

Harris County, Texas

Popular Annual Financial Report

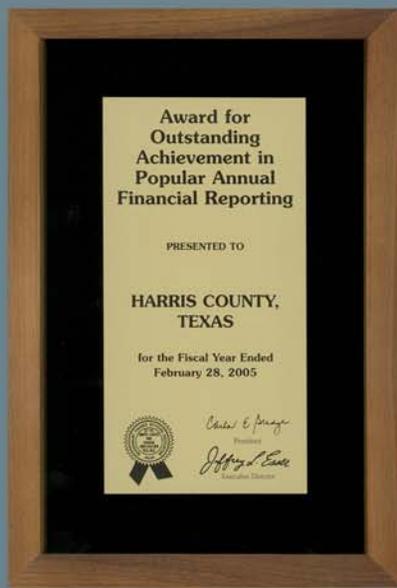
for the fiscal year ended February 28, 2006



Barbara J. Schott, CPA
County Auditor

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Last year was the first year that Harris County submitted a Popular Annual Financial Report to the Government Finance Officers Association of the United States and Canada (GFOA) in hope of receiving an Award of Outstanding Achievement in Popular Annual Financial Reporting. We are proud to report that the GFOA has granted an Award for Outstanding Achievement in Popular Annual Financial Reporting to Harris County, Texas for its Popular Annual Financial Report for the fiscal year ended February 28, 2005. 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, presentation, understandability and reader appeal. An Award for Outstanding Achievement in Popular Annual Financial Reporting is valid for a period of one year. We believe our current report continues to conform to the Popular Annual Financial Reporting requirements, and therefore are submitting it to GFOA.



Letter to the Citizens of Harris County:

I am pleased to present the Harris County Popular Annual Financial Report (PAFR) for the fiscal year ended February 28, 2006. 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 2006 Harris County Comprehensive Annual Financial Report (CAFR). The CAFR is comprised of more than 220 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 2006 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.

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 and present 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 3.6 million residents. Harris County, the nation's third most populous, grew 8.1 percent in population from the 2000 census to mid-2005.

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.



Rosebud Homestead at Jesse H Jones Park shows the life of early settlers in Harris County



Photo Courtesy of Harris County Archives

In 1884 Harris County's fourth courthouse, a Victorian Style structure, was built



The fifth Harris County Courthouse built in 1910 still stands today

As the County's chief financial officer of Harris County, the Toll Road Authority and the Harris County Flood Control District, the County Auditor has the following responsibilities:

- Maintaining 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.
- Providing general oversight of all books and records of all County Officials.
- Auditing the records and accounts of the various county departments.
- Administering the county budget as approved by the Commissioners Court.
- Forecasting financial data for budgetary formulation purposes.
- Payroll Processing
- Strictly enforcing laws governing county finances as set forth by state law.

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 Accounts Receivable.

- **Financial Accounting** - This department is responsible for general ledger accounting 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. This department is also responsible for the fiscal affairs relating to grants for the entities listed above. The department's goal is to provide timely interim and annual financial reporting. The CAFR, PAFR, and interim monthly financial reports are prepared by Financial Accounting.
- **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 accounting activities related to collection of funds by various fee officers throughout the County that collect funds for the County's benefit. 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.

- **Accounts Receivable**
The Accounts Receivable Department is responsible for the billing, monitoring, and pursuit of current and past due collections on certain receivables for the County such as Subdivision Patrol Contracts and interlocal agreements with other governmental agencies.

AUDIT DIVISION

This division includes the following departments: Audit Division Chief, Audit Services, Compliance Audit, Payroll Audit, and Systems & Procedures. 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; minimize exposure to contingent liabilities; safeguard assets; and comply with applicable policies, laws, regulations, and covenants. The Division has adopted the professional standards of the Institute of Internal Auditors.

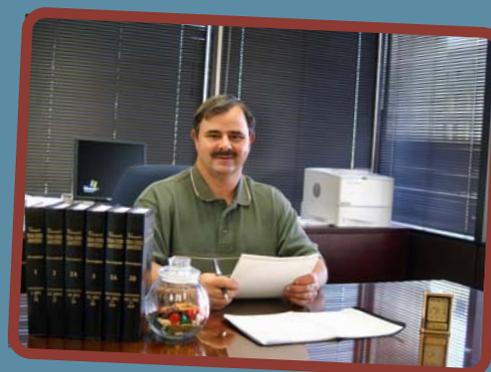
- **Audit Services** - This department performs procedures relative to elected and appointed County officials, external entities (e.g., Harris County Hospital District), financial processes, and general ledger account balances. Engagements are selected for inclusion on the annual audit plan based upon the perceived level of inherent and control risk.
- **Compliance Audit** - In compliance with specific statutes, this department tests the County's primary revenue sources, taxes and fees, and most transactions at another governmental entity, the Port of Houston.
- **Payroll Audit** - Payroll information is originated in each County department. This department verifies and processes the payroll. In addition, the department prepares all required state and federally 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.



Chief Assistant County Auditor - Accounting Division



Payroll Audit verifies and processes the payroll for Harris County and prepares all required state and federally mandated reports



Chief Assistant County Auditor - Audit Division

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

Harris County continues to diversify its economy from its traditional concentration in the energy sector. Much of the recent growth in the economy has come from the trade, transportation, utilities and professional and business services sectors. Employment also continues to increase in the construction and oil and gas industries. Harris County continues to be a favorable location for business with 21 of the Fortune 500 companies headquartered in the eight-county Houston-Galveston-Brazoria Consolidated Metropolitan Statistical Area.

The Houston housing market is the third largest in the United States, with nearly 61,000 building permits issued in 2005. For 2005, the Houston Association of Realtors reported 78,610 closings, up 8.9 percent from 2004. The value of the closings was \$14.8 billion, up from \$12.25 billion for 2004.

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 sixth in the world overall. Approximately 90 steamship lines utilize the Port of Houston, linking Harris County with over 1,000 ports in 203 countries. 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 project broke ground in June 2004 with the first phase of construction scheduled for completion in mid-2006. 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. It generates nearly \$11 billion annually for the regional economy.

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.

During 2005, the 10-county Houston-Baytown-Sugar Land Metropolitan Statistical Area (Houston MSA) gained 75,100 jobs, an increase of 3.2 percent versus a 1.2 percent increase nationwide. The Houston MSA ranked 33rd among the nation's 361 MSAs in per capita personal income in 2004. At \$36,852, annual per capita income was 11.5 percent above the U.S. average.

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 2006 shows that Houston's overall after-taxes living costs are 12 percent below the nationwide average, largely due to housing costs that are 26 percent below the national 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 30,316 bachelors, masters, doctoral and professional degrees during the 2003-2004 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 five 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, the Comets of the Women's National Basketball Association and the Aeros of the American Hockey League all share the Toyota Center. In addition, collegiate teams from the University of Houston, Rice University, Texas Southern University and Houston Baptist University compete in major sports.



Photo Courtesy of County Judge's Office

Harris County's major hospitals consistently rank among the nation's top institutions



The Port of Houston links Harris County with over 1,000 ports in 203 countries

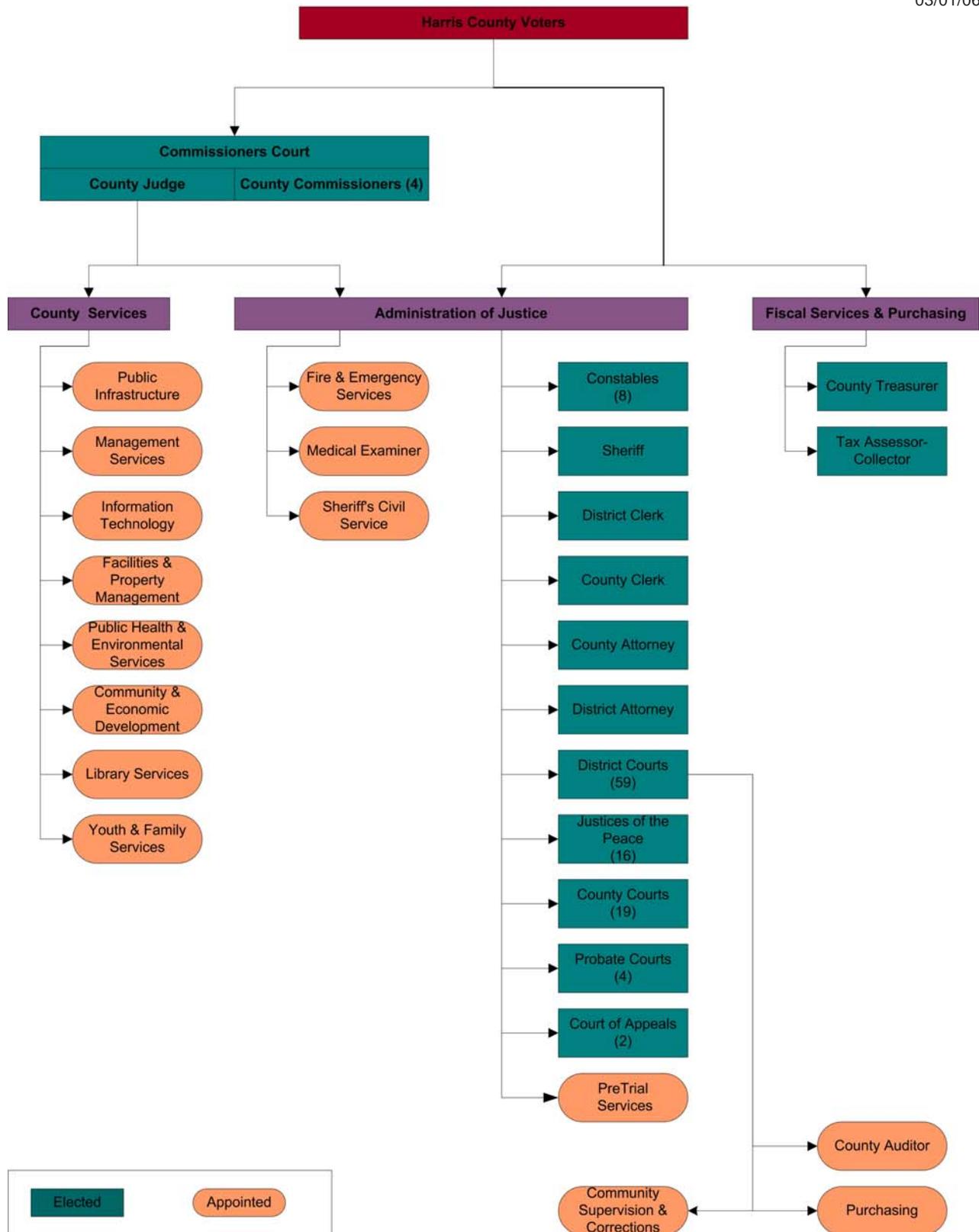


Photo Courtesy of County Judge's Office

Harris County's offers a modern and efficient infrastructure for people working and doing business in the County. This includes the building of high capacity freeways...

Harris County Organization Chart

03/01/06



Organization

Harris County has 15,840 employees. The total increased 2.8 per cent during the fiscal year ended February 28, 2006, with the addition of 437 employees. Administration of Justice, which includes law enforcement and the courts, accounts for 56 per cent of the total and more than half of the new employees. Eighteen 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 2006

Administration of Justice	8,818
County Administration	2,885
Health & Human Services	1,764
Roads & Bridges	857
Parks	754
Tax Administration	442
Flood Control	320
TOTAL	15,840



Photo Courtesy of County Judge's Office

Various road projects estimated at approximately \$780 million are scheduled over the next five years



Photo Courtesy of County Judge's Office

Park improvements totaling \$42.6 million are planned for FY2007 and FY2008



Photo Courtesy of County Judge's Office

Port Security

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% 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 are maintained with 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	AA+
Fitch IBCA, Inc.	AA+

Major Initiatives

Flood Control District - The District has about \$212.6 million in currently available funds for active projects. Additional funding of \$482.3 million is proposed for the five year period from FY2007 to FY2011 for various "candidate" projects. It is anticipated that up to \$217 million of additional funding from federal sources would be secured for these candidate programs.

Toll Road Authority - The Toll Road Authority (TRA) has planned expenditures over the next five years of \$618.4 million. This amount does not include construction costs for three potential joint projects with the Texas Department of Transportation. These projects would add 81.4 miles to the TRA system between 2010 and 2013 at an estimated cost of \$2.1 billion.

Precinct Roads and Parks - Road project expenditures of approximately \$780 million are anticipated over the next five years for various road projects. Park projects totaling \$42.6 million are planned for FY2007 and FY2008.

Investments - The fair market value of the County's investment portfolio increased approximately 8 per cent from \$1,874,762,420 to \$2,043,216,740. A chart by investment type is presented below.

Fair Market Value Harris County Investments		
	2006	2005
U. S. Government Securities	\$ 1,396,524,864	\$ 1,152,441,756
Commercial Paper	315,604,568	384,974,516
Money Market Mutual Funds	286,882,197	231,646,591
Local Governments	44,205,111	105,699,557
Total Investments	\$ 2,043,216,740	\$ 1,874,762,420

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
Renovation Projects**

Facility	Estimated Cost
Family Law Center	\$ 90,230,000
Plaza and Jury Assembly	16,750,600
Parking Garage Expansion	13,062,000
1910 Civil Courthouse Renovation	65,000,000
Medical Examiner Crime Lab	63,700,000
Transtar Facility Renovation	21,720,000
Security Building	11,985,000
701 San Jacinto Jail Security System	4,500,000
Annex A	4,867,820
ITC Disaster Recovery Center	1,560,000
Youth Village Bulkhead	1,170,000
TOTAL	<u>\$ 294, 545,420</u>



Photo Courtesy of County Judge's Office

Lynchburg Ferry (operated by Harris County) remains the only free, county-operated ferry in Texas, carrying thousands of vehicles each week



Photo Courtesy of County Judge's Office

Harris County and Houston leading the way by being the first major metropolitan area in the country to combine resources and expertise into one state-of-the-art center (The Houston Transtar Building)



The newly opened Juvenile Justice Center houses all juvenile agencies and court rooms under one roof

Financial Position Statement

Summary

The Harris County Financial Position Statement, known in accounting terms as the "Statement of Net Assets" presents the financial condition of the County at a specific point in time (in this case, as of the end of the County's fiscal years, February 28, 2006 and February 28, 2005).

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 2006. 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. 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, deferred charges, and intangible assets that do not fall within capital assets.

Harris County Financial Position Statement

	2006	2005
Assets		
Cash	\$ 411,723,178	\$ 246,517,529
Investments	1,264,360,836	1,316,628,037
Receivables	274,055,283	239,909,655
Capital Assets	13,154,840,961	12,541,624,971
Other Assets	133,647,583	84,331,470
Total Assets	\$ 15,238,627,841	\$14,429,011,662
Liabilities		
Amounts Owed to Employees & Vendors	\$ 259,988,607	\$ 239,015,212
Other Current Liabilities	34,032,149	27,046,638
Long Term Liabilities	4,514,494,184	4,254,125,028
Total Liabilities	\$ 4,808,514,940	\$ 4,520,186,878
Total Assets over Total Liabilities	\$ 10,430,112,901	\$ 9,908,824,784

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, judgments, and landfill remediation. While portions of these liabilities may require payments within the next 12 months, the overall liabilities extend beyond one year.

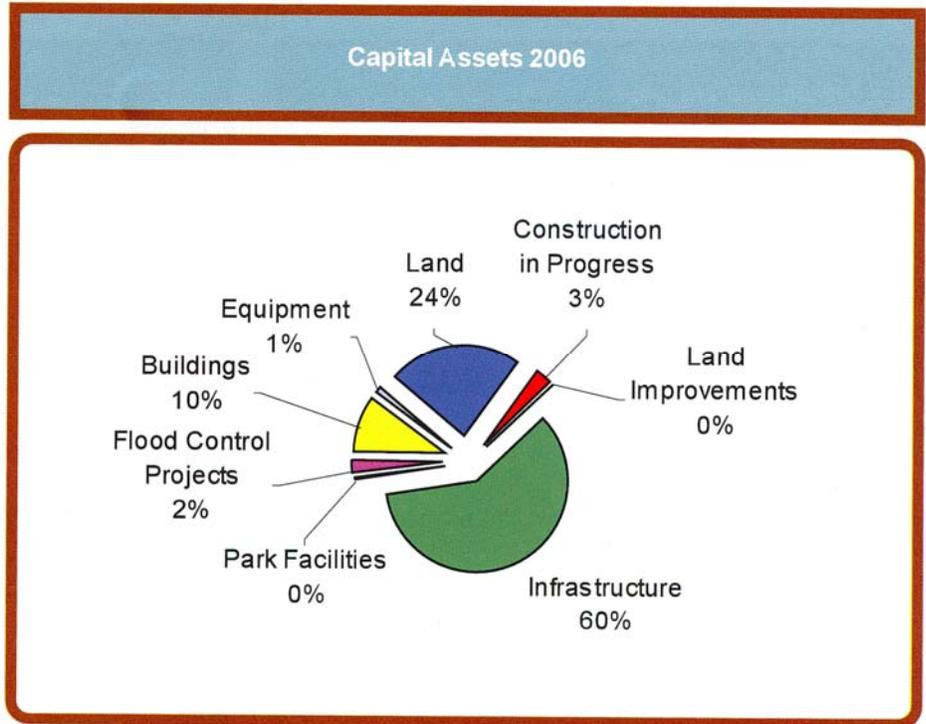
Total Assets over Total Liabilities

This amount represents the difference between the assets of the County and the liabilities owed. The amount provides the net worth of the County.

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:

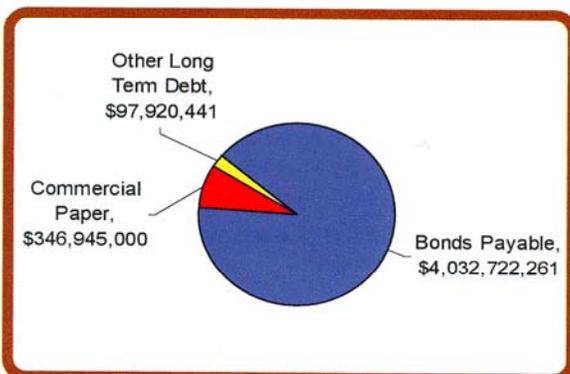
- The County completed several capital improvement projects this year, including the Juvenile Justice Center, the new Civil Justice Center and the tunnel system connecting the Jury Assembly Facility with the court buildings .
- The County made several land purchases during the year, primarily due to flood control pre-disaster mitigation buyouts in cooperation with the Federal Emergency Management Agency.
- The Harris County Toll Road Authority has several ongoing projects, including the widening of the Sam Houston Toll Road, Westpark Tollway Phase II and development of Interstate 10 toll lanes.



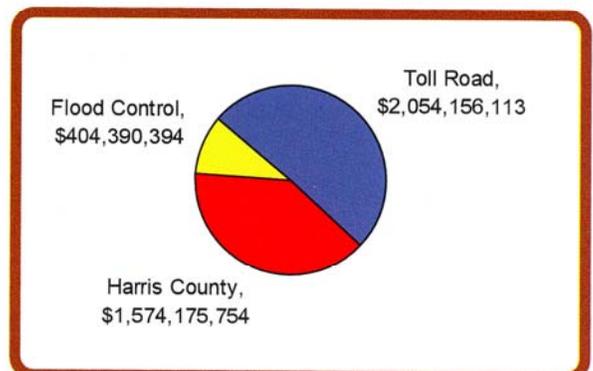
Bonded Debt and Commercial Paper

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.

Taxes are resources that include property taxes, hotel occupancy taxes, and a variety of other smaller taxes.

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.

Intergovernmental Revenue is grants, reimbursements, or contributions to the County from other governmental agencies.

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.

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.

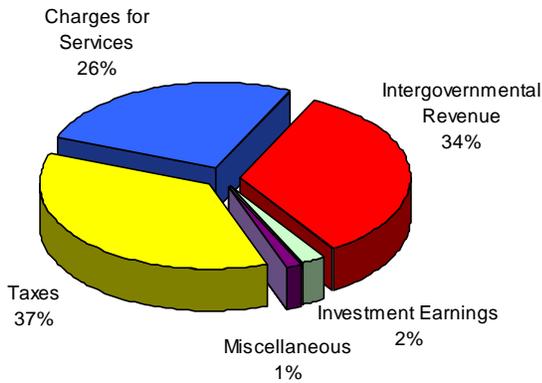
Flood Control expenditures are the costs to administer the Harris County Flood Control District and maintain the flood control system of drainage ditches and bayous throughout the County.

Harris County Financial Activity Statement

	2006	2005
Resources Received		
Taxes	\$ 876,141,635	\$ 871,565,147
Charges for Services	636,501,477	575,631,180
Intergovernmental Revenue	815,972,330	285,075,057
Investment Earnings	50,916,199	18,994,243
Miscellaneous	33,030,376	25,667,139
Total Resources Received	\$ 2,412,562,017	\$ 1,776,932,766
Services Rendered		
Administration of Justice	\$ 621,621,169	\$ 614,180,931
Parks	58,841,289	45,986,894
County Administration	237,786,614	255,897,454
Health and Human Services	184,864,636	171,374,193
Flood Control	60,040,715	57,624,580
Tax Administration	30,709,102	30,039,785
Roads and Bridges	333,135,403	325,598,812
Interest and Fiscal Charges	108,519,304	81,825,934
Toll Road	230,254,202	213,357,624
Other Business Type Activities	7,304,509	5,675,961
Total Services Rendered	\$ 1,873,076,943	\$ 1,801,562,168
Resources Received over Services Rendered	\$ 539,485,074	\$ (24,629,402)

Resources Received

REVENUES BY SOURCE
Year ended February 28, 2006



County Ad Valorem Tax Rates

County Tax Rates

Purpose	2005
Harris County Operating Fund	\$0.34728
County Debt Service	0.03047
Road Bond Debt Service	0.02211
Toll Road Authority Tax Bond Debt Service	—
Total Harris County Tax Rate	<u>\$0.39986</u>
Harris County Flood Control District	\$0.03322
Port of Houston Authority Debt Service	0.01474
Harris County Hospital District	<u>0.19216</u>
Total County-Wide Ad Valorem Tax Rate	<u><u>\$0.63998</u></u>

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

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.

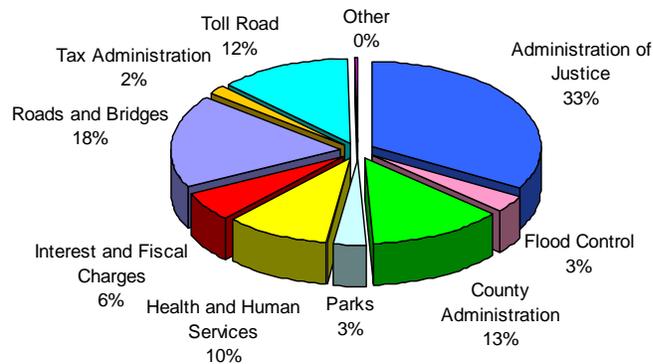
Interest and Fiscal Charges are expenses related to the issuance and repayment of County bonds.

Toll Road expenditures are the costs of administering the Harris County Toll Road Authority and maintaining the roads within the toll road system.

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

Services Rendered

EXPENSES BY FUNCTION
Year Ended February 28, 2006



Harris County Elected Officials



District Judges - Civil Courts

11th District Court
Davidson, Mark
55th District Court
Brown, Jeffery
61st District Court
Donovan, John
80th District Court
Sullivan, Kent
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
Elrod, Jennifer Walker
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
Harmon, Bill
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

Commissioners 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 (Deceased May 2006)
Langlois, Linda (Acting)

District Judges - Family Courts

- 245th District Court
Galik, Annette
- 246th District Court
York, Jim
- 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
Squier, James D.

District Judges - Juvenile Courts

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



Photo Courtesy of the County Judge's Office

More than 27,000 Katrina evacuees from New Orleans found shelter in the Harris County Astrodome at Reliant Park



Photo Courtesy of the County Judge's Office

More than 60,000 Harris County citizens volunteered to assist the Katrina evacuees at Reliant Park



Photo Courtesy of the County Judge's Office

The Harris County Health Department treated 15,000 patients at Reliant Park



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
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
Block, Gary Michael
Court at Law No. 3
Bradshaw-Hull, Lynn
Court at Law No. 4
Lloyd, Roberta A.

Probate Courts

Court No. 1
Austin, Russell
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
Bell, Betty Brock
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
Cheek, Glen
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
Central Technology Center
Jennings, Steve W.
Children's Assessment Center
Stolte, Elaine
Children's Protective Services
Ford, George
Cooperative Extension
Miller, Hurley
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
Talbot, Michael
Housing and Economic Development
Turkel, David B.
Juvenile Probation
Hetzl, 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.
Purchasing
McCown, Jack R.
Sheriff Civil Services
Mims, William H. Jr.
Toll Road Authority
Strech, Harold M.

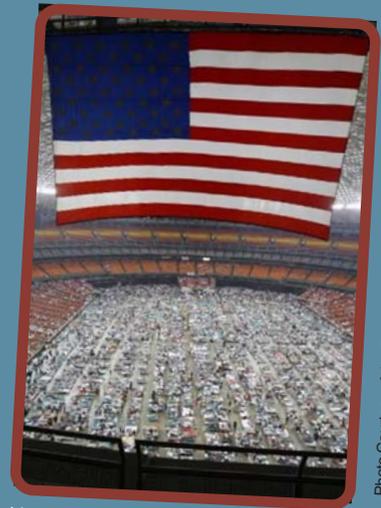


Photo Courtesy of the County Judge's Office

Harris County provided the Katrina evacuees with a wide range of services which included dental services, a barber shop, a pharmacy, child support services, free meals and a recreational area for the children



Photo Courtesy of County Judge's Office

Harris County also opened a post office with its own zip code to assist the Katrina evacuees with postal services



Photo Courtesy of the County Judge's Office

A message board was also created to assist in locating lost family members



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 Houston Meeting Planners Guide

Handbook of Texas Online
Houston East End Chamber of Commerce
University of Houston
CenterPoint Energy

Cover designed by Tommy Jenkins

Photographs taken and/or supplied by Tommy Jenkins, County Judge's Office and Harris County Archives (excluding the photograph of Barbara J. Schott).

