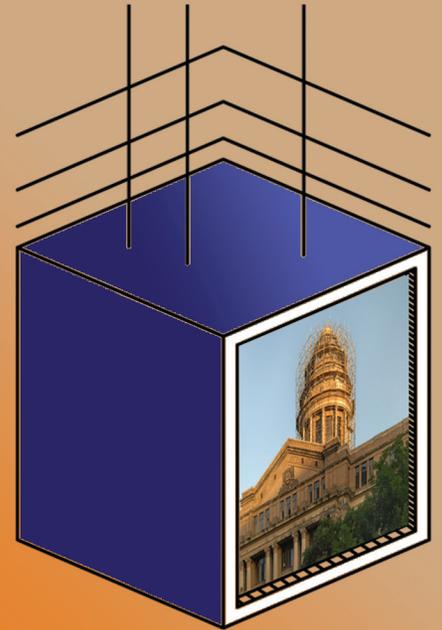




# Harris County, Texas

## Popular Annual Financial Report

for the fiscal year ended February 29, 2008



Building  
for our Future

Barbara J. Schott, CPA  
County Auditor

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The Government Finance Officers Association of the United States and Canada (GFOA) has given an Award for Outstanding Achievement in Popular Annual Financial Reporting to Harris County, Texas for the fiscal year ended February 28, 2007. The Award for Outstanding Achievement in Popular Annual Financial Reporting is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government popular reports.

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

**Cover Photos:** Harris County, Texas is building for its future (top to bottom): (1) Continuing to provide citizens with quality roads for smooth driving conditions, (2) Restoration of a historical building back to its original status through a grant with the Texas Historical Commission, (3) Piloting into the next century by expansion of the the Houston Ship Channel ports to enhance Houston's competitiveness with other deep channel Gulf ports, (4) Continuing to provide quality health care to the citizens of Harris County through Harris County Public Health and Environmental Services (HCPHES) and the Harris County Hospital District, (5) Consolidating and expanding the number of courtrooms with state-of-the-art technology for 21st century litigators in the Harris County Civil Courthouse, (6) Protecting and serving over three million citizens in the County through the largest Sheriff's Department in the State of Texas and the third largest in the nation, (7) Transforming downtown Houston into an active center with residential housing, nightlife scenes and new transportation through careful urban planning and foresight, and (8) Continuing to improve regional mobility and reducing traffic congestion in areas known for rapid population growth.



## *A* Letter to the Citizens of Harris County:

I am pleased to present the Harris County Popular Annual Financial Report (PAFR) for the fiscal year ended February 29, 2008. The purpose of the report is to provide a snapshot of the County's financial performance and major initiatives as well as an overview of trends in the local economy. Above all, it is designed to present a more easily understandable financial report. It also represents the County's ongoing commitment to keep Harris County citizens informed about the County's finances and to be accountable in all respects for the receipt and expenditures of public funds.



The financial information contained in this report has been derived from the 2008 Harris County Comprehensive Annual Financial Report (CAFR). The CAFR is comprised of approximately 200 pages of detailed financial statements, notes, schedules and reports. The CAFR was audited by Deloitte & Touche, LLP, and received an unqualified opinion.

The Popular Annual Financial Report, which was prepared by the Harris County Auditor's Office, summarizes the financial activities of the primary government of Harris County. The reports and statements contained in the PAFR condense and simplify our 2008 Comprehensive Annual Financial Report for all Harris County funds. The information in this report is unaudited, and not in accordance with generally accepted accounting principles due to the condensed and simplified presentation and absence of notes to the financial statements.

As you review our Popular Annual Financial Report, I invite you to share any questions, concerns or recommendations you may have. Those seeking a deeper understanding of the County's finances are encouraged to review a copy of the County's CAFR. Questions concerning any data provided in the PAFR or requests for additional

financial information should be addressed to the County Auditor's Office, 1001 Preston, Suite 800, Houston, Texas 77002 or by visiting the County's website at [www.hctx.net](http://www.hctx.net).

Sincerely,

Barbara J. Schott, CPA  
Harris County Auditor



## A Brief History

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

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

In 1851, a two-story brick structure was built and stood staunchly until 1857, when "*instability in the walls*" raised fears and it was vacated. In 1860 a \$25,000 two story masonry structure was begun, but was converted into a Confederate ammunition factory and military officers' quarters. After the Civil War, repairs and remodeling went on for 15 years. In 1882, a storm

damaged the building so badly it was declared unsafe and torn down to make room for a "*larger and more pretentious building.*" A Victorian style structure costing \$98,000 and hailed as a "*first class*" courthouse was built in 1884. It stood for twenty five years before being replaced in 1910.

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

## Geographic Location and Population

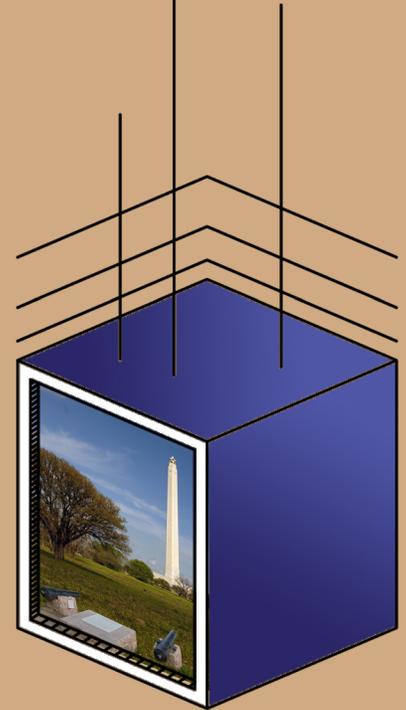
Harris County is located in the Gulf Coast region of Texas approximately 50 miles from the Gulf of Mexico and covers over 1,700 square miles with over 3.9 million residents. Harris County, the nation's third most populous, grew 14.3 percent in population from the 2000 census to mid-2006.

## Services

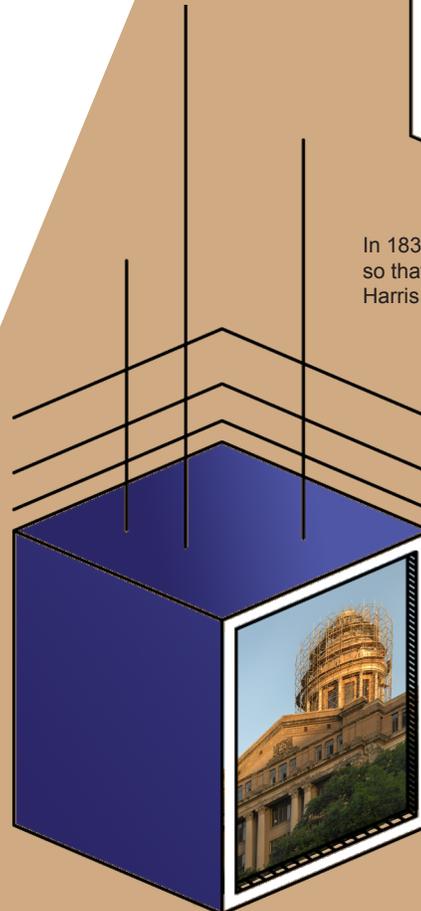
Harris County is a political subdivision of the State of Texas and Commissioners Court is the governing body of the County. It is composed of the County Judge elected from the County at large, and four Commissioners, each elected from a separate precinct, all elected for four year terms. The County Judge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

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

## Harris County Building for the Future



In 1836 Texans fought and won their independence so that they could build for the future. Today, Harris County continues to build for the future.



Although Harris County is building for the future, it has not forgotten the past. To restore part of Harris County's history, the Harris County Courthouse, one of the most significant historical structures in Texas is being restored to its original 1910 appearance through a grant from the Texas Historical Commission.

# The Harris County Auditor's Office

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

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

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

## EXECUTIVE DIVISION

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

## ACCOUNTING DIVISION

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

- **Financial Accounting** - This department is responsible for the general accounting and financial reporting of transactions for Harris County, Harris County Flood Control District, Toll Road Authority, Harris County Juvenile Board, and Harris County Community Supervision and Corrections Department. The department's goal is to provide timely and accurate interim and annual financial reporting. The CAFR, PAFR, and interim monthly financial reports are prepared by the Financial Accounting Department.
- **Accounts Payable** - The Accounts Payable department is responsible for auditing and processing all claims submitted for payment for Harris County, Harris County Flood Control District, Harris County Toll Road, Harris County Juvenile Board and Harris County Community

Supervision and Corrections Department. The audited claims are then approved by Commissioners Court prior to distribution to the vendor by the County Treasurer. All payments are made in compliance with budgetary control and with the approvals of the user departments.

- **Revenue Accounting** - This department forecasts revenues for the County, Flood Control, and Toll Road Authority for the annual budget. After the adoption of the budget, this department monitors collection of revenues compared to annual revenue estimates. It is also responsible for ensuring that funds collected by the County's Fee Officers are accounted for according to statute. This department performs reconciliations of bank and investment accounts maintained by Harris County, Harris County Flood Control, Harris County Toll Road, Harris County Juvenile Board and Harris County Community Supervisions and Corrections Department.

- **Grants & Accounts Receivable Accounting** - This department is responsible for the accounting of grants and certain receivables of the County including inter-local agreements with other governmental entities. The department is also responsible for reporting County receivables at fiscal year-end including receivables related to fines, fees and court costs.

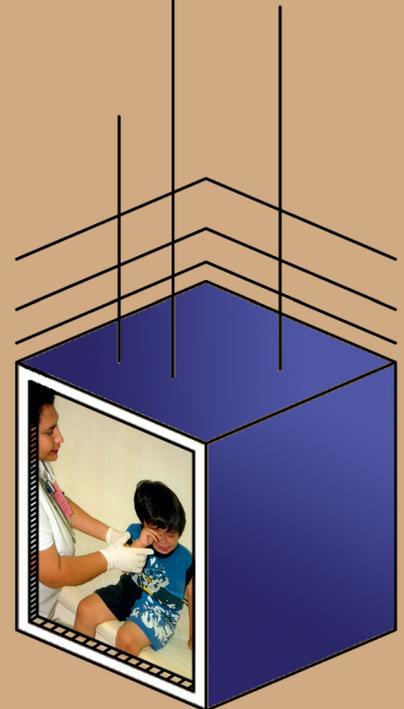
## AUDIT DIVISION

This division includes the following departments: Audit Division Chief, Audit Services, Compliance Audit, Payroll Audit, Systems & Procedures, and Continuous Auditing. The responsibilities of the Audit Division are to assist the

County and other entities' management with the effective discharge of their responsibilities, including management's efforts to provide the public and concerned entities with financial accountability; minimizing exposure to contingent liabilities; safeguarding assets; and compliance with applicable policies, laws, regulations, and covenants. The Division has adopted the professional standards of the Institute of Internal Auditors.

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

## Harris County Building for the Future



Harris County and the Harris County Hospital District have committed over the next four years to invest more than \$350 million dollars to improve access to health care services, reduce wait times and increase the number of patients served.

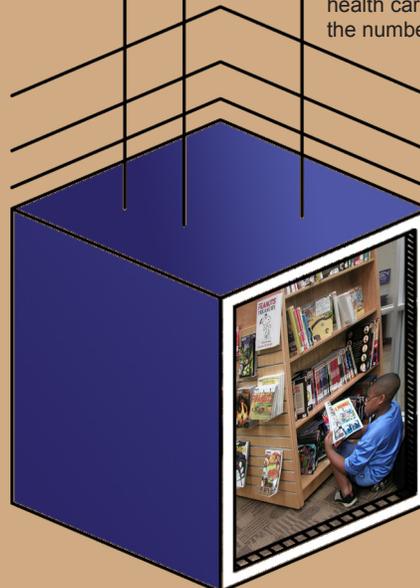


Photo courtesy of the County Library

With an annual circulation of over 10 million items, Harris County libraries are committed to providing excellent customer service, large collections of traditional printed books and audiovisual resources, and cutting edge information technology for the 21st century.

# Economic Outlook for Harris County

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 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 currencies.

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

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

The Houston Association of Realtors reported a 5.0 percent decline in closings during 2007, and a 26

percent decline in sales of new homes, with the reductions most pronounced at the lower end of the market. The median sales price of a single-family home in January 2008 was \$139,000, down 2.8 percent from January 2007. Although it could take months before the housing market recovers, Harris County's strong job growth and population growth should mitigate the problem locally.

Catalysts for growth in Harris County, the Port of Houston and the Houston Ship Channel are vibrant components of the regional economy. The Port of Houston is ranked first in the U.S. in foreign waterborne commerce, second in total tonnage, and tenth in the world overall. Containerized cargo handled by the Port of Houston in 2007 was 11 percent higher than in 2006 and is projected to increase from 10 to 12 percent annually over the next five years. Two major railroads and numerous trucking lines connect the Port with the rest of the United States, Mexico and Canada. In November 1999, Harris County voters approved a \$387 million bond issue for the construction of new container facility at the Port's Bayport Terminal. The opening phase of the project celebrated its grand opening in February 2007. The Bayport facility is expected to generate almost 12,000 jobs in its first ten years of operation and to generate nearly \$1 billion in new business revenues annually.

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

In addition to the County's moderate

climate and diverse economic base, it offers a modern and efficient infrastructure for people working and doing business in the County. This includes 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. In January 2004, a 7.5 mile light rail line was completed, linking Houston's Central Business District, the Museum District, the Texas Medical Center, and Reliant Stadium. In 2003, voters approved a \$640 million bond issue for an additional 22-mile expansion of the light rail system.

The 10-county Houston-Baytown-Sugar Land Metropolitan Statistical Area ("Houston MSA") gained 95,300 nonfarm jobs from January 2007 to January 2008, an increase of 3.9 percent, which was the highest growth rate among the nation's 38 largest metropolitan areas. Houston's relatively strong economy has resulted in large population gains. From the 2000 census through July 1, 2007, the Houston MSA gained 912,694 residents, an increase of 19.4 percent.

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 diversity and cosmopolitan feel. Among the nation's largest metropolitan areas, the Houston MSA ranked fifth in Hispanic population and tenth in Asian and Pacific Islander population in 2005. No racial or ethnic group constitutes a majority of the population.

The cost of living in Houston is among the lowest of all urban settings in the United States. The ACCRA Cost of Living Index for the first quarter of 2008 shows that Houston's overall after-taxes living costs are 11 percent below the national average, largely due to

housing costs that are 22 percent below the average.

Educational opportunities play a key role in Harris County's quality of life. The County has a number of acclaimed school districts and outstanding colleges and universities. Major institutions of higher learning include Rice University, Texas Southern University, University of Houston, University of St. Thomas and Houston Baptist University. Houston's two medical schools are the University of Texas Medical School and Baylor College of Medicine. Houston area colleges and universities granted 34,007 bachelors, masters, doctoral and professional degrees during the 2006-2007 academic year.

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 includes 13 hospitals, two medical schools, four nursing schools, and schools of dentistry, public health and pharmacy.

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

Houston is home to a number of professional sports teams with state-of-the-art facilities. The Astros, Houston's Major League Baseball team, plays its home games at Minute Maid Park; the Texans of the National Football League make their home at Reliant Stadium; and

the Rockets of the National Basketball Association and the Aeros of the American Hockey League share the Toyota Center. The Houston Dynamo soccer team plays its home games at the University of Houston's Robertson Stadium. The Comets of the Women's National Basketball Association play their home games at Reliant Arena.

In addition, collegiate teams from the University of Houston, Rice University, Texas Southern University and Houston Baptist University compete in major sports.

## Harris County Building for the Future

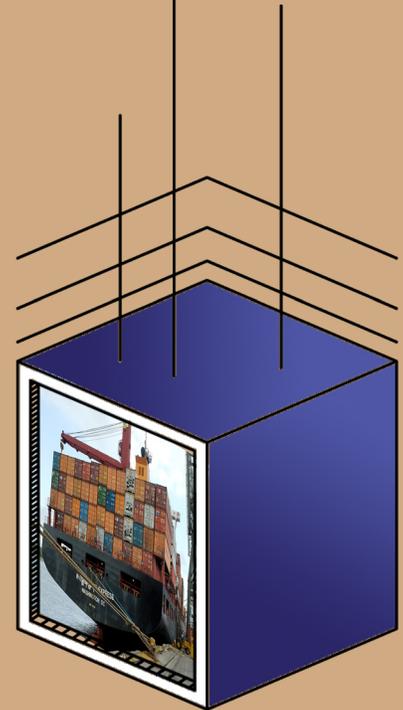
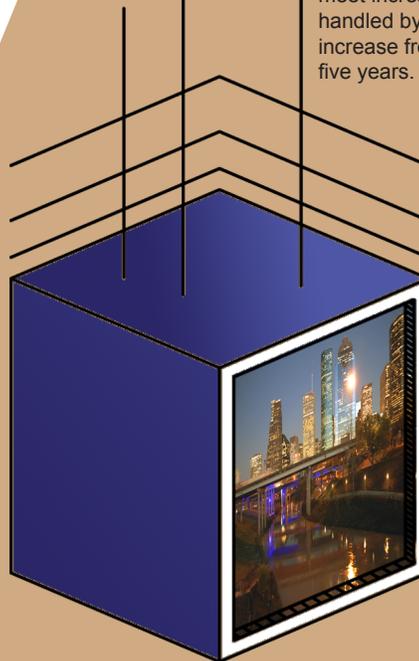


Photo courtesy of the Port of Houston Authority

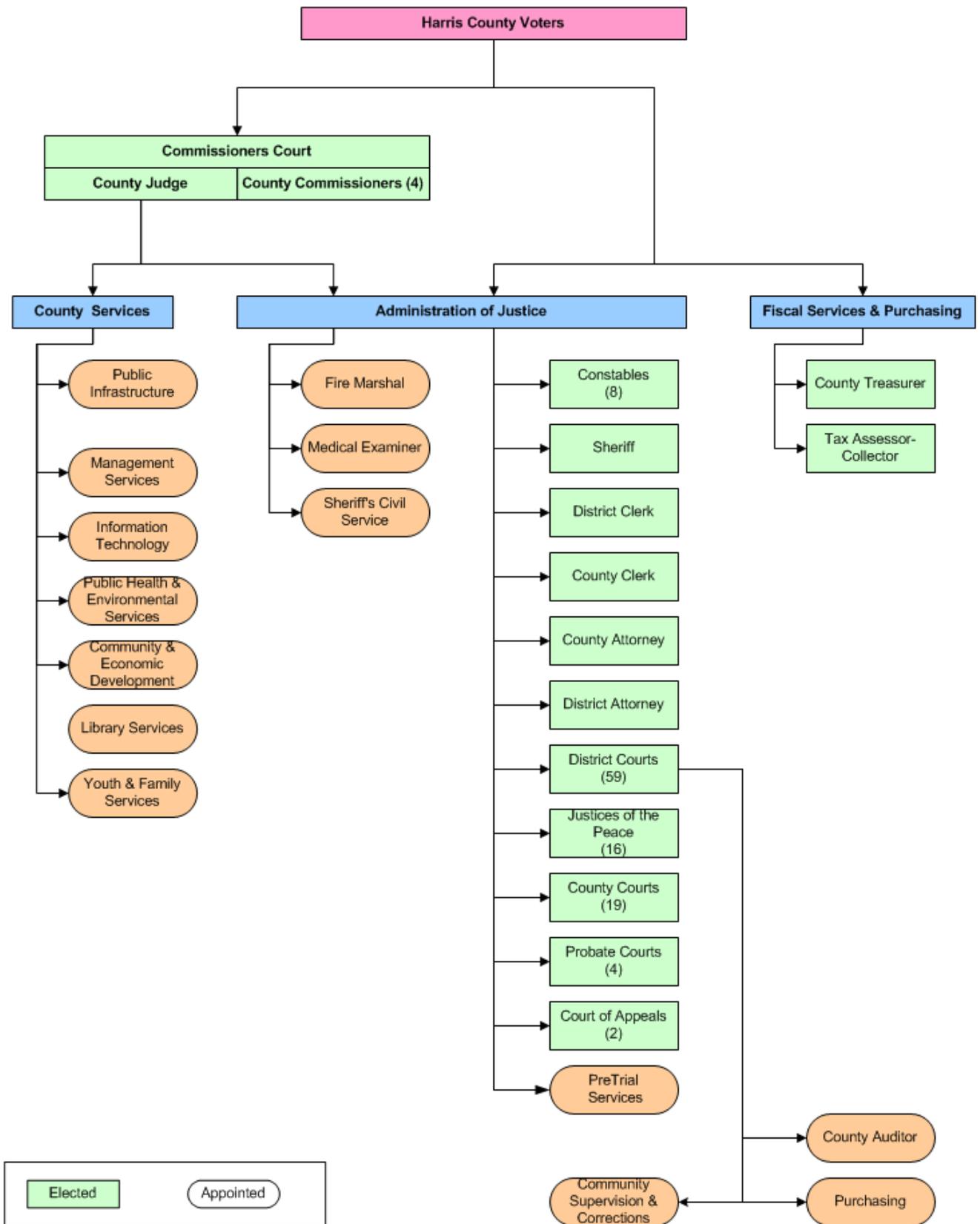
The Bayport Terminal was opened in January, 2007 to meet increased demands of containerized cargo being handled by the Port of Houston. Projections show an increase from 10 to 12 percent annually over the next five years.



Harris County's strong economy has resulted in large population gains for the Houston Metropolitan Statistical Area, an increase of 3.9 percent from January 2007 to January 2008.

### Harris County Organization Chart

03/01/08



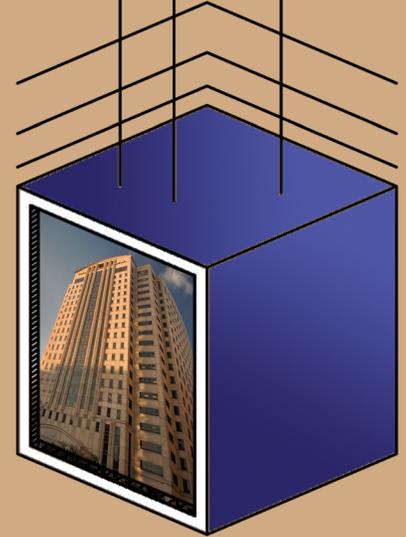
## Organization

Harris County has 16,019 employees. Administration of Justice, which includes law enforcement and the courts, accounts for the majority of employees. Nineteen per cent of County employees work in County Administration and 11 per cent in Health and Human Services. The number of employees by function is displayed in the table below.

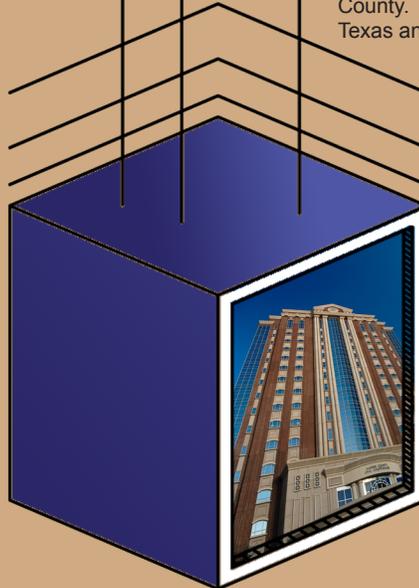
### Number of Harris County Employees By Function for 2008

Administration of Justice	8,882
County Administration	3,078
Health & Human Services	1,726
Roads & Bridges	819
Parks	745
Tax Administration	443
Flood Control	326
<b>TOTAL</b>	<b>16,019</b>

## Harris County Building for the Future



The Criminal Justice Center was built to relieve over crowding in the old Criminal Courthouse due to the explosion of an increasing population in Harris County. The Criminal Justice Center is the largest in Texas and the third largest in America.



The new Harris County Civil Courthouse was designed for 21st Century litigators, featuring 39 courtrooms plus room for expansion and equipped with state-of-the-art courtroom technology in each courtroom.

# Financial Policies and Major Initiatives

## Financial Policies

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:

- Expenditures are to be budgeted and controlled so that at the end of the fiscal year the minimum designated fund balance for the general fund and other operating funds will be no less than 15 per cent of the fiscal year expenditures;
- Balanced financial operations will be maintained;
- Department heads and business managers are to keep expenditures within allocated budget amounts;
- Full disclosure and open lines of communications will be provided for rating agencies. A continuing goal is to upgrade the County's debt rating. The long term bond ratings assigned to Harris County are presented below.
- Commercial paper is utilized to take advantage of short-term interest rates during interim financing for voter authorized and other court approved projects rather than initially issuing long-term bonds.
- The County's investment policy has been adopted to establish policies and procedures that enhance opportunities for a prudent and systematic investment of County funds.

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

Harris County Long Term Bond Ratings	
Bond Rating Service	Harris County Bond Rating
Moody Investment Service, Inc.	Aa1
Standard and Poor's Rating Services	AAA
Fitch IBCA, Inc.	AA+

## Major Initiatives

**Flood Control District** - The District plans to spend \$325.2 million of available funds for ongoing and planned projects for the five-year period from FY 2009 to FY 2013. The District's partnership with the Federal Government through the U.S. Army Corps of Engineers and increasing through FEMA forms the foundation of the District's Capital Improvements program for the next fifteen years or more.

**Toll Road Authority** - The Toll Road Authority (TRA) has planned expenditures over the next five years of \$5.2 billion. Planned projects include Beltway 8 Tollway East, the Hardy-Downtown Connector, and the Hempstead Tollway.

**Precinct Roads** - Expenditures of \$818.5 million are planned over the next five years for various road projects.

**Investments** - The fair market value of the County's investment portfolio increased approximately 2 per cent from \$2,464,095,250 to \$2,525,114,109. A chart by investment type is presented below.

Fair Market Value Harris County Cash & Investments*		
	2008	2007
U. S. Government Securities	\$ 1,522,127,548	\$ 1,444,443,108
Commercial Paper	527,058,174	447,990,113
Money Market Mutual Funds	262,231,605	435,497,140
Local Governments	102,784,089	35,193,994
Demand and Time Deposits	110,942,693	100,970,895
<b>Total Cash &amp; Investments</b>	<b>\$ 2,525,114,109</b>	<b>\$ 2,464,095,250</b>

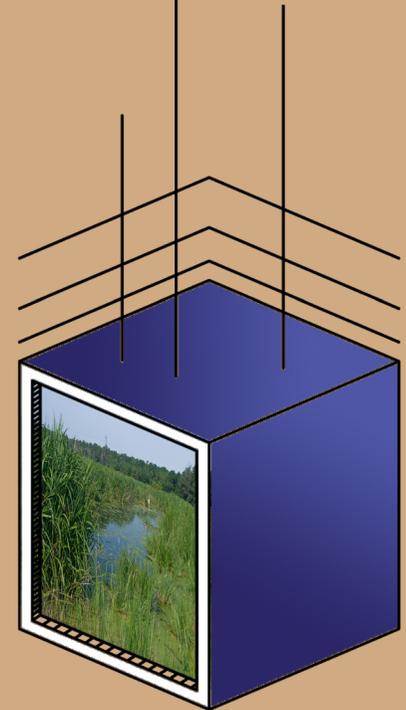
\*This schedule includes Fiduciary Funds

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

**Harris County Facilities  
Major Projects**

<u>Facility</u>	<u>Estimated Cost</u>
North Bayou Central Plant	\$ 23,600,000
Atascocita Jail Project	32,000,000
Medical Examiner's Forensic Center	105,000,000
New Family Law Center	86,400,000
Plaza and Jury Assembly	16,500,000
1910 Civil Courthouse Renovation	65,000,000
Library Projects	47,400,000
<b>TOTAL</b>	<b>\$ 375,900,000</b>

**Harris County  
Building for the  
Future**



The Greens Bayou Wetlands Mitigation Bank was created by Harris County to provide sustainable ecological benefits in advance of unavoidable adverse impacts on wetlands caused by human activity. It also affords tremendous education opportunities for a broad audience and serves as a model for innovative wetland design within the community and around the world.

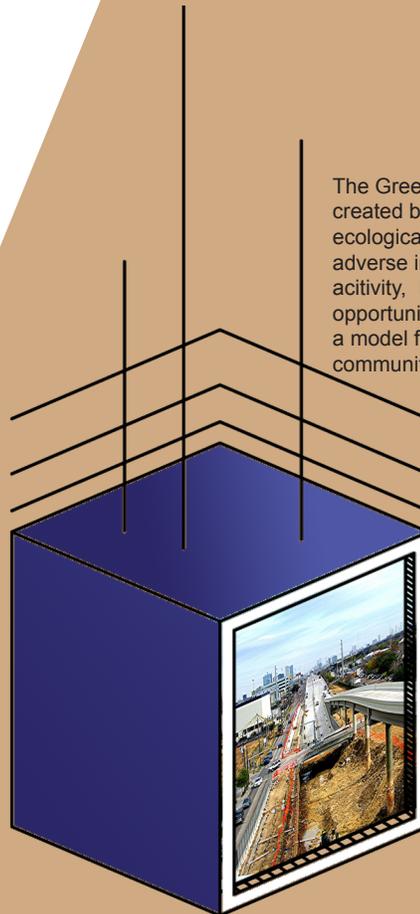


Photo courtesy of the County Judge's Office

Harris County offers a modern and efficient infrastructure of roads for its residents working and people doing business in the County. This includes the building of high capacity freeways and toll roads.

# Financial Position Statement

## Summary

The Harris County Financial Position Statement, known in accounting terms as the "Statement of Net Assets" presents the financial condition of the County at a specific point in time (in this case, as of the end of the County's fiscal years, February 29, 2008 and February 28, 2007).

## Comments on Financials

The financial information in the Harris County Financial Position Statement and the Harris County Financial Activity Statement which follows is derived from information presented in the Harris County's Comprehensive Annual Financial Report ("CAFR") for 2008. The CAFR is lengthy and somewhat complex; however, it is available on the County Auditor's webpage, which can be accessed from the County's website, [www.co.harris.tx.us/auditor](http://www.co.harris.tx.us/auditor). The condensed statements presented here do not include detail presented in the CAFR including footnotes required for full disclosure. In addition, the statements do not include information related to Harris County's discrete component units (separate legal entities whose financial information is provided in the CAFR separately from the County's financial information).

## Assets

**Cash** is the amount of physical cash held by the County in checking accounts and on-hand to pay expenses.

**Investments** are funds not required to pay current expenses which are invested in a

variety of securities such as U.S. government securities, commercial paper, money market mutual funds, and local government securities. This allows the County to earn interest on its surplus cash.

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

**Capital assets** include land, structures, improvements, park improvements and facilities, infrastructure, equipment, vehicles, machinery, other tangible and intangible assets, easements, and construction in progress.

**Other assets** are assets that cannot be classified in any other asset category. These include prepaid accounts, inventory, and deferred charges. An intangible asset with a value of approximately \$200,000,000 was reclassified from Other Assets to Capital Assets during the fiscal year ended February 29, 2008.

## Harris County Financial Position Statement

	<u>2008</u>	<u>2007</u>
<b>Assets</b>		
Cash	\$ 549,177,789	\$ 591,345,452
Investments	1,565,997,714	1,397,457,326
Receivables	258,878,614	259,341,048
Capital Assets	13,799,533,104	13,371,998,518
Other Assets	<u>46,150,823</u>	<u>232,432,364</u>
<b>Total Assets</b>	<b><u>16,219,738,044</u></b>	<b><u>15,852,574,708</u></b>
<b>Liabilities</b>		
Amounts Owed to Employees & Vendors	292,548,396	267,474,390
Other Current Liabilities	84,916,457	68,804,336
Long Term Liabilities	<u>5,033,724,512</u>	<u>4,881,970,382</u>
<b>Total Liabilities</b>	<b><u>5,411,189,365</u></b>	<b><u>5,218,249,108</u></b>
<b>Total Assets over Total Liabilities</b>	<b><u>\$ 10,808,548,679</u></b>	<b><u>\$ 10,634,325,600</u></b>

*Fiduciary funds are excluded.*

*Readers of the Financial Position Statement and the Financial Activity Statement should keep in mind that these statements are presented on a non-GAAP basis. Non-GAAP means that the statements do not comply with generally accepted accounting principles. The statements include summarizations and combinations of accounting data that would not be allowed by GAAP.*

## Liabilities

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

**Other Current Liabilities** include deferred revenue and monies due to other governmental units.

**Long Term Liabilities** represent monies owed for bonds, commercial paper, and notes the County has issued, as well as compensatory time, capital leases and judgments. The County issues debt to finance an ongoing capital improvement program.

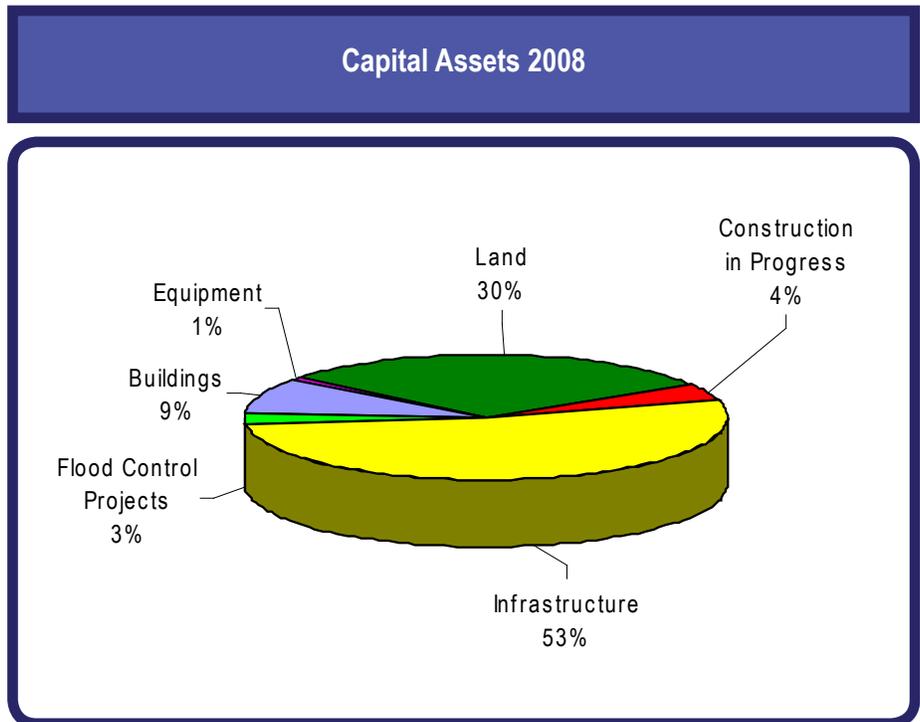
## Total Assets over Total Liabilities

This amount represents the difference between the assets of the County and the liabilities owed. The amount provides the net worth of the County. Net Assets increased \$174,223,079 from fiscal 2007 to fiscal year 2008.

## Capital Assets

The County's 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 fiscal year included the following:

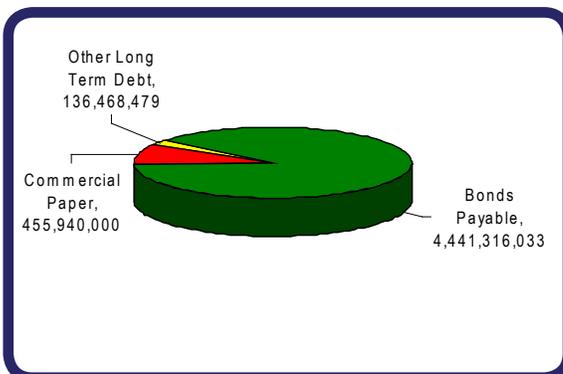
- The County has several ongoing capital improvement projects, including a new Plaza/Jury Assembly Facility with a tunnel connection to the Civil Justice Center, a Medicinal Examiner's Forensic Center, and restoration of the 1910 Civil Courts Building.
- The Flood Control District has several ongoing flood damage reduction and mitigation projects in cooperation with the Federal Emergency Management Agency and the United States Army Corps of Engineers.
- The Harris County Toll Road Authority has several ongoing projects, including the Hempstead Tollway and the I-10 Corridor.



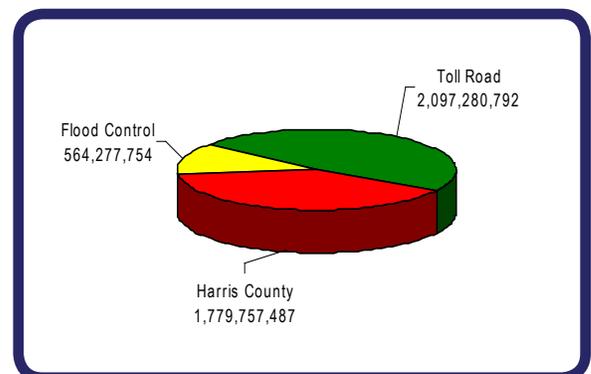
## Bonded Debt and Commercial Paper

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

### Long Term Debt



### Bonds Payable



# Financial Activity Statement

## Summary

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

## Comments on Financials

### Resources Received

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

**Property and Hotel Occupancy Taxes** of \$1,130,223,559 were the largest revenue source for governmental activities and 45% of total revenues and other resources. The tax rate was \$.39239 per \$100 of assessed value for fiscal year 2008. The assessed value increased in fiscal year 2008 to \$327 billion from the assessed value in the prior fiscal year of \$291 billion.

**Charges for Services** are resources from various County departments and agencies for fees paid to them by the public, such as court costs and fees for recording deeds and transferring property. Toll Road receipts are also classified as charges for services.

### Intergovernmental Revenue

is grants, reimbursements, or contributions to the County from other governmental agencies. Capital grants and contributions increased \$85,407,419 from fiscal year 2007 to fiscal year 2008.

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

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

### Services Rendered

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

### Administration of Justice

expenditures include the costs of administering justice through the civil and criminal courts, Pretrial Services, District Attorney, District Clerk, Medical Examiner, Juvenile Probation, Constables, and Sheriff Department. The increase in expenses from fiscal year 2007 can be attributed to increases in salaries, fringe benefits, costs of housing and trial of inmates and an increase in fuel costs for patrol vehicles.

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

### County Administration

expenditures are the expenses incurred for administrative offices including Commissioners, Management Services, Auditor's Office, County Treasurer, Purchasing, County Attorney, County Clerk, and Information Technology Center.

### Health and Human Services

expenditures include the costs of providing public health assistance, social services, economic development, and libraries.

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

## Harris County Financial Activity Statement

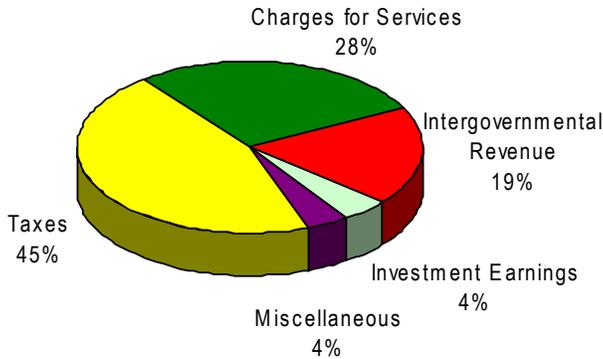
	<u>2008</u>	<u>2007</u>
<b>Resources Received</b>		
Taxes	\$ 1,130,223,559	\$1,008,889,377
Charges for Services	701,795,599	669,471,694
Intergovernmental Revenue	465,435,273	376,543,845
Investment Earnings	108,440,752	87,535,532
Miscellaneous	<u>98,041,305</u>	<u>60,246,759</u>
<b>Total Resources Received</b>	<b><u>2,503,936,488</u></b>	<b><u>2,202,687,207</u></b>
<b>Services Rendered</b>		
Administration of Justice	846,106,683	704,471,670
Parks	82,221,786	72,865,610
County Administration	299,309,731	277,592,148
Health and Human Services	193,347,768	197,880,258
Flood Control	90,253,472	81,126,093
Tax Administration	35,190,948	31,299,836
Roads and Bridges	364,111,518	347,060,615
Interest and Fiscal Charges	136,943,595	116,177,599
Toll Road	272,971,765	276,671,545
Other Business Type Activities	<u>9,256,143</u>	<u>8,052,160</u>
<b>Total Services Rendered</b>	<b><u>2,329,713,409</u></b>	<b><u>2,113,197,534</u></b>
<b>Resources Received over Services Rendered</b>	<b><u>\$ 174,223,079</u></b>	<b><u>\$ 89,489,673</u></b>

Fiduciary Funds are excluded.

Miscellaneous revenue includes the gains on capital assets and changes in estimate.

## Resources Received

### REVENUES & OTHER RESOURCES BY SOURCE Year ended February 29, 2008



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

**Roads and Bridges** expenditures are the costs incurred to maintain County roads and bridges.

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

**Toll Road** expenditures are the costs of administering the Harris County Toll Road Authority and maintaining the roads within the toll road system. Toll Road expenses decreased from fiscal year 2007. The decrease in part was due to higher expenses during 2007 when the inventory of "old" EZ tags was expensed; the Authority changed the type of EZ tag used on the system during 2007.

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

## County Ad Valorem Tax Rates

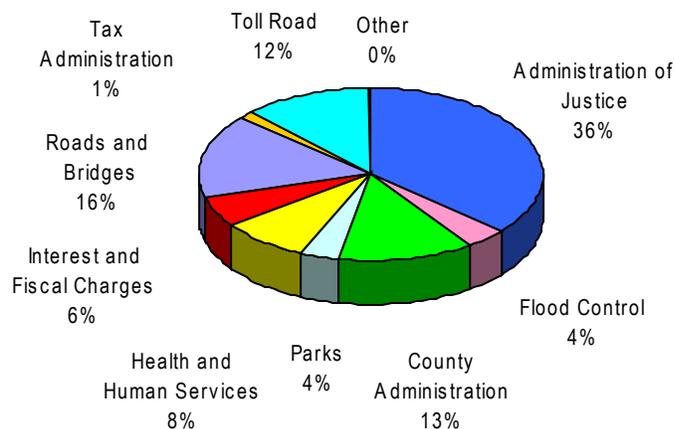
### County Tax Rates

Purpose	2007
Harris County	
Operating Fund	\$0.33918
County Debt Service	0.03200
Road Bond Debt Service	0.02121
Toll Road Authority Tax Bond Debt Service	—
<b>Total Harris County Tax Rate</b>	<u>0.39239</u>
Harris County Flood Control District	0.03106
Port of Houston Authority Debt Service	0.01437
Harris County Hospital District	<u>0.19216</u>
<b>Total County-Wide Ad Valorem Tax Rate</b>	<u><u>\$0.62998</u></u>

The above table shows the ad valorem tax rates per \$100 of assessed value levied by Harris County.

## Services Rendered

### EXPENSES BY FUNCTION Year Ended February 29, 2008



# Harris County Elected Officials as of February 29, 2008



## **Commissioners Court**

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

## **Sheriff**

Thomas, Tommy B.

## **District Attorney**

Rosenthal, Charles A., Jr.  
(Resigned 3/08)  
Magidson, Kenneth ( Appointed 3/08)

## **County Attorney**

Stafford, Michael A.

## **Tax Assessor/Collector**

Bettencourt, Paul

## **District Clerk**

Chang, Theresa

## **County Clerk**

Kaufman, Beverly

## **County Treasurer**

Sanchez, Orlando

## **District Judges - Civil Courts**

11th District Court  
Davidson, Mark  
55th District Court  
Shadwick, Jeff  
61st District Court  
Donovan, John  
80th District Court  
Bradshaw-Hull, Lynn  
113th District Court  
Hancock, Patricia  
125th District Court  
Coselli, John  
127th District Court  
Wood, Sharolyn  
129th District Court  
Dorfman, S. Grant  
133rd District Court  
McCorkle, T. Lamar  
151st District Court  
Baker, Caroline E.  
152nd District Court  
Wise, Ken  
157th District Court  
Wilson, Randy  
164th District Court  
Jamison, Martha Hill  
165th District Court  
Ray, Elizabeth  
189th District Court  
Burke, Bill R. Jr.  
190th District Court  
Kerrigan, Patricia  
215th District Court  
Benton, Levi  
234th District Court  
Rondon, Reece  
269th District Court  
Wooldridge, John T.  
270th District Court  
Gamble, Brent  
280th District Court  
Lindsay, Tony  
281st District Court  
Bernal, David J.  
295th District Court  
Christopher, Tracy  
333rd District Court  
Halbach, Joseph J.  
334th District Court  
McCally, Sharon

## **District Judges - Criminal Courts**

174th District Court  
Godwin, George H.  
176th District Court  
Rains, Brian  
177th District Court  
Anderson, Devon  
178th District Court  
Bridgwater, Roger  
179th District Court  
Wilkinson, J. Michael  
180th District Court  
Stricklin, Debbie Mantooth  
182nd District Court  
Barr, Jeannine  
183rd District Court  
Velasquez, Vanessa  
184th District Court  
Krocker, Jan  
185th District Court  
Brown, Susan  
208th District Court  
Collins, Denise  
209th District Court  
McSpadden, Michael T.  
228th District Court  
Carter, Marc C.  
230th District Court  
Hill, Belinda  
232nd District Court  
Keel, Mary Lou  
248th District Court  
Campbell, Joan  
262nd District Court  
Anderson, Mike  
263rd District Court  
Wallace, Jim  
337th District Court  
Stricklin, Don  
338th District Court  
Thomas, Brock  
339th District Court  
Casper, Caprice  
351st District Court  
Ellis, Mark Kent

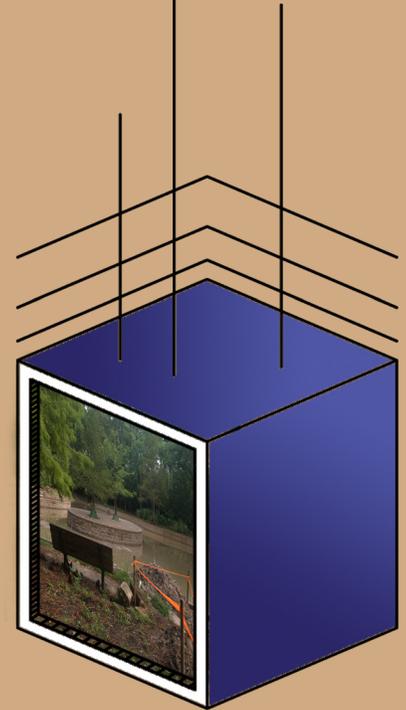
**District Judges - Family Courts**

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

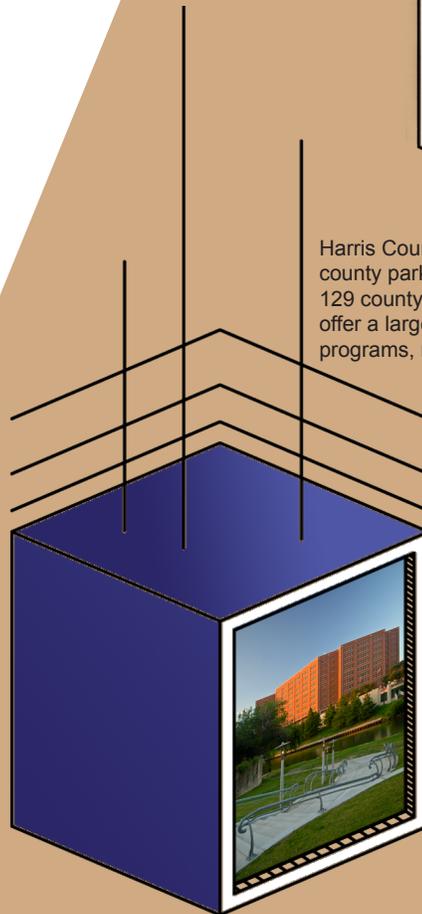
**District Judges - Juvenile Courts**

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

**Harris County  
Building for the  
Future**



Harris County is continually building and improving county parks for its residents. Currently, approximately 129 county parks are located in Harris County and offer a large variety of facilities and a vast array of programs, most free of charge.



Harris County Law Enforcement is committed to providing its citizens a safe and secure environment free from fear and crime. Other duties include operating the County jail, providing bailiffs for the county and district courts within the County and serving process issued by said courts.

# Harris County Elected Officials, cont'd



## County Courts - Criminal

Court at Law No. 1  
Helm, Reagan C.  
Court at Law No. 2  
Harmon, Bill  
Court at Law No. 3  
Jackson, Donald W.  
Court at Law No. 4  
Anderson, James  
Court at Law No. 5  
Harris, Margaret  
Court at Law No. 6  
Standley, Larry  
Court at Law No. 7  
Derbyshire, Pam  
Court at Law No. 8  
Karaham, 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

## County Courts - Civil

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

## Probate Courts

Court No. 1  
Austin, Russell (Deceased 6/08)  
Court No. 2  
Wood, Mike  
Court No. 3  
Olsen, Rory R.  
Court No. 4  
McCulloch, William C.

## 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  
Green, Hilary  
Precinct 7, Position 2  
Burney, Zinetta  
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  
Camus, Phil  
Precinct 6  
Trevino, Victor  
Precinct 7  
Walker, May  
Precinct 8  
Bailey, Bill

**Court of Appeals**

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

**SELECTED APPOINTED OFFICIALS  
& DEPARTMENT HEADS**

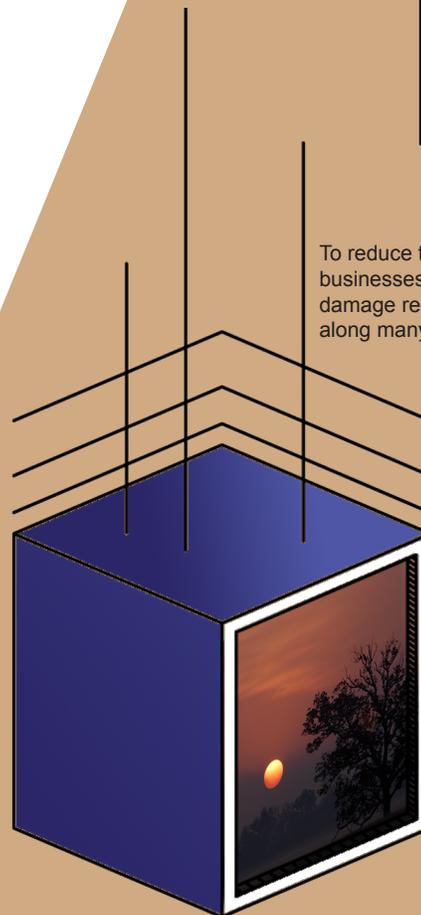
Admin. Offices of The District Courts  
Thompson, Jack  
County Criminal Courts at Law Mgm't  
Wessels, Bob  
Information Technology Center  
Jennings, Steve W.  
Children's Assessment Center  
Stolte, Elaine  
Protective Services for Children &  
Adults  
Ford, George  
Texas AgriLife Extension - Harris  
County  
Williams-Willis, Linda  
County Auditor  
Schott, Barbara J.  
County Library  
Goldberg, Rhoda (Interim)  
Pre Trial Services  
Oeller, Carol  
Domestic Relations  
Simpson, David W.  
Greater Harris County 9-1-1  
Emergency Network  
Schwender, Lavergne  
Fire and Emergency Services  
Montgomery, Michael S.  
Housing and Economic Development  
Turler, 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 Serv.  
Palacio, Herminia MD  
Public Infrastructure Department  
Storey, Arthur L., Jr.  
Purchasing  
McCown, Jack R.  
Sheriff Civil Services  
Mims, William H. Jr.

**Harris County  
Building for the  
Future**



To reduce the risk of flooding to area residences and businesses within Harris County, numerous major flood damage reduction projects have been implemented along many of the major bayous and tributaries.



Just as you can depend on the sun rising each morning, you will continue to find Harris County building for the future.



**Information Sources - Economic Outlook for Harris County (Pages 6 & 7)**

The following sources were used to compile this report:

Greater Houston Partnership  
Houston Chronicle  
Port of Houston Authority  
U S Census Bureau  
The Harris County Toll Road Authority

Handbook of Texas Online  
Harris County Flood Control District  
U.S. Department of Commerce Bureau  
of Economic Analysis  
National Association of Realtors

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