assets	<u>\$ 77,777,401</u>	<u>\$ 476,313,209</u>	<u>\$ 463,964,743</u>	<u>\$ 90,125,867</u>
LIABILITIES				
Due to other governments	\$ 77,777,401		\$ 77,777,401	\$ -
Held for others	-	\$ 205,078,529	114,952,662	90,125,867
Total Liabilities	<u>\$ 77,777,401</u>	<u>\$ 205,078,529</u>	<u>\$ 192,730,063</u>	<u>\$ 90,125,867</u>
County Clerk Registry				
ASSETS				
Cash and cash equivalents	\$ 12,508,571	\$ 235,577,656	\$ 245,631,585	\$ 2,454,642
Investments	71,220,145	157,340,685	173,571,294	54,989,536
Accrued interest receivable	318,519	570,484	689,506	199,497
Total Assets	<u>\$ 84,047,235</u>	<u>\$ 393,488,825</u>	<u>\$ 419,892,385</u>	<u>\$ 57,643,675</u>
LIABILITIES				
Due to other governments	\$ 84,047,235		\$ 84,047,235	\$ -
Held for others	-	232,514,812	174,871,137	57,643,675
Total Liabilities	<u>\$ 84,047,235</u>	<u>\$ 232,514,812</u>	<u>\$ 258,918,372</u>	<u>\$ 57,643,675</u>
Officers' Fee				
ASSETS				
Cash and cash equivalents	\$ 44,638,959	\$ 26,944,842,606	\$ 26,943,886,517	\$ 45,595,048
Accounts receivable	6,900	127,132	117,555	16,477
Total Assets	<u>\$ 44,645,859</u>	<u>\$ 26,944,969,738</u>	<u>\$ 26,944,004,072</u>	<u>\$ 45,611,525</u>
LIABILITIES				
Due to other funds	\$ 5,837,342	-	\$ 5,837,342	-
Due to other governments	38,808,516	-	38,808,516	-
Held for others	-	\$ 550,295,792	504,684,267	\$ 45,611,525
Total Liabilities	<u>\$ 44,645,858</u>	<u>\$ 550,295,792</u>	<u>\$ 549,330,125</u>	<u>\$ 45,611,525</u>

HARRIS COUNTY, TEXAS
COMBINING STATEMENT OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
For The Year Ended February 29, 2004

	<u>Balance March 1, 2003</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance February 29, 2004</u>
<u>Bail Security</u>				
ASSETS				
Cash and cash equivalents	\$ 12,413,806	\$ 15,582,575	\$ 14,339,988	\$ 13,656,393
Total Assets	<u>\$ 12,413,806</u>	<u>\$ 15,582,575</u>	<u>\$ 14,339,988</u>	<u>\$ 13,656,393</u>
LIABILITIES				
Due to other governments	\$ 12,413,806	-	\$ 12,413,806	-
Held for others	-	\$ 28,367,786	14,711,393	\$ 13,656,393
Total Liabilities	<u>\$ 12,413,806</u>	<u>\$ 28,367,786</u>	<u>\$ 27,125,199</u>	<u>\$ 13,656,393</u>
<u>CPS Beneficiary Trust</u>				
ASSETS				
Cash and cash equivalents	\$ 814,665	\$ 3,091,013	\$ 3,681,805	\$ 223,873
Total Assets	<u>\$ 814,665</u>	<u>\$ 3,091,013</u>	<u>\$ 3,681,805</u>	<u>\$ 223,873</u>
LIABILITIES				
Due to other governments	\$ 814,665	-	\$ 814,665	-
Held for others	-	\$ 11,917,845	11,693,972	\$ 223,873
Total Liabilities	<u>\$ 814,665</u>	<u>\$ 11,917,845</u>	<u>\$ 12,508,637</u>	<u>\$ 223,873</u>
<u>Tax Collector's</u>				
ASSETS				
Cash and cash equivalents	\$ 48,545,552	\$ 4,330,512,776	\$ 4,316,761,326	\$ 62,297,002
Due from other funds	19,039	-	19,039	-
Total Assets	<u>\$ 48,564,591</u>	<u>\$ 4,330,512,776</u>	<u>\$ 4,316,780,365</u>	<u>\$ 62,297,002</u>
LIABILITIES				
Due to other funds	\$ 21,652,908	-	\$ 21,652,908	-
Due to other governments	26,910,243	-	26,910,243	-
Held for others	-	\$ 4,293,495,971	4,231,198,969	\$ 62,297,002
Total Liabilities	<u>\$ 48,563,151</u>	<u>\$ 4,293,495,971</u>	<u>\$ 4,279,762,120</u>	<u>\$ 62,297,002</u>

HARRIS COUNTY, TEXAS
COMBINING STATEMENT OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
For The Year Ended February 29, 2004

	<u>Balance March 1, 2003</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance February 29, 2004</u>
<u>Inmate Property</u>				
ASSETS				
Cash and cash equivalents		\$ 5,011,066	\$ 346,956	\$ 4,664,110
Accounts receivable		36,130	-	36,130
Total Assets	-	<u>\$ 5,047,196</u>	<u>\$ 346,956</u>	<u>\$ 4,700,240</u>
LIABILITIES				
Payables		\$ 4,256,142	-	\$ 4,256,142
Held for others	-	444,098	-	444,098
Total Liabilities	-	<u>\$ 4,700,240</u>	<u>-</u>	<u>\$ 4,700,240</u>
<u>Treasurer Escheat</u>				
ASSETS				
Cash and cash equivalents	\$ 326,556	\$ 428,677	\$ 327,588	\$ 427,645
Total Assets	<u>\$ 326,556</u>	<u>\$ 428,677</u>	<u>\$ 327,588</u>	<u>\$ 427,645</u>
LIABILITIES				
Due to other governments	\$ 326,556	-	\$ 326,556	-
Held for others	-	\$ 802,494	374,849	\$ 427,645
Total Liabilities	<u>\$ 326,556</u>	<u>\$ 802,494</u>	<u>\$ 701,405</u>	<u>\$ 427,645</u>
<u>Custodial</u>				
ASSETS				
Cash and cash equivalents	\$ 5,718,765	\$ 9,704,454	\$ 14,171,629	\$ 1,251,590
Due from other funds	58,743	-	58,743	-
Total Assets	<u>\$ 5,777,508</u>	<u>\$ 9,704,454</u>	<u>\$ 14,230,372</u>	<u>\$ 1,251,590</u>
LIABILITIES				
Due to other governments	\$ 5,778,949	-	\$ 5,778,949	-
Held for others	-	\$ 9,189,792	7,938,202	\$ 1,251,590
Total Liabilities	<u>\$ 5,778,949</u>	<u>\$ 9,189,792</u>	<u>\$ 13,717,151</u>	<u>\$ 1,251,590</u>

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Discretely Presented Component Units are legally separate organizations that, because of the nature and significance of their relationship with the primary government, are included in the financial reporting entity but shown separately from the primary government's financial activities.

HARRIS COUNTY HOUSING FINANCE CORPORATION - This organization was established under the Texas Housing Finance Corporation Act as a separate non-profit corporate entity. The corporation was created in 1980 by the Commissioner's Court of Harris County, but it is not a political subdivision of Harris County under state law. The corporation is exempt from federal income tax and is authorized to issue debt instruments for the purpose of purchasing single family home mortgages and providing financing for multifamily projects, both relating to low and moderate income owners/residents.

HARRIS COUNTY INDUSTRIAL DEVELOPMENT CORPORATION - This corporation was created in 1981 to approve the issuance of industrial and manufacturing bonds which promote and encourage employment and the public welfare in Harris County. Its Board of Directors is appointed by the Commissioner's Court of Harris County. The corporation is a tax-exempt entity. Although it may issue debt that Harris County has no obligation to assume, Commissioner's Court must approve the debt issuance.

CHILDREN'S ASSESSMENT CENTER FOUNDATION, INC. - This foundation was established in 1995 to provide a professional, compassionate and coordinated approach to the treatment of sexually abused children and their families and to serve as an advocate for all children in our community. The foundation is a tax-exempt entity.

HOUSING AUTHORITY OF HARRIS COUNTY - This organization is a non-profit political subdivision of the state of Texas formed by Harris County to provide decent, safe and sanitary housing for low to moderate income families. The governing body is appointed by the Commissioners Court of Harris County. Programs are funded through contracts with the U.S. Department of Housing and Urban Development (HUD) and Harris County Community Development.

HARRIS COUNTY, TEXAS
COMBINING STATEMENT OF NET ASSETS - NONMAJOR COMPONENT UNITS
FEBRUARY 29, 2004

	Harris County Housing Finance Corporation	Harris County Industrial Development Corporation	Harris County Children's Assessment Center Foundation	Harris County Housing Authority of Harris County	Total
ASSETS					
Cash and cash equivalents	\$ 136,908	\$ 469,639	\$ 2,778,309	\$ 934,141	\$ 4,318,997
Investments, including accrued interest	7,580,194	1,972	-	-	7,582,166
Receivables:					
Accounts	-	-	81,349	-	81,349
Other	206,424	-	447,624	488,740	1,142,788
Restricted cash and investments	-	-	559,240	94,807	654,047
Capital assets, net	-	-	14,862,842	125,779	14,988,621
Other	270,669	-	313,083	-	583,752
Total assets	<u>8,194,195</u>	<u>471,611</u>	<u>19,042,447</u>	<u>1,643,467</u>	<u>29,351,720</u>
LIABILITIES					
Accounts payable and accrued liabilities	24,932	7,481	480,710	482,460	995,583
Noncurrent liabilities:					
Due within one year	-	-	2,664,072	518,279	3,182,351
Due in more than one year	-	-	2,348,477	-	2,348,477
Total liabilities	<u>24,932</u>	<u>7,481</u>	<u>5,493,259</u>	<u>1,000,739</u>	<u>6,526,411</u>
NET ASSETS					
Invested in capital assets, net of related debt	-	-	-	125,779	125,779
Restricted for:					
Donor restrictions	-	-	1,025,766	516,949	1,542,715
Unrestricted net assets	<u>8,169,263</u>	<u>464,130</u>	<u>12,523,422</u>	<u>-</u>	<u>21,156,815</u>
Total net assets	<u>\$ 8,169,263</u>	<u>\$ 464,130</u>	<u>\$ 13,549,188</u>	<u>\$ 642,728</u>	<u>\$ 22,825,309</u>

HARRIS COUNTY, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
NONMAJOR COMPONENT UNITS
For The Year Ended February 29, 2004

	Harris County Housing Finance Corporation	Harris County Industrial Development Corporation	Children's Assessment Center Foundation	Housing Authority of Harris County	Total
EXPENSES	<u>\$ 238,330</u>	<u>\$ 22,363</u>	<u>\$ 1,726,764</u>	<u>\$ 13,323,292</u>	<u>\$ 15,310,749</u>
REVENUES					
Program Revenues:					
Charges for services	1,254,393	74,500	1,281,009	-	2,609,902
Operating grants and contributions	<u>-</u>	<u>-</u>	<u>980,559</u>	<u>12,954,301</u>	<u>13,934,860</u>
Total program revenues	<u>1,254,393</u>	<u>74,500</u>	<u>2,261,568</u>	<u>12,954,301</u>	<u>16,544,762</u>
Net (expenses) program revenues	<u>1,016,063</u>	<u>52,137</u>	<u>534,804</u>	<u>(368,991)</u>	<u>1,234,013</u>
General Revenues (Expenses):					
Earnings on investments	-	5,569	16,958	59,810	82,337
Other	<u>182,194</u>	<u>-</u>	<u>(351,641)</u>	<u>(28,706)</u>	<u>(198,153)</u>
Net general revenues (expenses)	<u>182,194</u>	<u>5,569</u>	<u>(334,683)</u>	<u>31,104</u>	<u>(115,816)</u>
Change in net assets	1,198,257	57,706	200,121	(337,887)	1,118,197
Net assets, beginning	<u>6,971,006</u>	<u>406,424</u>	<u>13,349,067</u>	<u>980,615</u>	<u>21,707,112</u>
Net assets, ending	<u><u>\$ 8,169,263</u></u>	<u><u>\$ 464,130</u></u>	<u><u>\$ 13,549,188</u></u>	<u><u>\$ 642,728</u></u>	<u><u>\$ 22,825,309</u></u>

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HARRIS COUNTY, TEXAS
CAPITAL ASSETS USED IN OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE BY SOURCE
February 29, 2004

	Total
Governmental funds capital assets:	
Land	\$ 3,536,219,460
Construction in progress	275,882,169
Infrastructure	8,902,430,022
Park facilities	25,954,133
Flood control projects	272,703,569
Buildings	713,800,697
Equipment	166,008,837
Total governmental funds capital assets	\$ 13,892,998,887
Investments in governmental funds capital assets by source:	
General fund	\$ 137,964,824
Special revenue fund	270,616,636
Capital projects fund	13,190,015,777
Gifts	294,401,650
	\$ 13,892,998,887

This schedule presents only the capital asset balances related to governmental funds. Accordingly, the capital assets reported in internal service funds are excluded from the above amounts. The capital assets of internal service funds are included within the governmental activities in the statement of net assets.

HARRIS COUNTY, TEXAS
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE BY FUNCTION
For The Year Ended February 29, 2004

Function	Land	Construction in Progress	Infrastructure	Park Facilities	Flood Control Projects	Buildings	Equipment	Total
Administration of justice	\$ 16,663,893	\$ 14,673,579	\$ -	\$ -	\$ -	\$ 522,215,920	\$ 23,603,653	\$ 577,157,045
Parks	123,965,074	31,704,976	-	25,954,133	-	24,414,910	17,895,640	223,934,733
County administration	72,839,508	97,174,662	-	-	-	111,464,959	63,352,580	344,831,709
Health and human services	6,928,416	8,472,627	-	-	-	30,352,847	4,478,185	50,232,075
Tax administration	-	-	-	-	-	6,086,296	10,749,425	16,835,721
Roads and bridges	2,009,498,726	61,280,178	8,902,430,022	-	-	15,935,059	38,761,148	11,027,905,133
Flood control	1,306,323,843	62,576,147	-	-	272,703,569	3,330,706	7,168,206	1,652,102,471
Total governmental funds capital assets	\$ 3,536,219,460	\$ 275,882,169	\$ 8,902,430,022	\$ 25,954,133	\$ 272,703,569	\$ 713,800,697	\$ 166,008,837	\$ 13,892,998,887

This schedule presents only the capital asset balances related to governmental funds. Accordingly, the capital assets reported in internal service funds are excluded from the above amounts. The capital assets of internal service funds are included within the governmental activities in the statement of net assets.

HARRIS COUNTY, TEXAS
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE OF CHANGES BY FUNCTION
For The Year Ended February 29, 2004

Function	Balance March 1, 2003	Additions	Deductions	Balance February 29, 2004
Administration of justice	\$ 570,790,887	\$ 6,605,916	\$ (239,758)	\$ 577,157,045
Parks	217,251,318	7,631,322	(947,907)	223,934,733
County administration	221,224,682	136,861,507	(13,254,480)	344,831,709
Health and human services	47,296,876	2,994,371	(59,172)	50,232,075
Tax administration	16,846,175	21,171	(31,625)	16,835,721
Roads and bridges	10,900,656,960	127,352,783	(104,610)	11,027,905,133
Flood control	1,540,973,967	115,747,909	(4,619,405)	1,652,102,471
Total governmental funds capital assets	<u>\$ 13,515,040,865</u>	<u>\$ 397,214,979</u>	<u>\$ (19,256,957)</u>	<u>\$ 13,892,998,887</u>

This schedule presents only the capital asset balances related to governmental funds. Accordingly, the capital assets reported in internal service funds are excluded from the above amounts. The capital assets of internal service funds are included within the governmental activities in the statement of net assets.



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Table 1

**HARRIS COUNTY, TEXAS
GOVERNMENT-WIDE EXPENSES BY FUNCTION***

February 29, 2004

	Fiscal Year 2003	Fiscal Year 2004
Administration of Justice	\$ 549,453,138	\$ 565,038,026
Parks	37,508,731	50,446,435
County Administration	311,996,869	230,596,836
Health and Human Services	142,917,679	174,341,361
Flood Control	23,262,541	65,743,500
Tax Administration	29,286,088	34,307,829
Roads and Bridges	325,921,564	320,910,629
Toll Road	180,727,498	213,526,452
Debt Service Interest and Fiscal Charges	96,328,754	69,582,035
Other Business-Type Activities	6,737,298	5,760,997
TOTAL EXPENSES	\$ 1,704,140,160	\$ 1,730,254,100

* Reporting for government-wide expenses by function began in fiscal year 2003. This is primary government only.

**HARRIS COUNTY, TEXAS
GOVERNMENT-WIDE REVENUES***

February 29, 2004

	Fiscal Year 2003	Fiscal Year 2004
Charges for Services	\$ 501,938,797	\$ 529,446,648
Operating Grants and Contributions	157,977,289	140,623,786
Capital Grants and Contributions	28,278,436	43,607,405
Taxes	754,304,121	785,283,872
Investment Income	36,810,266	25,171,704
Other	228,369,102	128,424,744
	<u>\$ 1,707,678,011</u>	<u>\$ 1,652,558,159</u>

* Reporting for government-wide revenues by function began in fiscal year 2003. This is primary government only.

Table 3

**HARRIS COUNTY, TEXAS
GENERAL GOVERNMENTAL REVENUES & EXPENDITURES
Last Ten Fiscal Years
(amounts in thousands)**

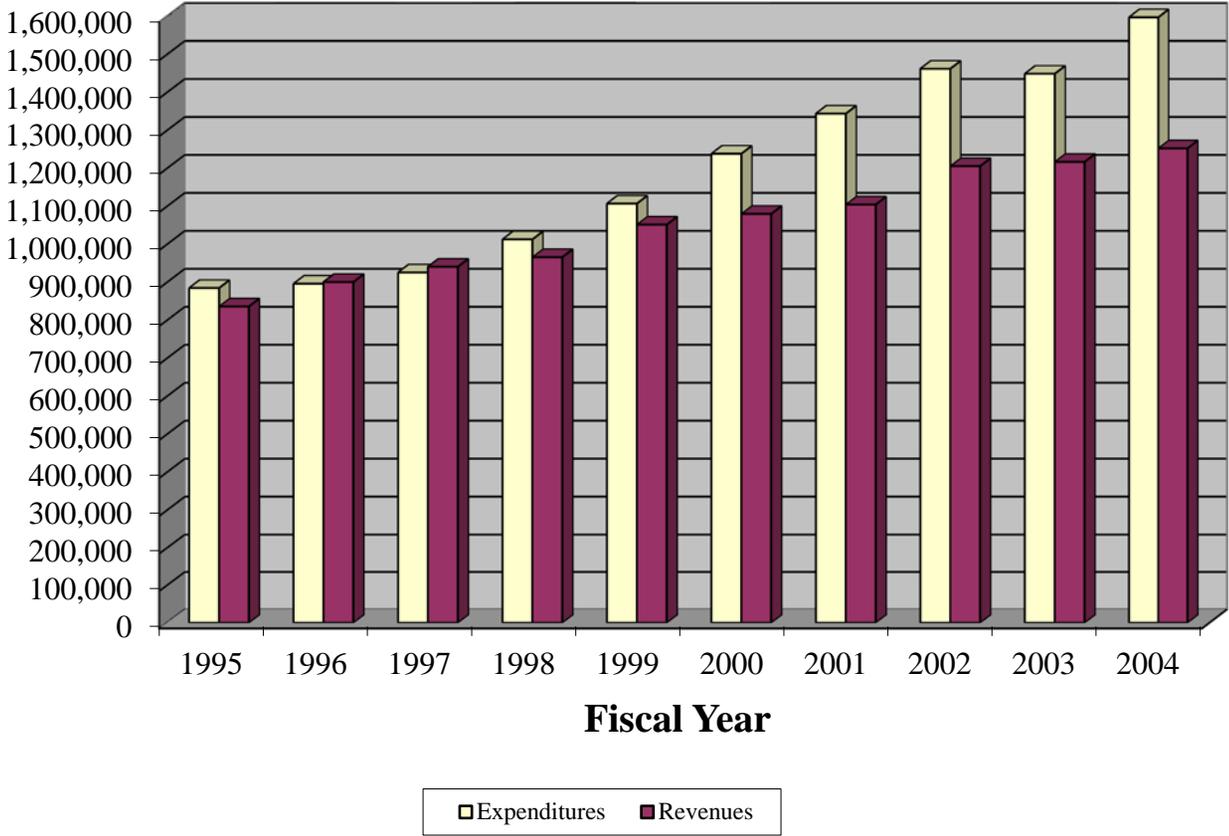


Table 4**HARRIS COUNTY, TEXAS****GENERAL GOVERNMENTAL EXPENDITURES BY FUNCTION (a)****Last Ten Fiscal Years
(Unaudited)****(amounts in thousands)**

	<u>1995</u>	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>
Current Operating:										
Administration of Justice	\$ 327,667	\$ 347,429	\$ 351,471	\$ 378,538	\$ 390,861	\$ 452,448	\$ 450,675	\$ 475,926	\$ 520,771	\$ 547,406
Parks	21,687	21,443	22,026	25,701	27,255	32,169	30,412	34,676	32,803	39,832
County Administration	111,647	109,538	118,393	130,515	127,558	148,254	188,424	202,303	259,848	203,978
Health and Human Services	86,024	96,888	114,230	111,377	119,075	120,702	134,776	181,114	141,011	173,590
Flood Control	33,308	24,582	25,487	28,173	34,619	37,555	43,460	44,534	39,395	49,534
Tax Administration	26,562	26,730	26,291	26,781	26,941	29,849	27,920	29,055	28,706	29,985
Roads and Bridges	35,081	62,193	53,359	50,936	64,770	63,697	48,558	41,881	56,212	62,609
Capital Outlay:										
From Current Funds	34,931	665	443	274	579	499	700	26,681	36,196	76,035
From Capital Projects Funds	85,350	73,999	68,732	117,900	176,613	221,641	290,993	300,760	199,137	253,289
Debt Service	<u>122,848</u>	<u>133,068</u>	<u>145,468</u>	<u>143,028</u>	<u>139,247</u>	<u>131,888</u>	<u>128,374</u>	<u>125,485</u>	<u>135,155</u>	<u>161,590</u>
TOTAL	<u>\$ 885,105</u>	<u>\$ 896,535</u>	<u>\$ 925,900</u>	<u>\$ 1,013,223</u>	<u>\$ 1,107,518</u>	<u>\$ 1,238,702</u>	<u>\$ 1,344,292</u>	<u>\$ 1,462,415</u>	<u>\$ 1,449,234</u>	<u>\$ 1,597,848</u>

(a) Includes General, Special Revenue, Debt Service, Capital Projects. Expendable Trust Funds were included through 2002.

HARRIS COUNTY, TEXAS
GENERAL GOVERNMENTAL REVENUES BY SOURCE

Last Ten Fiscal Years
(Unaudited)
(amounts in thousands)

<u>Year</u>	<u>Taxes</u>	<u>Charges for Services</u>	<u>Fines and Forfeitures</u>	<u>Inter- governmental</u>	<u>Interest</u>	<u>Miscellaneous</u>	<u>Total</u>
1995	\$493,491	\$121,165	\$ 20,324	\$ 155,438	\$19,978	\$ 26,151	\$ 836,547
1996	558,207	126,363	19,031	111,818	29,650	55,861	900,930
1997	609,952	126,469	19,542	113,703	32,738	38,751	941,155
1998	622,402	130,715	19,731	122,170	37,565	33,854	966,437
1999	658,575	151,430	20,354	136,460	39,176	46,173	1,052,168
2000	677,110	152,764	21,928	146,963	43,584	37,999	1,080,348
2001	665,765	158,126	22,173	166,866	44,499	47,470	1,104,899
2002	714,646	180,883	23,248	195,654	31,945	59,675	1,206,051
2003	759,430	168,333	22,619	193,959	18,048	54,847	1,217,236
2004	797,098	183,959	23,513	182,276	12,570	53,045	1,252,461

Includes General, Special Revenue, Debt Service, Capital Projects. Expendable Trust Funds were included through 2002.

Table 6

**Harris County , Texas
Property Tax Levies and Collections
(Except Flood Control District)**

**Last Ten Years
(Unaudited)
(Amounts in Thousands)**

Tax Year	Total Tax Levy	Current Tax Collection (a)	Percent of Current Levy	Delinquent Collections (b)	Total Tax Collections	Percent of Total Collection to Levy	Delinquent Taxes Receivable (c)	
							Personal Property	Real Property
1994	\$ 412,753	\$ 383,577	92.9 %	\$ 8,658	\$ 392,235	95.0 %	\$ 28,721	\$ 53,063
1995	470,279	430,506	91.5	13,198	443,704	94.3	23,488	36,778
1996	511,574	481,795	94.2	15,096	496,891	97.1	19,341	36,769
1997	518,449	485,482	93.6	14,315	499,797	96.4	20,173	36,702
1998	543,778	508,547	93.5	13,975	522,522	96.1	19,853	37,204
1999	557,352	523,143	93.9	14,868	538,011	96.5	20,367	39,248
2000	553,216	531,377	96.1	16,469	547,846	99.0	19,858	38,574
2001	643,711	600,958	93.4	16,842	617,800	96.0	20,417	39,498
2002	682,975	637,181	93.3	20,317	657,498	96.3	21,982	40,350
2003	704,093	641,088	91.1	52,296	693,384	98.5	23,571	40,617

- (a) Taxes levied in any year which are collected commencing October 1 of such year through June 30 of the following year are shown as current collections. Such amounts include collections of the current levy after February 1, which is the date taxes become legally delinquent.
- (b) Delinquent collections of real and personal property taxes during the period beginning on July 1 of the year indicated and ending June 30 of the following year are shown as delinquent collections.
- (c) The accumulation of all unpaid ad valorem taxes at the end of the collection period beginning on July 1 of the year indicated and ending June 30 of the following year is shown as delinquent taxes receivable.

Table 7

HARRIS COUNTY, TEXAS
PROPERTY TAX LEVIES AND COLLECTIONS - FLOOD CONTROL DISTRICT
Last Ten Years
(Unaudited)
(amounts in thousands)

Tax Year	Total Tax Levy	Current Tax Collections (a)	Percent of Current Levy Collected	Delinquent Tax Collections (b)	Total Tax Collections	Ratio of Total Collections to Levy	Delinquent Taxes Receivable (c)	
							Personal Property	Real Property
1994	\$ 71,119	\$ 66,081	92.9 %	\$ 1,447	\$ 67,528	95.0 %	\$ 4,905	\$ 8,970
1995	87,841	80,411	91.5	2,236	82,647	94.1	4,067	6,322
1996	88,794	83,584	94.1	2,698	86,282	97.2	3,205	6,447
1997	98,620	92,327	93.6	2,510	94,837	96.2	3,316	6,421
1998	104,385	97,611	93.5	2,544	100,155	95.9	3,407	6,629
1999	112,895	105,841	93.8	2,777	108,618	96.2	3,623	7,086
2000	95,094	88,191	92.7	3,167	91,358	96.1	3,629	7,101
2001	79,755	74,456	93.4	3,173	77,629	97.3	3,656	7,126
2002	73,429	68,326	93.1	3,166	71,492	97.4	3,694	6,753
2003	75,721	68,746	90.8	6,233	74,979	99.0	3,678	6,326

- (a) Taxes levied in any year which are collected commencing October 1 of such year through June 30 of the following year are shown as current collections. Such amounts include collections of the current levy after February 1, which is the date taxes become legally delinquent.
- (b) Delinquent collections of real and personal property taxes during the period beginning on July 1 of the year indicated and ending June 30 of the following year are shown as delinquent collections.
- (c) The accumulation of all unpaid ad valorem taxes at the end of the collection period beginning on July 1 of the year indicated and ending June 30 of the following year, is shown as delinquent taxes receivable.

Table 8**HARRIS COUNTY, TEXAS****ASSESSED AND ESTIMATED VALUE OF PROPERTY
(EXCEPT FLOOD CONTROL DISTRICT)****Last Ten Years****(Unaudited)****(amounts in thousands)**

Tax Year	Taxable Value				Assesment Ratio %	Estimated Assessed Value
	Real Property	Personal Property	Less Exemptions (a)	Taxable Total (b)		
1994	\$ 111,039,150	\$ 20,250,764	\$ 17,533,258	\$ 113,756,656	100	\$ 131,289,914
1995	112,864,746	22,217,456	18,342,764	116,739,438	100	135,082,202
1996	114,810,418	23,776,930	18,461,507	120,125,841	100	138,587,348
1997	118,033,506	24,100,180	17,850,666	124,283,020	100	142,133,686
1998	125,452,026	25,255,844	20,271,134	130,436,736	100	150,707,870
1999	136,396,208	26,962,355	22,345,082	141,013,481	100	163,358,563
2000	150,845,241	28,397,625	25,145,837	154,097,029	100	179,242,866
2001	165,804,662	30,668,510	28,809,564	167,663,608	100	196,473,172
2002	177,809,114	30,171,225	31,764,643	176,215,696 (c)	100	207,980,339
2003	189,334,256	30,644,381	34,822,427	185,156,210 (c)	100	219,978,637

(a) Exemptions are primarily made up of the homestead property exemption of 20%. In addition, persons 65 years of age or older receive an exemption up to a maximum individual amount of \$156,240.

(b) Net of exemptions.

(c) HCAD tax supplement as of February 16 of tax year.

Table 9**HARRIS COUNTY, TEXAS**

**ASSESSED AND ESTIMATED VALUE OF PROPERTY - FLOOD CONTROL DISTRICT
Last Ten Years
(Unaudited)
(amounts in thousands)**

Tax Year	Taxable Value				Assesment Ratio %	Estimated Assessed Value
	Real Property	Personal Property (Taxable)	Less Exemptions (a)	Taxable Total (b)		
1994	\$ 111,039,150	\$ 20,238,031	\$ 17,533,258	\$ 113,743,923	100	\$ 131,277,181
1995	112,864,746	22,202,221	18,342,764	116,724,203	100	135,066,967
1996	114,810,418	23,764,318	18,461,507	120,113,229	100	138,574,736
1997	118,033,506	24,049,794	17,850,666	124,232,634	100	142,083,300
1998	125,452,026	25,209,885	20,271,134	130,390,777	100	150,661,911
1999	136,396,208	26,918,778	22,345,082	140,969,904	100	163,314,986
2000	150,845,241	28,354,736	25,145,873	154,054,104	100	179,199,977
2001	165,804,662	30,627,904	28,809,564	167,623,002	100	196,432,566
2002	177,809,114	30,129,999	31,764,643	176,174,470 (c)	100	207,939,113
2003	189,334,256	30,601,495	34,822,427	185,113,324 (c)	100	219,935,751

(a) Exemptions are primarily made up of the homestead property exemption of 20%. In addition, persons 65 years of age or older receive an exemption at a maximum individual amount of \$156,240.

(b) Net of exemptions.

(c) HCAD tax supplement as of February 16 of the tax year.

Table 10

HARRIS COUNTY, TEXAS
COUNTY-WIDE AD VALOREM TAX RATES (a)
Last Ten Years

(Unaudited)

<u>Purpose</u>	<u>1994</u>	<u>1995</u>	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>
Harris County -										
General Fund	\$0.29322 (b)	\$0.33779 (b)	\$0.35456 (b)	\$0.35078 (b)	\$0.37748 (b)	\$0.35780 (b)	\$0.32599	\$0.33606	\$0.33538	\$0.34490
General Bonds Debt Service	0.03260	0.02307	0.03191	0.02761	0.01841	0.0193	0.01772	0.02368	0.03056	0.01889
Total - Constitutional Funds	0.32582	0.36086	0.38647	0.37839	0.39589	0.37710	0.34371	0.35974	0.36594	0.36379
County-Wide Road Debt Service	0.03699	0.04597	0.04121	0.04027	0.02071	0.01773	0.01531	0.02419	0.02220	0.02424
Total - Harris County	0.36281	0.40683	0.42768	0.41866	0.41660	0.39483	0.35902	0.38393	0.38814	0.38803
Flood Control District -										
Maintenance	0.03282	0.03728	0.04290	0.04264	0.04546	0.04920	0.04001	0.02853	0.02853	0.02981
Debt Service	0.02970	0.03872	0.03134	0.03703	0.03454	0.03080	0.02172	0.01905	0.01321	0.01193
Total - Flood Control	0.06252	0.07600	0.07424	0.07967	0.08000	0.08000	0.06173	0.04758	0.04174	0.04174
Port of Houston Authority -										
Debt Service	0.01316	0.01285	0.01600	0.01959	0.02132	0.02040	0.01830	0.01826	0.01989	0.02000
Hospital District - General	0.18350	0.12381	0.12381	0.12381	0.12381	0.14650	0.20268	0.19021	0.19021	0.19021
Total	<u>\$0.62199</u>	<u>\$0.61949</u>	<u>\$0.64173</u>	<u>\$0.64173</u>	<u>\$0.64173</u>	<u>\$0.64173</u>	<u>\$0.64173</u>	<u>\$0.63998</u>	<u>\$0.63998</u>	<u>\$0.63998</u>

(a) Tax rates are stated per \$100 taxable valuation. Source: Harris County Auditor.

(b) For the 1994 through 1998 tax years, the tax levied by Harris County for General Fund purposes includes Jury Fund and Road and Bridge Funds.

Table 11

HARRIS COUNTY, TEXAS
PROPERTY TAX RATES - ALL DIRECT AND OVERLAPPING GOVERNMENTS
Last Ten Years
(Unaudited)
(Per \$100 assessed value)

Purpose	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
County-Wide Taxing Jurisdiction:										
Harris County	\$ 0.3628	\$ 0.4068	\$ 0.4277	\$ 0.4186	\$ 0.4166	\$ 0.3948	\$ 0.3590	\$ 0.3839	\$ 0.3881	\$ 0.3880
Harris County Flood Control District	0.0625	0.0760	0.0742	0.0797	0.0800	0.0800	0.0617	0.0475	0.0417	0.0417
Port of Houston Authority	0.0132	0.0129	0.0160	0.0196	0.0213	0.0204	0.0183	0.0183	0.0198	0.0200
Harris County Hospital District	0.1835	0.1238	0.1238	0.1238	0.1238	0.1465	0.2027	0.1902	0.1902	0.1902
Total	\$ 0.6220	\$ 0.6195	\$ 0.6417	\$ 0.6417	\$ 0.6417	\$ 0.6417	\$ 0.6417	\$ 0.6399	\$ 0.6399	\$ 0.6400
Cities:										
Baytown	0.737	0.737	0.737	0.737	0.737	0.737	0.737	0.737	0.737	0.737
Bellaire	0.510	0.510	0.510	0.510	0.510	0.490	0.490	0.490	0.490	0.480
Deer Park	0.680	0.680	0.680	0.700	0.700	0.700	0.700	0.700	0.699	0.700
Houston	0.665	0.665	0.665	0.665	0.665	0.665	0.665	0.665	0.655	0.655
LaPorte	0.710	0.710	0.710	0.710	0.710	0.710	0.710	0.710	0.710	0.710
League City	0.795	0.755	0.775	0.770	0.750	0.725	0.670	0.670	0.663	0.640
Missouri City	0.540	0.549	0.549	0.569	0.569	0.568	0.550	0.520	0.503	0.510
Pasadena	0.647	0.648	0.645	0.645	0.643	0.579	0.579	0.579	0.567	0.567
Pearland	0.715	0.697	0.695	0.695	0.695	0.695	0.695	0.686	0.686	0.696
Seabrook	0.536	0.533	0.549	0.555	0.555	0.553	0.584	0.601	0.601	0.608
South Houston	0.695	1.500	0.695	0.695	0.695	0.695	0.691	0.695	0.000	0.700
Webster	0.290	0.290	0.290	0.290	0.290	0.290	0.260	0.260	0.240	0.251
West University Place	n/a	0.370	0.380	0.400	0.420	0.400	0.400	0.420	0.430	0.447
School Districts and Junior Colleges:										
Aldine	1.470	1.485	1.485	1.485	1.515	1.475	1.519	1.588	1.618	1.668
Alief	1.699	1.700	1.700	1.700	1.700	1.640	1.640	1.640	1.675	1.675
Clear Creek	1.470	1.470	1.630	1.515	1.642	1.642	1.642	1.725	1.740	1.730
Cypress-Fairbanks	1.750	1.750	1.750	1.770	1.770	1.709	1.701	1.745	1.790	1.790
Deer Park	1.530	1.530	1.530	1.560	1.580	1.670	1.690	1.690	1.804	1.807
Galena Park	1.587	1.587	1.617	1.647	1.677	1.614	1.614	1.683	1.714	1.765
Goose Creek	1.589	1.589	1.683	1.703	1.675	1.660	1.661	1.711	1.694	1.684
Houston	1.384	1.384	1.384	1.384	1.459	1.459	1.519	1.580	1.580	1.580
Humble	1.792	1.790	1.790	1.810	1.810	1.810	1.711	1.680	1.740	1.740
Katy	1.670	1.730	1.750	1.780	1.780	1.695	1.868	1.920	1.940	1.970
Klein	1.730	1.780	1.780	1.780	1.780	1.670	1.670	1.720	1.720	1.720
LaPorte	1.560	1.560	1.560	1.610	1.610	1.650	1.630	1.630	1.680	1.680
North Forest	1.680	1.680	1.680	1.792	1.792	1.642	1.744	1.744	1.744	1.744
North Harris Montgomery Community College	0.099	0.101	0.123	0.120	0.120	0.117	0.110	0.110	0.106	0.115
Pasadena	1.470	1.450	1.480	1.521	1.550	1.520	1.520	1.660	1.688	1.775
Pearland	1.705	1.705	1.705	1.769	1.777	1.862	1.650	1.820	1.837	1.809
San Jacinto Junior College	0.100	0.110	0.110	0.110	0.110	0.110	0.110	0.126	0.131	0.131
Sheldon	1.520	1.520	1.520	1.520	1.520	1.538	1.563	1.633	1.633	1.703
Spring	1.700	1.740	1.790	1.790	1.790	1.740	1.690	1.690	1.700	1.760
Spring Branch	1.780	1.780	1.780	1.810	1.820	1.790	1.790	1.810	1.790	1.810
Tomball	1.500	1.500	1.500	1.590	1.590	1.590	1.590	1.650	1.680	1.730

Table 12**HARRIS COUNTY, TEXAS****PRINCIPAL TAXPAYERS****January 1, 2003****(Unaudited)****(amounts in thousands)**

Taxpayers	Type of Business	2003 Taxable Valuations (a)	Percentage of Total 2003 Taxable Valuation (b)
Exxon Mobil Corporation	Oil, Chemical Plant	\$2,763,577	1.49 %
Centerpoint Energy Incorporated	Electric Utility	2,249,887	1.22
Shell Oil Company	Oil Refinery	1,420,247	0.77
Equistar Chemicals Limited Partnership	Chemical	1,071,332	0.58
Southwestern Bell Telephone	Telephone Utility	1,038,554	0.56
Hines Interests Ltd Partnership	Real Estate	989,539	0.53
Lyondell Chemical	Oil, Chemical Plant	721,265	0.39
Crescent Real Estate	Real Estate	494,650	0.27
Anhueser Busch Inc.	Brewery	485,180	0.26
Chevron Phillips Chemical Company	Oil, Chemical Plant	478,044	0.26
Hewlett Packard Company	Computers	437,851	0.24
Oxy Vinlys LP	Oil, Chemical Plant	402,431	0.22
Continental Airlines, Incorporated	Airline	377,673	0.20
Lyondell-Citgo Refining Co.	Oil Refinery	367,030	0.20
Conoco Phillips Company	Oil, Chemical Plant	343,348	0.20
Total		\$13,640,608	7.39 %

(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 16, 2004.

**HARRIS COUNTY, TEXAS
COMPUTATION OF LEGAL DEBT MARGIN
February 29, 2004
(Unaudited)**

Assessed Value of Real Property	<u>\$189,334,256,000</u>
Assessed Value of All Taxable Property	<u>\$219,978,637,000</u>

Bonds Issued Under Article III, Section 52 of the Texas Constitution:

The County is authorized under Article III, Section 52 of the State Constitution to issue bonds payable from ad valorem taxes for the construction and maintenance of roads. There is no constitutional or statutory limit as to the rate on bonds issued pursuant to such constitutional provision. However, the amount of bonds which may be issued is limited to 25% of the assessed valuation of real property in the County.

Debt Limit, 25% of Real Property Assessed Value		\$47,333,564,000
Amount of Debt Applicable to Constitutional Debt Limit:		
Total Bonded Applicable Debt	\$1,175,751,690	
Less Debt Service Funds Cash	<u>101,508,900</u>	<u>1,074,242,790</u>
 LEGAL DEBT MARGIN, BONDS ISSUED UNDER ARTICLE III, SECTION 52 OF THE TEXAS CONSTITUTION		 <u>\$46,259,321,210</u>

Bonds Issued Under Article VIII, Section 9:

In addition to unlimited tax bonds, the County may issue statutorily authorized bonds payable from the proceeds of a limited ad valorem tax provided for in Article VIII, Section 9 of the State Constitution. Such constitutional provision provides that a county is limited to an ad valorem tax rate of \$0.80 per \$100 of assessed valuation for general fund, permanent improvement fund, road and bridge fund, and jury fund purposes.

Certain of the County's bonds payable from such limited tax may be issued under the provisions of Chapter 2, Title 22, Vernon's Texas Civil Statutes. The principal amount of all bonds, which may be issued under the provisions of such Chapter, is limited in the aggregate to 5% of the assessed valuation. The debt limit under Chapter 2, Title 22 is approximately \$10,998,931,850 compared to applicable bonds outstanding at February 29, 2004 of \$-0-.

HARRIS COUNTY, TEXAS
COMPUTATION OF LEGAL DEBT MARGIN
February 28, 2003
(Unaudited)

Bonds Issued Under Article XVI, Section 59:

The Harris County Flood Control District issues bonds pursuant to Article XVI, Section 59 of the State Constitution. No limits are prescribed in such constitutional provision; however, Chapter 407, Acts of 50th Legislature of Texas, Regular Session 1947 provides for a tax limit of \$0.30 per \$100 of taxable valuation for operational and debt service funds. A tax of \$0.04174 per \$100 of taxable value, which includes \$0.01193 per \$100 of taxable value for debt service, was levied by the Flood Control District in tax year 2003.

Table 14

**HARRIS COUNTY, TEXAS
RATIO OF NET GENERAL BONDED DEBT
TO TAXABLE VALUE AND NET BONDED DEBT PER CAPITA**

**Last Ten Years
(Unaudited)
(amounts in thousands)**

Calender Year	Population December 31 (a)	Taxable Value (b)	Gross Bonded Debt (c)	Less Amount Available in Debt Service Funds (d)	Net Bonded Debt (c)	Ratio of Net Bonded Debt to Taxable Value	Net Bonded Debt Per Capita
1994	3,100	\$ 113,756,656	\$ 991,087	\$ 125,680	\$ 865,407	0.8	279
1995	3,130	116,739,438	994,637	123,217	871,420	0.7	278
1996	3,127	120,125,841	1,071,551	139,193	932,358	0.8	298
1997	3,158	124,283,020	990,331	137,471	852,860	0.7	270
1998	3,206	130,436,736	977,506	101,764	875,742	0.7	273
1999	3,250	141,013,481	941,564	111,452	830,112	0.6	255
2000	3,401	154,097,029	948,188	96,944	851,244	0.6	250
2001	3,461	167,663,608	1,018,119	104,010	914,109	0.5	264
2002	3,557	176,215,696	1,303,712	123,979	1,179,733	0.7	332
2003	3,596	185,156,210	1,580,547	121,181	1,459,366	0.8	406

(a) Source: Bureau of the Census, on a calender year basis.

(b) Net of Exemptions stated on a tax year basis.

(c) Excludes Toll Road Bonds, since the County expects to pay the related debt service out of gross revenues of its toll road system.

(d) Includes cash and investments in the Debt Service funds and cash and investments restricted for Debt Service in the General Fund.

Table 15

HARRIS COUNTY, TEXAS

**RATIO OF ANNUAL DEBT SERVICE EXPENDITURES FOR GENERAL
BONDED DEBT TO TOTAL GOVERNMENTAL FUND EXPENDITURES**

Last Ten Fiscal Years

(Unaudited)

(amounts in thousands)

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest and Fiscal Charges</u>	<u>Total Debt Service (a)</u>	<u>Total Governmental Fund Expenditures(b)</u>	<u>Ratio of Debt Service to Total Governmental Expenditures</u>
1995	\$ 66,500	\$ 56,348	\$ 122,848	\$ 885,105	13.88 %
1996	77,075	56,083	133,158	896,535	14.85
1997	90,655	54,813	145,468	925,900	15.71
1998	88,235	54,794	143,029	1,013,223	14.12
1999	85,714	53,533	139,247	1,107,518	12.57
2000	55,478	76,410	131,888	1,238,702	10.65
2001	48,905	79,469	128,374	1,344,292	9.55
2002	48,729	76,733	125,462	1,462,415	8.58
2003	46,020	89,135	135,155	1,449,234	9.33
2004	98,768	64,599	163,367	1,597,848	10.22

(a) Does not include Debt Service on capital lease or certificates of participation.

(b) Includes General, Special Revenue, Debt Service, Capital Projects. Expendable Trust Funds were included through 2002.

Table 16

HARRIS COUNTY, TEXAS
ESTIMATED DIRECT AND OVERLAPPING BONDED DEBT
February 29, 2004
(Unaudited)

	Percentage Applicable To Name of Government	Net Debt (Thousands)
County-Wide Jurisdiction:		
Harris County (2/29/04) (a)	100.00%	\$ 2,144,424
Harris County Flood Control District (2/29/04)	100.00	252,369
Port of Houston Authority (12/31/03)	100.00	306,245
Total County-Wide Direct Debt		<u>2,703,038</u>
Cities:		
Baytown (9/30/03)	80.75	\$ 63,758
Bellaire (9/30/03)	100.00	42,170
Bunker Hill Village (2/12/04)	100.00	17,940
Deer Park (9/30/03)	100.00	22,031
Friendswood (9/30/03)	100.00	10,598
Houston (6/30/03)	99.36	1,902,826
Jacinto City (09/30/03)	100.00	7,170
Jersey Village (9/30/03)	100.00	19,994
Katy (09/30/03)	69.19	6,596
La Porte (9/30/03)	100.00	12,923
League City (9/30/03)	5.52	44,227
Missouri City (07/31/03)	8.33	29,553
Pasadena (06/30/03)	100.00	64,170
Pearland (09/30/03)	6.16	5,659
Seabrook (09/30/03)	100.00	7,738
South Houston (9/30/03)	100.00	9,545
Tomball (9/30/03)	100.00	12,296
Webster (9/30/03)	100.00	21,775
West University Place (12/31/03)	100.00	77,855
Other Cities (b)	100.00	16,223
Sub-Total Cities		<u>2,395,047</u>
School Districts and Junior Colleges:		
Aldine (12/31/03)	100.00	232,032
Alief (8/31/03)	100.00	251,376
Channelview (8/31/03)	100.00	38,952
Clear Creek (8/31/03)	80.62	494,099
Crosby (8/31/03)	100.00	59,317
Cypress-Fairbanks (2/29/04)	100.00	741,923
Deer Park (2/16/04)	100.00	95,749
Galena Park (8/31/03)	100.00	207,898
Goose Creek (2/10/04)	80.04	136,199
Houston (6/30/03)	100.00	1,493,986
Huffman (8/31/03)	100.00	28,772
Humble (8/31/03)	100.00	276,483
Katy (8/31/03)	88.64	639,389
Klein (1/30/03)	100.00	241,173
La Porte (8/31/03)	100.00	72,681
North Forest (8/31/03)	100.00	77,602
North Harris Montgomery Community College (8/31/03)	78.67	209,740
Pasadena (8/31/03)	100.00	260,483
Pearland (8/31/03)	2.25	201,485
San Jacinto Junior College (2/28/04)	100.00	69,223
Sheldon (8/31/03)	100.00	63,750
Spring (8/31/03)	100.00	420,444
Spring Branch (8/31/03)	100.00	316,140
Tomball (8/31/03)	88.02	147,885
Waller (8/31/03)	31.68	60,668
Other Schools (c)	100.00	18,340
Sub-Total School Districts and Junior Colleges		<u>6,855,789</u>
Utility Districts (d)	100.00	3,552,455
Total Overlapping Debt		<u>12,803,291</u>
Total Direct and Overlapping Debt (Estimated \$4,312 Per Capita) (e)		<u>\$ 15,506,329</u>

(a) Includes all Tax Bonds.

(b) Aggregate net debt of 7 cities, each of which had a net debt of less than \$5,000,000.

(c) Aggregate net debt of 2 schools, each of which had a net debt of less than \$20,000,000.

(d) Estimated aggregate net debt of several hundred utility districts.

(e) Census Bureau population estimated at 3,596,086. Source: Bureau of the Census.

Table 17

HARRIS COUNTY, TEXAS
REVENUE BOND COVERAGES
Last Ten Fiscal Years
(Unaudited)
(amounts in thousands)

Fiscal Year	Gross Revenues	Net Revenue Available for Debt Service	Debt Service Requirements			Coverage
			Principal	Interest	Total	
<u>HOTEL OCCUPANCY REVENUE BONDS</u>						
1995	\$ 8,602	\$ 7,957	\$ 2,035	\$ 1,851	\$ 3,886	2.05
1996	9,174	8,486	2,210	1,697	3,907	2.17
1997	10,966	10,144	2,365	1,537	3,902	2.60
1998	13,060	12,081	-	892	892	13.54
1999	15,772	14,589	-	858	858	17.00
2000	15,575	14,407	930	839	1,769	8.14
2001	17,038	15,760	970	797	1,767	8.92
2002	18,604	17,209	1,015	756	1,771	9.72
2003	16,875	15,609	1,060	711	1,771	8.81
2004	16,092	14,885	1,155	611	1,766	8.43
<u>TOLL ROAD REVENUE BONDS</u>						
1995	\$ 103,578	\$ 103,578	\$ -	\$ 39,782	\$ 39,782	2.60
1996	109,502	109,502	-	36,049	36,049	3.04
1997	121,287	121,287	6,665	35,817	42,482	2.86
1998	160,122	160,122	5,840	39,809	45,649	3.51
1999	198,817	198,817	7,355	39,192	46,547	4.27
2000	218,223	218,223	10,200	38,775	48,975	4.46
2001	248,515	248,515	12,125	38,268	50,393	4.93
2002	257,938	257,938	15,045	37,632	52,677	4.90
2003	256,367	256,367	17,530	55,754	73,284	3.50
2004	265,913	265,913	19,730	49,898	69,628	3.82

Table 18

HARRIS COUNTY, TEXAS
DEMOGRAPHIC STATISTICS
Last Ten Calendar Years
(Unaudited)

Calendar Year	Population (a)	Unemployment Rate (b)
1994	3,100,000	6.0%
1995	3,130,000	5.4%
1996	3,127,000	5.1%
1997	3,158,095	5.2%
1998	3,206,063	4.0%
1999	3,250,404	4.1%
2000	3,400,578	3.2%
2001	3,460,589	5.7%
2002	3,557,055	5.4%
2003	3,596,086	6.3%

(a) Source: Bureau of the Census

(b) Source: Texas Workforce Commission.

Table 19

**HARRIS COUNTY, TEXAS
PROPERTY VALUES
Last Ten Calendar Years
(Unaudited)
(amounts in thousands)**

Calendar Year	Property Values		
	Assessed Value Taxable Property (a)	Exemptions (b)	Taxable Value
1994	\$ 131,289,914	\$ 17,533,258	\$ 113,756,656
1995	135,082,202	18,342,764	116,739,438
1996	138,587,348	18,461,507	120,125,841
1997	142,133,686	17,850,666	124,283,020
1998	150,707,870	20,271,134	130,436,736
1999	163,358,563	22,345,082	141,013,481
2000	179,242,866	25,145,837	154,097,029
2001	196,473,172	28,809,564	167,663,608
2002	207,980,339	31,764,643	176,215,696
2003	219,978,637	34,822,427	185,156,210

(a) Tax exempt property is not included in the property values shown.

(b) The exemptions shown are estimated market values for "over 65" exemptions and other exemptions.

Table 20**HARRIS COUNTY, TEXAS****RETIREMENT PLAN
REQUIRED SUPPLEMENTAL HISTORICAL TREND INFORMATION****(Unaudited)
(amounts in thousands)**

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability	Funded Ratio	Covered Payroll	Unfunded Actuarial Accrued Liability as a Percentage of Covered Payroll
12/31/98	\$ 1,041,569	\$ 1,207,495	\$ 165,926	86.26 %	\$ 420,646	39.45 %
12/31/99	1,151,075	1,324,342	173,267	86.92	458,449	37.79
12/31/00	1,265,141	1,441,046	175,905	87.79	488,879	35.98
12/31/01	1,380,977	1,578,524	197,547	87.49	509,600	38.77
12/31/02	1,484,208	1,711,255	227,047	86.73	537,764	42.22
12/31/03	1,640,965	1,848,670	207,705	77.76	570,304	36.42

Table 21

**HARRIS COUNTY, TEXAS
MISCELLANEOUS STATISTICAL DATA
February 29, 2004
(Unaudited)**

	<u>Precinct 1</u>	<u>Precinct 2</u>	<u>Precinct 3</u>	<u>Precinct 4</u>	<u>Combined</u>
County Maintained Roads					
(Miles):					
Concrete	307.45	454.67	1,044.46	1,843.96	3,650.54
Hard Surface	115.13	187.69	399.97	577.92	1,280.71
Stabilized	9.34	18.14	10.74	35.26	73.48
Dirt	93.56	52.13	41.70	53.10	240.49
Gravel and Shell	177.75	329.14	55.00	192.50	754.39
	<u>703.23</u>	<u>1,041.77</u>	<u>1,551.87</u>	<u>2,702.74</u>	<u>5,999.61</u>
Bridges	1.09	8.10	3.27	7.93	20.39
Underpasses	0.00	0.00	0.00	0.00	0.00
Overpasses	0.26	0.13	0.00	3.02	3.41
	<u>1.35</u>	<u>8.23</u>	<u>3.27</u>	<u>10.95</u>	<u>23.80</u>
TOTAL	<u><u>704.58</u></u>	<u><u>1,050.00</u></u>	<u><u>1,555.14</u></u>	<u><u>2,713.69</u></u>	<u><u>6,023.41</u></u>
	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>
Number of Harris County Employees:					
County	14,739	14,004	13,926	13,604	13,056
Flood Control District	331	279	291	267	276
Students Enrolled in Colleges and Universities Located within the County:					
Baylor College of Medicine	12,087	12,061	11,206	1,199	1,186
Houston Baptist University	2,340	2,745	2,829	1,970	1,830
Houston Community College	53,682	52,205	53,565	49,520	51,464
North Harris Montgomery Community College	37,752	34,306	29,503	26,451	24,602
Rice University	4,950	4,785	4,529	4,372	4,390
San Jacinto College - Central, South, North and Clear Lake Campuse	24,141	23,544	22,745	21,991	19,575
South Texas College of Law	1,275	1,240	1,250	1,231	1,204

(Continued)

HARRIS COUNTY, TEXAS
MISCELLANEOUS STATISTICAL DATA
February 29, 2004
(Unaudited)

	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>
Texas Southern University	10,888	9,739	8,115	6,886	6,522
Texas Woman's University - Houston Center	1,173	967	928	850	751
University of Houston - University Park	35,066	34,443	33,007	32,123	32,651
Downtown	10,986	10,528	9,704	8,951	8,712
Clear Lake	7,776	7,754	7,738	7,559	7,096
University of St. Thomas	4,875	5,154	2,900	2,897	2,774
University of Texas - Dental Branch	410	413	414	374	379
Graduate School of Biomedical Sciences	490	465	443	417	424
Medical School	837	825	829	816	831
Health Information Sciences	74	62	64	45	36
School of Nursing	698	683	646	581	578
School of Public Health	908	886	890	910	922
TOTAL STUDENTS	<u><u>210,408</u></u>	<u><u>202,805</u></u>	<u><u>191,305</u></u>	<u><u>169,143</u></u>	<u><u>165,927</u></u>

	<u>2000</u>	<u>1996</u>	<u>1992</u>	<u>1988</u>	<u>1984</u>
Voting in Presidential Elections (a):					
Registered Voters	1,886,661	1,597,211	1,337,405	1,266,665	1,223,724
Votes Cast	995,631	871,656	958,234	833,479	887,401
Percentage of Registered Voters Voting	52.77%	54.57%	71.65%	65.80%	72.52%

(a) Source: Harris County Clerk.

**HARRIS COUNTY, TEXAS
MISCELLANEOUS STATISTICAL DATA**

**February 29, 2004
(Unaudited)**

Date of Incorporation 1837

Form of Government A public corporation and political
subdivision of the State of Texas

Area - Square Miles 1,778

Precinct	Square Miles
1	308.8
2	417.2
3	466.0
4	585.9
Total	1,777.9

Altitude: County Sea level to 310 feet
City of Houston Center of downtown area: 41 feet

	Year	City of Houston	Harris County
Population:	1860	4,845	9,070
	1870	9,332	17,375
	1880	16,513	27,985
	1890	27,557	37,249
	1900	44,633	63,786
	1910	78,800	115,693
	1920	138,276	186,667
	1930	292,352	359,328
	1940	384,514	528,961
	1950	596,163	806,701
	1960	938,219	1,243,158
	1970	1,232,802	1,741,912
	1980	1,594,086	2,409,544
	1990	1,632,833	2,818,199
	2000	1,865,605	3,400,578

Motor Vehicle Registrations					
December 31					
	1999	2000	2001	2002	2003
Passenger Cars, Small Trucks & Misc.	2,604,602	2,605,115	2,741,286	2,780,227	2,814,918
Large Trucks	31,311	25,573	25,074	22,101	22,367
Total	2,635,913	2,630,688	2,766,360	2,802,328	2,837,285

**Harris County, Texas
Table of Tax Rates
(Unaudited)**

The following table shows the ad valorem tax rates per \$100 of assessed value levied by the County for each of the years 1999 through 2003. The tax year of the County is the calendar year. In addition to the County's ad valorem taxes, the Commissioners Court levies taxes on property in the County on behalf of the Harris County Flood Control District, the Port of Houston Authority and the Harris County Hospital District. The County Tax Assessor-Collector collects ad valorem taxes for the Harris County Flood Control District, the Port of Houston Authority and the Harris County Hospital District using the same property values as the County, except that the rolling stock of railroads and intangible properties of railroads and certain common carriers are taxable only by the County.

	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>	<u>1999</u>
County: Operating Fund	\$ 0.34490	\$ 0.33538	\$ 0.33606	\$ 0.32599	\$ 0.35780
Debt Service	<u>0.01889</u>	<u>0.03056</u>	<u>0.02368</u>	<u>0.01772</u>	<u>0.01930</u>
Total \$0.80 Limited Tax Rate	0.36379	0.36594	0.35974	0.34371	0.37710
Road Bond Debt Service (Unlimited Tax Rate)	0.02424	0.02220	0.02419	0.01531	0.01773
Toll Road Authority Tax Bond Debt Service (Unlimited Tax Rate) (a)	-	-	-	-	-
Total County Tax Rate	<u>\$ 0.38803</u>	<u>\$ 0.38814</u>	<u>\$ 0.38393</u>	<u>\$ 0.35902</u>	<u>\$ 0.39483</u>
Harris County Flood Control District (b)	\$ 0.04174	\$ 0.04174	\$ 0.04758	\$ 0.06173	\$ 0.08000
Port of Houston Authority Debt Service (c)	0.02000	0.01989	0.01826	0.01830	0.02040
Harris County Hospital District (d)	<u>0.19021</u>	<u>0.19021</u>	<u>0.19021</u>	<u>0.20268</u>	<u>0.14650</u>
Total County-wide Ad Valorem Tax Rate	<u>\$ 0.63998</u>	<u>\$ 0.63998</u>	<u>\$ 0.63998</u>	<u>\$ 0.64173</u>	<u>\$ 0.64173</u>

- (a) The County's policy and practice has been to provide for payment of debt service on the Toll Road Authority Tax Bond debt from toll revenues and certain other funds, and no tax has to date been collected to provide for such debt service. (See COUNTY AD VALOREM TAX DEBT -- Table of Tax Debt Outstanding.)
- (b) The ad valorem tax rate that the Commissioners Court may levy on behalf of the Harris County Flood Control District is limited by law to a maximum of \$0.30 per \$100 of assessed value.
- (c) The ad valorem tax rate that the Commissioners Court may levy on behalf of the Port of Houston Authority to pay that authority's tax bonds is by law unlimited.
- (d) The Harris County Hospital District ad valorem tax rate is limited to \$0.75 per \$100 of assessed value. The tax rates for 1999 – 2003 were for maintenance and operation only.

**Harris County, Texas
Table of Assessed Values and Tax Rates
(Unaudited)**

The following table shows the County's assessed values and tax rates for each of the years 1994 through 2003. Taxable property is assessed at 100% of the appraised value as established by the Appraisal District.

Taxable Value as of January 1

<u>Tax Year</u>	<u>Real Property (a)</u>	<u>Personal Property</u>	<u>Total Taxable Value (a) (b) (c)</u>	<u>Total County Tax Rate per \$100 of Taxable Values</u>
		(Amount in Thousands)		
1994	\$ 93,505,892	\$ 20,250,764	\$ 113,756,656	\$ 0.36281
1995	94,521,982	22,217,456	116,739,438	0.40683
1996	96,348,911	23,776,930	120,125,841	0.42768
1997	100,182,840	24,100,180	124,283,020	0.41866
1998	105,180,892	25,255,844	130,436,736	0.41660
1999	114,051,126	26,962,355	141,013,481	0.39483
2000	125,699,404	28,397,625	154,097,029	0.35902
2001	138,032,592	29,631,016	167,663,608	0.38393
2002	146,044,471	30,171,225	176,215,696 (d)	0.38814
2003	154,511,829	30,644,381	185,156,210 (d)	0.38803

- (a) Net of exemptions.
- (b) The County, either by action of the Commissioners Court or through a process of petition and referendum initiated by its residents, may grant partial exemptions for residential homesteads of persons 65 years or older and of certain disabled persons. The Commissioners Court granted an exemption of residential homesteads for persons 65 years of age or older and disabled persons of up to \$156,240 of assessed value for 2003. If requested, the County must grant exemptions to disabled veterans or certain surviving dependents of disabled veterans or of persons who died while on active duty in a dollar range of \$5,000 to \$12,000 of assessed value, depending on the extent of the disability. The County may also authorize exemptions of up to 20% of the value of residential homesteads from ad valorem taxation. The Commissioners Court granted a 20% exemption for 2003. If ad valorem taxes have been pledged for the payment of debt prior to the adoption of any such partial exemptions, taxes may be assessed and collected against the exempt value of such homesteads if the cessation of the levy against such exempt value would impair the obligation of the contract by which the debt was created.
- (c) The County and certain taxing units located within the County may enter into tax abatement agreements to encourage economic development. Under such agreements, a property owner agrees to construct certain improvements on its property. The County or taxing unit (as applicable) in turn agrees not to levy a tax on all or part of the increased value attributable to the improvements until the expiration of the agreement. Such abatement agreement may last for a period of up to 10 years. The estimated value of property in the County that was subject to tax abatement on February 16, 2004 is approximately \$1.7 billion and, such value at the end of the abatement period is currently estimated to be approximately \$2.5 billion. Assessed value figures herein are net of abatements.
- (d) Estimates based upon HCAD tax supplement as of February 16 for the tax year.

Harris County, Texas
Table of Tax Levies, Collections and Delinquencies
(Unaudited)
(Amounts in Thousands)

The table below sets forth a comparison of the ad valorem taxes levied and collected by the County for the tax years 1994 through 2003.

<u>Tax Year</u>	<u>Total Tax Levy</u>	<u>Current Tax Collection (a)</u>	<u>Percent of Current Levy</u>	<u>Delinquent Collections (b)</u>	<u>Total Tax Collections</u>	<u>Percent of Total Collection to Levy</u>	<u>Personal Property</u>	<u>Real Property</u>
1994	\$ 412,753	\$ 383,577	92.9 %	\$ 8,658	\$ 392,235	95.0 %	\$ 28,721	\$ 53,063
1995	470,279	430,506	91.5	13,198	443,704	94.3	23,488	36,778
1996	511,574	481,795	94.2	15,096	496,891	97.1	19,341	36,769
1997	518,449	485,482	93.6	14,315	499,797	96.4	20,173	36,702
1998	543,778	508,547	93.5	13,975	522,522	96.1	19,853	37,204
1999	557,352	523,143	93.9	14,868	538,011	96.5	20,367	39,248
2000	553,216	531,377	96.1	16,469	547,846	99.0	19,858	38,574
2001	643,711	600,958	93.4	16,842	617,800	96.0	20,417	39,498
2002	682,975	637,181	93.3	20,317	657,498	96.3	21,982	40,350
2003	704,093	641,088	91.1	52,296	693,384	98.5	23,571	40,617

- (a) Current Tax Collection is defined as taxes levied in any year which are collected beginning October 1 of such year through June 30 of the following year are shown as current collections. Such amounts include that portion of the current levy collected on or after February 1, which is the date taxes become legally delinquent. The amounts in this column are reflected as of February 28/29 of the fiscal year for that tax year.
- (b) Collections for prior years' levies of taxes during the period beginning July 1 of the year shown and ending on June 30 of the following year are shown as delinquent collections which apply to prior tax years and are collected for multiple tax years. The accumulation of all unpaid ad valorem taxes which were due at the end of the collection period beginning on July 1 of the year shown and ending on June 30 of the following year is shown as delinquent taxes receivable. The County is barred from bringing suit for collection of delinquent personal property taxes after four years from the time such taxes become delinquent. Real property taxes, until paid, constitute a lien against the property. The County is barred from bringing suit for collection of delinquent personal property and real property taxes annually. As of August 26, 1991, pursuant to Section 33.05, subsection (c) of the Property Tax Code, the County Tax Assessor-Collector is required to cancel and remove from the delinquent tax roll a tax on real property that has been delinquent for more than 20 years or a tax on personal property that has been delinquent for more than 10 years. The delinquent taxes may not be canceled if litigation concerning the taxes is pending.
- (c) As of February 29, 2004.

Table 25

**Harris County, Texas
Table of Tax Debt Outstanding
(Unaudited)**

	<u>County's Total Outstanding Long-term Debt (a)</u>
Limited Tax Debt	\$ 793,486,628
Unlimited Tax Bonds	450,014,962
Toll Road Tax Bonds	724,691,728
Total	<u>\$ 1,968,193,318</u>
Less: Toll Road Tax Bonds	<u>(724,691,728)</u>
Total (Approximately 0.57% of 2002 Assessed Value)	<u><u>\$ 1,243,501,590</u></u>

(a) Excluding Flood Control District debt. Amounts expressed at gross value, not considering unamortized premium or discount or accretion of compound interest bonds.

Table 26

Harris County, Texas
Table of Historical Tax Debt Outstanding
(Unaudited)

The following table sets forth the County's ad valorem tax debt outstanding, as of the end of the Fiscal Years 1994-95 through 2003-04.

Fiscal Year	County's Debt Outstanding (thousands)	Taxable Value (a) (thousands)	Outstanding as a Percentage of Taxable Value	Estimated Population (b)	Debt Outstanding Per Capita	Per Capita Excluding Toll Road
1995	\$ 1,531,048	\$ 113,756,656	1.35%	3,100,000	\$ 494	\$ 220
1996	1,553,577	116,739,438	1.33	3,130,100	496	222
1997	1,652,743	120,125,841	1.38	3,127,000	529	259
1998	1,589,391	124,283,020	1.28	3,158,095	503	240
1999	1,595,308	130,436,736	1.22	3,206,063	498	243
2000	1,563,517	141,013,481	1.11	3,250,404	481	236
2001	1,572,795	154,097,029	1.02	3,400,578	463	235
2002	1,640,580	167,663,608	0.98	3,460,589	474	257
2003	1,928,192	176,215,696	1.09	3,557,055	542	336
2004	1,968,193	185,156,210	1.06	3,596,086	547	346

(a) Taxable values are net of exemptions and abatements. Property is assessed at 100% of appraised value.

(b) Source: Bureau of the Census.

**Harris County, Texas
Table of Estimated County-Wide and Overlapping Ad Valorem Tax Debt
(Unaudited)**

In addition to the taxing entities mentioned above, approximately 26 cities, towns and villages, 27 independent school districts, three junior college districts and approximately 300 utility districts are empowered to levy taxes on property within the County.

The following summary of estimated outstanding ad valorem tax debt of taxing entities in Harris County was compiled by the County’s Financial Advisor from a variety of sources, including Texas Municipal Reports as compiled and published by the Municipal Advisory Council of Texas. The table reflects bonds outstanding as of various dates. Certain entities listed below may have issued substantial amounts of bonds since the latest available data and may have capital improvements programs requiring the issuance of a substantial amount of additional bonds.

	Long-Term Debt Outstanding	
	(Amounts in Thousands)	
County-wide Taxing Entities:		
Harris County (a)	\$1,243,502	
Harris County Flood Control District	263,565	
Port of Houston Authority	<u>306,245</u>	\$1,813,312
Cities:		
Houston (b)	1,902,826	
Other cities (c)	<u>492,220</u>	2,395,046
School Districts: (c)		
25 Independent School Districts and three Junior College Districts		6,855,789
Utility Districts (d)		<u>3,552,455</u>
Total		<u><u>\$14,616,602</u></u>

- (a) Excludes \$724,691,728 of Toll Road Tax Bonds as of February 29, 2004. The County’s policy and practice has been to provide for payment of debt service on the outstanding Toll Road Tax Bonds from toll revenues and certain other funds, and no tax has to date been collected to provide for such debt service.
- (b) Includes ad valorem tax bonds of utility districts assumed by the City of Houston and certain contract tax obligations substantially equivalent to ad valorem tax bonds.
- (c) Aggregate net debt as estimated by the Municipal Advisory Council of Texas as of various dates for 25 other cities (not including the City of Houston) located within the County, 27 independent school districts and three junior college districts.
- (d) Aggregate net debt as estimated by the Municipal Advisory Council of Texas as of various dates for several hundred utility districts in the County with tax debt outstanding.

Table 28

Harris County, Texas
Table of County-Wide Authorized but Unissued Bonds
(Unaudited)

As of February 29, 2004, the following County-wide ad valorem tax bonds authorized by the voters at elections held in September, 1983, November, 1987, November, 1989, November, 1993, November, 1997, and November, 2001 remain unissued.

The table reflects the County's use of voted authority when it issues general obligation commercial paper notes pursuant to its Series B (parks and libraries) and Series C (roads and bridges) programs.

The table also shows Port of Houston Authority valorem tax bonds that were authorized by the voters at elections held in November, 1989, November, 1993, and November, 1997 but remain unissued. Harris County has no legal responsibility for repayment of these bonds.

County Ad Valorem Tax Bonds

Limited Tax:

Certificates of Indebtedness for Fire-Fighting Facilities	\$	3,910	
Libraries		-	
Civil Justice Center		24,000	
Parks		54,156	
Total Limited Tax Bonds	\$		82,066

Unlimited Tax:

Road Bonds		592,197	
Total Unlimited Tax Bonds			592,197

Combination Unlimited Tax and Revenue:

Toll Roads		17,673	
Total Unlimited Tax and Revenue Bonds			17,673

Harris County Flood Control District Limited Tax Bonds		95,000	
Total Harris County Ad Valorem Tax Bonds			786,936

Port of Houston Authority Unlimited Tax Bonds

Port Improvements		316,328	
Deepening and Widening of Houston Ship Channel		25,700	
Total Port of Houston Authority Bonds			342,028

Total Authorized but Unissued Bonds		\$ 1,128,964

Table 29

**Harris County, Texas
Table of Current Investments
(Unaudited)**

The following percentages of the County's investible funds were invested in the following categories of investments as of February 29, 2004. The average remaining maturity of such investments was 173 days.

U. S. Government Securities	71%
Commercial Paper	12%
Money Market Mutual Funds	12%
Municipal Securities	<u>5%</u>
Total	<u><u>100%</u></u>

Table 30

**Harris County, Texas
Table of Employees
(Unaudited)**

The number of employees of the County at fiscal years ended 2000 through 2004, are set forth below:

	Fiscal Year Ended February 28/29				
	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>
General Administration	2,720	2,627	2,817	2,758	2,612
Administration of Justice	8,450	8,115	8,177	8,054	7,820
Taxation	465	450	468	460	458
Roads and Bridges	817	752	736	716	677
Other	<u>2,618</u>	<u>2,339</u>	<u>2,019</u>	<u>1,883</u>	<u>1,765</u>
Total (a)	<u><u>15,070</u></u>	<u><u>14,283</u></u>	<u><u>14,217</u></u>	<u><u>13,871</u></u>	<u><u>13,332</u></u>

(a) As of February 29, 2004, it is estimated that approximately 2,629 of the County's employees were members of various labor organizations, some of which are unions affiliated with the AFL-CIO. The County does not maintain collective bargaining agreements with any unions.

Table 31

**Harris County, Texas
Table of Retirement System Employer Contributions
(Unaudited)**

The employer contributions to the System by the County and the District for the fiscal years 2000 through 2004, are summarized as follows:

	<u>FY2004</u>	<u>FY2003</u>	<u>FY2002</u>	<u>FY2001</u>	<u>FY2000</u>
Employer Contributions	\$56,622,378	\$56,254,388	\$48,448,052	\$47,979,693	\$42,746,936

Harris County, Texas
Table of Operating Funds Budget for the County's Fiscal Year 2004-2005
(Unaudited)

On February 26, 2004 the Commissioners Court adopted the budget for the County for the Fiscal Year 2004-2005. The Fiscal Year 2005 Budget included appropriations for some capital projects, which are financed from current revenues. The following is a summary of the Fiscal Year 2004-2005 Budget for the County's Current Operating Funds:

Cash Balance at March 1, 2004	\$ 284,625,000
Estimated Revenues:	
Ad Valorem and Miscellaneous Taxes	625,011,938
Charges for Services	173,838,071
Fines and Forfeitures	22,373,562
Intergovernmental Revenues	21,262,468
Interest	3,070,110
Other	45,618,677
Total Cash and Estimated Revenues	<u>\$ 1,175,799,826</u>
Appropriations:	
Current Operating Expenses	\$ 1,112,514,126
Capital Outlay:	
Roads	53,601,856
Parks	9,683,844
Total Appropriations	<u>\$ 1,175,799,826</u>

Table 33

**Harris County, Texas
Table of County Capital Projects Funds Budgeting
(Unaudited)**

County Capital Projects Funds are used to construct roads, office and court buildings, jails, juvenile home facilities, parks and libraries. Cash and investments on hand in the Capital Projects Funds at February 29, 2004 derived from the sale of bonds and the investment income thereon, are designated to be spent over a period of several years for the following purposes:

Roads	\$ 48,414,115
Permanent Improvements	110,404,927
Flood Control	32,539,680
Reliant Park	<u>18,910,866</u>
Total	<u>\$ 210,269,588</u>

Table 34

Harris County, Texas
TABLE OF OUTSTANDING TOLL ROAD SENIOR LIEN REVENUE BONDS
(Unaudited)

The Series 1994 Refunding Bonds, Series 1994-A Bonds, Series 1997 Bonds and Series 2002 Bonds are referred to as the “Senior Lien Revenue Bonds”.

Issue	Outstanding Principal Amount as of February 29, 2004
Harris County, Texas, Toll Road Senior Lien Revenue Refunding Bonds Series 1994	\$ 503,885,000
Harris County, Texas, Toll Road Senior Lien Revenue Refunding Bonds Series 1994A	3,500,000
Harris County, Texas, Toll Road Senior Lien Revenue Refunding Bonds Series 1997	63,900,000
Harris County, Texas, Toll Road Senior Lien Revenue Refunding Bonds Series 2002	<u>396,645,000</u>
TOTAL	<u><u>\$ 967,930,000</u></u>

**Harris County, Texas
TABLE OF OUTSTANDING TOLL ROAD TAX BONDS
(Unaudited)**

The Series 1985 Tax Bonds, Series 1991 Bonds, Series 1992 Bonds, Series 1994B-H Tax Bonds, Series 1995A Tax Bonds, Series 1997 Tax Bonds, Series 2001 Tax Bonds and Series 2002 Tax Bonds are collectively referred to as the “Toll Road Tax Bonds”.

<u>Issue</u>	<u>Dated Issued</u>	<u>Outstanding Principal Amount at February 29, 2004</u>
Harris County, Texas, Toll Road Unlimited Tax and Subordinate Lien Revenue Refunding Bonds, Series, 1985	April 1985	\$ 710,246
Harris County, Texas, Toll Road Unlimited Tax and Subordinate Lien Revenue Refunding Bonds, Series, 1991	April 1991	3,695,000
Harris County, Texas, Toll Road Unlimited Tax and Subordinate Lien Revenue Refunding Bonds, Series 1992-A	February 1992	6,070,000
Series 1992-B	February 1992	1,067,488
Harris County, Texas, Toll Road Unlimited Tax and Subordinate Lien Revenue Bonds, Series 1994A	April 1994	75,753,994
Harris County, Texas, Toll Road Unlimited Tax and Subordinate Lien Revenue Refunding Bonds, Series 1995A	September 1995	1,000,000
Harris County, Texas, Toll Road Unlimited Tax and Subordinate Lien Revenue Refunding Bonds, Series 1997	August 1997	151,595,000
Harris County, Texas, Toll Road Unlimited Tax and Subordinate Lien Revenue Refunding Bonds, Series 2001	May 2001	120,740,000
Harris County, Texas, Toll Road Unlimited Tax and Subordinate Lien Revenue Refunding Bonds, Series 2002	November 2002	42,260,000
Harris County, Texas, Toll Road Unlimited Tax and Subordinate Lien Revenue Refunding Bonds, Series 2003	July 2003	321,500,000
TOTAL		\$ 724,391,728

Table 36

**Harris County, Texas
Harris County Toll Road Authority
Toll Road Bonds Debt Service Requirements
(Unaudited)**

Fiscal Year	Total Toll Road Unlimited Tax & Subordinate Lien Revenue Bonds (A)			Total Toll Road Senior Lien Revenue Bonds			Total Toll Road Senior Lien and Unlimited Tax and Subordinate Lien Revenue Bonds Debt Service		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2005	\$ 7,164,679	\$ 68,703,590	\$ 75,868,269	\$ 19,730,000	\$ 49,898,032	\$ 69,628,032	\$ 26,894,679	\$ 118,601,622	\$ 145,496,301
2006	6,105,251	69,348,018	75,453,269	21,060,000	48,900,302	69,960,302	27,165,251	118,248,320	145,413,571
2007	6,922,906	68,490,363	75,413,269	22,445,000	47,824,721	70,269,721	29,367,906	116,315,084	145,682,990
2008	6,068,227	68,795,042	74,863,269	24,625,000	46,653,746	71,278,746	30,693,227	115,448,788	146,142,015
2009	10,675,665	64,312,366	74,988,031	27,285,000	45,331,416	72,616,416	37,960,665	109,643,782	147,604,447
2010	41,540,000	45,680,694	87,220,694	30,175,000	43,840,851	74,015,851	71,715,000	89,521,545	161,236,545
2011	43,285,000	43,211,694	86,496,694	33,110,000	42,179,977	75,289,977	76,395,000	85,391,671	161,786,671
2012	44,970,000	40,607,444	85,577,444	35,765,000	40,353,982	76,118,982	80,735,000	80,961,426	161,696,426
2013	47,210,000	38,102,031	85,312,031	39,200,000	38,364,298	77,564,298	86,410,000	76,466,329	162,876,329
2014	57,225,000	27,880,612	85,105,612	42,210,000	36,225,469	78,435,469	99,435,000	64,106,081	163,541,081
2015	63,695,000	20,799,981	84,494,981	45,730,000	33,960,322	79,690,322	109,425,000	54,760,303	164,185,303
2016	42,015,000	18,133,275	60,148,275	49,245,000	31,534,841	80,779,841	91,260,000	49,668,116	140,928,116
2017	27,735,000	16,469,397	44,204,397	53,560,000	28,908,731	82,468,731	81,295,000	45,378,128	126,673,128
2018	28,515,000	15,124,441	43,639,441	57,885,000	25,989,809	83,874,809	86,400,000	41,114,250	127,514,250
2019	29,330,000	13,732,831	43,062,831	57,060,000	22,913,619	79,973,619	86,390,000	36,646,450	123,036,450
2020	30,170,000	12,301,594	42,471,594	60,420,000	19,772,638	80,192,638	90,590,000	32,074,232	122,664,232
2021	31,060,000	10,811,031	41,871,031	63,915,000	16,448,272	80,363,272	94,975,000	27,259,303	122,234,303
2022	20,680,000	9,549,681	30,229,681	67,515,000	12,902,606	80,417,606	88,195,000	22,452,287	110,647,287
2023	21,085,000	8,516,491	29,601,491	18,240,000	10,585,394	28,825,394	39,325,000	19,101,885	58,426,885
2024	21,525,000	7,440,684	28,965,684	19,400,000	9,593,713	28,993,713	40,925,000	17,034,397	57,959,397
2025	21,975,000	6,342,072	28,317,072	20,645,000	8,538,409	29,183,409	42,620,000	14,880,481	57,500,481
2026	12,860,000	5,465,500	18,325,500	15,910,000	7,596,550	23,506,550	28,770,000	13,062,050	41,832,050
2027	12,860,000	4,822,500	17,682,500	16,915,000	6,775,925	23,690,925	29,775,000	11,598,425	41,373,425
2028	12,860,000	4,179,500	17,039,500	17,975,000	5,903,675	23,878,675	30,835,000	10,083,175	40,918,175
2029	12,860,000	3,536,500	16,396,500	19,095,000	4,976,925	24,071,925	31,955,000	8,513,425	40,468,425
2030	12,860,000	2,893,500	15,753,500	20,270,000	3,992,800	24,262,800	33,130,000	6,886,300	40,016,300
2031	12,860,000	2,250,500	15,110,500	21,505,000	2,948,425	24,453,425	34,365,000	5,198,925	39,563,925
2032	12,860,000	1,607,500	14,467,500	22,820,000	1,826,038	24,646,038	35,680,000	3,433,538	39,113,538
2033	12,860,000	964,500	13,824,500	24,220,000	620,638	24,840,638	37,080,000	1,585,138	38,665,138
2034	12,860,000	321,500	13,181,500	-	-	-	12,860,000	321,500	13,181,500
Total	\$724,691,728	\$ 700,394,832	\$1,425,086,560	\$ 967,930,000	\$ 695,362,124	\$1,663,292,124	\$1,692,621,728	\$1,395,756,956	\$3,088,378,684

Notes: (A) Interest on the Toll Road Tax Bonds, Series 1994B through H has been assumed at 5.5%.

Table 37

**Harris County, Texas
Historical Toll Road Operating Results and Coverages
And Toll Road Rates
February 29, 2004
(Unaudited)**

Fiscal Year Ending	Project Revenues	(a)			(b)		Revenues Available For Unlimited Subordinate Lien Tax Bonds	Debt Service Tax Bonds	Coverage Ratio On Unlimited Subordinate Lien Tax Bonds
		Other Earnings	Debt Service Senior Lien Revenue Bonds	Coverage Ratio On Senior Lien Revenue Bonds	O & M Expenses				
1995	\$ 87,893,552	\$ 15,684,175	\$ 39,782,352	2.604	\$15,464,133	\$ 48,331,242	\$ 29,225,621	1.654	
1996	95,861,505	13,640,927	36,048,294	3.038	16,855,208	56,598,930	36,334,128	1.558	
1997	109,631,604	11,655,758	42,481,792	2.855	17,716,748	61,088,822	57,015,181	1.071	
1998	142,254,350	17,867,466	45,648,649	3.508	17,612,685	96,860,482	62,368,482	1.553	
1999	180,108,358	18,709,094	46,546,605	4.271	21,593,047	130,677,800	61,142,299	2.137	
2000	198,282,272	19,093,544	48,974,806	4.439	27,919,182	140,481,828	67,230,590	2.090	
2001	217,785,196	30,729,789	50,393,133	4.932	32,873,082	165,248,770	70,100,623	2.357	
2002	234,674,805	23,262,829	52,677,208	4.897	33,453,815	171,806,611	74,756,674	2.298	
2003	244,170,745	15,926,325	49,727,149	5.230	39,962,567	170,407,354	67,483,545	2.525	
2004	265,913,082	10,375,269	73,284,422	3.770	44,586,864	158,417,065	69,980,336	2.264	

(a) Total interest revenue less interest revenue from the Office Building.

(b) O&M expenses are from TRA Operations and Maintenance fund only.

Toll Road Rate Structure Effective February 29, 2004

	Attended Lanes	Exact Change Lanes	EZ Tag
Sam Houston & Hardy Toll Plazas	\$ 1.25	\$ 1.25	\$ 1.00
Jesse Jones Toll Bridge	\$ 2.00	2.00	1.50

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND INTERNAL CONTROL OVER COMPLIANCE APPLICABLE TO EACH MAJOR FEDERAL AND STATE AWARD PROGRAM AND ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

County Judge Robert Eckels and
Members of Commissioners Court of
Harris County, Texas:

Compliance

We have audited the compliance of Harris County, Texas (the "County"), with the types of compliance requirements described in the *U.S. Office of Management and Budget ("OMB") Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs and major state programs for the year ended February 29, 2004. The County's major federal programs and major state programs are identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs and major state programs is the responsibility of the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and State of Texas *Uniform Grant Management Standards* ("UGMS"). Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal or state program occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the County's compliance with those requirements.

In our opinion, the County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs and major state programs for the year ended February 29, 2004. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements, which is required to be reported in

accordance with OMB Circular A-133 and UGMS and which is included in the Schedule of Findings and Questioned Costs as finding 04-02.

Internal Control Over Compliance

The management of the County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs and state programs. In planning and performing our audit, we considered the County's internal control over compliance with requirements that could have a direct and material effect on a major federal program and a major state program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal or state program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

Schedule of Expenditures of Federal and State Awards

We have audited the basic financial statements of the County, as of and for the year ended February 29, 2004, and have issued our report thereon dated July 22, 2004. Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedule of expenditures of federal and state awards is presented for the purpose of additional analysis as required by OMB Circular A-133 and UGMS and is not a required part of the basic financial statements. This schedule is the responsibility of the management of the County. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects when considered in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the County Judge and Commissioners Court members, management, federal and state awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Deloitte Touche LLP

July 22, 2004

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED UPON THE AUDIT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

County Judge Robert Eckels and
Members of Commissioners Court of
Harris County, Texas:

We have audited the basic financial statements of Harris County, Texas (the "County") as of and for the year ended February 29, 2004, and have issued our report thereon dated July 22, 2004. We did not audit the financial statements of the discretely presented component units which statements reflect total assets of \$807,905,205 as of their respective balance sheet dates and total revenues of \$979,909,571 for the year then ended. We also did not audit the financial statements of the Harris County, Texas County Clerk Trust Funds and the Harris County, Texas District Clerk Court Registry Funds, which statements reflect total assets of \$147,769,542 at February 29, 2004. Those financial statements were audited by other auditors whose reports expressing unqualified opinions have been furnished to us, and our opinion on the financial statements, insofar as it relates to the amounts included for discretely presented component units, the Harris County, Texas County Clerk Trust Funds and the Harris County, Texas District Clerk Court Registry Funds, is based on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying Schedule of Findings and Questioned Costs as item 04-01.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the County Judge and Commissioners Court members, management, federal and state awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Deloitte Touche LLP

July 22, 2004

HARRIS COUNTY, TEXAS
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED FEBRUARY 29, 2004

Fund No.	Federal Grantor / Pass-Through Agency Grantor / Program	CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures	Amount Provided to Subrecipients
<u>FEDERAL GRANTS</u>					
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>					
DIRECT PROGRAMS:					
7015	Lead Base Paint Hazard Control in Privately Owned Houses	14.900		\$ 3,564	\$ 3,564
7020	Supportive Housing Program	14.235		1,684,032	1,682,968
7040	Assisted Housing Program - Certificates	14.871		461,248	-
7130	Emergency Shelter Grant Program	14.231		370,555	350,764
7140	HOME Investment Partnership Program	14.239		5,937,636	5,466,200
7200	Shelter Care Plus Program	14.238		2,588,114	2,585,481
7120/7660	Community Development Block Grant/Entitlement Grants	14.218		18,785,951	14,855,069
PASS THROUGH PROGRAMS, CHILD CARE COUNCIL OF GREATER HOUSTON, INC.:					
7135	Emergency Shelter Grant Program	14.238	S-96-MC-48-0002	68,652	-
TOTAL U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT				<u>29,899,752</u>	<u>24,944,046</u>
<u>U.S. DEPARTMENT OF JUSTICE</u>					
DIRECT PROGRAMS, OFFICE OF JUSTICE:					
1000	State Criminal Alien Assistance Program	16.606		2,841,854	-
2610	Sheriff Seized Assets - Justice Department	16.000		403,432	-
8400	Automated Fingerprint Identification System (AFIS)	16.554		993,500	-
8480	L.L.E.B.G.-Local Law Enforcement Block Grant	16.592		3,475,530	-
8565	COPS - In School Program	16.710		213,803	-
8575	COPS MORE 01	16.710		544,222	-
8576	COPS - Creating a Culture of Integrity	16.710		67,672	-
8585	COPS - Universal Hiring Program	16.710		190,867	-
8593	Weed & Seed	16.595		189,474	105,316
8595	Aldine Weed & Seed	16.595		2,425	-
8605	Bulletproof Vest Partnership Program	16.607		80,471	-
PASS THROUGH PROGRAMS, OFFICE OF THE GOVERNOR, CRIMINAL JUSTICE DIVISION:					
7009	Harris County Truancy Program	16.548	JT-02-J20-16640-01	27,575	-
7595	Residential Substance Abuse Treatment	16.593	RT-03-A10-14876-06	530,110	-
7705	Project Spotlight	16.523	JB-01-J20-16415-01	315,166	-
7980	Coordinated Juvenile Crime Enforcement/5	16.523	JB-02-J20-13316-05	841,995	-
8410	Residential Substance Abuse Treatment	16.593	RT-03-A10-14878-06	354,181	-
8520	Domestic Violence Unit	16.588	WF-02-V30-13456-06	47,605	-
8760	Caseworker Intervention Expansion Project	16.588	WF-03-V30-13454-06	58,889	-
8711	Protective Order Prosecutor Project	16.588	WF-03-V30-13547-06	52,521	-
8960	Police Training for Violent Crimes Against Woman	16.588	WF-03-V04-13455-06	56,085	-
7463	Safe Schools/Healthy Students	16.732	JA-03-J20-16871-01	27,230	-

HARRIS COUNTY, TEXAS
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED FEBRUARY 29, 2004

Fund No.	Federal Grantor / Pass-Through Agency Grantor / Program	CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures	Amount Provided to Subrecipients
PASS THROUGH PROGRAMS, HARRIS COUNTY JUVENILE BOARD:					
7990	Case Management Svcs JJAEP CPS	16.000	JA-03-J22-14776	\$ 55,156	\$ -
PASS THROUGH PROGRAMS, TEXAS DEPARTMENT OF PUBLIC SAFETY:					
8778	No Suspect Casework DNA Backlog Reduction Program	16.564	N/A	192,056	-
PASS THROUGH PROGRAMS, SAM HOUSTON STATE UNIVERSITY:					
7707	Project Safe Neighborhood	16.609	2003-GP-CX-0202	113,727	-
PASS THROUGH PROGRAMS, TEXAS ENGINEERING EXTENSION SERVICE:					
8525	State Domestic Preparedness Equipment Support Program	16.007	48201	140,214	-
PASS THROUGH PROGRAMS, CITY OF BAYTOWN:					
8650	Harris County Organized Crime & Narcotics Task Force	16.579	DB-03-A10-12019-005	1,019,549	-
TOTAL U.S. DEPARTMENT OF JUSTICE				<u>12,835,309</u>	<u>105,316</u>
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>					
PASS THROUGH PROGRAMS, CITY OF HOUSTON:					
7175	Mobility Transportation Grant	20.513	51312F3028	9,378	-
PASS THROUGH PROGRAMS, TEXAS DEPARTMENT OF TRANSPORTATION:					
8850	Crime Analyst (STEP)	20.600	584XX5012	30,085	-
8880	National Maximum Speed Limit (STEP)	20.600	587XXF5009/23	128,525	-
8885	Comprehensive Selective Traffic Enforcement (STEP)	20.600	1-76-04545149-008	21,270	-
8895	Safe & Sober (STEP)	20.600	583XXF5005	116,405	-
TOTAL U.S. DEPARTMENT OF TRANSPORTATION				<u>305,663</u>	<u>-</u>
<u>U.S. DEPARTMENT OF AGRICULTURE</u>					
PASS THROUGH PROGRAMS, TEXAS DEPARTMENT OF HEALTH:					
8320	WIC Supplemental Feeding	10.557	760454514904-10	5,447,860	-

See notes to schedule.

HARRIS COUNTY, TEXAS
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED FEBRUARY 29, 2004

Fund No.	Federal Grantor / Pass-Through Agency Grantor / Program	CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures	Amount Provided to Subrecipients
PASS THROUGH PROGRAMS, TEXAS DEPARTMENT OF HUMAN SERVICES:					
1000	National School Breakfast Program	10.553	TX101-2010	\$ 872,639	\$ -
1000	National School Breakfast Program	10.553	TX101-2009	24,889	-
	National School Lunch Program - CPS	10.555	101-086A	2,584	-
	National School Lunch Program - Juvenile Probation	10.555	101-028A	22,694	-
TOTAL U.S. DEPARTMENT OF AGRICULTURE				<u>6,370,666</u>	<u>-</u>
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>					
DIRECT PROGRAMS:					
8040	Basic Center Program for Runaway and Homeless Youth	93.623		154,165	-
8055	Childhood Lead Poison	93.197		138,954	-
8180	TDH Vaccine-Medical Records	93.268		2,312,968	-
8200	Ryan White Title I - Formula & Supplemental	93.914		21,155,467	18,866,336
PASS THROUGH PROGRAMS, TEXAS DEPARTMENT OF HEALTH:					
8030	Office of Regional Program	93.991	760454514904-12	216,366	-
8060	Refugee Health Screening Program	93.576	760454514904-13	631,024	-
8070	Immunization Action Plan	93.268	760454514905-03	962,037	-
8090	Tuberculosis Elimination Division	93.116	760454514904-11	118,278	-
8100	Tuberculosis PC	93.116	760954514905-10	36,643	-
8110	Family Planning	93.217	760454514904-09	1,519,621	-
8130	State Legalization Impact Assistance Grant	93.565	C9000533	16,232	-
8140	HIV-Prevention	93.940	760454314905-02	323,319	-
8145	ST. Louis Encephalitis - UTMB	93.856	03-034	157,636	-
8150	HIV PCPE/HERR-Counseling	93.940	760454514904-01	170,931	-
8165	Public Health Preparedness and Response for Bioterrorism	93.003	760454514904-05	2,441,179	-
PASS THROUGH PROGRAMS, OFFICE OF THE ATTORNEY GENERAL:					
7003	Access and Visitation Grant	93.597	04-C0261	15,655	-
PASS THROUGH PROGRAMS, TEXAS DEPARTMENT OF PROTECTIVE AND REGULATORY SERVICES:					
1000	TITLE IV-E CPS	93.658	99990504	627,282	-
7007	TITLE IV-E LEGAL SERVICES	93.658	2003063077	1,297,375	-
7005	TITLE IV-B	93.556	23284423	189,335	-
8494	TITLE IV-B Children's Crisis Care Center	93.556	23281099	339,754	-
8045	STAR Program	93.556	23198288	232,535	-
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				<u>33,056,756</u>	<u>18,866,336</u>

See notes to schedule.

HARRIS COUNTY, TEXAS
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED FEBRUARY 29, 2004

Fund No.	Federal Grantor / Pass-Through Agency Grantor / Program	CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures	Amount Provided to Subrecipients
<u>OFFICE OF NATIONAL DRUG CONTROL POLICY</u>					
8540	Major Drug Squad	07.000		\$ 116,835	\$ -
8600	Targeted Offenders Initiative	07.000		35,849	-
8610	Currency/Narcotics Transshipment	07.000		83,858	-
8615	Gang & Non-Traditional Gang Squad	07.000		7,340	-
8620	Money Laundering Initiative	07.000		353,185	-
8630	Violent Crime Initiative	07.000		59,850	-
8635	Methamphetamine Initiative Group	07.000		15,095	-
8640	Joint Drug Intelligence Group	07.000		92,400	-
TOTAL OFFICE OF NATIONAL DRUG CONTROL POLICY				<u>764,412</u>	<u>-</u>
<u>U.S. DEPARTMENT OF COMMERCE</u>					
PASS THROUGH PROGRAMS, NATIONAL OCEANIC & ATMOSPHERIC ADMINISTRATION:					
7419	Coastal Impact Assistance Program	11.419	102-01	961,801	961,801
PASS THROUGH PROGRAMS, GENERAL LAND OFFICE:					
7417	Coastal Management Program, Cycle 6	11.419	02-018R	38,000	-
7421	Coastal Impact Assistance Program	11.419	03-142N	734,636	734,636
TOTAL U.S. DEPARTMENT OF COMMERCE				<u>1,734,437</u>	<u>1,696,437</u>
<u>NATIONAL AERONAUTICS SPACE ADMINISTRATION</u>					
7281	Regulating Rapidly Growing Urban Watersheds	N/A	N/A	229,183	192,997
TOTAL NATIONAL AERONAUTICS SPACE ADMINISTRATION				<u>229,183</u>	<u>192,997</u>
<u>U.S. DEPARTMENT OF HOMELAND SECURITY</u>					
PASS THROUGH PROGRAMS, UNITED WAY					
7280	FEMA Phase XXI - Emergency Food & Shelter Program	83.523	PL 107-73	416,305	-
PASS THROUGH PROGRAMS, TEXAS ASSOCIATION OF REGIONAL COUNCILS(TARC):					
7107	FY 02 - Supplemental Appropriation-Citizens Corps	97.053	CC-FY02-05	50,842	-
7108	FY 03 - Community Emergency Response Teams (CERT)	97.054	CERT-FY03-050	46,787	-
PASS THROUGH PROGRAMS, TEXAS DEPARTMENT OF PUBLIC SAFETY:					
1000	Emergency Management Performance Grants	97.042	EMT-2001-GR-0005	170,827	-
7282	FEMA - Hazard Mitigation Grant Project	97.039	DR-1379-3.129	109,280	-
7283	FEMA - Hazard Mitigation Grant Project	97.039	FEMA-1379-DR	22,073,680	-
7284	FEMA - Tropical Storm Allison Public Asst.-Response & Recover	97.036	FEMA-1379-DR	1,372,814	-
7286	FEMA - Flood Mitigation Assistance	97.029	FEMA-FMAP-IV	486,390	-
7287	FEMA - Hazard Mitigation Grant Project	97.039	FEMA-DR-1257	12,825	-
TOTAL U.S. DEPARTMENT OF HOMELAND SECURITY				<u>24,739,750</u>	<u>-</u>

See notes to schedule.

HARRIS COUNTY, TEXAS
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED FEBRUARY 29, 2004

Fund No.	Federal Grantor / Pass-Through Agency Grantor / Program	CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures	Amount Provided to Subrecipients
<u>DEPARTMENT OF EDUCATION</u>					
PASS THROUGH PROGRAMS, READING IS FUNDAMENTAL, INC.:					
7448	Reading is Fundamental (RIF)	84.359	TX-862-B	\$ 4,575	\$ -
TOTAL DEPARTMENT OF EDUCATION				<u>4,575</u>	<u>-</u>
<u>GENERAL SERVICES ADMINISTRATION</u>					
PASS THROUGH PROGRAMS, TEXAS BUILDING AND PROCUREMENT COMMISSION:					
	Federal Surplus Property Program	39.003	#41200	16,582	-
TOTAL GENERAL SERVICES ADMINISTRATION				<u>16,582</u>	<u>-</u>
<u>U.S. DEPARTMENT OF THE TREASURY</u>					
2600	Sheriff Seized Assets	21.000	N/A	20,868	-
PASS THROUGH PROGRAMS, BUREAU OF ALCOHOL, TOBACCO, FIREARMS AND EXPLOSIVES:					
8825	G.R.E.A.T. Program	21.053	ATC03000116-119	279,701	-
TOTAL U.S. DEPARTMENT OF TREASURY				<u>300,569</u>	<u>-</u>
TOTAL FEDERAL FINANCIAL ASSISTANCE				<u>\$ 110,257,654</u>	<u>\$ 45,805,132</u>

HARRIS COUNTY, TEXAS
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED FEBRUARY 29, 2004

Fund No.	Federal Grantor / Pass-Through Agency Grantor / Program	CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures	Amount Provided to Subrecipients
<u>STATE GRANTS</u>					
<u>OFFICE OF THE GOVERNOR, CRIMINAL JUSTICE DIVISION</u>					
DIRECT PROGRAMS:					
7560	Burnett Bayland Home-Operational	N/A		\$ 2,252	\$ -
7695	Sex Crimes Offender Registration Unit	N/A		294,844	-
8036	Success Through Addiction Recovery (STAR)	N/A		11,940	-
8270	Texas Automated Victim Notification System	N/A		329,302	-
8705	Crime Victims Assistance	N/A		274,429	-
8725	Cold Case Squad	N/A		106,245	-
8765	Family Violence Specialized Case Worker	N/A		57,255	-
8970	Regional Ballistics Lab	N/A		141,218	-
8980	Runaway Investigative Unit	N/A		119,728	-
PASS THROUGH PROGRAMS, HOUSTON-GALVESTON AREA COUNCIL:					
8972	Harris County Sheriff's Regional Ballistics Lab Equipment	N/A	SE-001-201-03	50,690	-
8261	School Safety Awareness Program	N/A	SJ-002-201-03	52,624	-
TOTAL OFFICE OF THE GOVERNOR, CRIMINAL JUSTICE DIVISION				<u>1,440,527</u>	<u>-</u>
<u>OFFICE OF THE COMPTROLLER</u>					
8685	Tobacco Compliance	N/A		<u>11,969</u>	<u>-</u>
TOTAL OFFICE OF THE COMPTROLLER				<u>11,969</u>	<u>-</u>
<u>TEXAS DEPARTMENT OF HEALTH</u>					
8020	Tuberculosis Elimination Division	N/A		571,562	-
8031	POP/BASE Nursing Workforce	N/A		37,924	-
8037	Childrens Health Insurance Program (CHIP)	N/A		243,553	-
8050	Maternal & Child Health	N/A		932,161	-
8065	Texas Tobacco Prevention Pilot Program	N/A		569,814	-
8160	Maternal & Child Health PTB	N/A		109,317	-
8515	Early Medical Intervention	N/A		<u>75,977</u>	<u>-</u>
TOTAL TEXAS DEPARTMENT OF HEALTH				<u>2,540,308</u>	<u>-</u>
<u>TEXAS DEPARTMENT OF TRANSPORTATION</u>					
8710	Texas Automobile Theft Prevention Authority	N/A	SA-T01-10052-04	<u>901,519</u>	<u>-</u>
TOTAL TEXAS DEPARTMENT OF TRANSPORTATION				<u>901,519</u>	<u>-</u>

See notes to schedule.

HARRIS COUNTY, TEXAS
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED FEBRUARY 29, 2004

Fund No.	Federal Grantor / Pass-Through Agency Grantor / Program	CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures	Amount Provided to Subrecipients
<u>TEXAS STATE LIBRARY AND ARCHIVES COMMISSION</u>					
8285	Loan Star Libraries Program	N/A	442-02230	\$ 109,786	\$ -
PASS THROUGH PROGRAMS, HOUSTON AREA LIBRARY SYSTEM:					
7446	HALS Grant	N/A	02-116-01	<u>116,155</u>	<u>-</u>
TOTAL TEXAS STATE LIBRARY AND ARCHIVES COMMISSION				<u>225,941</u>	<u>-</u>
<u>TEXAS COMMISSION ON ENVIRONMENTAL QUALITY</u>					
PASS THROUGH PROGRAMS, HOUSTON GALVESTON AREA COUNCIL:					
7222	Low Income Vehicle Repair Assistance Program	N/A	582-2-55082-01	1,346,941	1,346,941
8730	Solid Waste Implementation-Source Reduction and Recycling	N/A	03-16-G05	24,166	-
8731	Solid Waste Implementation-Local Enforcement	N/A	03-16-G13	<u>75,250</u>	<u>-</u>
TOTAL TEXAS COMMISSION ON ENVIRONMENTAL QUALITY				<u>1,446,357</u>	<u>1,346,941</u>
<u>TELECOMM INFRASTRUCTURE FUND BOARD</u>					
7445	Library Technology Advancement	N/A	QE-2002-LB115-6971	<u>86,610</u>	<u>-</u>
TOTAL TELECOM INFRASTRUCTURE FUND BOARD				<u>86,610</u>	<u>-</u>
<u>TEXAS DEPARTMENT OF PROTECTIVE AND REGULATORY SERVICES</u>					
8042	Tele-Legal Education Project	N/A	9902-0438	22,846	-
8493	PPT - Perm. Planning Team Program	N/A	23130548	682,817	-
8755	Houston HC Child Fatality Team	N/A	99000504	<u>4,472</u>	<u>-</u>
TOTAL TEXAS DEPARTMENT OF PROTECTIVE AND REGULATORY SERVICES				<u>710,135</u>	<u>-</u>
<u>TEXAS OFFICE OF COURT ADMINISTRATION</u>					
1000	Indigent Defense Formula Grant	N/A		<u>1,595,203</u>	<u>-</u>
TOTAL TEXAS OFFICE OF COURT ADMINISTRATION				<u>1,595,203</u>	<u>-</u>
TOTAL STATE FINANCIAL ASSISTANCE				<u>\$ 8,958,569</u>	<u>\$ 1,346,941</u>
GRAND TOTAL STATE AND FEDERAL FINANCIAL ASSISTANCE				<u>\$ 119,216,223</u>	<u>\$ 47,152,073</u>

See notes to schedule.

HARRIS COUNTY, TEXAS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED FEBRUARY 29, 2004

HARRIS COUNTY, TEXAS

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED FEBRUARY 29, 2004

1. The accompanying schedule of expenditures of federal and state awards includes the federal grant activity and state grant activity of the County and is presented on the cash basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the general purpose financial statements.

Federal and state awards provided to subrecipients are treated as an expenditure when paid to the subrecipient.

2. Reconciliation of the Schedule of Expenditures of Federal and State Awards to Grants Special Revenue Fund of the Comprehensive Annual Financial Report ("CAFR") for the year ended February 29, 2004:

Federal expenditures per schedule	\$ 110,257,654
State expenditures per schedule	<u>8,958,569</u>
Subtotal	119,216,223
Add:	
Trial Balance adjustments for modified accrual basis of accounting	1,822,860
County funded portion of grants	13,605,179
Local Grants	2,481,471
Less:	
Grants - Other fund types	<u>(7,074,200)</u>
Total	<u>\$ 130,051,533</u>
Balance per CAFR - Grants Special Revenue Fund	<u>\$ 130,051,533</u>

HARRIS COUNTY, TEXAS

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED FEBRUARY 29, 2004**

3. Reporting Entity - The County, for purposes of the supplementary schedule of expenditures of federal and state awards includes all the funds of the primary government as defined by the Governmental Accounting Standards Board Statement No. 14, "The Financial Reporting Entity." It does not include the following component units of the County as follows:

	<u>Federal Awards Received</u>
Harris County Hospital District	\$ 10,499,865
Harris County Juvenile Board	2,124,444
Mental Health and Mental Retardation Authority	9,096,999
Harris County Housing Authority	13,351,998
The Children't Assessment Center Foundation	200,585

These component units also receive federal financial assistance but separately satisfy the audit requirements of OMB Circular A-133 by engaging other auditors to perform an audit in accordance with OMB Circular A-133.

4. Noncash Awards - Certain federal financial award programs do not involve cash awards to Harris County. These programs include donated vaccines and commodities as follows:

U.S. Department of Health & Human Services

Donated Vaccine (CFDA #93.268)	
Value of vaccines issued	\$2,312,968
Value of vaccines on hand	312,905

U.S. Department of Agriculture

Donated Commodities (CFDA #10.555)	
Value of commodities issued	25,278

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HARRIS COUNTY, TEXAS

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED FEBRUARY 29, 2004**

I. SUMMARY OF AUDITORS' RESULTS

1. The independent auditors' report on the basic financial statements expressed an unqualified opinion.
2. No material weaknesses in internal control over financial reporting were identified.
3. One instance of noncompliance considered material to the basic financial statements was disclosed in the audit.
4. No material weaknesses in internal control over compliance with requirements applicable to major federal and state awards programs were identified.
5. The independent auditors' report on compliance with requirements applicable to major federal and state award programs expressed an unqualified opinion.
6. The audit disclosed findings required to be reported by OMB Circular A-133 and State of Texas *Uniform Grant Management Standards* ("UGMS").
7. The County's major programs were:

Name of Major Federal/State Program	CFDA Number
WIC Supplemental Feeding	10.557
TDH Vaccine-Medical Records / Immunization Action Plan	93.268
FEMA-Hazard Mitigation Grant Project	97.039
Tuberculosis Elimination Division	State
Texas Automated Victim Notification System	State
Low Income Vehicle Repair Assistance Program	State
Indigent Defense Formula Grant	State

8. For federal awards and state awards, a dollar threshold of \$3,000,000 and \$300,000, respectively, was used to distinguish between Type A and Type B programs, as defined in OMB Circular A-133 and UGMS.
9. The County qualified as a low-risk auditee, as defined in OMB Circular A-133 and UGMS.

HARRIS COUNTY, TEXAS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED FEBRUARY 29, 2004

II. FINANCIAL STATEMENT FINDINGS SECTION

Program	Finding/Noncompliance	Questioned Cost
	Finding 04-01	
	<p><u>Finding:</u> The Harris County Sports & Convention Corporation's (the "Corporation"), a blended component unit of Harris County, Texas (the "County"), investment activities are governed by the State of Texas Public Funds Investment Act (the "Act"). The Corporation made a \$12 million investment in the Harris County – Houston Sports Authority's Subordinate Lien Notes Series 2001 C-1 and Series C-2 (the "Notes") that were not in compliance with the Act, because the Notes did not receive a rating from at least one nationally recognized investment rating firm.</p>	
	<p><u>Background:</u> Under the Act, the Corporation is authorized to invest in (1) direct debt securities of the United States or its Agencies, (2) direct obligations of the State of Texas or its agencies and instrumentalities, (3) collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, (4) other obligations, the principal and interest of which are unconditionally guaranteed or insured by the State of Texas or the United States, (5) obligations of states, agencies, counties, cities and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than A or its equivalent.</p>	
	<p><u>Recommendation:</u> Ensure compliance with the Act.</p>	
	<p><u>Corrective Action Plan of Management:</u> The Corporation is pursuing measures to dispose of this investment.</p>	
	<p><u>Estimated Completion Date:</u> 2/28/2005</p>	
	<p><u>County Contact Person:</u> Barbara J. Schott, Harris County Auditor</p>	

HARRIS COUNTY, TEXAS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED FEBRUARY 29, 2004

III. FEDERAL AND STATE AWARDS FINDINGS AND QUESTIONED COSTS SECTION

Program	Finding/Noncompliance	Questioned Cost
Finding 04-02		
Federal Emergency Management Agency Hazard Mitigation Grant CFDA: 97.039	<p><u>Finding:</u> The State requires that a report be submitted every quarter by the Flood Control department. The reports submitted are quarterly progress reports that document the amount of properties acquired, demolished, still to be purchased, and still to be demolished. Since the reports are broke down by each project, they also track the amount funded for each project and the amount expended for each project. All of this information is obtained from Flood Control's ledgers. Flood Control's ledger is designed to break down all of this information by project; the Harris County's general ledger records all project costs in total. A reconciliation of the lump sum amounts recorded in Harris County's general ledger to the project level information in Flood Control's ledger has not been completed.</p> <p><u>Recommendation:</u> Procedures should be implemented to ensure that the County's general ledger, which serves as the database of record for the County, is reconciled to the departmental/subsidiary ledgers prior to submission of grant reports to the granting agency. A review of the quarterly reports by the County Auditor's office should be required to ensure that such reconciliations have been completed and that any necessary adjustments are properly recorded.</p> <p><u>Corrective Action Plan of Management:</u> The County is reviewing its procedures and taking actions to develop and improve the processes related to the reconciliation of the Flood Control sub-ledger to the Harris County general ledger. The Quarterly Reports will be submitted to the Auditor's Office for reconciliation to the Harris County general ledger prior to submission to the agency.</p> <p><u>Estimated Completion Date:</u> 7/30/2004</p> <p><u>County Contact Persons:</u> Barbara J. Schott, Harris County Auditor Michael Talbott, Harris County Flood Control District</p>	None

HARRIS COUNTY, TEXAS

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED FEBRUARY 29, 2004**

IV. STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS

Program	Finding/Noncompliance	Questioned Cost
	<p style="text-align: center;">Finding 03-01</p> <p><u>Finding:</u> The Harris County Sports & Convention Corporation's (the "Corporation"), a blended component unit of Harris County, Texas (the "County"), investment activities are governed by the State of Texas Public Funds Investment Act (the "Act"). The Corporation made a \$12 million investment in the Harris County – Houston Sports Authority's Subordinate Lien Notes Series 2001 C-1 and Series C-2 (the "Notes") that were not in compliance with the Act, because the Notes did not receive a rating from at least one nationally recognized investment rating firm. In addition, the Corporation did not have a written investment policy in place as required under the Act.</p> <p><u>Recommendation:</u> Ensure compliance with the Act.</p> <p><u>Status:</u> The Corporation submitted an investment policy to the Board of Directors of the Corporation which was accepted on January 21, 2004. The Corporation is also pursuing measures to dispose of this investment.</p>	
	<p style="text-align: center;">Finding 03-02</p>	
Federal Emergency Management Agency Public Assistance Grants CFDA: 97.036	<p><u>Finding:</u> One of twenty-five expenditures had a purchase order that was not properly approved.</p> <p><u>Recommendation:</u> The County should emphasize the importance of obtaining proper approval for all expenditures in accordance with the County's policies and procedures.</p> <p><u>Status:</u> Accounts Payable management has reiterated to the Claims Processors the importance of following invoice processing procedures that are in place to verify department approval of all claims.</p>	None

HARRIS COUNTY, TEXAS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED FEBRUARY 29, 2004

Program	Finding/Noncompliance	Questioned Cost
Finding 03-03		
Texas Automobile Theft Prevention Authority CFDA: N/A State Program	<u>Finding:</u> The Financial Year End Report was submitted after the required due date.	None
PPT - Permanency Planning Team Program CFDA: N/A State Program	<u>Finding:</u> Seven of twelve required reports were submitted after the required due date.	
Low Income Vehicle Repair Assistance Program CFDA: N/A State Program	<u>Finding:</u> One of three required financial reports was submitted after the required due date.	
Federal Emergency Management Agency Hazard Mitigation Grant CFDA: 97.039	<u>Finding:</u> Two of four Quarterly Progress Reports were submitted after the required due dates. <u>Recommendation:</u> The County should emphasize the importance of submitting financial and program reports within the allowed time frame. <u>Status:</u> The County has and continues to review, process, create and implement procedures to ensure the timely filing of the grant financial and program reports. The County understands and emphasizes to their staff the importance of preparing and filing reports in a timely manner.	
Finding 03-04		
Maternal & Child Health CFDA: N/A State Program	<u>Finding:</u> One of twenty-five patients selected for testing did not meet income requirement for eligibility. <u>Recommendation:</u> The County should emphasize the importance of verifying eligibility for qualifying for services. <u>Status:</u> The County continues to review and take actions to improve the processes and procedures utilized to verify the eligibility for qualifying services.	None