

Comprehensive Annual Financial Report

For the Fiscal Year Ended February 28, 2011



Barbara J. Schott, CPA
County Auditor

Harris County Flood Control District
A Component Unit of Harris County, Texas

Comprehensive Annual Financial Report
For the Fiscal Year Ended
February 28, 2011

Prepared By:
Barbara J. Schott, C.P.A.
County Auditor
1001 Preston, Suite 800
Houston, Texas 77002

**HARRIS COUNTY FLOOD CONTROL DISTRICT
A COMPONENT UNIT OF HARRIS COUNTY, TEXAS
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED FEBRUARY 28, 2011
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Mike Post, C.P.A.
Chief Assistant County Auditor
Accounting Division

**Steven L. Garner, C.P.A.,
C.F.E.**
Chief Assistant County Auditor
Audit Division



1001 Preston, Suite 800
Houston, Texas 77002-1817
(713) 755-6505

FAX (713) 755-8932
Help Line (713) 755-HELP

BARBARA J. SCHOTT, C.P.A.
HARRIS COUNTY AUDITOR

August 12, 2011

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

The Harris County Auditor's Office (the "Auditor's Office") is pleased to present the Basic Financial Statements of Harris County Flood Control District (the "District"), a component unit of Harris County, Texas (the "County") for the fiscal year ended February 28, 2011. This report is submitted in accordance with Section 114.025 of the Texas Local Government Code and was prepared by the staff of the County Auditor's Office.

The report consists of management's representations concerning the finances of the District. Therefore, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. We believe the information and data contained herein are accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the District in accordance with generally accepted accounting principles in the United States of America ("GAAP"). All disclosures necessary to enable the reader to gain an understanding of the District's financial activities have been included, beginning with Management's Discussion and Analysis ("MD&A") on page 13.

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

The District's financial statements were audited by Deloitte & Touche LLP, an independent audit firm. The goal of the independent audit was to provide reasonable assurance that the financial statements of the District for fiscal year ended February 28, 2011 are free of material misstatement. The independent auditor concluded based upon the audit that there was a reasonable basis for rendering an unqualified opinion that the District's financial statements are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

The independent audit of the District's financial statements includes a broader, federally mandated "Single Audit" designed to meet the special needs of federal and state grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the government's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal and state awards. These reports are available in the compliance section of this report.

PROFILE OF THE DISTRICT

History, Geographic Location, and Population

After experiencing devastating floods in 1929 and 1935, local Harris County leaders petitioned the Texas Legislature for assistance. On April 23, 1937, the Texas Legislature passed a bill creating the Harris County Flood Control District (a special purpose district) and establishing the Harris County Commissioners Court as the District's governing body.

The District's area of jurisdictional authority is Harris County. Harris County is located in the Gulf Coast region of Texas approximately 50 miles from the Gulf of Mexico and covers over 1,700 square miles with over 4.1 million residents.

District Structure and Services

The District is organized into six primary divisions: Communications, Engineering and Construction, Office of Chief Engineer, Environmental Services, Infrastructure and Support Services. The District's mission is to provide flood damage reduction projects that work, with appropriate regard for community and natural values. Risk of flood damage is reduced by devising stormwater management plans, implementing the plans and maintaining the infrastructure.

Budget Process

In accordance with Chapter 111 of the Local Government Code, the County prepares and adopts an annual operating budget which serves as a financial plan for the District for the new fiscal year beginning March 1. After adoption of the budget by Commissioners Court, the County Auditor is responsible for ensuring expenditures are made in compliance with budgeted appropriations. The level of budgetary control for the General Fund is at the fund level; for other funds budgetary control is implemented at various levels. For example, budgetary control for debt service funds is at the individual bond issue level. Commissioners Court may also adopt supplemental budgets for the limited purposes of spending grant or aid money, for capital projects through the issuance of bonds, intergovernmental contracts, and new source revenue not anticipated at budget adoption. Purchase orders and contracts are not valid until the County Auditor certifies availability of funds for payment of the obligation. Encumbrance accounting is utilized to ensure effective budgetary control and accountability, and unencumbered appropriations lapse at year-end.

INFORMATION USEFUL IN ASSESSING ECONOMIC CONDITION

Local Economy

Houston was one of the last major metropolitan areas in the United States to slip into the recent global recession and it was one of the first to begin to recover. The Houston – Sugar Land – Baytown Metropolitan Area added 13,100 jobs from December 2009 to December 2010. Most of the job growth occurred in the following sectors: health care and social assistance; durable goods manufacturing; leisure and hospitality; and food services and drinking places.

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

- Oil and gas exploration
- Basic petroleum refining
- Petrochemical production
- Medical research and health care delivery
- High technology – computers, aerospace, environmental, etc.
- Government – city, county, state and federal (i.e. NASA)
- International import & export

- Commercial fishing
- Agriculture
- Education
- Banking and finance
- Manufacturing and distribution
- Related service industries

The Houston Association of Realtors reported a 5.7 percent decline in single family home sales during 2010 and a 4.6 percent decrease in property sales. In April 2011, the average sales price for a single-family home was \$202,545, which was 0.6 percent lower than in April 2010. The median price was \$148,000, down 2.2% from April 2010. Sales of foreclosed properties decreased 4.6 percent in April compared with one year earlier.

Catalysts for growth in Harris County, the Port of Houston and the Houston Ship Channel are vibrant components of the regional economy. The Port of Houston is a 25-mile assembly of public and private facilities along the Houston Ship Channel. The Port is ranked first in the United States in foreign waterborne tonnage; first in U.S. imports; second in U.S. export tonnage and second in the U.S. in total tonnage.

In addition to the County's moderate climate and diverse economic base, it offers a modern and efficient infrastructure for people working and doing business in the County. This includes local government that encourages business development, high capacity freeways, major rail lines, and state of the art telecommunication services. George Bush Intercontinental Airport, located approximately 23 miles north of downtown Houston, is the eighth busiest airport in the U.S. and the eighth busiest for international passengers.

As of the 2010 U.S. Census, Harris County had a population of 4.1 million, making it the most populous county in Texas and the third most populous county in the United States, ranking behind Los Angeles County, California and Cook County, Illinois. Twenty-three companies on the 2010 *Fortune 500* list are headquartered in Houston. Only two metropolitan statistical areas have more *Fortune 500* headquarters: New York with 74 and Chicago with 27.

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.

Financial Policies and Long-Term Financial Planning

The County's financial policies also apply to the District. Some of the County's financial policies are:

- The County's policy is that expenditures will be budgeted and controlled so that at the end of a fiscal year the minimum unreserved balance for operating funds would be no less than 15% of fiscal year expenditures;
- The County will need to focus on rebuilding its reserve capacity while controlling expenditures in order to meet the targeted minimum;
- Tax anticipation notes for annual cash flow purposes will be issued for the general operating fund;
- Sustaining the County's high bond rating; and

- An investment policy has been adopted by the County to establish policies and procedures that enhance opportunities for a prudent and systematic investment of County funds.

The County is responsible for setting the tax rates for the District. Tax rates are levied for maintenance and operations and debt service requirements relative to General Obligation Bonds. The respective tax rates which were adopted in 2010 for the District per \$100 of taxable value are: \$0.02727 for maintenance and operations and \$0.00196 for debt service, for a total of \$0.02923.

District funds available for investment under the County's investment program as of February 28, 2011 totaled \$294 million with investment earnings of \$1.5 million for the fiscal year. The average yield and maturity of such investments were .80% and 487 days.

The County's Risk Management Department is responsible for assessing the District's exposure to risk and obtaining coverage against that risk. The District is self-insured for group medical benefits as well as for workers' compensation medical and indemnity payments and is self-funded for dental and vision coverage provided under the employees' health insurance program. Additional information regarding the County's risk management program can be found in Note 10 of the notes to the financial statements.

The County provides retirement, disability, and death benefits for all the District's employees (excluding temporary) through a nontraditional defined benefit pension plan in the statewide Texas County and District Retirement System (TCDRS). The County has elected the annually determined contribution rate (ADCR) plan provisions of the TCDRS Act. The plan is funded by monthly contributions from both employee members and the employer based on the covered payroll of employee members. Under the TCDRS Act, the County's contribution rate is actuarially determined annually. The contribution rate payable by the employee members for fiscal year 2011 was 7%. In addition to providing retirement benefits, the County provides certain healthcare and life insurance benefits for retired employees. Additional information regarding the County's retirement plan and other post employment benefits can be found in Notes 7 and 8 of the notes to the financial statements.

Major Initiatives

The District has \$419.4 million available as part of a five-year cycle for continuation of its capital program. Projects include using FEMA grants for County-wide buyouts, Federal flood damage reduction projects, and tributary flood damage reduction projects. The District receives funding for its projects through a combination of bond funds, cost-sharing partnership arrangements with other entities, and commercial paper.

AWARDS AND ACKNOWLEDGMENTS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the District for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended February 28, 2010. The Certificate of Achievement is a prestigious national award, recognizing conformance with the highest standards for preparation of state and local government financial reports.

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

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

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

REQUEST FOR INFORMATION

This financial report is designed to provide an overview of the District's finances for individuals who are interested in this information. Questions concerning any of the data provided in this report should be addressed to the County Auditor's Office, 1001 Preston Suite 800, Houston, Texas 77002. Additional financial information is provided on the County Auditor's webpage which can be accessed from the County's website, www.co.harris.tx.us.

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

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Harris County
Flood Control District
Texas

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
February 28, 2010

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



President

Executive Director

**HARRIS COUNTY FLOOD CONTROL DISTRICT
A COMPONENT UNIT OF HARRIS COUNTY, TEXAS
SCHEDULE OF BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
For The Year Ended February 28, 2011**

Complete District Mailing Address: HCFCD 9900 NW Fwy Houston, Texas 77092

District Business Telephone Number: (713) 684-4000

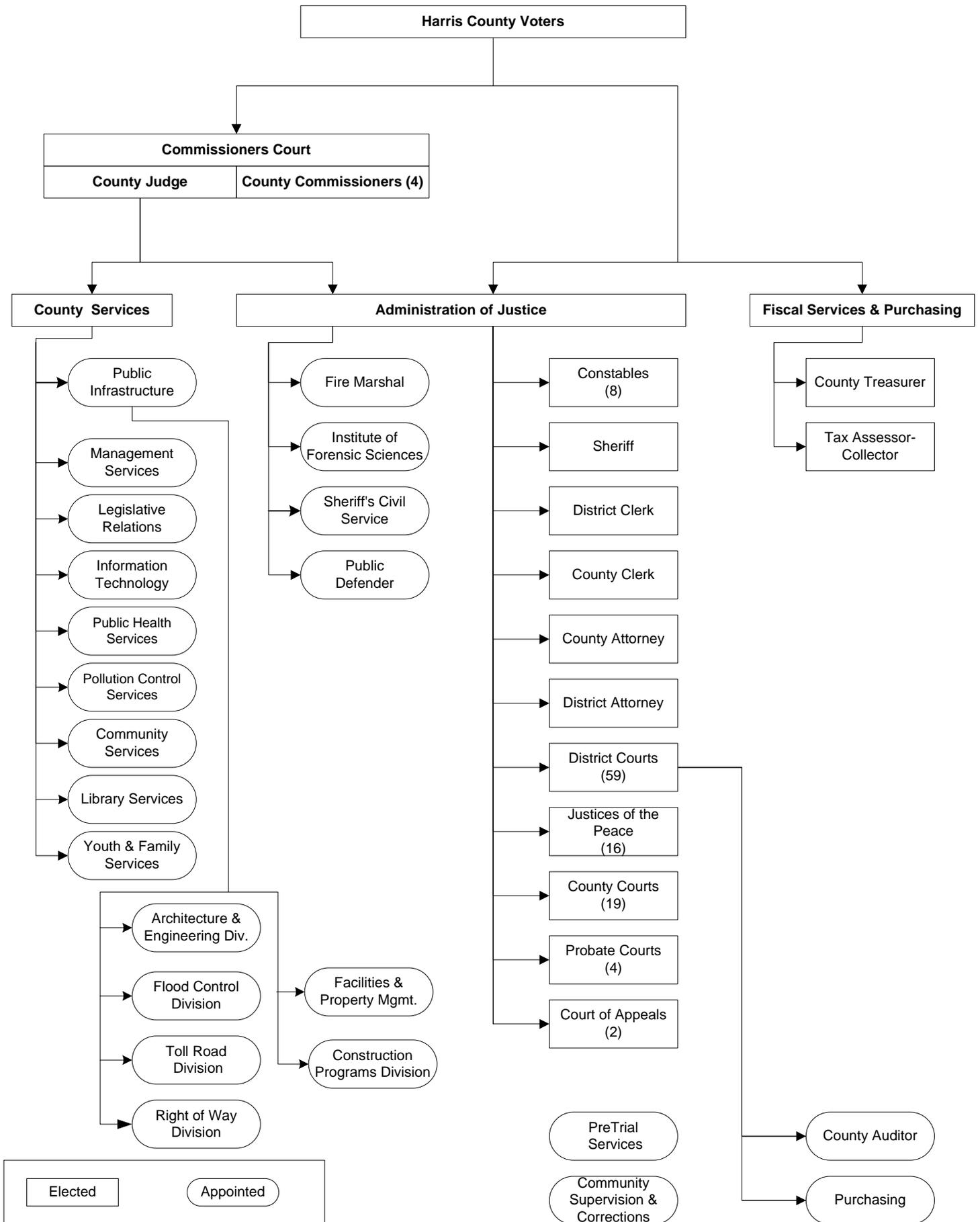
Names and Addresses:	Term of Office (Elected or Appointed) <u>or Date Hired</u>	Fees <u>Feb 28, 2011</u>	Expense Reimbursements <u>Feb 28, 2011</u>	Title at <u>Year End</u>	Resident of <u>District</u>
Commissioners' Court acts as Board of Director for District					
Judge Ed Emmett 1001 Preston, Suite 911 Houston Texas 77002	(Elected) 01/11 - 12/14	N/A	N/A	County Judge	Yes
El Franco Lee 1001 Preston, 9th Fl Houston Texas 77002	(Elected) 01/09 - 12/12	N/A	N/A	Commissioner	Yes
Jack Morman 1001 Preston, 9th Fl Houston Texas 77002	(Elected) 01/11 - 12/14	N/A	N/A	Commissioner	Yes
Steve Radack 1001 Preston, 9th Fl Houston Texas 77002	(Elected) 01/09 - 12/12	N/A	N/A	Commissioner	Yes
Jerry Eversole 1001 Preston, 9th Fl Houston Texas 77002	(Elected) 01/11 - 12/14	N/A	N/A	Commissioner	Yes
Key Personnel:					
Arthur L. Storey Jr. P.E. 1001 Preston, 5th Fl Houston Texas 77002	(Appointed) 9/25/1989	N/A	N/A	Executive Director/ County Employee	Yes
Michael D. Talbott P.E. 9900 NW Fwy Houston, Texas 77092	6/22/1998	N/A	N/A	Director/ County Employee	Yes

(Continued)

**HARRIS COUNTY FLOOD CONTROL DISTRICT
A COMPONENT UNIT OF HARRIS COUNTY, TEXAS
SCHEDULE OF BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
For The Year Ended February 28, 2011**

Names and Addresses:	Term of Office (Elected or Appointed) or Date Hired	Fees <u>Feb 28, 2011</u>	Expense Reimbursements <u>Feb 28, 2011</u>	Title at Year End	Resident of District
Vince Ryan 1019 Congress 15th Fl Houston Texas 77002	(Elected) 01/09 - 12/12	N/A	N/A	County Attorney	Yes
Don Sumners, CPA, RTA 1001 Preston, 1st Fl Houston Texas 77002	(Elected) 11/10-12/12	N/A	N/A	Tax Assessor-Collector and Voter Registrar	Yes
Jack Yuran, CPA, CFE, CIO 1001 Preston, Rm 630 Houston, Texas 77002	(Appointed) 09/17/10	N/A	N/A	Investment Officer & Debt Officer County Employee	Yes
County Auditor					
Barbara J. Schott 1001 Preston, 8th Fl Houston Texas 77002	(Appointed) 03/03	N/A	N/A	County Auditor	Yes
Independent Auditor					
Deloitte & Touche LLP 1111 Bagby, Suite 4500 Houston, Texas 77002	04/01/11- 02/29/12	\$66,000	N/A	Independent Auditor	N/A

Harris County Organization Chart





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INDEPENDENT AUDITORS' REPORT

County Judge Ed Emmett
and Members of Commissioners Court of Harris County, Texas:

We have audited the accompanying financial statements of the governmental activities, each major fund and the remaining fund information of the Harris County Flood Control District (the "District"), a component unit of Harris County, Texas (the "County") as of and for the year ended February 28, 2011, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the remaining fund information of the District as of February 28, 2011, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 1.B. to the District's basic financial statements, the District implemented Governmental Accounting Standards Board Statements No. 51 "Accounting and Financial Reporting for Intangible Assets."

The Management's Discussion and Analysis and Schedule of Revenues and Expenditures – Budget and Actual – Budgetary Basis – Operations and Maintenance (General) Fund and the Other Post Employment Benefits Schedule of Funding Progress, and the Texas County and District Retirement System – Schedule of Funding Progress are not a required part of the basic financial statements but is supplementary information required by accounting principles

generally accepted in the United States of America. This supplementary information is the responsibility of the District's management. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit such information and we do not express an opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The Introductory Section, Other Supplementary Information and Individual Fund Statements Section and Statistical Section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards is presented for the purpose of additional analysis and is not a required part of the basic financial statements, but is supplementary information required by the U.S. Office of Management and Budget ("OMB") Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. This information is the responsibility of the District's management. The Other Supplementary Information and Individual Fund Statements and the Schedule of Expenditures of Federal Awards have been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The Introductory Section and Statistical Section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 12, 2011, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Deloitte & Touche LLP

August 12, 2011

***Harris County Flood Control District
Management's Discussion and Analysis
(Unaudited)***

This section of the Harris County Flood Control District's (the "District") financial statements presents management's discussion and analysis ("MD&A") of the financial activities of the District during the fiscal year ended February 28, 2011. Please read it in conjunction with the District's basic financial statements following this section.

The District is a component unit of Harris County, Texas (the "County") and is included as a blended component unit in the County's financial statements. This analysis presents information about the District and the operations and activities of the District only and is not intended to provide information about the entire County.

FINANCIAL HIGHLIGHTS

Government-wide

- The total government-wide assets of the District exceeded the liabilities (net assets) at February 28, 2011 by \$1,670,929,653, an increase of \$46,539,954 from the previous year when assets exceeded liabilities by \$1,624,389,699.
- Total net assets are comprised of the following:
 - (1) Capital assets, net of related debt, of \$1,573,175,788 include land, improvements, construction in progress and equipment, net of accumulated depreciation, and reduced for outstanding debt related to the purchase or construction of capital assets.
 - (2) Net assets of \$10,639,799 are restricted by constraints imposed from outside the District such as capital projects.
 - (3) Unrestricted net assets of \$87,114,066 represent the portion available to meet ongoing obligations to citizens and creditors.

Fund Level

- As of February 28, 2011, the District's governmental funds reported combined fund balances of \$289,022,446. This compares to the prior year combined fund balance of \$225,039,343 showing an increase of \$63,983,103 during the current year. The combined unreserved fund balance of \$219,554,236 for fiscal year 2011 shows an increase of \$64,867,756 over the prior year. These increases were primarily attributable to proceeds from commercial paper being issued.
- At the end of the fiscal year, the total fund balance for the Operations and Maintenance (General) fund was \$104,062,162. The unreserved fund balance was \$78,344,442 or 115% of total general fund expenditures and 102% of total general fund revenues. The General fund had a reserved fund balance of \$25,717,720 which is set aside for encumbrances, debt service, imprest funds and prepaids.
- The fund balance in the Debt Service fund of \$8,893,194 was fully reserved at the end of the fiscal year. This represents a decrease of \$2,496,931 from the prior year balance of \$11,390,125. While revenues, primarily from intergovernmental, increased by \$2,618,237, there were offsetting transfers in other financing sources/uses due to a bond issuance and refunding.
- The Capital Projects fund at fiscal year-end had an unreserved fund balance of \$141,209,794 and a reserved fund balance of \$34,857,296 for a total Capital Projects fund balance of \$176,067,090 up from \$117,738,757 in the prior year. This increase is primarily due to proceeds from commercial paper issuance in the current year.

***Harris County Flood Control District
Management's Discussion and Analysis
(Unaudited)***

- The District issues debt to finance an ongoing capital improvement program, and during fiscal year 2011, issued \$89,565,000 in commercial paper. Note 6 to the financial statements, provides additional details related to long-term debt. The debt service ad-valorem tax rate for the 2010 tax year for the District totaled \$0.00196 per \$100 valuation.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

The statement of net assets presents information on all District assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District is improving or deteriorating. However, other non-financial factors should also be considered to assess the overall fiscal health of the District.

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

Typically, both of these government-wide financial statements would distinguish functions of the reporting entity principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or in part a portion of their costs through user fees and charges (business-type activities). The District, however, has and reports only governmental activities.

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

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

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

**Harris County Flood Control District
Management's Discussion and Analysis
(Unaudited)**

The District maintains four individual governmental funds. As all of these funds are considered major funds, information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures and changes in fund balances for each of the funds – Operations and Maintenance (General), Special Revenue Grants, Debt Service, and Capital Projects.

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the District's own programs. The District uses two agency funds to report resources held by the District in a purely custodial capacity (assets and liabilities) and therefore do not involve the measurement of results of operations.

Notes to the Basic Financial Statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes can be found beginning on page 30 of this report.

Required Supplementary Information is presented concerning the District's Operations and Maintenance (General) Fund budgetary schedule. The District adopts an annual budget for this fund. A budgetary comparison schedule, which includes the original and final amended budgets and actual figures, has been provided to demonstrate compliance with these budgets. Also presented in this section are the Schedule of Funding Progress for Other Post Employment Benefits and the Schedule of Funding Progress for Texas County and District Retirement System. Required supplementary information can be found beginning on page 53 of this report.

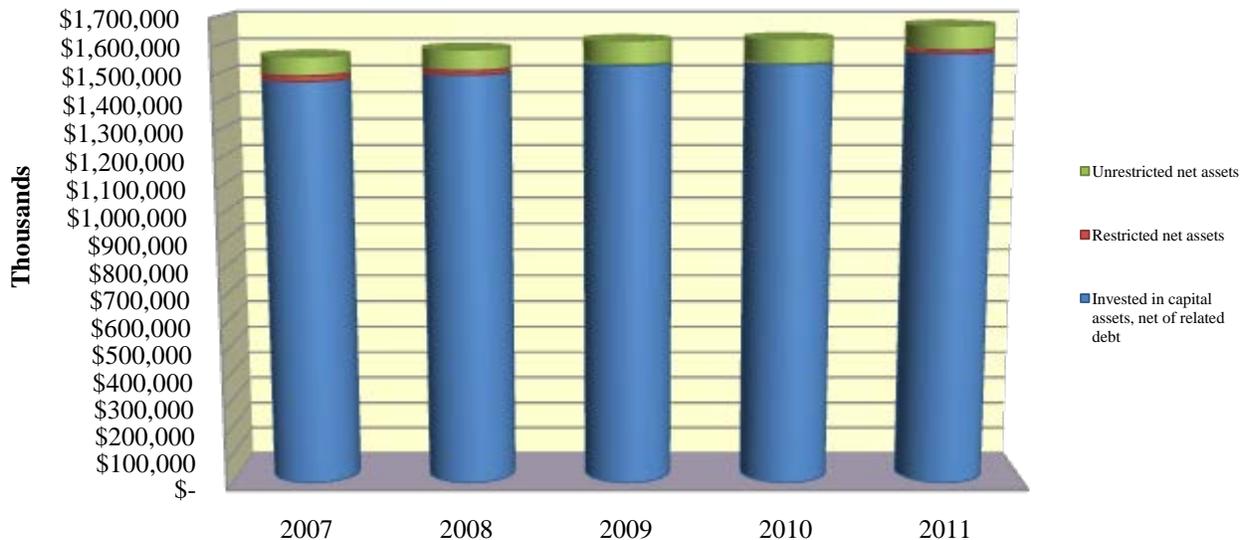
GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$1,670,929,653 for fiscal year ended 2011 and \$1,624,389,699 for fiscal year 2010. Net assets increased primarily due to an increase in capital assets. For further information regarding the increase in capital assets see Note 5 to the financial statements.

Condensed Statement of Net Assets		
(amounts in thousands)		
	Governmental Activities	
	February 28, 2011	February 28, 2010
Current and other assets	\$ 319,304	\$ 246,437
Capital assets	2,109,640	2,053,741
Total assets	2,428,944	2,300,178
Current and other liabilities	27,083	22,820
Long-term liabilities	730,932	652,968
Total liabilities	758,015	675,788
Net assets:		
Invested in capital assets, net of related debt	1,573,175	1,534,527
Restricted net assets	10,640	1,602
Unrestricted net assets	87,114	88,261
Total net assets	\$ 1,670,929	\$ 1,624,390

**Harris County Flood Control District
Management's Discussion and Analysis
(Unaudited)**

Change in Net Assets



The largest portion of the District's current fiscal year net assets, \$1,573,175,788, reflects its investments in capital assets (e.g. land, improvements, buildings, equipment, infrastructure), less any related debt used to acquire those assets that is still outstanding. The main use of these capital assets is to provide services to citizens; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. The increase of \$38,649,122 in the District's net assets invested in capital assets, net of related debt is comprised of a \$55,899,314 increase in capital assets with an offsetting increase of \$76,776,623 in debt related to capital assets and an increase of unspent debt proceeds of \$59,526,431.

The District's current fiscal year net assets include resources that are subject to external restrictions on how they may be used. Restricted net assets totaled \$10,639,799 for capital projects. Restricted net assets reflect an overall increase of \$9,037,763, primarily due to the issuance of commercial paper.

The remaining balance of the District's current fiscal year net assets, \$87,114,066 represents unrestricted net assets, which may be used by the District for current and future needs.

At the end of the current fiscal year, the District reported positive balances in all three categories of net assets for its separate governmental activities.

The following table indicates changes in net assets for governmental activities:

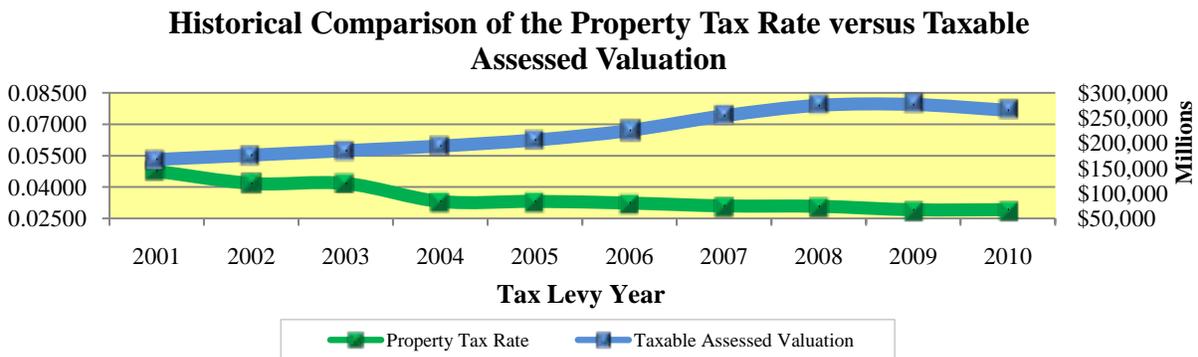
**Harris County Flood Control District
Management's Discussion and Analysis
(Unaudited)**

Condensed Statement of Activities		
(amounts in thousands)		
	Governmental Activities	
	For the Year Ended February 28, 2011	For the Year Ended February 28, 2010
Revenues:		
Program revenues:		
Charges for services	\$ 751	\$ 314
Operating grants and contributions	31,033	25,751
Capital grants and contributions	66,334	29,528
General revenues:		
Property taxes	73,745	80,972
Earnings on investments	1,493	3,767
Miscellaneous	2,505	1,395
Total revenues and other items	175,861	141,727
Expenses:		
Flood control	99,780	108,331
Tax administration	650	699
Interest on long-term debt	28,892	26,312
Total expenses and other items	129,322	135,342
Change in net assets	46,539	6,385
Net assets - beginning	1,624,390	1,618,005
Net assets - ending	\$ 1,670,929	\$ 1,624,390

Revenues

For fiscal year ended February 28, 2011, revenues from governmental activities totaled \$175,861,146.

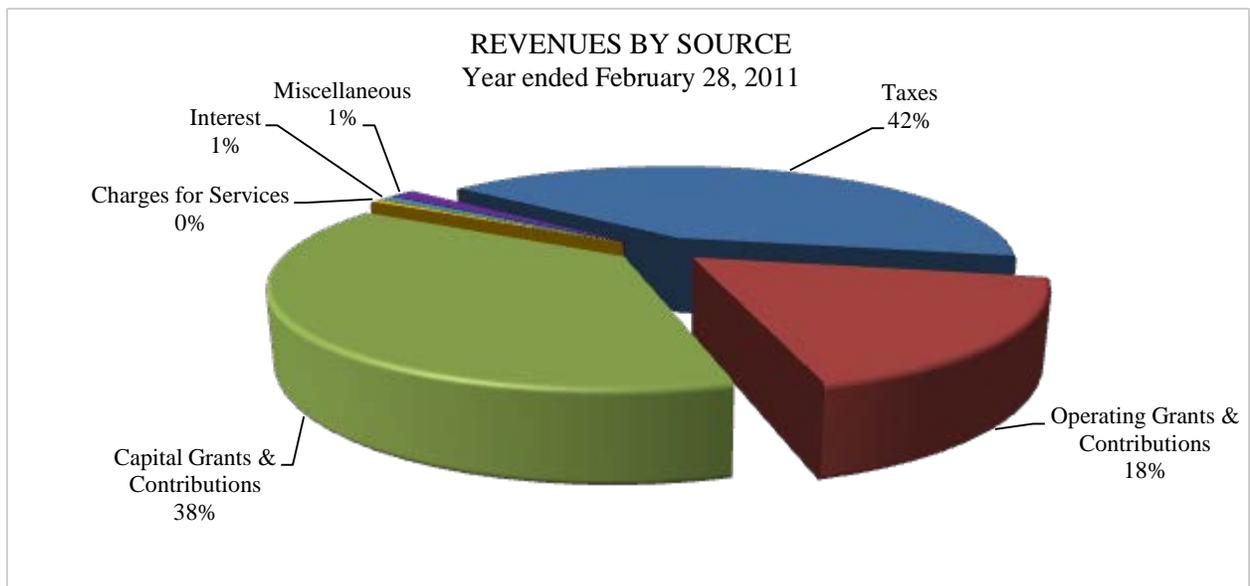
Property taxes of \$73,744,668 were the District's largest revenue source and comprised 42% of total revenues. The tax rate was \$.02923 per \$100 of assessed value for fiscal year 2011 and \$.02922 per \$100 of assessed value for fiscal year 2010. The taxable assessed value decreased in fiscal year 2011 to \$264,933,206,000 from \$276,535,341,000 in fiscal year 2010.



**Harris County Flood Control District
Management's Discussion and Analysis
(Unaudited)**

Program revenues are derived from the program itself and reduce the cost of the function to the District. Total program revenues were \$98,118,347 or 56% of total revenues. A major portion of program revenues are capital grants and contributions of \$66,333,737 (38%) and represent receipts primarily from Federal Emergency Management Agency (FEMA). This category increased \$36,805,821, primarily due to contributions from FEMA for work done on the Brays Bayou project. A major portion of program revenues also consists of operating grants and contributions of \$31,033,377 (18%), associated with contributions by Harris County, which increased \$5,282,177 from the prior year. Another portion of program revenues is charges for services of \$751,233 (less than 1% of total revenues), which are primarily from impact fees on development.

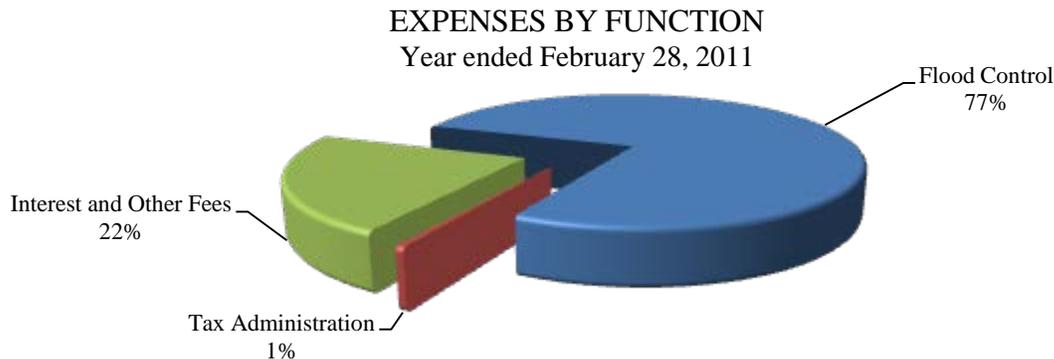
General revenues are revenues that cannot be assigned to a specific function. They consist of property taxes (discussed previously), unrestricted investment or interest earnings of \$1,492,675 (1% of total revenues), miscellaneous income of \$2,505,456 (1% of total revenues). Miscellaneous income is primarily comprised of collections for various fees.



Expenses

For fiscal year ended February 28, 2011, expenses for governmental activities totaled \$129,321,192, compared to \$135,342,659 in the prior fiscal year. Flood control administration of \$99,779,521 is the District's largest function with 77% of total expenses. This was a decrease of \$8,551,227 from the prior year due to regular operations of the District. Interest and other fees make up the second largest category of expenses with \$28,891,520 or 22% of the total, which is interest on long term debt. Tax administration, which represents the cost to collect taxes assessed on behalf of the District by the Harris County Tax Assessor is \$650,151 (1% of total expenses) and has decreased from \$699,455 last year.

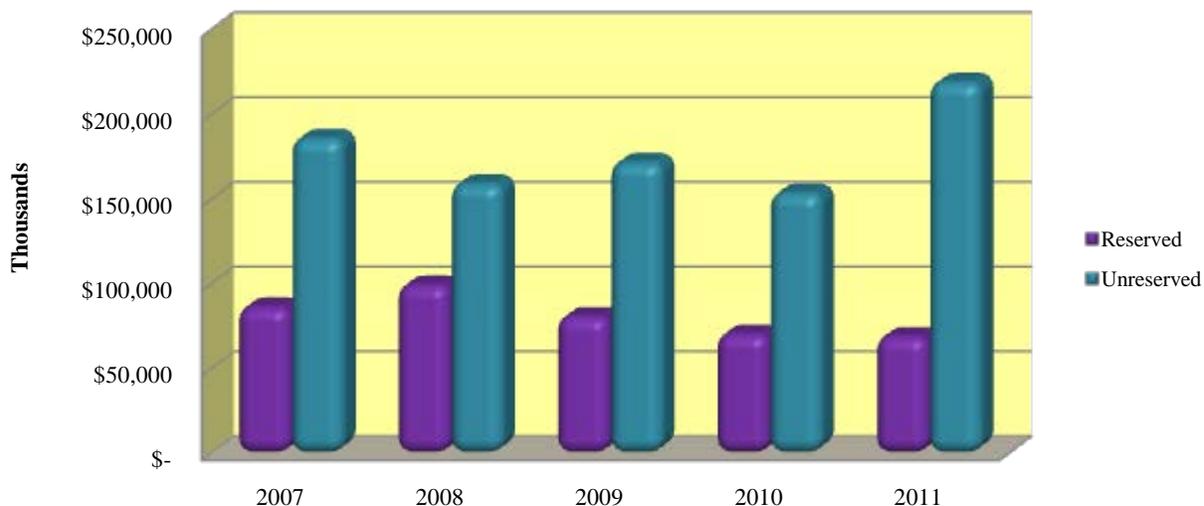
**Harris County Flood Control District
Management's Discussion and Analysis
(Unaudited)**



FINANCIAL ANALYSIS OF MAJOR FUNDS

Governmental Funds. The District's major general government functions are contained in the Operations and Maintenance (General) fund. The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

Governmental Fund Balances



At February 28, 2011, the District's governmental funds reported combined fund balances of \$289,022,446, of which \$60,069,743 is reserved for encumbrances, \$8,991,775 is reserved for debt service, \$600 is reserved for imprest funds and \$406,092 is reserved for prepaids. The remainder, \$219,554,236, is available to meet the District's current and future needs. The District's combined fund balances increased \$63,983,103. The reasons for this change are explained below by individual fund.

***Harris County Flood Control District
Management's Discussion and Analysis
(Unaudited)***

The Operating and Maintenance (General) fund is the operating fund of the District. Fund balance in the General Fund increased by \$8,151,701. This was primarily the result of an increase in intergovernmental revenues of \$3,360,611 and a reduction of interest and fiscal charges.

The Special Revenue Grants fund accounts for grants that have been awarded in the District's name. There is no fund balance in grant funds. However, the overall grant activity for the current fiscal year resulted in a \$10,410,119 decrease in assets and liabilities over the previous fiscal year.

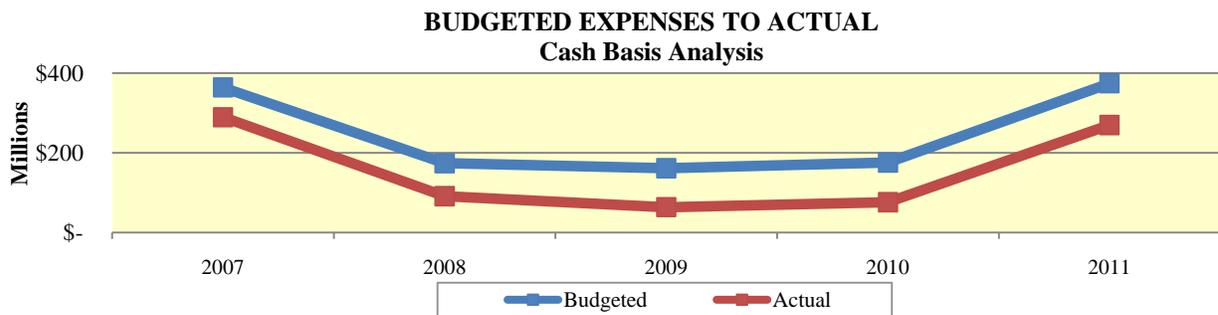
Fund balance in the Debt Service fund decreased by \$2,496,931, primarily as the result of decreased other financing sources in the current year. At February 28, 2011, this fund reported revenues of \$33,053,030. The majority of these revenues were from property taxes and intergovernmental revenue from Harris County. See Note 3 to the financial statements for additional information on property taxes.

The fund balance in the Capital Projects fund increased by \$58,328,333, which was due to the issuance of commercial paper. The Capital Projects fund relies primarily on the issuance of bonds and commercial paper to support current and future projects. The funding for projects was provided through bond issues, commercial paper and joint funded projects with outside agencies. See Note 6 to the financial statements for further discussion of long term debt.

OPERATING AND MAINTENANCE (GENERAL) FUND BUDGETARY HIGHLIGHTS

There was a \$200,743,815 difference between the original budget and the final amended budget. This increase is due to budget amendments for the issuance of refunding bonds.

During the year actual revenues were more than budgetary estimates by \$3,245,031. This is attributable to more transfers and miscellaneous revenue in the general operating flood control account. Actual expenditures were less than budgetary estimates by \$104,594,292. This is primarily due to fewer expenditures than anticipated in the general operating flood control account, because of budget cut backs that occurred in the current year. The net effect of under-realization of revenues and appropriations resulted in a positive variance of \$107,839,323, thus eliminating the need to draw upon the existing fund balance on a cash basis.



CAPITAL ASSETS

The District's capital assets, net of accumulated depreciation for its governmental activities as of February 28, 2011, amounted to \$2,109,639,832. These capital assets include land, improvements, buildings, flood control infrastructure, equipment, and construction in progress, as shown in the table below. For further information regarding capital assets, see Note 5 to the financial statements.

***Harris County Flood Control District
Management's Discussion and Analysis
(Unaudited)***

	Balance	Balance
	February 28, 2011	February 28, 2010
Governmental Activities:		
Land	\$ 1,533,234,585	\$ 1,496,494,927
Construction in Progress	117,505,380	131,191,114
Intangible Assets - water rights	2,400,000	-
Land Improvements	641,531	641,531
Buildings	11,870,371	11,870,371
Equipment	9,286,084	9,404,022
Flood Control Projects	705,436,470	652,847,783
	2,380,374,421	2,302,449,748
Less Accumulated Depreciation	(270,734,589)	(248,709,230)
Totals	<u>\$ 2,109,639,832</u>	<u>\$ 2,053,740,518</u>

LONG-TERM DEBT

At February 28, 2011, the District had total long-term liabilities outstanding of \$730,931,862. Refer to Note 6 to the financial statements for further information on the District's long term debt. District officials, citizens, and investors will find the ratio of net bonded debt to assessed valuation (.27%) and the amount of bonded debt per capita as useful indicators of the District's debt position (\$177,000); this information is shown in the statistical section of this report.

	Balance	Balance
	February 28, 2011	February 28, 2010
Governmental Activities:		
Bonds Payable	\$ 723,784,325	\$ 536,720,247
Commercial Paper Payable	-	110,435,000
Compensatory Time Payable	503,620	551,515
OPEB Obligations	6,120,561	4,907,969
Pollution Remediation Obligations	523,356	353,052
Totals	<u>\$ 730,931,862</u>	<u>\$ 652,967,783</u>

See Note 8 to the financial statements for further information on the County's OPEB plan.

ECONOMIC FACTORS

The unemployment rate for Harris County for calendar year 2010 was 8.3%. This is an unfavorable increase from the prior year rate of 8.1%. The state unemployment rate for calendar year 2010 was 8.0%. The number of people employed with the District decreased by 39 during the year.

*Harris County Flood Control District
Management's Discussion and Analysis
(Unaudited)*

REQUEST FOR INFORMATION

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

BASIC FINANCIAL STATEMENTS

HARRIS COUNTY FLOOD CONTROL DISTRICT
A COMPONENT UNIT OF HARRIS COUNTY, TEXAS
STATEMENT OF NET ASSETS
February 28, 2011

	Governmental Activities
ASSETS	
Cash and investments:	
Cash and cash equivalents	\$ 84,603,532
Investments	196,881,610
Receivables:	
Taxes, net	2,008,854
Accounts, net	12,866,937
Accrued interest	431,755
Other	5,908,302
Prepays and other assets	2,268,446
Restricted cash and cash equivalents	5,980,052
Restricted investments	2,795,318
Deferred charges	5,559,724
Capital assets:	
Land and construction in progress	1,650,739,965
Intangible assets - water rights	2,400,000
Other capital assets, net of depreciation	456,499,867
Total assets	2,428,944,362
LIABILITIES	
Liabilities:	
Vouchers payable	9,370,828
Accrued payroll and compensated absences	2,066,806
Retainages payable	1,084,208
Accrued interest	14,561,005
Long-term liabilities:	
Due within one year:	
Bonds payable	11,170,044
Compensated absences	312,244
Due in more than one year:	
Bonds payable	712,614,281
Compensated absences	191,376
OPEB obligation	6,120,561
Pollution remediation obligation	523,356
Total liabilities	758,014,709
NET ASSETS	
Invested in capital assets, net of related debt	1,573,175,788
Restricted for capital projects	10,639,799
Unrestricted	87,114,066
Total net assets	\$ 1,670,929,653

See notes to the financial statements.

**HARRIS COUNTY FLOOD CONTROL DISTRICT
A COMPONENT UNIT OF HARRIS COUNTY, TEXAS
STATEMENT OF ACTIVITIES
For The Year Ended February 28, 2011**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Capital Grants and Contributions</u>	<u>Net (Expense) Revenue and Changes in Net Assets</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>		<u>Governmental Activities</u>
Governmental activities:					
Flood control administration	\$ 99,779,521	\$ 751,233	\$ 31,033,377	\$ 66,333,737	\$ (1,661,174)
Tax administration	650,151	-	-	-	(650,151)
Interest on long-term debt	28,891,520	-	-	-	(28,891,520)
Total governmental activities	<u>\$ 129,321,192</u>	<u>\$ 751,233</u>	<u>\$ 31,033,377</u>	<u>\$ 66,333,737</u>	<u>(31,202,845)</u>
General revenues:					
Taxes:					
Property taxes levied for general purposes					68,757,945
Property taxes levied for debt service					4,986,723
Earnings on investments					1,492,675
Miscellaneous					2,505,456
Total general revenues and other items					<u>77,742,799</u>
Change in net assets					46,539,954
Net assets - beginning					<u>1,624,389,699</u>
Net assets - ending					<u>\$ 1,670,929,653</u>

See notes to the financial statements.

HARRIS COUNTY FLOOD CONTROL DISTRICT
A COMPONENT UNIT OF HARRIS COUNTY, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
February 28, 2011

	Operations and Maintenance (General)	Special Revenue Grants	Debt Service	Capital Projects	Total 2011
ASSETS					
Cash and investments:					
Cash and cash equivalents	\$ 6,057,358	\$ 1,700	\$ -	\$ 78,544,474	\$ 84,603,532
Investments	93,642,339	-	-	103,239,271	196,881,610
Receivables:					
Taxes, net	1,796,553	-	212,301	-	2,008,854
Accounts	-	2,790,428	-	10,076,509	12,866,937
Accrued interest	172,864	-	-	258,891	431,755
Other	3,661,603	2,030,294	216,405	-	5,908,302
Due from other funds	7,418,978	1,229,742	-	77,491	8,726,211
Prepays and other assets	179,184	1,862,354	-	226,908	2,268,446
Restricted cash and cash equivalents	98,581	-	5,881,471	-	5,980,052
Restricted investments	-	-	2,795,318	-	2,795,318
Total assets	<u>\$ 113,027,460</u>	<u>\$ 7,914,518</u>	<u>\$ 9,105,495</u>	<u>\$ 192,423,544</u>	<u>\$ 322,471,017</u>
LIABILITIES AND FUND BALANCE					
Liabilities:					
Vouchers payable	\$ 4,906,548	\$ 302,894	\$ -	\$ 4,161,386	\$ 9,370,828
Accrued payroll and compensated absences	2,066,806	-	-	-	2,066,806
Retainage payable	195,391	-	-	888,817	1,084,208
Due to other funds	-	7,496,469	-	1,229,742	8,726,211
Deferred revenue	1,796,553	115,155	212,301	10,076,509	12,200,518
Total liabilities	<u>8,965,298</u>	<u>7,914,518</u>	<u>212,301</u>	<u>16,356,454</u>	<u>33,448,571</u>
Fund balances:					
Reserved for:					
Encumbrances	25,439,355	-	-	34,630,388	60,069,743
Debt service	98,581	-	8,893,194	-	8,991,775
Imprest funds	600	-	-	-	600
Prepays	179,184	-	-	226,908	406,092
Unreserved	78,344,442	-	-	141,209,794	219,554,236
Total fund balances	<u>104,062,162</u>	<u>-</u>	<u>8,893,194</u>	<u>176,067,090</u>	<u>289,022,446</u>
Total liabilities and fund balances	<u>\$ 113,027,460</u>	<u>\$ 7,914,518</u>	<u>\$ 9,105,495</u>	<u>\$ 192,423,544</u>	<u>\$ 322,471,017</u>

See notes to the financial statements.

**HARRIS COUNTY FLOOD CONTROL DISTRICT
A COMPONENT UNIT OF HARRIS COUNTY, TEXAS
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
February 28, 2011**

Total fund balances for governmental funds	\$	289,022,446
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Total net assets reported for governmental activities in the statement of net assets is different because:

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

Land	\$	1,533,234,585	
Construction in progress		117,505,380	
Intangible assets - water rights		2,400,000	
Land improvements, net of \$129,838 accumulated depreciation		511,693	
Flood control projects, net of \$262,197,053 accumulated depreciation		443,239,417	
Buildings, net of \$2,313,143 accumulated depreciation		9,557,228	
Equipment and vehicles, net of \$6,094,555 accumulated depreciation		<u>3,191,529</u>	
Total capital assets			2,109,639,832

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

Balances as of February 28, 2011 were:

Accrued interest on bonds		(14,561,005)	
Bonds payable		(723,784,325)	
Deferred charges		5,559,724	
Compensated absences		(503,620)	
OPEB obligation		(6,120,561)	
Pollution remediation obligation		<u>(523,356)</u>	
			(739,933,143)

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

		<u>12,200,518</u>
Total net assets of governmental activities	\$	<u><u>1,670,929,653</u></u>

See notes to the financial statements.

HARRIS COUNTY FLOOD CONTROL DISTRICT
A COMPONENT UNIT OF HARRIS COUNTY, TEXAS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For The Year Ended February 28, 2011

	Operations and Maintenance (General)	Special Revenue Grants	Debt Service	Capital Projects	Total 2011
REVENUES					
Taxes	\$ 71,369,211	\$ -	\$ 5,272,810	\$ -	\$ 76,642,021
Intergovernmental	3,760,611	9,234,503	27,713,000	19,922,827	60,630,941
Lease revenue	199,498	-	-	-	199,498
Earnings on investments	660,903	-	21,682	810,090	1,492,675
Miscellaneous	1,049,141	-	45,538	1,132,781	2,227,460
Total revenues	<u>77,039,364</u>	<u>9,234,503</u>	<u>33,053,030</u>	<u>21,865,698</u>	<u>141,192,595</u>
EXPENDITURES					
Current operating:					
Flood control administration	65,410,356	838,854	-	8,895,846	75,145,056
Tax administration	650,151	-	-	-	650,151
Capital outlay	1,015,215	10,039,069	-	41,665,661	52,719,945
Debt service:					
Principal retirement	-	-	10,268,921	-	10,268,921
Bond issuance fees	546,734	-	1,046,702	-	1,593,436
Interest and fiscal charges	208,274	-	28,692,092	-	28,900,366
Total expenditures	<u>67,830,730</u>	<u>10,877,923</u>	<u>40,007,715</u>	<u>50,561,507</u>	<u>169,277,875</u>
Excess (deficiency) of revenues over (under) expenditures	<u>9,208,634</u>	<u>(1,643,420)</u>	<u>(6,954,685)</u>	<u>(28,695,809)</u>	<u>(28,085,280)</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	200,557,529	1,757,396	3,406,775	113,226	205,834,926
Transfers out	(2,510,087)	(113,976)	(200,556,779)	(2,654,084)	(205,834,926)
Refunding bonds issued	-	-	181,885,000	-	181,885,000
Premium on refunding bonds issued	-	-	19,722,758	-	19,722,758
Commercial paper issued	-	-	-	89,565,000	89,565,000
Payment to defease commercial paper	(200,000,000)	-	-	-	(200,000,000)
Sale of capital assets	895,625	-	-	-	895,625
Total other financing sources (uses)	<u>(1,056,933)</u>	<u>1,643,420</u>	<u>4,457,754</u>	<u>87,024,142</u>	<u>92,068,383</u>
Net changes in fund balances	8,151,701	-	(2,496,931)	58,328,333	63,983,103
Fund balances, beginning	95,910,461	-	11,390,125	117,738,757	225,039,343
Fund balances, ending	<u>\$ 104,062,162</u>	<u>\$ -</u>	<u>\$ 8,893,194</u>	<u>\$ 176,067,090</u>	<u>\$ 289,022,446</u>

See notes to the financial statements.

**HARRIS COUNTY FLOOD CONTROL DISTRICT
A COMPONENT UNIT OF HARRIS COUNTY, TEXAS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
For The Year Ended February 28, 2011**

Net change in fund balances - total governmental funds \$ 63,983,103

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay of \$52,719,945 exceeded depreciation of \$22,853,983 in the current period. 29,865,962

Capital asset donations 26,544,727

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

Debt issued:			
Refunding bonds	\$(181,885,000)		
Premium on refunding bonds	(19,722,758)		
Commercial paper	(89,565,000)		
Repayments:			
To paying agent for bond principal	10,268,921		
Payment on to defease commercial paper	200,000,000		
Net adjustment			(80,903,837)

Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the statement of activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is not recognized under the modified accrual basis of accounting until due, rather as it accrues. This adjustment combines the net changes of 8 balances.

Compensated absences	47,895		
OPEB obligation	(1,212,592)		
Pollution remediation obligation	(170,304)		
Amortization of debt premium	2,687,315		
Accretion of discount - capital appreciation bonds	2,600,298		
Amortization of advanced refunding difference	(1,012,854)		
Accrued interest on bonds	(3,829,461)		
Amortization of deferred charges	(436,452)		
Capitalization of deferred charges	1,593,436		
Combined adjustment			267,281

Because some revenues will not be collected for several months after the District's fiscal year end, they are not considered "available" revenues and are deferred in the governmental funds. Deferred revenues decreased by this amount in the current period. 7,294,093

The net effect of disposals of capital assets is to decrease net assets. (511,375)

Change in net assets of governmental activities \$ 46,539,954

See notes to the financial statements.

**HARRIS COUNTY FLOOD CONTROL DISTRICT
A COMPONENT UNIT OF HARRIS COUNTY, TEXAS
STATEMENT OF FIDUCIARY NET ASSETS
AGENCY FUNDS
February 28, 2011**

	Corps. of Engineers Escrow	Payroll Fund	Total Agency
ASSETS			
Cash and cash equivalents	\$ 625,738	\$ 1,853	\$ 627,591
Investments	-	37,035	37,035
Accrued interest receivable	-	69	69
Total assets	<u>\$ 625,738</u>	<u>\$ 38,957</u>	<u>\$ 664,695</u>
LIABILITIES			
Held for others	\$ 625,738	\$ 38,957	\$ 664,695
Total liabilities	<u>\$ 625,738</u>	<u>\$ 38,957</u>	<u>\$ 664,695</u>

See notes to the financial statements.

**HARRIS COUNTY FLOOD CONTROL DISTRICT
A COMPONENT UNIT OF HARRIS COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
February 28, 2011**

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Harris County Flood Control District (the "District") have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP") as applied to governmental units. The Governmental Accounting Standards Board ("GASB") is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The District's significant accounting and reporting policies are described in the following notes.

A. REPORTING ENTITY

These financial statements include all of the operations and activities of the District legal entity, which is a component unit of the reporting entity of Harris County, Texas (the "County"). Financial statements of the District are included as a blended component unit in the County financial statements.

The District was created April 23, 1937 by the Texas Legislature. Commissioners Court, as the elected governing body of the County, is also the statutory governing body of the District. All activities for which the District is financially accountable have been incorporated to form the reporting entity. This report includes the financial statements of the funds required to account for activities, organizations and functions of the District. The criteria for including activities in the District's financial statements are in conformity with GASB Statement No. 14, *The Reporting Entity*.

B. IMPLEMENTATION OF NEW STANDARDS

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

GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets* ("GASB 51"), establishes accounting and financial reporting requirements for intangible assets to reduce inconsistencies, thereby enhancing the comparability of the accounting and financial reporting of such assets among state and local governments. Implementation of GASB 51 is reflected in the statements and note disclosure (Note 5). The District did not retroactively restate assets with an indefinite useful life.

GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments* ("GASB 53"), addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments. Implementation of GASB 53 did not have an impact on the District's reporting disclosures.

GASB Statement 58, *Accounting and Financial Reporting for Chapter 9 Bankruptcies* ("GASB 58"), establishes accounting and financial reporting guidance for governments that have petitioned for protection from creditors by filing for bankruptcy under Chapter 9 of the United States Bankruptcy Code. Implementation of GASB 58 did not have an impact on the District's reporting disclosures.

C. FINANCIAL STATEMENT PRESENTATION, MEASUREMENT FOCUS AND BASIS OF PRESENTATION

Government-wide Statements

Government wide financial statements consist of the Statement of Net Assets and the Statement of Activities. These statements report information on all of the non-fiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. The District reports only governmental activities, which normally are supported by taxes and intergovernmental revenues.

HARRIS COUNTY FLOOD CONTROL DISTRICT
A COMPONENT UNIT OF HARRIS COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
February 28, 2011

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

The Statement of Activities demonstrates the degree to which the direct expenses of the District's programs are offset by those programs' revenues. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by the program and 2) grants and contributions that are restricted to meeting the operational and/or capital requirements of a particular program. Program revenues are generated from flood control activities. Taxes and other items not included among program revenues are reported instead as general revenues.

Fund-level Statements

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

Fiduciary funds, including agency funds, are accounted for using the accrual basis of accounting. This means that all assets and liabilities (whether current or non-current) associated with their activity are included in the funds' statement of net assets. The agency funds are custodial in nature and involve no measurement of results of operations.

The accounts of the District are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Funds are generally classified into three categories: Governmental, Proprietary, and Fiduciary. The District has four governmental funds and two fiduciary funds and reports all governmental funds as major funds. The District's funds are comprised of:

GOVERNMENTAL FUNDS

Operations and Maintenance (General) Fund - used to account for all revenues and expenditures, not

HARRIS COUNTY FLOOD CONTROL DISTRICT
A COMPONENT UNIT OF HARRIS COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
February 28, 2011

accounted for in other funds, relating to general operations.

Special Revenue Grants - used to account for grant programs applicable to the District.

Debt Service Fund - used to account for payment of principal and interest on the District's property tax bonds.

Capital Projects Fund – used to account for capital improvements and acquisitions which are financed from the District's general obligation bonds and other revenue sources.

FIDUCIARY FUND - used to report assets held in an agency capacity for others and therefore cannot be used to support the government's own programs. The District reports two agency funds. The Corps of Engineers Escrow is used to account for funds held in escrow for Flood Control projects in conjunction with the Army Corp of Engineers. The Payroll fund is used to pay amounts due to external parties withheld and related payroll liabilities from the central payroll system.

D. BUDGETS

The County adheres to the following timetable for consideration and adoption of the annual budget for the Flood Control Operations and Maintenance (General) Fund and the Debt Service Fund:

- Departmental annual budget requests are submitted by the Department or Agency Head to the County Budget Officer during the third quarter of the fiscal year for the upcoming fiscal year to begin March 1.
- The County Auditor must prepare an estimate of available resources for the upcoming fiscal year.
- The County Budget Officer prepares the proposed annual operating budget to be presented to Commissioners Court for their consideration. The budget represents the financial plan for the new fiscal year.
- Public hearings are held on the proposed budget.
- Commissioners Court must adopt an annual operating budget by a majority vote of Commissioners Court before April 1. The adopted budget must be balanced; that is, available resources must be sufficient to support annual appropriations.
- Annual budgets are legally adopted for the General Fund, Debt Service Fund and Capital Projects Fund. Budgets for Special Revenue Grants are prepared on a grant award basis.
- The fund is the legal level of budgetary control. Commissioners Court approval is necessary to transfer appropriations between departments. Transfers may not increase the total budget.
- Commissioners Court may approve expenditures as an amendment to the budget in an emergency situation that could not have been foreseen at the time the original budget was approved.
- Commissioners Court may adopt a supplemental budget for the limited purpose of spending proceeds of the sale of bonds or other obligations to be issued against future revenues and public or private grant or aid money for its intended purpose.

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A COMPONENT UNIT OF HARRIS COUNTY, TEXAS
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- The County Auditor shall certify to the Commissioners Court the receipt of all public or private grant or aid money that is available for disbursement in a fiscal year, but not included in the budget for the fiscal year.
- Appropriations lapse at year-end for all funds except Special Revenue Grants and Capital Project Funds.
- Budgets are prepared on a cash basis (budget basis) which differs from a GAAP basis.

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

E. DEPOSITS AND INVESTMENTS

Cash and cash equivalents include amounts in demand deposits as well as short-term investments (i.e. with original maturity of 90 days or less). All investments are recorded at fair value based upon quoted market prices, with the difference between the purchase price and market price being recorded as earnings on investments.

F. INTERFUND TRANSACTIONS

During the course of normal operations, the District has many transactions between funds. The accompanying financial statements reflect as transfers the resources provided and expenditures used to provide services, construct assets and meet debt service requirements.

G. PREPAIDS AND OTHER ASSETS

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

H. CAPITAL ASSETS

Capital assets include land, buildings, land improvements, equipment, construction in progress, intangible assets and flood control infrastructure that are used in the District's operations and benefit more than a single fiscal year. Infrastructure assets are long-lived assets that are generally stationary in nature and can typically be preserved for a significantly greater number of years than other capital assets. Infrastructure assets of the District include flood control channels, storm sewers, and related right of way.

Capital assets of the District are defined as assets with individual costs of \$5,000 or more and estimated useful lives in excess of one year. Exceptions to the \$5,000 capitalization threshold are as follows: it is the County's policy to capitalize all land other than easements; easements, greater than \$100,000 are capitalized. Purchased software greater than \$100,000 is capitalized and internally developed software greater than \$1,000,000 is capitalized. The threshold for capitalizing buildings and building improvements is \$100,000. The capitalization threshold for infrastructure ranges from \$25,000 to \$250,000, depending on the type of infrastructure asset. All purchased capital assets are stated at historical cost or estimated historical cost if actual cost is not available. Donated fixed assets are stated at their estimated fair value on the date donated.

It is the County's policy not to capitalize interest on construction for governmental capital assets. Capital assets are depreciated in the government-wide financial statements using the straight-line method over the following useful lives:

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<u>Asset</u>	<u>Years</u>
Land improvements	20
Buildings	45
Equipment	3-20
Flood Control Infrastructure:	
Flood control channels	25-75
Storm sewers	30-75

I. NET ASSETS AND FUND BALANCES

NET ASSETS CLASSIFICATIONS

Net assets in the government-wide financial statements are classified in three categories: 1) Net assets invested in capital assets, net of related debt, 2) Restricted net assets, and 3) Unrestricted net assets. Net assets are shown as restricted if constraints placed on use are either (1) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or (2) imposed by law through constitutional provisions or enabling legislation. The District's restricted net assets are restricted for capital projects.

RESERVATIONS AND DESIGNATIONS

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

J. COMPENSATED ABSENCES

Accumulated compensatory time, vacation and sick leave expected to be liquidated with expendable available financial resources are reported as an expenditure in the respective governmental fund. Accumulated compensated absences not expected to be liquidated with expendable available resources are reported as long-term liabilities in the government-wide financial statements. A liability for compensated absences is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

Employees accrue 9.75 days of sick leave per year. Sick leave benefits are recognized as they are used by the employees. Employees may accumulate up to 480 hours of sick leave. Unused sick leave benefits are not paid at termination. Employees accrue from three to ten hours of vacation per pay period depending on years of service and pay period type, standard versus extra. Employees may accumulate from 120 to 280 hours of vacation benefits, depending on years of service. Upon termination, employees are paid the balance of unused vacation benefits.

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

**HARRIS COUNTY FLOOD CONTROL DISTRICT
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K. USE OF ESTIMATES

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

2. DEPOSITS AND INVESTMENTS

Deposits: Chapter 2257 of the Texas Government Code is known as the Public Funds Collateral Act. This act provides guidelines for the amount of collateral that is required to secure the deposit of public funds. Federal Depository Insurance Corporation (FDIC) is available for funds deposited at a financial institution with no maximum for all non-interest bearing demand deposits, through December 31, 2012. The Public Funds Collateral Act requires that the deposit of public funds be collateralized in an amount not less than the total deposit, reduced by the amount of FDIC insurance available.

The custodial credit risk for deposits is the risk that the District will not be able to recover deposits that are in the possession of an outside party. Deposits are exposed to custodial credit risk if they are not insured or collateralized. At February 28, 2011, the carrying amount of the District's demand and time deposits was negative \$2,454,876 and the balance per various financial institutions was \$0. The District's deposits are not exposed to custodial credit risk since all deposits are either covered by FDIC insurance or an irrevocable standby letter of credit with the Federal Home Loan Bank of Dallas, in accordance with the Public Funds Collateral Act.

Investments: Chapter 2256 of the Texas Government Code is known as the Public Funds Investment Act. This act authorizes the District to invest its funds pursuant to a written investment policy which primarily emphasizes the safety of principal and liquidity, addresses investment diversification, yield, and maturity.

The District follows the guidelines established by the Harris County Investment policy. The Harris County Investment policy is reviewed and approved annually by Commissioners Court. The Investment Policy includes a list of authorized investment instruments, a maximum allowable stated maturity by fund type, and the maximum weighted average maturity of the overall portfolio. Guidelines for diversification and risk tolerance are also detailed within the policy. Additionally, the policy includes specific investment strategies for fund groups that address each group's investment options and describes the priorities for suitable investments.

AUTHORIZED INVESTMENTS

Funds of Harris County may be invested as authorized by the Public Funds Investment Act which is located in Chapter 2256 of the Texas Government Code. Allowable investments include:

1. Obligations of the U.S. or its agencies and instrumentalities.
2. Direct obligation of the State of Texas or its agencies and instrumentalities.
3. Collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States, with a stated final maturity of 10 years or less.
4. Other obligations the principal and interest of which are unconditionally guaranteed or insured by or backed by the full faith and credit of this state or the U.S.

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5. Obligations of states, agencies, counties, cities, and other political subdivisions of any state rated and to investment quality by a nationally recognized investment rating firm not less than A or its equivalent.
6. Certificates of deposit issued by a state or national bank domiciled in this state or a savings and loan association domiciled in this state that are guaranteed or insured by the FDIC or secured by authorized investments that have a market value of not less than the principal amount of the certificates.
7. Fully collateralized repurchase agreements as authorized by the Public Funds Investment Act.
8. Commercial paper with a stated maturity of 270 days or fewer from the date of issuance as authorized by the Public Funds Investment Act.
9. No-load money market mutual funds regulated by the SEC, with a dollar-weighted average stated maturity of 90 days or fewer and which include in their investment objectives the maintenance of a stable net asset value of \$1 per share as authorized by the Public Funds Investment Act.
10. Guaranteed Investment Contracts as authorized by the Public Funds Investment Act.
11. Public Funds Investment Pools as authorized by the Investment Act.

Summary of Cash and Investments

The District's cash and investments are stated at fair value. The following is a summary of cash and investments held by the District at February 28, 2011.

	Governmental Activities	Fiduciary Funds	Total
Cash and Cash Equivalents	\$ 84,603,532	\$ 627,591	\$ 85,231,123
Restricted Cash and Cash Equivalents	5,980,052	-	5,980,052
Investments	196,881,610	37,035	196,918,645
Restricted Investments	2,795,318	-	2,795,318
Total Cash & Investments	\$ 290,260,512	\$ 664,626	\$ 290,925,138

The table below indicates the fair value and maturity value of the District's investments as of February 28, 2011, summarized by security type. Also demonstrated are the percentage of total portfolio and the weighted average maturity in years for each summarized security type.

Security	Fair Value	Percentage of Portfolio	Maturity Amount	Weighted Avg Modified Duration (Years)	Credit Rating S&P/ Moody's
<i>US Agency Notes</i>					
FAMCA	\$ 4,077,720	1.39%	\$ 4,000,000	0.005	AAA/Aaa
FHLB	9,956,250	3.39%	10,000,000	0.086	AAA/Aaa
FHLMC	68,685,313	23.41%	69,000,000	0.682	AAA/Aaa
FNMA	45,738,750	15.59%	46,000,000	0.418	AAA/Aaa
<i>Commercial Paper</i>					
FCAR	55,544,615	18.93%	55,619,000	0.068	A1+,P-1

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Security	Fair Value	Percentage of Portfolio	Maturity Amount	Weighted Avg Modified Duration (Years)	Credit Rating S&P/ Moody's
<i>Local Governments</i>					
Bexer County	2,988,660	1.02%	3,000,000	0.013	AA+/Aa1
Galveston County	1,467,455	0.50%	1,455,000	0.005	Aa1/AA+
New York State D	4,524,885	1.54%	4,500,000	0.042	AA/Aa2
Ohio St Dev	1,483,821	0.51%	1,475,000	0.006	AA/Aa2
San Francisco	2,026,260	0.69%	2,000,000	0.008	A/A1
Sherman, TX	2,003,800	0.68%	2,000,000	0.000	AAA/A-1+
St Louis, MO	1,216,435	0.42%	1,205,000	0.001	AA+/Aa3
<i>Money Market Funds</i>					
Fidelity Instl Treasury	25,351,819	8.64%	25,351,819	N/A	AAAm/Aaa
Fidelity Instl - Tax Exempt	68,314,231	23.29%	68,314,231	N/A	AAAm/Aaa
Total Investments	293,380,014	100.00%	\$ 293,920,050		
<i>Demand and Time Deposits</i>	(2,454,876)				
Total Cash & Investments	\$ 290,925,138				

RISK DISCLOSURES

Interest Rate Risk: All investments carry the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the District manages its exposure to interest rate risk is by purchasing a combination of shorter and longer term investments and by matching cash flows from maturities so that a portion of the portfolio is maturing evenly over time as necessary to provide the cash flow and liquidity needed for operations.

According to the County investment policy, no more than 25% of the portfolio, excluding those investments held for future capital expenditures, debt service payments, bond fund reserve accounts and capitalized interest funds, may be invested beyond 24 months. Additionally at least 15% of the portfolio, with the previous exceptions, is invested in overnight instruments or in marketable securities which can be sold to raise cash within one day's notice. Overall, the average maturity of the portfolio, with the previous exceptions, shall not exceed two years. As of February 28, 2011, the District was in compliance with all of these guidelines to manage interest rate risk.

Credit Risk and Concentration of Credit Risk: Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Concentration of credit risk is the risk of loss attributed to the magnitude of an investment in a single issuer. The District mitigates these risks by emphasizing the importance of a diversified portfolio. All funds must be sufficiently diversified to eliminate the risk of loss resulting from over-concentration of assets in a specific maturity, a specific issuer, or a specific class of securities. In particular, no more than 50% of the overall portfolio may be invested in time deposits, including certificates of deposit, of a single issuer. Concentration by issuer for other investment instruments is not specifically addressed in the investment policy. However, the policy does specify that acceptable investment instruments must have high quality credit ratings and, consequently, risk is minimal.

**HARRIS COUNTY FLOOD CONTROL DISTRICT
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The County's investment policy establishes minimum acceptable credit ratings for certain investment instruments. Securities of states, agencies, counties, cities and other political subdivisions must be rated as to investment quality by a nationally recognized investment rating firm as A or its equivalent. Money market mutual funds and public funds investment pools must be rated Aaa by Moody's Investor Rating Service.

Custodial Credit Risk: Investments are exposed to custodial credit risk if the investments are uninsured, are not registered in the District's name and are held by the counterparty. In the event of the failure of the counterparty, the District may not be able to recover the value of its investments that are held by the counterparty. As of February 28, 2011, all of the District's investments are held in the District's name.

Foreign Currency Risk: Foreign currency risk is the risk that fluctuations in the exchange rate will adversely affect the value of investments denominated in a currency other than the US dollar. The County Investment Policy does not list securities denominated in a foreign currency among the authorized investment instruments. Consequently, the District is not exposed to foreign currency risk.

FUND INVESTMENT CONSIDERATIONS

The Investment Policy outlines specific investment strategies for each fund or group of funds identified on the District's financial statements. The two investment strategies employed by the District are the Matching Approach and the Barbell Approach. The Matching Approach is an investment method that matches maturing investments with disbursements. Matching requires an accurate forecast of disbursement requirements. The Barbell Approach is an investment method where maturities are concentrated at two points, one at the short end of the investment horizon and the other at the long end. Additionally, the Investment Policy specifies average investment durations for each fund type, excluding Pooled Investments. Specific guidelines have not been established for Pooled Investments. The investment strategies and maturity criteria are outlined in the following table.

Fund Type	Investment Strategy	Avg Investment Duration Per Policy (Days)	Maturity Amount	Average Remaining Days To Maturity
Capital Projects	Matching	1,080	\$ 43,000,000	1103
Debt Service Funds	Matching	1,080	2,799,000	123
Pool/Special Revenue	Matching	1,080	154,455,000	877
Money Market Mutual Funds	N/A	N/A	93,666,050	N/A
			<u>\$ 293,920,050</u>	

Note: Money Market Mutual Funds are excluded from the various fund types which may affect the average remaining days to maturity.

3. PROPERTY TAXES

Property taxes for the District are levied each year based on tax rates adopted within 60 days of receiving the certified roll or September 30, whichever is later. Tax rates for the District are usually adopted in September or October. Taxes are levied on the assessed value of all taxable real and personal property as of the preceding January 1. On January 1, at the time of assessment, an enforceable lien is attached to the property for property taxes. Appraised values are determined by the Harris County Appraisal District (the "Appraisal District") equal to 100% of the appraised market value as required by the State Property Tax Code. Real property must be appraised at least every three years. Taxpayers and taxing units may challenge appraisals of the Appraisal District through various appeals and, if necessary, legal action.

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The District is permitted by law to levy a tax rate up to \$.30 per \$100 of taxable valuation. There is no limitation on the tax rate which may be set for debt service within the \$.30/\$100 valuation. The tax rate for maintenance is limited to the rate as may from time to time be approved by the voters of the District. The maximum tax rate for maintenance is \$.15 per \$100 of taxable valuation. The County is responsible for setting the tax rate for the District. The County adopted the following tax rates on behalf of the District for the 2010 tax year, per \$100 of taxable valuation:

	Operations and Maintenance (General)	Debt Service	Total
Flood Control District	\$0.02727	\$0.00196	\$0.02923

Property tax receivables of \$2,008,854 as of February 28, 2011 are reported net of an allowance for uncollectible taxes of \$14,611,601 and includes penalties and interest of \$5,722,838.

4. INTERFUND BALANCES AND TRANSFERS

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

The interfund receivable and payable balances, as of February 28, 2011 are as follows:

	Receivable:			
	General Fund	Grants Fund	Capital Project Fund	Total
Payable:				
Grants Fund	\$ 7,418,978	\$ -	\$ 77,491	\$ 7,496,469
Capital Projects Fund	-	1,229,742	-	1,229,742
TOTAL	\$ 7,418,978	\$ 1,229,742	\$ 77,491	\$ 8,726,211

The interfund balances are for the Grants Fund to reimburse the General Fund and Capital Project Fund for short-term loans until the grant monies are received; most grants are on a reimbursement basis from the granting agencies.

The following is a summary of the District's transfers for the year ended February 28, 2011:

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Transfers In:					
	General Fund	Grants Fund	Debt Service Fund	Capital Project Fund	Total
Transfers Out:					
General Fund	\$ -	\$ -	\$ 2,510,087	\$ -	\$ 2,510,087
Grants Fund	750	-	-	113,226	113,976
Debt Service Fund	200,556,779	-	-	-	200,556,779
Capital Projects Fund	-	1,757,396	896,688	-	2,654,084
TOTAL	\$ 200,557,529	\$ 1,757,396	\$ 3,406,775	\$ 113,226	\$ 205,834,926

The transfers are routine in nature. Transfers to the Grants Funds are to meet grant matching requirements in the grant contracts. Transfers to the Debt Service Funds are to make debt payments. Transfers between individual governmental funds are eliminated in the government-wide financial statements.

5. CAPITAL ASSETS

Capital assets transactions are summarized as follows:

	Balance March 1, 2010	Additions	Deletions	Transfers	Balance February 28, 2011
Governmental Activities:					
Land	\$ 1,496,494,927	\$ 37,359,320	\$ -	\$ (619,662)	\$ 1,533,234,585
Construction in progress	131,191,114	38,802,955	(39,487)	(52,449,202)	117,505,380
Intangible Assets - water rights	-	2,400,000	-	-	2,400,000
Total capital assets not depreciated	<u>1,627,686,041</u>	<u>78,562,275</u>	<u>(39,487)</u>	<u>(53,068,864)</u>	<u>1,653,139,965</u>
Land improvements	641,531	-	-	-	641,531
Buildings	11,870,371	-	-	-	11,870,371
Equipment	9,404,022	702,297	(631,125)	(189,110)	9,286,084
Flood control projects	652,847,783	100	-	52,588,587	705,436,470
	<u>674,763,707</u>	<u>702,397</u>	<u>(631,125)</u>	<u>52,399,477</u>	<u>727,234,456</u>
Less accumulated depreciation for:					
Land Improvements	(98,025)	(31,813)	-	-	(129,838)
Buildings	(2,043,480)	(269,663)	-	-	(2,313,143)
Equipment	(5,965,639)	(957,540)	604,718	223,906	(6,094,555)
Flood control projects	(240,602,086)	(21,594,967)	-	-	(262,197,053)
	<u>(248,709,230)</u>	<u>(22,853,983)</u>	<u>604,718</u>	<u>223,906</u>	<u>(270,734,589)</u>
Total capital assets being depreciated, net	<u>426,054,477</u>	<u>(22,151,586)</u>	<u>(26,407)</u>	<u>52,623,383</u>	<u>456,499,867</u>
Governmental activities capital assets, net	<u>\$ 2,053,740,518</u>	<u>\$ 56,410,689</u>	<u>\$ (65,894)</u>	<u>\$ (445,481)</u>	<u>\$ 2,109,639,832</u>

Depreciation expense was charged to the Flood Control Administration function of the District for \$22,853,983. The \$445,481 balance in the transfers column is due to assets that were transferred to Harris County.

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6. LONG-TERM LIABILITIES

Bonded debt of the District consists of various issues of General Obligation Bonds, which are direct obligations of the District with the District's full faith and credit pledged towards the payment of these obligations. Debt service on these bonds is paid from the receipts of a separate limited ad valorem tax. All bonded debt is capital related.

The changes in the District's Governmental Long-Term Liabilities for fiscal year 2010-2011 were as follows:

	Balance Outstanding March 1, 2010			Balance Outstanding February 28, 2011		Amount Due Within One Year
		Increase	Decrease			
Governmental Activities:						
Refunding Series 1993 - CAB	\$ 902,945	\$ -	\$ (643,921)	\$ 259,024	\$ 259,024	
Refunding Series 2002	7,910,000	-	(1,075,000)	6,835,000	1,060,000	
Refunding Series 2003A	7,070,000	-	(1,225,000)	5,845,000	1,200,000	
Refunding Series 2004A	29,530,000	-	(5,375,000)	24,155,000	5,605,000	
Refunding Series 2006A	94,185,000	-	-	94,185,000	-	
Improvement Bonds Series 2007	89,600,000	-	-	89,600,000	-	
Refunding Series 2008A	134,190,000	-	-	134,190,000	-	
Refunding Series 2008C	155,195,000	-	(1,950,000)	153,245,000	1,985,000	
Refunding Series 2010A	-	181,885,000	-	181,885,000	-	
Total Bonds Payable - Principal	518,582,945	181,885,000	(10,268,921)	690,199,024	10,109,024	
Unamortized Premium, Series 1993	169,684	-	(139,370)	30,314	-	
Unamortized Premium, Series 2002	204,955	-	(70,442)	134,513	-	
Unamortized Discount, Series 2003A	(10,135)	-	144	(9,991)	-	
Unamortized Premium, Series 2004A	1,011,561	-	(351,822)	659,739	-	
Unamortized Premium, Series 2006A	5,594,902	-	(201,500)	5,393,402	-	
Unamortized Premium, Series 2007	4,856,963	-	(176,286)	4,680,677	-	
Unamortized Premium, Series 2008A	16,492,195	-	(1,487,363)	15,004,832	-	
Unamortized Discount, Series 2008C	(770,669)	-	25,876	(744,793)	-	
Unamortized Premium, Series 2010A	-	19,722,759	(286,553)	19,436,206	-	
Accretion of Discount - Capital						
Appreciation Bonds: Series 1993	3,661,318	325,826	(2,926,124)	1,061,020	1,061,020	
Bond Refunding Loss, Series 2002	(40,054)	-	10,033	(30,021)	-	
Bond Refunding Loss, Series 2003A	(186,358)	-	33,378	(152,980)	-	
Bond Refunding Loss, Series 2008A	(3,414,839)	-	322,662	(3,092,177)	-	
Bond Refunding Loss, Series 2008C	(9,432,221)	-	646,781	(8,785,440)	-	
Total Bonds Payable	536,720,247	201,933,585	(14,869,507)	723,784,325	11,170,044	
Commercial Paper Payable	110,435,000	89,565,000	(200,000,000)	-	-	
Compensatory Time Payable	551,515	260,953	(308,848)	503,620	312,244	
OPEB Obligation	4,907,969	1,212,592	-	6,120,561	-	
Pollution Remediation Obligation	353,052	170,304	-	523,356	-	
TOTAL	\$ 652,967,783	\$ 293,142,434	\$ (215,178,355)	\$ 730,931,862	\$ 11,482,288	

Historically, the Debt Service fund has been used to liquidate bonded debt and the General Fund has been used to liquidate other long-term liabilities.

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A. OUTSTANDING BONDED DEBT

	Original Issue Amount	Interest Rates (%)	Date Series		Balance February 28, 2011
			Issued	Matures	
Refunding Series 1993 - CAB	\$ 94,464,985	5.40-5.60	1993	2011	\$ 259,024
Refunding Series 2002	44,495,000	3.00-5.50	2002	2014	6,835,000
Refunding Series 2003A	36,945,000	3.00-6.00	2003	2015	5,845,000
Refunding Series 2004A	139,865,000	3.00-5.25	2004	2024	24,155,000
Refunding Series 2006A	94,185,000	5.00	2006	2031	94,185,000
Improvement Series 2007	89,600,000	4.75-5.00	2007	2031	89,600,000
Refunding Series 2008A	137,095,000	4.00-5.25	2008	2021	134,190,000
Refunding Series 2008C	158,100,000	3.00-5.125	2008	2031	153,245,000
Refunding Series 2010A	181,885,000	5.00	2011	2039	181,885,000
TOTAL	\$ 976,634,985				\$ 690,199,024

B. DEBT SERVICE REQUIREMENTS

The debt service requirements to maturity for the bonds are summarized as follows:

Fiscal year	Principal	Capital	Principal	Interest	Total
	At 2/28/2011	Appreciation Bonds	Value At Maturity		
2012	\$ 10,109,024	\$ 1,061,020	\$ 11,170,044	\$ 35,814,458	\$ 46,984,502
2013	11,455,000	-	11,455,000	34,030,288	45,485,288
2014	11,805,000	-	11,805,000	33,492,912	45,297,912
2015	10,760,000	-	10,760,000	32,932,425	43,692,425
2016	9,785,000	-	9,785,000	32,420,056	42,205,056
2017-2021	123,495,000	-	123,495,000	152,043,719	275,538,719
2022-2026	187,375,000	-	187,375,000	106,535,138	293,910,138
2027-2031	178,180,000	-	178,180,000	63,539,000	241,719,000
2032-2036	86,875,000	-	86,875,000	25,791,250	112,666,250
2037-2041	60,360,000	-	60,360,000	7,728,750	68,088,750
	\$ 690,199,024	\$ 1,061,020	\$ 691,260,044	\$ 524,327,996	\$ 1,215,588,040

C. UNISSUED AUTHORIZED BONDS

As of February 28, 2011, the District has issued all voter authorized property tax bonds.

D. REFUNDING/ISSUANCE OF DEBT

On September 23, 2010, the District issued \$181,885,000 Flood Control District Contract Tax Bonds, Series 2010A to defease all or a portion of the District's Contract Tax Commercial Paper Notes, Series F and to pay costs of such issuance. The annual interest is 5.0%. The issuance had a premium of \$19,722,758. Interest accrues semiannually and the bonds mature in fiscal year 2040.

E. COMMERCIAL PAPER

On August 21, 2001, Commissioners Court authorized a \$200,000,000 commercial paper program designated as the Harris County Flood Control District Contract Tax Commercial Paper Notes, Series F ("Series F Notes") to fund projects identified in an agreement between the County and the Flood Control District ("Flood Contract") and refinance, refund, and renew the notes themselves and fund issuance costs. As of February 28, 2011, the Flood Control District has no outstanding commercial paper.

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

The County's commitment under the Flood Contract is the payment to the Flood Control District of amounts necessary for the principal and/or interest due; the fees and expenditures of the issuing and paying agent, the dealer, and the credit provider; amounts related to any special or contingency funds or accounts for the notes; and any amounts to restore deficiencies in such funds or accounts. The County's payment obligation is secured by a levy and pledge of a portion of the County's ad valorem taxes which extends until all obligations under the Series F Notes, including any obligations to refund the notes, are no longer outstanding. During the term of the Flood Contract, the County is required to levy taxes computed at a tax rate sufficient to provide the funds required to make the annual payments and to provide and maintain a sinking fund adequate for such amounts as they become due. Commissioners Court issued an order whereby the sinking fund may never be less than 2% of the County's outstanding indebtedness under the Flood Contract at the time of the tax levy. In setting the tax rate, the County may consider all sources of funding lawfully available or that are to be available including the credit agreement entered into for the Series F Notes, discussed below. The tax year 2010 tax rate adopted by Commissioners Court for fiscal year 2011 to satisfy the annual amount due under the Flood contract related to the 2% limitation was .01378. Based on the County's outstanding indebtedness as of February 28, 2011 (exclusive of Flood Control District debt), this amount required under the 2% limitation is estimated to be zero.

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

The Series F Notes are also secured through an irrevocable, direct-pay, transferable letter of credit between the Flood Control District and the New York branch of Landesbank Hessen-Thüringen Girozentrale. The amount of the letter of credit totals \$214,794,521. This total includes the principal amount of the notes (\$200,000,000) and interest of \$14,794,521 calculated as 270 days at an assumed per annum rate of 10% and a 365-day year. The term of the letter of credit expires August 1, 2012 and is subject to extension. The letter of credit also provides for the establishment of loans with maturity dates ranging from three to four years depending on the earliest of several anniversary dates. The interest rate on such loans may not exceed the maximum rate allowed by law, currently 15%. The principal portion of the loans is repayable in equal quarterly installments and the interest quarterly. Under the terms of the letter of credit, the Flood Control District is charged a quarterly fee, based on the daily average amount of the outstanding draws against the letter of credit ranging from 0.25% to 1.00%, depending on the County's long term parity debt rating. This fee is dependent on the County's parity debt rating at the time. In addition, there are fixed transactional fees ranging from \$175 to \$5,000.

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F. SUBSEQUENT BOND ISSUANCES

The Flood Control District did not issue any debt subsequent to year end.

G. ARBITRAGE REBATE LIABILITY

The Tax Reform Act of 1986 established regulations for the rebate to the federal government of arbitrage earnings on certain local government bonds issued after December 31, 1985, and all local governmental bonds issued after August 31, 1986. Issuing governments must calculate any rebate due and remit the amount due at least every five years. There were no arbitrage rebate payments made during fiscal year 2011. As of February 28, 2011 there were no estimated liabilities for arbitrage rebate on governmental debt. The Debt Service Funds have typically been used to liquidate arbitrage liabilities in previous years.

7. RETIREMENT PLAN

Plan Description

The District, a component unit of Harris County, provides retirement, disability, and death benefits for all of its employees (excluding temporary) through a non-traditional defined benefit pension plan in the statewide Texas County and District Retirement System ("TCDRS"). The Board of Trustees of TCDRS is responsible for the administration of the statewide agent multiple-employer public employee retirement system consisting of 618 non-traditional defined benefit pension plans. TCDRS in the aggregate issues a comprehensive annual financial report ("CAFR") on a calendar year basis. The CAFR is available upon written request from the TCRDS Board of Trustees at P.O. Box 2034, Austin, Texas 78768-2034.

Under the state law governing TCDRS enacted in 1991, effective January 1, 1992, the District selected a plan of benefits to provide in the future, while at the same time considering the level of the employer contribution rate required to adequately finance the plan. Effective January 1, 1995, the District adopted an annually determined contribution rate plan, for which the employer contribution rate is actuarially determined as a part of the annual actuarial valuation. The rate, applicable for a calendar year, consists of the normal cost contribution rate plus the rate required to amortize the unfunded actuarial liability over the remainder of the plan's 25-year amortization period which began January 1, 1995 using the entry age actuarial cost method. Monthly contributions by the District are based on the covered payroll and the employer contribution rate in effect. The contribution rate for calendar year 2011 is 9.82%. The contribution rates for calendar years 2010 and 2009 were 11.31% and 9.74% respectively.

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

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

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Funding Policy

The District has elected the annually determined contribution rate (“ADCR”) plan provisions of the TCDRS Act. The plan is funded by monthly contributions from both employee members and the District based on the covered payroll of employee members. Under the TCDRS Act, the contribution rate of the District is actuarially determined annually. The District contributed using actuarially determined rate of 11.31% for the months of the calendar year in 2010, and 9.82% for the months of the calendar year in 2011.

The contribution rate payable by the employee members for 2010 and 2011 is the rate of 7% and 6% respectively, as adopted by Commissioner’s Court. The employee contribution rate and the employer contribution rate may be changed by Commissioner’s Court, within the options available in the TCDRS Act.

The schedule of funding progress, presented as RSI following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Annual Pension Cost

For the County’s fiscal year ending February 28, 2011, the annual pension cost for the TCDRS plan for its employees, including the District, was \$89,543,487 and the actual contributions for the District were \$2,137,293. (This excludes actuarial contributions of \$3,459,657 for Community Supervision, which is not considered a department or component unit of the County.) The annual required contributions were actuarially determined as a percent of the covered payroll of the participating employees, and were in compliance with GASB Statement No. 27, *Accounting for Pensions by State and Local Governmental Employees*, parameters based on the actuarial valuations as of December 31, 2009 and December 31, 2010, which were the basis for determining the contribution rates for calendar years 2010 and 2011. The December 31, 2010 actuarial valuation is the most recent valuation.

Actuarial Valuation Method			
Actuarial Valuation Date	12/31/08	12/31/09	12/31/10
Actuarial Cost Method	Entry Age	Entry Age	Entry Age
Amortization Method	Level percentage of payroll, closed	Level percentage of payroll, closed	Level percentage of payroll, closed
Amortization period in years	20	20	20
Asset Valuation Method	SAF: 10-yr smoothed value ESF: Fund value	SAF: 10-yr smoothed value ESF: Fund value	SAF: 10-yr smoothed value ESF: Fund value
Actuarial Assumption			
Investment return (1)	8.0 %	8.0 %	8.0 %
Projected Salary Increases (1)	5.3 %	5.4 %	5.4 %
Inflation	3.5 %	3.5 %	3.5 %
Cost of Living Adjustments	0.0%	0.0%	0.0%
(1) Includes inflation at the stated rate.			

Harris County Trend Information			
Accounting Year Ending	Annual Pension Cost	Percentage of APC Contributed	Net Pension Obligation
2/28/11	\$ 89,543,487	100%	\$ -
2/28/10	\$ 84,946,672	100%	-
2/28/09	\$ 79,047,481	100%	-

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Schedule of Funding (including Community Supervision)	
Actuarial Valuation Date	12/31/10
Actuarial Value of Assets	\$2,739,687,861
Actuarial Accrued Liability (AAL)	\$3,123,164,193
Unfunded Actuarial Accrued Liability (UAAL)	\$ 383,476,332
Funded Ratio	87.72%
Annual Covered Payroll (Actuarial)	\$ 849,143,883
UAAL as Percentage of Covered Payroll	45.16%

8. OTHER POST EMPLOYMENT BENEFITS

THE PLAN:

Plan Description

Harris County administers an agent multiple-employer defined benefit post employment healthcare plan that covers retired employees of participating governmental entities. The plan provides medical, dental, vision, and basic life insurance benefits to plan members. Local Government Code Section 157.101 assigns the authority to establish and amend benefit provisions to Commissioner's Court.

Membership in the plan at March 1, 2009, the date of the latest actuarial valuation, consists of the following:

Retirees and beneficiaries receiving benefits	3,361
Active plan members	14,841
Number of participating employers	5

Summary of Significant Accounting Policies

Basis of Accounting. The Plan's transactions are recorded using the accrual basis of accounting. Plan member and employer contributions are recognized in the period in which the contributions are due. Benefits and refunds are recognized when due and payable.

Method Used to Value Investments. Investments are reported at fair value, which is based on quoted market prices with the difference between the purchase price and market price being recorded as earnings on investments.

Contributions

Local Government Code Section 157.102 assigns to Commissioner's Court the authority to establish and amend contribution requirements of the plan members and the participating employers. The following tables present the criteria for the employers' contribution to the retiree's and qualifying dependent's benefits:

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Retired Prior to March 1, 2002:

Years of Service	10 yrs.	9 yrs.	8 yrs.	< 8yrs. with proportionate service and/or disability
Retiree - Employer Share	100%	90%	80%	50%
Retiree - Retiree Share	0%	10%	20%	50%
Dependent - Employer Share	50%	45%	40%	25%
Dependent - Retiree Share	50%	55%	60%	75%

Retired or Eligible to Retire Prior to March 1, 2011:

Employee's age plus years of service	75	75	70-74	< 70	N/A
Years of service	10	8-9	8	4-7	< 4
Consecutive service years at retirement	4	4	4	4	N/A
Retiree - Employer Share	100%	80%	80%	50%	0%
Retiree - Retiree Share	0%	20%	20%	50%	100%
Dependent - Employer Share	50%	40%	40%	25%	0%
Dependent - Retiree Share	50%	60%	60%	75%	100%

Eligible to Retire March 1, 2011 or After:

A combination of age plus a minimum of 10 years of non-forfeited Harris County/TCDRS service equal to 80 or at least age 65 with a minimum of 10 years of non-forfeited Harris County/TCDRS service to receive 100% County contributions for retiree coverage and 50% for dependent coverage. Retirees under age 65 will be required to pay an additional contribution as determined by Commissioner's Court.

Employees Hired on or After March 1, 2007:

A combination of age plus a minimum of 20 years of non-forfeited Harris County/TCDRS service equal to 80 or at least age 65 with a minimum of 15 years of non-forfeited Harris County/TCDRS service to receive any County contributions for retiree or dependent coverage.

The Plan rates are set annually by Commissioner's Court based on the combination of premiums and prior year costs of the self-funded portion of the plan. The Plan is funded on a pay-as-you-go basis. For the year ended February 28, 2011, plan members or beneficiaries receiving benefits contributed \$5.28 million, or approximately 13.6 percent of total benefits paid during the year. Participating employers contributed \$33.59 million. The total contributions for the year ended February 28, 2011 was \$38.87 million. Total contributions included actual medical claims paid, premiums for other insurance and administrative costs calculated through an annual rate calculation.

THE EMPLOYER:

Annual OPEB Cost

For 2011, the County's annual OPEB cost (expense) was \$88,451,513 (including Flood Control of \$3,032,124) for the post employment healthcare plan. The County's annual OPEB cost, the percentage of

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annual OPEB cost contributed to the plan, and the net OPEB obligation for the fiscal year ended February 28, 2011 were as follows:

Annual Required Contribution	\$ 91,445,740
Add interest on Net OPEB Obligation	9,946,649
Less adjustment to Annual Required Contribution	(12,940,876)
Annual OPEB Cost	88,451,513
Less Contributions made	(33,588,280)
Change in Net OPEB Obligation	54,863,233
Net OPEB Obligation, beginning of the year	198,932,991
Net OPEB Obligation, end of the year	<u>\$ 253,796,224</u>

Trend Information:

Fiscal Year Ended	Annual OPEB Cost	Employer Contribution	Percentage of Annual	
			OPEB Cost Contributed	Net Ending OPEB Obligation
2/28/2009	\$ 96,615,958	\$ 26,823,612	28%	\$ 140,001,754
2/28/2010	89,338,513	30,407,276	34%	198,932,991
2/28/2011	88,451,513	33,588,280	38%	253,796,224

The above tables include information for the 5 participating employers to the agent multiple-employer defined benefit post employment healthcare plan that the County administers. Two of the employers, Emergency 911 and Community Supervision, are not considered departments or component units of the County. The annual net OPEB obligation for Emergency 911 and Community Supervision is \$379,397 and \$0 respectively for fiscal year 2010 and the net OPEB obligation for Emergency 911 and Community Supervision is \$468,194 and \$0 respectively at February 28, 2011. Flood Control's portion of the net OPEB obligation above is \$4,907,969 for fiscal year 2010 and \$6,120,561 at February 28, 2011.

Funded Status and Funding Progress. The funded status of the plan as of March 1, 2009 (most recent actuarial valuation) was as follows:

	All Participants	Flood Control Portion
Unfunded actuarial accrued liability (UAAL)	\$ 859,681,747	\$ 35,086,269
Funded ratio (actuarial value of plan assets/AAL)	0%	0%
Covered Payroll (active plan members)	\$ 722,468,180	\$ 18,465,956
UAAL as a percentage of covered payroll	119%	190%

The "All Participants" column in the above table includes UAAL of \$915,483 for Emergency 911 and UAAL of \$16,210,643 for Community Supervision.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. The actuarial assumptions used in calculating the County's UAAL and ARC are elaborated later in this note. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject

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to continual revisions as actual results are compared with past expectations and new estimates are made about the future.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are made on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. In order to perform the valuation, it was necessary for the County and the actuary to make certain assumptions regarding such items as rates of employee turnover, retirement, and mortality, as well as economic assumptions regarding healthcare trend and interest rates.

In the March 1, 2009, actuarial valuation, a 5.00% discount rate was used. The medical trend rates of 8% for 2009, and 7% for 2010 graded down to an ultimate rate of 5% by 2012 per the actuary's best estimate of expected long-term plan experience.

The actuarial cost method used in valuing the County's liabilities was the Projected Unit Cost Method. Under this method the benefits of each individual included in the valuation were allocated by a consistent formula over the years. The amortization period and method utilized was 30 year level dollar open period.

Additional Disclosures

Texas Local Government Code, Chapter 175 requires counties to make available continued health benefits coverage under certain circumstances to retirees and their dependents beyond the end of an individual's employment with the County ("Continuation Coverage") by permitting covered employees to purchase continued health benefits coverage in retirement. Texas law does not require counties to fund all or any portion of such coverage.

Because the County is given the authority to pay OPEB for its retired employees, it may incur a debt obligation to pay for OPEB so long as the County follows the constitutional requirement that it have sufficient taxing authority available at the time such debt is incurred to provide for the payment of the debt and has in fact levied a tax for such purpose concurrently with the incurrence of the debt. Any debt incurred in contravention of this constitutional requirement is considered void and payment will not be due. Harris County has not incurred a legal debt obligation for OPEB and has not levied a tax for the same. The County funds the cost associated with OPEB on a current "pay as you go" basis for a single fiscal year through an annual appropriation authorized by Commissioner's Court during the County's annual budget adoption process.

GAAP requires governmental organizations to recognize an actuarially calculated accrued liability for OPEB, even though it may not have a legally enforceable obligation to pay OPEB benefits.

Information and amounts presented in the County's Comprehensive Annual Financial Report relative to OPEB expense/expenditures, related liabilities (assets), note disclosures, and supplementary information are only intended to achieve compliance with the requirements of generally accepted accounting principles and does not constitute or imply that the County is legally obligated to provide OPEB benefits.

The schedule of funding progress, presented as Required Supplementary Information, following the notes

**HARRIS COUNTY FLOOD CONTROL DISTRICT
A COMPONENT UNIT OF HARRIS COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
February 28, 2011**

to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

9. COMMITMENTS AND CONTINGENT LIABILITIES

LANDFILL POST-CLOSURE CARE COST

The District acquired land for a detention basin. When construction for the detention basin began several years ago, an unpermitted landfill was discovered. This landfill was capped at the time. The District is in the process of performing a site assessment in order to be able to reasonably quantify the cost for possible remediation. Currently, the District has no regulatory requirement to remediate this site. The pollution remediation liability does not include outlays for site cleanup.

POLLUTION REMEDIATION OBLIGATIONS

The District is subject to numerous Federal, State and local environmental laws and regulations. GASB 49 established standards for the accounting and reporting of obligations incurred to address current or potential detrimental effects of existing pollution. The District recorded in the financial statements pollution remediation liabilities of \$523,356. This liability is all recorded as long-term, because cleanup activity will not be required until construction begins and no construction is scheduled within the next twelve months. This liability is primarily attributable to land acquired by the District with known pollution which is expected to be remediated before the land can be used for its intended purpose. This portion of the liability was capitalized. The remainder of the liability was expensed. The liability was calculated based on historical expenditures and professional judgment. The liability is an estimate and is subject to revision because of price increases or reductions, changes in technology, changes in applicable laws or regulations, or other circumstances that could cause changes. Although some uncertainties associated with environmental assessment remain and certain costs are not quantifiable, management believes the recorded provision for such costs is adequate. There are no estimated recoveries reducing the liability as of February 28, 2011. Additional costs, if any, are not expected to have a material effect on the financial condition of the District.

LITIGATION

The District is involved in lawsuits and other claims in the ordinary course of operations. Although the outcome of such lawsuits and other claims is not presently determinable, the resolution of these matters is not expected to have a material effect on the financial condition of the District. There are some civil cases that have resulted in settlements, consent decrees, or are expected to have a financial impact on the District in subsequent fiscal years. An additional amount of \$721,000 is considered possible for payment in relation to other cases; accounting standards require that this amount be disclosed, but it is not recorded as a liability in the financial statements.

CONSTRUCTION COMMITMENTS

The District has commitments under various contracts in connection with the construction of flood control facilities, buildings, and projects of \$34,630,388.

10. RISK MANAGEMENT

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

HARRIS COUNTY FLOOD CONTROL DISTRICT
A COMPONENT UNIT OF HARRIS COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
February 28, 2011

charges similar to other County departments.

The District is covered by the Harris County workers' compensation program. The County is self-insured for workers' compensation medical, indemnity, and other related payments. Claims adjusting services are provided by a third-party administrative claims adjusting service. Interfund premiums on workers' compensation are determined by position class code, at actuarially determined rates.

The County has excess insurance coverage for workers' compensation and employer's liability. The retention (deductible) for the fiscal year ended February 28, 2011 is \$850,000 per occurrence. During the last three fiscal years, no claims paid exceeded the insurance coverage for the County. Through the County, the District provides medical, dental, vision, and basic life and disability insurance to eligible employees and retirees. The District pays the full cost of health benefits for eligible employees and 50% of the cost of dependent premiums. Disability insurance will pay up to 50% of an employee's salary for two years with an employee option to extend the benefits period to age 65 and increase the percentage to 60%.

The District's group insurance premiums, as well as employee payroll deductions for premiums for dependents and optional coverage, are paid into the County's Health Insurance Management Fund, which in turn makes disbursements to contracted insurance providers based upon monthly enrollment and premium calculations.

Billings to the District for property insurance, professional liability insurance, and crime and fidelity policies are handled through the County's Risk Management Fund, as are payments to the insurance carriers. Claim payments made up to the deductible limit are expensed by the District when paid by the Risk Management Fund. Payments for the District's general, vehicle, and property damage liability claims, for which the County is self-insured, are made through the Risk Management Fund and billed to the District.

11. RECENT ACCOUNTING PRONOUNCEMENTS

GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* ("GASB 54"), establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. GASB 54 will be implemented by the District in fiscal year 2012 and the impact has not yet been determined.

GASB Statement 59, *Financial Instruments Omnibus* ("GASB 59"), updates and improves existing standards regarding financial reporting of certain financial instruments and external investment pools. GASB 59 will be implemented by the District in fiscal year 2012 and the impact has not yet been determined.

GASB Statement 60, *Accounting and Financial Reporting for Service Concession Arrangements* ("GASB 60"), improves financial reporting by addressing issues related to service concession arrangements (SCAs), which are a type of public-private or public-public partnership. GASB 60 will be implemented by the District in fiscal year 2013 and the impact has not yet been determined.

GASB Statement 61, *The Financial Reporting Entity: Omnibus-an amendment of GASB Statements No. 14 and No. 34* ("GASB 61"), which modifies certain requirements for inclusion of component units in the financial reporting entity, amends the criteria for reporting component units as if they were part of the primary government (that is, blending) in certain circumstances and clarifies the reporting of equity interests in legally separate organizations. GASB 61 will be implemented by the District in fiscal year 2014 and the impact has not yet been determined.

**HARRIS COUNTY FLOOD CONTROL DISTRICT
A COMPONENT UNIT OF HARRIS COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
February 28, 2011**

GASB Statement 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements* (“GASB 62”), which incorporates into the GASB’s authoritative literature certain accounting and financial reporting guidance that is included in the following pronouncements issued on or before November 30, 1989, which does not conflict or contradict GASB pronouncements: 1) Financial Accounting Standards Board (FASB) Statements and Interpretations; 2) Accounting Principles Board Opinions; 3) Accounting Research Bulletins of the American Institute of Certified Public Accountants’ (AICPA) Committee on Accounting Procedure. GASB 62 will be implemented by the District in fiscal year 2013 and the impact has not yet been determined.

REQUIRED SUPPLEMENTARY INFORMATION
(Unaudited)

**HARRIS COUNTY FLOOD CONTROL DISTRICT
A COMPONENT UNIT OF HARRIS COUNTY, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL - BUDGETARY BASIS
OPERATIONS AND MAINTENANCE (GENERAL) FUND
For The Year Ended February 28, 2011**

	OPERATIONS AND MAINTENANCE (GENERAL) FUND			Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
REVENUES AND OTHER FINANCING SOURCES				
Beginning Cash and Investments:				
Flood Control General	\$ 97,145,475	\$ 97,145,475	\$ 98,394,409	\$ 1,248,934
FC Series F Commercial Paper	121,000	121,000	106,812	(14,188)
Total Beginning Cash and Investments	<u>97,266,475</u>	<u>97,266,475</u>	<u>98,501,221</u>	<u>1,234,746</u>
Interest:				
Flood Control General	1,056,922	1,056,922	973,956	(82,966)
FC Series F Commercial Paper	1,892	1,892	43	(1,849)
FC Contract Tax Bond Cost of Issuance	-	48	42	(6)
Total Interest	<u>1,058,814</u>	<u>1,058,862</u>	<u>974,041</u>	<u>(84,821)</u>
Taxes:				
Flood Control General	<u>72,735,440</u>	<u>72,735,440</u>	<u>71,578,468</u>	<u>(1,156,972)</u>
Intergovernmental:				
Flood Control General	<u>-</u>	<u>-</u>	<u>440,444</u>	<u>440,444</u>
Miscellaneous:				
Flood Control General	<u>90,700</u>	<u>90,700</u>	<u>1,956,551</u>	<u>1,865,851</u>
Other - Lease Revenue:				
Flood Control General	<u>175,000</u>	<u>175,000</u>	<u>199,498</u>	<u>24,498</u>
Other Transfers In:				
Flood Control General	-	186,988	3,117,893	2,930,905
FC Series F Commercial Paper	2,209,620	202,209,620	200,200,000	(2,009,620)
FC Contract Tax Bond Cost of Issuance	-	556,779	556,779	-
Total Other Transfers In	<u>2,209,620</u>	<u>202,953,387</u>	<u>203,874,672</u>	<u>921,285</u>
Total Revenue and Other Financing Sources	<u>173,536,049</u>	<u>374,279,864</u>	<u>377,524,895</u>	<u>3,245,031</u>
EXPENDITURES AND OTHER FINANCING USES				
Flood Control General	171,203,537	171,390,525	68,920,476	102,470,049
FC Series F Commercial Paper	2,332,512	202,332,512	200,208,274	2,124,238
FC Contract Tax Bond Cost of Issuance	-	556,827	556,822	5
Total Expenditures and Other Financing Uses	<u>173,536,049</u>	<u>374,279,864</u>	<u>269,685,572</u>	<u>104,594,292</u>
Net changes in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 107,839,323</u>	<u>\$ 107,839,323</u>

See notes to required supplementary information.

**HARRIS COUNTY FLOOD CONTROL DISTRICT
A COMPONENT UNIT OF HARRIS COUNTY, TEXAS
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
February 28, 2011**

RECONCILIATION OF ACCOUNTING BASIS

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

	General Fund
REVENUES AND OTHER FINANCING SOURCES	
Cash (budgetary) basis	\$ 377,524,895
Beginning Cash and Investments	(98,501,221)
Accrued in 2010, received in 2011	(3,190,537)
Accrued in 2011, to be received in 2012	2,659,381
Revenues and other financing sources on modified accrual (GAAP) basis	278,492,518
EXPENDITURES AND OTHER FINANCING USES	
Cash (budgetary) basis	269,685,572
Incurred during 2010, paid in 2011	(3,667,979)
Incurred during 2011, payable in 2012	4,323,224
Expenditures and other financing uses on modified accrual (GAAP) basis	270,340,817
Net changes in Fund Balance	\$ 8,151,701

For further budgeting information, see Note 1.D. of the Notes to the Financial Statements.

**HARRIS COUNTY FLOOD CONTROL DISTRICT
A COMPONENT UNIT OF HARRIS COUNTY, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION
OTHER POST EMPLOYMENT BENEFITS
SCHEDULE OF FUNDING PROGRESS
February 28, 2011**

Fiscal Year	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a percentage of covered payroll ((b-a)/c)
2009	3/1/2007	\$ -	\$ 852,350,950	\$ 852,350,950	0%	\$ 760,995,816	112.0%
2010	3/1/2009	-	859,681,747	859,681,747	0%	766,400,980	112.2%
2011	3/1/2009	-	859,681,747	859,681,747	0%	722,468,180	119.0%

The above table includes information for the 5 participating employers to the agent multiple-employer defined benefit post employment healthcare plan that the County administers. Two of the employers, Emergency 911 and Community Supervision are not considered departments or component units of the County; the UAAL for these entities are \$915,483 and \$16,210,643 respectively.

Flood Control is a component unit of the County and included in the above table. The following table contains Flood Control specific information:

Fiscal Year	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a percentage of covered payroll ((b-a)/c)
2009	3/1/2007	\$ -	\$ 35,907,037	\$ 35,907,037	0%	\$ 18,465,276	194.5%
2010	3/1/2009	-	35,086,269	35,086,269	0%	19,750,788	177.6%
2011	3/1/2009	-	35,086,269	35,086,269	0%	18,465,956	190.0%

**HARRIS COUNTY FLOOD CONTROL DISTRICT
A COMPONENT UNIT OF HARRIS COUNTY, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION
TEXAS COUNTY AND DISTRICT RETIREMENT SYSTEM
SCHEDULE OF FUNDING PROGRESS
February 28, 2011**

Actuarial Valuation Date	12/31/08	12/31/09	12/31/10
Actuarial Value of Assets	\$2,355,663,641	\$2,619,204,575	\$2,739,687,861
Actuarial Accrued Liability (AAL)	\$2,724,786,646	\$2,978,320,920	\$3,123,164,193
Unfunded Actuarial Accrued Liability (UAAL)	\$ 369,123,005	\$ 359,116,345	\$ 383,476,332
Funded Ratio	86.45%	87.94%	87.72%
Annual Covered Payroll (Actuarial)	\$ 839,919,068	\$ 882,729,740	\$ 849,143,883
UAAL as Percentage of Covered Payroll	43.95%	40.68%	45.16%

**OTHER SUPPLEMENTARY INFORMATION
and
INDIVIDUAL FUND STATEMENTS**

HARRIS COUNTY FLOOD CONTROL DISTRICT
A COMPONENT UNIT OF HARRIS COUNTY, TEXAS
STATEMENT OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
For The Year Ended February 28, 2011

	<u>Balance</u> <u>March 1, 2010</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>February 28, 2011</u>
<u>Corps. of Engineers Escrow</u>				
ASSETS				
Cash and cash equivalents	\$ 1,343,453	\$ 404	\$ 718,119	\$ 625,738
Total Assets	<u>\$ 1,343,453</u>	<u>\$ 404</u>	<u>\$ 718,119</u>	<u>\$ 625,738</u>
LIABILITIES				
Held for others	\$ 1,343,453	\$ 404	\$ 718,119	\$ 625,738
Total Liabilities	<u>\$ 1,343,453</u>	<u>\$ 404</u>	<u>\$ 718,119</u>	<u>\$ 625,738</u>
<u>Payroll Fund</u>				
ASSETS				
Cash and cash equivalents	\$ -	\$ 55,857,123	\$ 55,855,270	\$ 1,853
Investments	-	37,035	-	37,035
Accrued interest	-	69	-	69
Total Assets	<u>\$ -</u>	<u>\$ 55,894,227</u>	<u>\$ 55,855,270</u>	<u>\$ 38,957</u>
LIABILITIES				
Held for others	\$ -	\$ 42,944,514	\$ 42,905,557	\$ 38,957
Total Liabilities	<u>\$ -</u>	<u>\$ 42,944,514</u>	<u>\$ 42,905,557</u>	<u>\$ 38,957</u>
<u>Total Agency Funds</u>				
ASSETS				
Cash and cash equivalents	\$ 1,343,453	\$ 55,857,527	\$ 56,573,389	\$ 627,591
Investments	-	37,035	-	37,035
Accrued interest	-	69	-	69
Total Assets	<u>\$ 1,343,453</u>	<u>\$ 55,894,631</u>	<u>\$ 56,573,389</u>	<u>\$ 664,695</u>
LIABILITIES				
Held for others	\$ 1,343,453	\$ 42,944,918	\$ 43,623,676	\$ 664,695
Total Liabilities	<u>\$ 1,343,453</u>	<u>\$ 42,944,918</u>	<u>\$ 43,623,676</u>	<u>\$ 664,695</u>

HARRIS COUNTY FLOOD CONTROL DISTRICT
A COMPONENT UNIT OF HARRIS COUNTY, TEXAS
SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL - BUDGETARY BASIS
DEBT SERVICE FUND
For The Year Ended February 28, 2011

	DEBT SERVICE FUND			Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
REVENUES AND OTHER FINANCING SOURCES				
Beginning Cash and Investments	\$ 10,981,028	\$ 10,981,028	\$ 11,161,276	\$ 180,248
Revenues and Transfers In:				
Taxes	7,837,765	7,837,765	5,255,723	(2,582,042)
Interest	107,398	107,398	47,396	(60,002)
Miscellaneous	4,700	4,700	46,038	41,338
Other	27,994,918	229,602,676	232,727,533	3,124,857
Total Revenues and Transfers In	<u>35,944,781</u>	<u>237,552,539</u>	<u>238,076,690</u>	<u>524,151</u>
Total Available Resources	<u>46,925,809</u>	<u>248,533,567</u>	<u>249,237,966</u>	<u>704,399</u>
EXPENDITURES AND OTHER FINANCING USES				
Flood Control Contract Refunding 2006A	4,709,764	4,709,764	4,709,250	514
Flood Control Refunding Series 1993A	3,745,099	3,745,099	3,570,000	175,099
Flood Control Refunding Series 2002	3,039,969	3,039,969	1,504,675	1,535,294
Flood Control Refunding Series 2003	3,139,813	3,139,813	1,507,419	1,632,394
Flood Control Contract Refunding 2004A-D	6,975,006	6,975,006	6,811,500	163,506
Flood Control Improvement Bonds 2007	8,839,445	8,839,445	4,384,000	4,455,445
Flood Control Contract Refunding 2010A	-	201,607,758	201,603,482	4,276
Flood Control Contract Refunding 2008A	6,995,482	6,995,482	6,993,600	1,882
Flood Control Contract Refunding 2008C	9,481,231	9,481,231	9,480,569	662
Total Expenditures and Other Financing Uses	<u>46,925,809</u>	<u>248,533,567</u>	<u>240,564,495</u>	<u>7,969,072</u>
Net changes in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,673,471</u>	<u>\$ 8,673,471</u>

HARRIS COUNTY FLOOD CONTROL DISTRICT
A COMPONENT UNIT OF HARRIS COUNTY, TEXAS
SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL - BUDGETARY BASIS
CAPITAL PROJECTS FUND
For The Year Ended February 28, 2011

	CAPITAL PROJECTS FUND			Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
REVENUES AND OTHER FINANCING SOURCES				
Beginning Cash and Investments	\$ 120,292,285	\$ 120,292,285	\$ 119,712,525	\$ (579,760)
Revenues and Transfers In:				
Interest	-	1,424,985	1,496,621	71,636
Miscellaneous	-	261,241	1,132,781	871,540
Intergovernmental	-	19,086,685	29,999,336	10,912,651
Other Sale of Real Property	-	-	-	-
Other Proceeds from Commercial Paper	89,746,763	289,861,786	89,565,000	(200,296,786)
Other Transfers In	-	-	113,226	113,226
Total Revenues and Transfers In	<u>89,746,763</u>	<u>310,634,697</u>	<u>122,306,964</u>	<u>(188,327,733)</u>
Total Available Resources	<u>210,039,048</u>	<u>430,926,982</u>	<u>242,019,489</u>	<u>(188,907,493)</u>
EXPENDITURES AND OTHER FINANCING USES				
Regional Flood Control Projects	15,278,149	15,471,141	1,032,494	(14,438,647)
Flood Control Capital Projects	44,851,232	64,702,367	15,577,167	(49,125,200)
FC Bonds 2004A-Construction	15,492,829	15,631,782	4,092,346	(11,539,436)
FC Improvement Bonds 2007	44,670,076	44,654,509	8,190,873	(36,463,636)
Commercial Paper - Flood Control	89,746,762	289,887,441	23,512,592	(266,374,849)
Total Expenditures and Other Financing Uses	<u>210,039,048</u>	<u>430,347,240</u>	<u>52,405,472</u>	<u>(377,941,768)</u>
Net changes in Fund Balance	<u>\$ -</u>	<u>\$ 579,742</u>	<u>\$ 189,614,017</u>	<u>\$ 189,034,275</u>



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This part of Harris County Flood Control District's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the District's overall financial health.

Listed below are the areas covered in the statistical section:

FINANCIAL TRENDS – These schedules contain trend information to help the reader understand how the District's financial performance and well-being have changed over time.

REVENUE CAPACITY – These schedules contain information to help the reader assess the District's most significant local revenue source, the property tax.

DEBT CAPACITY – These schedules present information to help the reader assess the affordability of the District's current levels of outstanding debt and the District's ability to issue additional debt in the future.

DEMOGRAPHIC AND ECONOMIC INFORMATION – These schedules offer demographic and economic indicators to help the reader understand the environment within which the District's financial activities take place.

OPERATING INFORMATION – These schedules contain service and infrastructure data to help the reader understand how the information in the District's financial report relates to the service the District provides and the activities it performs.

OTHER INFORMATION – These schedules contain information that although is not required is presented to help the reader obtain additional insights into District activities and finances.

**HARRIS COUNTY FLOOD CONTROL DISTRICT
A COMPONENT UNIT OF HARRIS COUNTY, TEXAS
NET ASSETS BY COMPONENT
LAST NINE FISCAL YEARS *
(amounts in thousands)**

	Fiscal Year								
	2003	2004	2005	2006	2007	2008	2009	2010	2011
Governmental activities:									
Invested in capital assets, net of related debt	\$ 1,142,452	\$ 1,140,994	\$ 1,270,802	\$ 1,431,526	\$ 1,473,837	\$ 1,497,771	\$ 1,530,479	\$ 1,534,527	\$ 1,573,175
Restricted for:									
Debt service	24,108	21,839	12,528	10,360	11,095	5,804	2,580	-	-
Capital projects	-	22,215	724	12,269	7,906	7,996	1,178	1,602	10,640
Unrestricted	119,049	91,988	70,874	67,189	68,738	74,876	83,768	88,261	87,114
Total governmental activities net assets	<u>\$ 1,285,609</u>	<u>\$ 1,277,036</u>	<u>\$ 1,354,928</u>	<u>\$ 1,521,344</u>	<u>\$ 1,561,576</u>	<u>\$ 1,586,447</u>	<u>\$ 1,618,005</u>	<u>\$ 1,624,390</u>	<u>\$ 1,670,929</u>

* Reporting net assets began in fiscal year 2003 with implementation of GASB 34.

**HARRIS COUNTY FLOOD CONTROL DISTRICT
A COMPONENT UNIT OF HARRIS COUNTY, TEXAS
CHANGES IN NET ASSETS
LAST NINE FISCAL YEARS (accrual basis of accounting)*
(amounts in thousands)**

	Fiscal Year								
	2003	2004	2005	2006	2007	2008	2009	2010	2011
EXPENSES									
Governmental activities:									
Flood Control	\$ 23,166	\$ 85,733	\$ 60,911	\$ 84,205	\$ 84,383	\$ 94,515	\$ 98,955	\$ 108,331	\$ 99,780
Tax Administration	580	558	574	441	490	548	664	699	650
Interest and Fiscal Charges	23,586	11,614	15,404	19,435	20,802	28,784	25,555	26,312	28,892
Total governmental activities expenses	<u>\$ 47,332</u>	<u>\$ 97,905</u>	<u>\$ 76,889</u>	<u>\$ 104,081</u>	<u>\$ 105,675</u>	<u>\$ 123,847</u>	<u>\$ 125,174</u>	<u>\$ 135,342</u>	<u>\$ 129,322</u>
PROGRAM REVENUES									
Governmental activities:									
Charges for services:									
Flood Control	\$ 3,862	\$ 2,899	\$ 2,545	\$ 1,008	\$ 849	\$ 410	\$ 551	\$ 314	\$ 751
Operating grants and contributions	8,235	8,837	5,803	22,734	19,913	22,645	24,251	25,751	31,033
Capital grants and contributions	377	-	422	47,310	43,581	30,399	39,983	29,528	66,334
Total governmental activities program revenues	<u>\$ 12,474</u>	<u>\$ 11,736</u>	<u>\$ 8,770</u>	<u>\$ 71,052</u>	<u>\$ 64,343</u>	<u>\$ 53,454</u>	<u>\$ 64,785</u>	<u>\$ 55,593</u>	<u>\$ 98,118</u>
NET (EXPENSE)/REVENUE									
Total governmental activities net expense	<u>\$ (34,858)</u>	<u>\$ (86,169)</u>	<u>\$ (68,119)</u>	<u>\$ (33,029)</u>	<u>\$ (41,332)</u>	<u>\$ (70,393)</u>	<u>\$ (60,389)</u>	<u>\$ (79,749)</u>	<u>\$ (31,204)</u>
GENERAL REVENUES AND OTHER CHANGES IN NET ASSETS									
Governmental activities:									
Taxes:									
Property taxes levied for general purposes	\$ 50,326	\$ 53,451	\$ 49,585	\$ 54,161	\$ 60,787	\$ 69,632	\$ 73,148	\$ 76,122	\$ 68,758
Property taxes levied for debt services	20,665	21,740	16,370	11,900	11,704	9,248	9,088	4,850	4,987
Earnings on investments	2,861	1,773	1,789	6,207	8,952	13,679	6,475	3,767	1,493
Miscellaneous	920	1,114	2,005	904	341	1,504	3,199	1,395	2,505
Gain on sale of capital assets	77	-	217	534	-	1,201	37	-	-
Loss on sale of capital assets	-	(483)	-	-	(220)	-	-	-	-
Total governmental activities	<u>74,849</u>	<u>77,595</u>	<u>69,966</u>	<u>73,706</u>	<u>81,564</u>	<u>95,264</u>	<u>91,947</u>	<u>86,134</u>	<u>77,743</u>
CHANGE IN NET ASSETS									
Governmental activities	<u>\$ 39,991</u>	<u>\$ (8,574)</u>	<u>\$ 1,847</u>	<u>\$ 40,677</u>	<u>\$ 40,232</u>	<u>\$ 24,871</u>	<u>\$ 31,558</u>	<u>\$ 6,385</u>	<u>\$ 46,539</u>

* Reporting net assets began in fiscal year 2003 with implementation of GASB 34.

Table 3

**HARRIS COUNTY FLOOD CONTROL DISTRICT
A COMPONENT UNIT OF HARRIS COUNTY, TEXAS
FUND BALANCES, GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS (modified accrual basis of accounting)
(amounts in thousands)**

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
General Fund:										
Reserved	\$ 19,674	\$ 19,499	\$ 30,701	\$ 18,956	\$ 25,145	\$ 25,709	\$ 25,799	\$ 25,708	\$ 27,443	\$ 25,718
Unreserved	28,637	35,615	58,275	56,114	52,150	49,784	55,702	67,646	68,467	78,344
Total general fund	<u>\$ 48,311</u>	<u>\$ 55,114</u>	<u>\$ 88,976</u>	<u>\$ 75,070</u>	<u>\$ 77,295</u>	<u>\$ 75,493</u>	<u>\$ 81,501</u>	<u>\$ 93,354</u>	<u>\$ 95,910</u>	<u>\$ 104,062</u>
All Other Governmental Funds:										
Reserved	\$ 56,799	\$ 68,099	\$ 66,793	\$ 71,148	\$ 75,464	\$ 61,185	\$ 74,031	\$ 55,570	\$ 42,910	\$ 43,750
Unreserved, reported in:										
Capital project funds	45,990	17,349	(20,266)	66,288	57,419	136,630	103,961	104,562	86,219	141,210
Total all other governmental funds	<u>\$ 102,789</u>	<u>\$ 85,448</u>	<u>\$ 46,527</u>	<u>\$ 137,436</u>	<u>\$ 132,883</u>	<u>\$ 197,815</u>	<u>\$ 177,992</u>	<u>\$ 160,132</u>	<u>\$ 129,129</u>	<u>\$ 184,960</u>

Table 4

**HARRIS COUNTY FLOOD CONTROL DISTRICT
A COMPONENT UNIT OF HARRIS COUNTY, TEXAS
CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS (modified accrual basis of accounting)
(amounts in thousands)**

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
REVENUES										
Taxes	\$ 80,188	\$ 73,187	\$ 76,463	\$ 65,015	\$ 67,690	\$ 71,775	\$ 77,069	\$ 82,908	\$ 80,486	\$ 76,642
Charges for Services	261	-	130	-	-	-	-	-	-	-
Lease revenue	-	-	-	-	136	189	192	171	178	200
Intergovernmental	12,114	8,736	6,006	5,802	25,167	22,195	18,233	55,714	45,786	60,631
Earnings on investments	6,448	2,861	1,773	1,789	6,187	8,952	13,679	6,475	3,767	1,493
Miscellaneous	4,442	4,254	3,887	4,935	1,796	1,001	1,722	3,590	1,488	2,227
Total revenues	<u>103,453</u>	<u>89,038</u>	<u>88,259</u>	<u>77,541</u>	<u>100,976</u>	<u>104,112</u>	<u>110,895</u>	<u>148,858</u>	<u>131,705</u>	<u>141,193</u>
EXPENDITURES										
Flood Control	44,534	13,178	49,534	48,449	58,761	66,721	71,590	71,046	74,465	75,145
Tax Administration	738	580	558	574	441	490	548	664	699	650
Capital Outlay	52,368	111,132	122,599	81,841	67,990	92,162	57,209	77,386	69,533	52,720
Debt Service:										
Bond issuance fees	-	-	-	1,012	-	1,583	-	3,164	-	1,594
Interest and fiscal charges	17,149	18,636	6,034	11,123	20,486	20,848	34,465	25,847	30,190	28,900
Principal	20,244	15,979	19,975	18,200	18,975	17,070	8,755	12,554	11,573	10,269
	<u>135,033</u>	<u>159,505</u>	<u>198,700</u>	<u>161,199</u>	<u>166,653</u>	<u>198,874</u>	<u>172,567</u>	<u>190,661</u>	<u>186,460</u>	<u>169,278</u>
Excess of revenues over (under) expenditures	(31,580)	(70,467)	(110,441)	(83,658)	(65,677)	(94,762)	(61,672)	(41,803)	(54,755)	(28,085)
OTHER FINANCING SOURCES (USES)										
Transfer in (out) from/to Harris County	600	400	(17,158)	(3,286)	10,925	16,408	18,384	-	-	-
Transfer in	2,411	144	228,738	417	208	105,517	9,003	9,181	9,912	205,835
Transfer out	(2,411)	(144)	(228,738)	(417)	(208)	(105,517)	(9,003)	(9,181)	(9,912)	(205,835)
Bonds issued	-	-	-	100,297	-	89,600	-	-	-	-
Refunding bonds issued	-	44,495	228,710	39,568	-	94,185	-	451,465	-	181,885
Premium on bonds issued	-	1,984	11,541	11,154	-	11,584	-	19,332	-	19,723
Discount on bonds issued	-	-	-	-	-	-	-	(764)	-	-
Commercial paper issued	38,084	57,682	118,234	62,580	51,845	45,520	27,860	32,630	26,000	89,565
Payment to defease commercial paper	-	-	(200,000)	(50,000)	-	(99,650)	-	-	-	(200,000)
Payment to refunding bond escrow agent	-	(46,087)	(38,544)	-	-	-	-	(466,930)	-	-
Sale of capital assets	-	1,454	2,600	347	579	246	1,613	63	308	895
Total other financing sources (uses)	<u>38,684</u>	<u>59,928</u>	<u>105,383</u>	<u>160,660</u>	<u>63,349</u>	<u>157,893</u>	<u>47,857</u>	<u>35,796</u>	<u>26,308</u>	<u>92,068</u>
Net change in fund balances	<u>\$ 7,104</u>	<u>\$ (10,539)</u>	<u>\$ (5,058)</u>	<u>\$ 77,002</u>	<u>\$ (2,328)</u>	<u>\$ 63,131</u>	<u>\$ (13,815)</u>	<u>\$ (6,007)</u>	<u>\$ (28,447)</u>	<u>\$ 63,983</u>
Debt service as a percentage of noncapital expenditures	45.2%	71.6%	34.2%	38.2%	40.0%	37.0%	37.5%	36.7%	35.7%	35.0%

Table 5

**HARRIS COUNTY FLOOD CONTROL DISTRICT
A COMPONENT UNIT OF HARRIS COUNTY, TEXAS
ASSESSED VALUE AND ACTUAL VALUE OF TAXABLE PROPERTY
LAST TEN FISCAL YEARS
(Unaudited)
(amounts in thousands)**

Fiscal Year	Real Property	Personal Property	Less Exemptions (a)	Total Taxable Assessed Value	Total Direct Tax Rate
2002	\$ 165,804,662	\$ 30,627,904	\$ 28,809,564	\$ 167,623,002	0.04758
2003	177,809,114	30,129,999	31,764,643	176,174,470 (b)	0.04174
2004	189,334,256	30,601,495	34,822,427	185,113,324 (b)	0.04174
2005	199,378,304	32,119,653	37,273,945	194,224,012 (b)	0.03318
2006	230,050,598	37,276,435	61,017,743	206,309,290 (c)	0.03322
2007	250,997,888	40,345,611	66,142,090	225,201,409 (c)	0.03241
2008	281,251,230	46,086,287	73,150,566	254,186,951	0.03106
2009	321,147,405	43,010,048	89,424,111	274,733,342	0.03086
2010	325,453,516	45,496,068	94,414,243	276,535,341	0.02922
2011	315,200,613	43,537,642	93,805,049	264,933,206	0.02923

(a) The majority of exemptions are made up of the optional 20% homestead property exemption. In addition, persons 65 years of age or older or disabled receive an exemption up to a maximum individual amount of \$160,000 (\$156,240 prior to 2008).

The Flood Control District has an exemption for goods exported from Texas ("Freeport Exemption").

(b) HCAD tax supplement as of February 1 of the tax year.

(c) HCAD tax supplement as of January 29 of the tax year.

Source: Harris County Appraisal District.

Note: Property in the County must be revalued every three years. Property is assessed at market value; therefore, the taxable values are equal to market value less applicable exemptions. Tax rates are per \$100 of assessed value.

Table 6

**HARRIS COUNTY FLOOD CONTROL DISTRICT
A COMPONENT UNIT OF HARRIS COUNTY, TEXAS
AD VALOREM TAX RATES
LAST TEN FISCAL YEARS
(rate per \$100 of assessed value)
(Unaudited)**

Purpose	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Flood Control District -										
Maintenance	\$ 0.02853	\$ 0.02853	\$ 0.02981	\$ 0.02553	\$ 0.02733	\$ 0.02733	\$ 0.02754	\$ 0.02754	\$ 0.02754	\$ 0.02727
Debt Service	0.01905	0.01321	0.01193	0.00765	0.00589	0.00508	0.00352	0.00332	0.00168	0.00196
Total - Flood Control	\$ 0.04758	\$ 0.04174	\$ 0.04174	\$ 0.03318	\$ 0.03322	\$ 0.03241	\$ 0.03106	\$ 0.03086	\$ 0.02922	\$ 0.02923

Source: Harris County Auditor.

Table 7

**HARRIS COUNTY FLOOD CONTROL DISTRICT
A COMPONENT UNIT OF HARRIS COUNTY, TEXAS
PROPERTY TAX RATES - ALL DIRECT AND OVERLAPPING GOVERNMENTS
LAST TEN FISCAL YEARS
(rates per \$100 of assessed value)
(Unaudited)**

Purpose	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
County-Wide Taxing Jurisdiction:										
Harris County	\$ 0.3839	\$ 0.3881	\$ 0.3880	\$ 0.3999	\$ 0.3999	\$ 0.4024	\$ 0.3924	\$ 0.3892	\$ 0.3922	\$ 0.3881
Harris County Flood Control District	0.0475	0.0417	0.0417	0.0332	0.0332	0.0324	0.0311	0.0309	0.0292	0.0292
Port of Houston Authority	0.0183	0.0199	0.0200	0.0167	0.0147	0.0130	0.0144	0.0177	0.0164	0.0205
Harris County Hospital District	0.1902	0.1902	0.1902	0.1902	0.1922	0.1922	0.1922	0.1922	0.1922	0.1922
Total	\$ 0.6399	\$ 0.6399	\$ 0.6399	\$ 0.6400	\$ 0.6400	\$ 0.6400	\$ 0.6301	\$ 0.6300	\$ 0.6300	\$ 0.6300
Cities:										
Baytown	0.7370	0.7370	0.7370	0.7370	0.7370	0.7370	0.7370	0.7870	0.7870	0.7870
Bellaire	0.4900	0.4900	0.4800	0.4800	0.4700	0.4400	0.4400	0.3775	0.3759	0.3999
Deer Park	0.7000	0.6990	0.7000	0.7200	0.7200	0.7200	0.7200	0.7050	0.7050	0.7050
Houston	0.6650	0.6550	0.6550	0.6550	0.6500	0.6475	0.6450	0.6438	0.6388	0.6388
LaPorte	0.7100	0.7100	0.7100	0.7100	0.7100	0.7100	0.7100	0.7100	0.7100	0.7100
League City	0.6700	0.6625	0.6400	0.6400	0.6275	0.6088	0.6088	0.6300	0.6300	0.6160
Missouri City	0.5200	0.5033	0.5100	0.5017	0.4980	0.4945	0.4993	0.5172	0.5284	0.5284
Pasadena	0.5790	0.5670	0.5670	0.5670	0.5670	0.5670	0.5670	0.5620	0.5620	0.5916
Pearland	0.6860	0.6860	0.6960	0.6950	0.6744	0.6527	0.6526	0.6526	0.6526	0.6651
Seabrook	0.6010	0.6006	0.6082	0.6196	0.6307	0.6210	0.6203	0.5884	0.5884	0.6268
South Houston	0.6950	0.0000	0.7000	0.7000	0.6863	0.6588	0.6770	0.6784	0.6732	0.6732
Webster	0.2600	0.2400	0.2510	0.2680	0.2575	0.2575	0.2489	0.2060	0.2325	0.2575
West University Place	0.4200	0.4300	0.4467	0.4467	0.4300	0.4020	0.3660	0.3590	0.3588	0.3741
School Districts and Junior Colleges:										
Aldine	1.5880	1.6180	1.6680	1.6890	1.7090	1.6040	1.2770	1.2920	1.3005	1.4305
Alief	1.6400	1.6750	1.6750	1.6750	1.7200	1.5900	1.5900	1.3400	1.3400	1.3400
Clear Creek	1.7250	1.7400	1.7300	1.7450	1.7750	1.6300	1.3200	1.3600	1.3600	1.2937
Cypress-Fairbanks	1.7450	1.7900	1.7900	1.7900	1.8000	1.8000	1.6450	1.3240	1.3500	1.4100
Deer Park	1.6900	1.8035	1.8071	1.8055	1.8055	1.6623	1.3177	1.3367	1.3667	1.3967
Galena Park	1.6830	1.7135	1.7650	1.7950	1.8150	1.7100	1.4309	1.4550	1.4784	1.5134
Goose Creek	1.7110	1.6942	1.6837	1.6837	1.7275	1.5956	1.3020	1.2821	1.2821	1.3021
Houston	1.5800	1.5800	1.5800	1.5800	1.7275	1.6200	1.1570	1.1567	1.1567	1.1567
Humble	1.6800	1.7400	1.7400	1.7400	1.7700	1.7700	1.3100	1.5200	1.5200	1.5200
Katy	1.9200	1.9400	1.9700	2.0000	2.0000	1.8150	1.5266	1.5266	1.5266	1.5266
Klein	1.7200	1.7200	1.7200	1.7000	1.7000	1.5800	1.2600	1.3100	1.3600	1.4100
LaPorte	1.6300	1.6800	1.6800	1.7335	1.7335	1.6350	1.3200	1.3250	1.3250	1.3250
North Forest	1.7440	1.7444	1.7444	1.7444	1.7125	1.7125	1.2367	1.3143	1.3500	1.3500
Lone Star College System*	0.1100	0.1055	0.1145	0.1145	0.1207	0.1167	0.1144	0.1101	0.1101	0.1176
Pasadena	1.6600	1.6875	1.7750	1.7750	1.8050	1.6900	1.3500	1.3500	1.3500	1.3500
Pearland	1.8200	1.8370	1.8092	1.7922	1.7922	1.6622	1.4272	1.4194	1.4194	1.4194
San Jacinto Junior College	0.1260	0.1307	0.1307	0.1391	0.1391	0.1454	0.1454	0.1634	0.1708	0.1708
Sheldon	1.6330	1.6330	1.7030	1.7460	1.7500	1.6340	1.4300	1.4300	1.4300	1.4300
Spring	1.6900	1.7000	1.7600	1.8700	1.9500	1.7100	1.4400	1.4400	1.4600	1.4600
Spring Branch	1.8100	1.7900	1.8100	1.8100	1.8100	1.8100	1.2850	1.3825	1.3945	1.3945
Tomball	1.6500	1.6800	1.7300	1.7300	1.7100	1.5800	1.2750	1.3600	1.3600	1.3600

* Name change in FY2009 from North Harris Montgomery Community College

Table 8

**HARRIS COUNTY FLOOD CONTROL DISTRICT
A COMPONENT UNIT OF HARRIS COUNTY, TEXAS
PRINCIPAL PROPERTY TAXPAYERS
CURRENT YEAR AND NINE YEARS AGO
(amounts in thousands)
(Unaudited)**

Taxpayers	2011			2002		
	2010 Taxable Valuations (a)	Rank	Percentage of Total 2010 Taxable Valuation (b)	2001 Valuations (a)	Rank	Percentage of Total 2001 Taxable Valuation (c)
Exxon Mobil Corporation	\$ 2,679,413	1	1.01%	\$ 2,992,442	1	1.79%
Centerpoint Energy, Inc.	2,397,515	2	0.90	-		0.00
Shell Oil Company	1,862,692	3	0.70	1,375,099	3	0.82
Chevron Chemical Company	1,159,709	4	0.44	-		0.00
Hines Interests Ltd Partnership	1,065,135	5	0.40	988,015	6	0.59
Crescent Real Estate	1,028,245	6	0.39	498,717	10	0.30
Houston Refining	953,784	7	0.36	-		0.00
AT&T Corporation	871,762	8	0.33	-		0.00
Equistar Chemicals LP	788,873	9	0.30	1,324,083	4	0.79
Walmart	731,711	10	0.28	-		0.00
Hewlett Packard Company	639,332	11	0.24	-		0.00
Cullen Allen Holdings LP	632,089	12	0.24	-		0.00
National Oilwell Inc	552,146	13	0.21	-		0.00
Amoco Chemical Company	550,690	14	0.21	-		0.00
Lyondell Chemical	525,148	15	0.20	836,736	7	0.50
Houston Lighting and Power Company	-		0.00	2,059,774	2	1.23
Southwestern Bell Telephone	-		0.00	1,310,878	5	0.78
Compaq Computer Corporation	-		0.00	608,117	8	0.36
Oxy Vinlys LP	-		0.00	538,049	9	0.32
Celanese Ltd	-		0.00	456,687	11	0.27
Crescent Real Estate Equities	-		0.00	439,936	12	0.26
Lyondell-Citgo Refining Company	-		0.00	438,054	13	0.26
Anheuser Busch Incorporated	-		0.00	410,641	14	0.24
Trizechahn Allen Center LP	-		0.00	408,966	15	0.24
Total	\$ 16,438,244		6.21%	\$ 14,686,194		8.75%

Source: Harris County Appraisal District.

- (a) Amounts shown for these taxpayers do not include taxable valuations, which may be substantial, attributable to certain subsidiaries and affiliates which are not grouped on the tax rolls with the taxpayers shown.
- (b) Based on the District's total taxable value as of February 28, 2011.
- (c) Based on the District's total taxable value as of February 28, 2002.

Table 9

**HARRIS COUNTY, TEXAS
PROPERTY TAX LEVIES AND COLLECTIONS
FLOOD CONTROL DISTRICT
LAST TEN FISCAL YEARS
(Unaudited)
(amounts in thousands)**

Fiscal Year	Taxes Levied for the Fiscal Year	Adjusted Levy as of End of Current Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years*	Total Collections to Date	
			Amount	Percentage of Levy		Amount	Percentage of Levy
2002	\$ 79,755	\$ 79,734	\$ 77,629	97.3	\$ 1,704	\$ 79,333	99.5
2003	73,429	73,404	71,492	97.4	1,507	72,999	99.4
2004	75,721	85,826	74,979	99.0	437	75,416	87.9
2005	64,263	64,158	61,911	96.3	1,880	63,791	99.4
2006	64,981	67,122	60,008	92.3	6,745	66,753	99.5
2007	70,782	71,503	62,680	88.6	8,420	71,100	99.4
2008	72,083	76,835	69,058	95.8	7,279	76,337	99.4
2009	84,057	83,796	74,344	88.4	8,705	83,049	99.1
2010	80,534	79,876	74,798	92.9	3,890	78,688	98.5
2011	77,374	77,374	72,089	93.2	-	72,089	93.2

* For reporting purposes refunds associated with a prior year are netted against the prior year collections.

Table 10

**HARRIS COUNTY FLOOD CONTROL DISTRICT
A COMPONENT UNIT OF HARRIS COUNTY, TEXAS**

**RATIO OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS**

(Unaudited)

(amounts in thousands)

Fiscal Year	Governmental Activities			Percentage of Actual Taxable Value of Property (a)	Percentage of Personal Income (b)	Debt Per Capita (b)
	General Bonded Debt	Commercial Paper	Total Government			
2002	\$ 190,768	\$ 38,084	\$ 228,852	0.14%	0.18%	\$ 66
2003	180,814	95,766	276,580	0.16%	0.22%	78
2004	292,026	14,000	306,026	0.17%	0.23%	85
2005	423,634	26,580	450,214	0.23%	0.32%	124
2006	403,967	78,425	482,392	0.23%	0.31%	131
2007	581,971	23,945	605,916	0.27%	0.34%	156
2008	564,278	51,805	616,083	0.24%	0.32%	157
2009	553,794	84,435	638,229	0.23%	0.34%	160
2010	536,720	110,435	647,155	0.23%	0.33%	159
2011	723,784	-	723,784	0.27%	n/a	177

Note: Details regarding the County's outstanding debt can be found in the notes to the financial statements.

(a) See Table 5 for property value data.

(b) See Table 13 for personal income and population data. These ratios are calculated using the personal income and population for the prior year calendar year.

Table 11

**HARRIS COUNTY FLOOD CONTROL DISTRICT
A COMPONENT UNIT OF HARRIS COUNTY, TEXAS
ESTIMATED DIRECT AND OVERLAPPING BONDED DEBT
February 28, 2011
(Unaudited)**

	Percentage Applicable To Name of Government	Net Debt (Thousands)
County-Wide Jurisdiction:		
Harris County (2/28/11) (a)	100.00%	\$ 2,179,247
Harris County Flood Control District (2/28/11)	100.00	644,660
Port of Houston Authority (06/30/10)	100.00	514,712
Total County-Wide Direct Debt		3,338,619
Cities:		
Baytown (9/30/10)	80.75	\$ 66,406
Bellaire (9/30/10)	100.00	67,414
Bunker Hill Village (2/8/11)	100.00	9,383
Deer Park (9/30/10)	100.00	31,917
Friendswood (9/30/10)	100.00	18,285
Galena Park (9/30/10)	100.00	7,307
Houston (6/30/10)	99.36	3,395,560
Jacinto City (9/30/10)	100.00	5,552
Jersey Village (9/30/10)	100.00	21,014
Katy (10/1/10)	69.19	11,785
La Porte (9/30/10)	100.00	12,597
League City (9/30/10)	5.52	80,485
Missouri City (6/30/10)	8.33	90,981
Pasadena (9/30/10)	100.00	135,605
Pearland (1/31/10)	6.16	277,528
Piney Point Village (4/30/11)	100.00	5,301
Seabrook (9/30/10)	100.00	16,806
South Houston (9/30/10)	100.00	5,242
Southside Place (5/5/11)	100.00	10,634
Tomball (9/30/10)	100.00	13,992
Webster (10/01/10)	100.00	16,111
West University Place (1/1/11)	100.00	81,908
Other Cities (b)	100.00	6,858
Sub-Total Cities		4,388,671
School Districts and Junior Colleges:		
Aldine (2/28/11)	100.00	415,207
Alief (8/31/10)	100.00	231,157
Channelview (8/31/10)	100.00	168,967
Clear Creek (3/31/10)	80.62	1,064,317
Crosby (8/31/10)	100.00	71,048
Cypress-Fairbanks (6/30/10)	100.00	1,744,349
Deer Park (8/31/10)	100.00	204,288
Galena Park (8/31/10)	100.00	234,850
Goose Creek (2/28/11)	80.04	320,912
Houston (2/28/11)	100.00	2,476,577
Huffman (2/2/11)	100.00	51,807
Humble (6/30/10)	100.00	588,991
Katy (8/31/10)	88.64	870,081
Klein (8/31/10)	100.00	633,315
LaPorte (2/17/11)	100.00	209,721
Lone Star College System (8/31/10)	78.67	570,582
North Forest (8/31/10)	100.00	60,633
Pasadena (8/31/10)	100.00	654,938
Pearland (8/31/10)	2.25	327,770
San Jacinto Junior College (2/28/11)	100.00	264,698
Sheldon (8/31/10)	100.00	141,806
Spring (6/30/10)	100.00	1,088,690
Spring Branch (12/31/10)	100.00	731,279
Tomball (8/31/10)	88.02	261,779
Waller (2/15/11)	31.68	143,328
Other Schools (c)	100.00	14,966
Sub-Total School Districts and Junior Colleges		13,546,056
Utility Districts (d)	100.00	3,711,873
Total Overlapping Debt		21,646,600
Total Direct and Overlapping Debt (Estimated \$6,105 Per Capita) (e)		\$ 24,985,219

(a) Includes all Tax Bonds.

(b) Aggregate net debt of 10 cities, each of which had a net debt of less than \$5,000,000.

(c) Aggregate net debt of 2 schools, each of which had a net debt of less than \$25,000,000.

(d) Estimated aggregate net debt of several hundred utility districts. Source: Municipal Advisory Council.

(e) Census Bureau population estimated at 4,092,459. Source: Bureau of the Census.

**HARRIS COUNTY FLOOD CONTROL DISTRICT
A COMPONENT UNIT OF HARRIS COUNTY, TEXAS
HARRIS COUNTY'S LEGAL DEBT MARGIN INFORMATION**

LAST TEN FISCAL YEARS

(Unaudited)

(amounts in thousands)

Legal Debt Margin Calculation for Fiscal Year 2011

Assessed Value of All Taxable Property	\$ 358,775,249
Assessed Value of Real Property	<u>\$ 307,139,208</u>
Debt Limit (25% of real property assessed value) (a)	76,784,802
Amount of Debt Applicable to Constitutional Debt Limit:	
Total Bonded Applicable Debt	1,267,090
Less: Debt Service Funds Cash	<u>(123,252)</u>
Total Net Debt Applicable to Limit	<u>1,143,838</u>
Legal Debt Margin, Bonds Issued Uner Article III, Section 52 of the Texas Constitution	<u><u>\$ 75,640,964</u></u>

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Debt Limit	\$ 41,451,166	\$ 44,452,279	\$ 47,333,564	\$ 49,844,576	\$ 57,512,650	\$ 62,749,472	\$ 70,312,808	\$ 78,435,050	\$ 79,237,355	\$ 76,784,802
Total Net Debt Applicable to Limit	<u>1,065,806</u>	<u>1,026,324</u>	<u>1,074,243</u>	<u>1,178,759</u>	<u>1,152,955</u>	<u>1,390,672</u>	<u>1,313,108</u>	<u>1,278,101</u>	<u>1,205,427</u>	<u>1,143,838</u>
Legal Debt Margin	<u>\$ 40,385,360</u>	<u>\$ 43,425,955</u>	<u>\$ 46,259,321</u>	<u>\$ 48,665,817</u>	<u>\$ 56,359,695</u>	<u>\$ 61,358,800</u>	<u>\$ 68,999,700</u>	<u>\$ 77,156,949</u>	<u>\$ 78,031,928</u>	<u>\$ 75,640,964</u>
Total Net Debt Applicable to the Limit as a percentage of Debt Limit	2.57%	2.31%	2.27%	2.36%	2.00%	2.22%	1.87%	1.63%	1.52%	1.49%

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

Bonds Issued Under Article VIII, Section 9:

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

Certain of the County's bonds payable from such limited tax may be issued under the provisions of Chapter 2, Title 22, Vernon's Texas Civil Statutes. The principal amount of all bonds, which may be issued under the provisions of such Chapter, is limited in aggregate to 5% of the assessed valuation. The debt limit under Chapter 2, Title 22 is approximately \$17,938,762 compared to applicable bonds outstanding at February 28, 2011 of \$-0-.

Bonds Issued Under Article XVI, Section 59:

The Harris County Flood Control District issues bonds pursuant to Article XVI, Section 59 of the State Constitution. No limits are prescribed in such constitutional provision; however, Chapter 407, Acts of 50th Legislature of Texas, Regular Session 1947 provides for a tax limit of \$0.30 per \$100 of taxable valuation for operational and debt service funds. A tax of \$0.02923 per \$100 of taxable value, which includes \$0.00196 per \$100 of taxable value for debt service, was levied by the Flood Control District in tax year 2010.

Table 13

**HARRIS COUNTY FLOOD CONTROL DISTRICT
A COMPONENT UNIT OF HARRIS COUNTY, TEXAS
DEMOGRAPHIC AND ECONOMIC STATISTICS**

**LAST TEN CALENDAR YEARS
(Unaudited)**

Calendar Year	Population	Unemployment Rate	Personal Income (amounts in thousands)	Per Capita Personal Income
2001	3,460,589	5.7%	\$ 129,728,437	\$ 37,487
2002	3,557,055	5.4%	128,298,585	36,069
2003	3,596,086	6.3%	133,472,645	37,116
2004	3,644,285	5.9%	142,229,854	39,028
2005	3,693,050	5.4%	156,920,733	42,491
2006	3,886,207	4.0%	178,160,838	45,844
2007	3,935,855	4.2%	194,177,877	49,336
2008	3,984,349	5.5%	190,226,395	47,743
2009	4,070,989	8.1%	196,779,227	48,337
2010	4,092,459	8.3%	n/a	n/a

Sources: Population - Bureau of the Census
Unemployment Rate - Texas Workforce Commission
Personal Income - Bureau of Economic Analysis

Table 14

**HARRIS COUNTY FLOOD CONTROL DISTRICT
A COMPONENT UNIT OF HARRIS COUNTY, TEXAS
PRINCIPAL CORPORATE EMPLOYERS
CURRENT YEAR AND NINE YEARS AGO*
(amounts in thousands)
(Unaudited)**

Employer	2010			2001		
	Employees	Rank	Percentage of Total County Employment	Employees	Rank	Percentage of Total County Employment
Continental Airlines (merger pending w/ United Airlines)	14,792	1	0.56%	17,010	1	0.74%
Exxon Mobil	13,500	2	0.51%			
Shell Oil Company	12,700	3	0.48%	6,933	9	0.30%
National Oilwell Varco Inc.	8,500	4	0.32%			
Chevron Companies	7,000	5	0.26%			
JP Morgan Chase	6,750	6	0.25%	6,295	10	0.27%
Jacobs Technology	6,500	7	0.25%			
AT&T Inc. (acquired SWB)	6,214	8	0.23%			
Halliburton (KBR spun off)	5,675	9	0.21%	15,704	2	0.68%
CenterPoint Energy (spun off from Reliant Energy)	4,744	10	0.18%			
Compaq Computer				12,996	3	0.56%
Wal-Mart				9,700	4	0.42%
Kroger Food Stores				9,689	5	0.42%
Reliant Energy Inc				8,091	6	0.35%
Southwestern Bell/SWB				7,342	7	0.32%
Enron				7,311	8	0.32%
	86,375			101,071		

* Based on calendar year.

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

Note: Total County Employment for 2010 was an estimated 2,650,000 (based on prior year employment figures) and for 2001 was 2,307,099.

Table 15

**HARRIS COUNTY FLOOD CONTROL DISTRICT
A COMPONENT UNIT OF HARRIS COUNTY, TEXAS
FULL-TIME EQUIVALENT COUNTY EMPLOYEES BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS
(Unaudited)**

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Administration of Justice	8,177	8,115	8,450	8,554	8,380 (a)	8,168	8,740	9,425	9,308	8,779
Parks	*	*	*	*	715	706	732	787	797	670
County Administration	2,817	2,627	2,720	2,787	2,726	2,871	3,024	3,339	3,161	3,032
Health and Human Services	*	*	*	*	1,613	1,604	1,706	1,796	1,718	1,467
Flood Control	277	289	331	342	312	333	325	354	374	335
Tax Administration	468	450	465	442	428	426	435	428	415	378
Roads and Bridges	736	752	817	837	782	779	807	856	914	597
Other *	1,742	2,050	2,287	2,441	*	*	*	*	*	*

* Prior to 2006, the smaller expenditure functions were grouped as other on this schedule.

(a) Beginning in FY 2006, the Administration of Justice function no longer included Community Supervision employees, who are currently considered employees of the State of Texas.

Note: (1) As of February 28, 2011, it is estimated that approximately 2,734 of the County's employees were members of various labor organizations, some of which are unions affiliated with the AFL-CIO. The County does not maintain collective bargaining agreements with any unions.

(2) This schedule represents the number of County employees at the end of each fiscal year.

Table 16

**HARRIS COUNTY FLOOD CONTROL DISTRICT
A COMPONENT UNIT OF HARRIS COUNTY, TEXAS
CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM
LAST EIGHT FISCAL YEARS*
(Unaudited)**

<u>Function/Program</u>	Fiscal Years							
	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
<u>Flood Control</u>								
Sites by Acreage (Incl. Easements and Fee Simple Ownership)								
Basins	8,827	11,403	12,309	13,192	14,866	15,361	15,467	15,724
Buyouts	414	640	763	776	825	845	880	931
Channels	20,562	20,661	20,704	20,753	20,799	20,832	20,858	20,935

Source: The Budget Office and Various County Departments

Table 17

**HARRIS COUNTY FLOOD CONTROL DISTRICT
A COMPONENT UNIT OF HARRIS COUNTY, TEXAS
OPERATING INDICATORS BY FUNCTION/PROGRAM
LAST EIGHT FISCAL YEARS*
(Unaudited)**

<u>Function/Program</u>	Fiscal Years							
	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
<u>Flood Control</u>								
Developer Plans Approved- Watershed Mgt.**	1,095	976	1,114	1,221	1,467	1,578	1,713	1,833
Citizen Services Requests	2,462	1,980	2,393	2,681	2,948	2,573	2,476	2,479

Source: The Budget Office and Various County Departments

* Reporting of statistical information began with implementation of GASB 44.

** 2008 number was corrected by the department.

**HARRIS COUNTY FLOOD CONTROL DISTRICT
A COMPONENT UNIT OF HARRIS COUNTY, TEXAS
SERVICES AND RATES
For Fiscal Year Ended February 28, 2011
(Unaudited)**

1. Services Provided by the District:

- | | | |
|--|---|-------------------------------------|
| <input type="checkbox"/> Retail Water | <input type="checkbox"/> Wholesale Water | <input type="checkbox"/> Drainage |
| <input type="checkbox"/> Retail Wastewater | <input type="checkbox"/> Wholesale Wastewater | <input type="checkbox"/> Irrigation |
| <input type="checkbox"/> Parks/Recreation | <input type="checkbox"/> Fire Protection | <input type="checkbox"/> Security |
| <input type="checkbox"/> Solid Waste/Garbage | <input checked="" type="checkbox"/> Flood Control | <input type="checkbox"/> Roads |
- Participates in joint venture, regional system and/or wastewater service (other than emergency Interconnect)
- Other (specify): _____

2. Retail Service Providers: None

3. Total Water Consumption (In Thousands) During The Fiscal Year:

Gallons pumped into system: N/A

Gallons billed to customers: N/A

4. Standby Fees: Does the District assess standby fees? Yes No .

(Continued)

**HARRIS COUNTY FLOOD CONTROL DISTRICT
A COMPONENT UNIT OF HARRIS COUNTY, TEXAS
SERVICES AND RATES
For Fiscal Year Ended February 28, 2011
(Unaudited)**

5. Location of District:

County in which district is located: Harris County

Is the District located entirely within one county? Yes No .

Is the District located within a city? Entirely Partly Not at all .

Cities in which district is located: Houston & all other cities in Harris County

Is the District located within a city's extra territorial jurisdiction (ETJ)?

<u>City</u>	<u>Entirely</u>	<u>Partly</u>	<u>Not at all</u>
Baytown		X	
Bellaire		X	
Bunker Hill Village		X	
Deer Park		X	
El Lago		X	
Friendswood		X	
Galena Park		X	
Hedwig Village		X	
Houston		X	
Humble		X	
Jacinto City		X	
Jersey Village		X	
Katy		X	
LaPorte		X	
League City		X	
Mission Bend		X	
Missouri City		X	
Morgan's Point		X	
Nassau Bay		X	
Pasadena		X	
Pearland		X	
Seabrook		X	
Shore Acres		X	
South Houston		X	
Southside Place		X	
Spring Valley		X	
Stafford		X	
Taylor Lake Village		X	
Tomball		X	
Waller		X	
Webster		X	
West University Place		X	

Is the general membership of the Board appointed by an office outside the district?
Yes No

By whom?: Board, governed by Harris County Commissioner's Court.

Table 19

**HARRIS COUNTY FLOOD CONTROL DISTRICT
A COMPONENT UNIT OF HARRIS COUNTY, TEXAS
GENERAL FUND EXPENDITURES
For The Year Ended February 28, 2011
(Unaudited)**

Personnel Expenditures (including benefits)	\$ 27,715,219
Professional Fees and Contractual Services	33,378,104
Utilities	666,615
Repairs and Maintenance	1,124,357
Capital Outlay	1,015,215
Other Expenditures	<u>3,931,220</u>
TOTAL EXPENDITURES	<u><u>\$ 67,830,730</u></u>

Number of persons employed by the District: 335 Full-Time

Table 20

HARRIS COUNTY FLOOD CONTROL DISTRICT
A COMPONENT UNIT OF HARRIS COUNTY, TEXAS
TAXES LEVIED AND RECEIVABLE
For The Year Ended February 28, 2011
(Unaudited)

	Operations and Maintenance Taxes	Debt Service Taxes
Taxes receivable, beginning of year	\$ 9,780,389	\$ 2,281,173
2010 Original Tax Levy (adjusted thru 2/28/11)	72,185,740	5,188,267
Total to be accounted for	<u>81,966,129</u>	<u>7,469,440</u>
Tax collections:		
Current year	(65,562,689)	(4,712,213)
Prior years	(7,383,207)	(879,843)
Total collections	<u>(72,945,896)</u>	<u>(5,592,056)</u>
Taxes receivable, end of year	<u>\$ 9,020,233</u>	<u>\$ 1,877,384</u>
Taxes receivable, by years		
2001 and prior	\$ 1,085,118	\$ 922,475
2002	277,190	128,355
2003	293,494	117,447
2004	282,561	84,687
2005	302,812	65,259
2006	339,961	63,171
2007	441,943	56,470
2008	666,289	80,337
2009	1,118,990	68,267
2010	4,211,875	290,916
Taxes receivable, end of year	<u>\$ 9,020,233</u>	<u>\$ 1,877,384</u>

	2010	2009	2008	2007
Property valuations: (amounts in thousands)				
Real property	\$ 315,200,613	\$ 325,453,516	\$ 321,147,405	\$ 281,251,230
Personal property	43,537,642	45,496,068	43,010,048	46,086,287
Less exemptions	(93,805,049)	(94,414,243)	(89,424,111)	(73,150,566)
Total property valuations	<u>\$ 264,933,206</u>	<u>\$ 276,535,341</u>	<u>\$ 274,733,342</u>	<u>\$ 254,186,951</u>
Tax rates per \$100 valuation:				
Operations and Maintenance tax rates (a)	\$ 0.02727	\$ 0.02754	\$ 0.02754	\$ 0.02754
Debt service tax rates	0.00196	0.00168	0.00332	0.00352
Total tax rates per \$100 valuation	<u>\$ 0.02923</u>	<u>\$ 0.02922</u>	<u>\$ 0.03086</u>	<u>\$ 0.03106</u>
Original tax levy (b)	<u>\$ 77,440</u>	<u>\$ 80,804</u>	<u>\$ 84,783</u>	<u>\$ 78,950</u>
Percent of taxes collected to taxes levied (c)	<u>93.2%</u>	<u>92.9%</u>	<u>88.4%</u>	<u>95.8%</u>

(a) Maximum tax rate approved by voters : \$0.15 on November 8, 1977.

(b) Calculated based on property valuations (see table 5) times tax rates.

(c) Calculated as taxes collected for a tax year divided by taxes levied for that tax year.

Table 21

**HARRIS COUNTY FLOOD CONTROL DISTRICT
A COMPONENT UNIT OF HARRIS COUNTY, TEXAS
LONG-TERM DEBT SERVICE REQUIREMENTS - BY YEARS
For The Year Ended February 28, 2011**

Due During Fiscal Years Ending	Annual Requirements for All Series		
	Total Principal Due	Total Interest Due	Total Principal and Interest Due
2012	\$ 10,109,024	\$ 35,814,458	\$ 45,923,482
2013	11,455,000	34,030,288	45,485,288
2014	11,805,000	33,492,912	45,297,912
2015	10,760,000	32,932,425	43,692,425
2016	9,785,000	32,420,056	42,205,056
2017	9,045,000	31,960,619	41,005,619
2018	9,450,000	31,530,369	40,980,369
2019	24,245,000	31,057,869	55,302,869
2020	40,100,000	29,790,831	69,890,831
2021	40,655,000	27,704,031	68,359,031
2022	45,170,000	25,664,181	70,834,181
2023	45,290,000	23,297,569	68,587,569
2024	46,605,000	21,033,069	67,638,069
2025	17,055,000	18,702,819	35,757,819
2026	33,255,000	17,837,500	51,092,500
2027	34,255,000	16,174,750	50,429,750
2028	35,280,000	14,462,000	49,742,000
2029	35,735,000	12,730,000	48,465,000
2030	36,205,000	10,975,250	47,180,250
2031	36,705,000	9,197,000	45,902,000
2032	37,225,000	7,361,750	44,586,750
2033	11,520,000	5,500,500	17,020,500
2034	12,095,000	4,924,500	17,019,500
2035	12,700,000	4,319,750	17,019,750
2036	13,335,000	3,684,750	17,019,750
2037	14,005,000	3,018,000	17,023,000
2038	14,705,000	2,317,750	17,022,750
2039	15,440,000	1,582,500	17,022,500
2040	16,210,000	810,500	17,020,500
	<u>\$ 690,199,024</u>	<u>\$ 524,327,996</u>	<u>\$ 1,214,527,020</u>

Table 22

**HARRIS COUNTY FLOOD CONTROL DISTRICT
A COMPONENT UNIT OF HARRIS COUNTY, TEXAS
CHANGES IN LONG-TERM DEBT
For The Year Ended February 28, 2011
(Unaudited)**

	Bond Issues									Total
	Series 1993	Series 2002	Series 2003A	Series 2004A	Series 2006A	Series 2007	Series 2008A	Series 2008C	Series 2010A	
Interest Rate	5.40 - 5.60	3.00 - 5.50	3.00 - 6.00	3.00 - 5.25	5.00	4.75 - 5.00	4.00 - 5.25	3.00 - 5.125	5.00	
Dates Interest Payable	04/01;10/01	04/01;10/01	04/01;10/01	04/01;10/01	04/01;10/01	04/01;10/01	04/01;10/01	04/01;10/01	04/01;10/01	
Maturity Dates	10/1/2011	10/1/2014	10/1/2015	10/1/2024	10/1/2031	10/1/2031	10/1/2021	10/1/2031	10/1/2039	
Bonds Outstanding at March 1, 2010	\$ 902,945	\$ 7,910,000	\$ 7,070,000	\$ 29,530,000	\$ 94,185,000	\$ 89,600,000	\$ 134,190,000	\$ 155,195,000	\$ -	\$ 518,582,945
Bonds Sold During the Current Year: 2010-2011	-	-	-	-	-	-	-	-	181,885,000	181,885,000
Retirements During the Current Year: 2010-2011	643,921	1,075,000	1,225,000	5,375,000	-	-	-	1,950,000	-	10,268,921
Bonds Outstanding at February 28, 2011	<u>\$ 259,024</u>	<u>\$ 6,835,000</u>	<u>\$ 5,845,000</u>	<u>\$ 24,155,000</u>	<u>\$ 94,185,000</u>	<u>\$ 89,600,000</u>	<u>\$ 134,190,000</u>	<u>\$ 153,245,000</u>	<u>\$ 181,885,000</u>	<u>\$ 690,199,024</u>
Interest Paid During the Current Year - 2010-2011	<u>\$ 2,926,079</u>	<u>\$ 429,675</u>	<u>\$ 282,419</u>	<u>\$ 1,436,500</u>	<u>\$ 4,709,250</u>	<u>\$ 4,384,000</u>	<u>\$ 6,993,600</u>	<u>\$ 7,530,569</u>	<u>\$ -</u>	<u>\$ 28,692,092</u>

Paying Agent's	Name	City
Series 1993	Chase Manhattan Bank	New York, New York
Series 2002	JPMorgan Chase Bank	Dallas, Texas
Series 2003A	JPMorgan Chase Bank	Dallas, Texas
Series 2004A	JPMorgan Chase Bank	Dallas, Texas
Series 2006A	The Bank of New York	New York, New York
Series 2007	The Bank of New York	New York, New York
Series 2008A	The Bank of New York	New York, New York
Series 2008C	The Bank of New York	New York, New York
Series 2010A	The Bank of New York	New York, New York

Bond Authorization:	Tax Bonds
Amount Authorized By Voters	\$ 250,000,000
Amount Issued	<u>250,000,000</u>
Remaining To Be Issued	<u>\$ -</u>

Debt Service Fund Cash and Investments balances as of February 28, 2011: \$ 8,676,789

Average Annual Debt Service Payment (Principal & Interest) for remaining term of all debt: \$ 43,375,965

Table 23

HARRIS COUNTY FLOOD CONTROL DISTRICT
A COMPONENT UNIT OF HARRIS COUNTY, TEXAS
COMPARATIVE SCHEDULE OF REVENUE AND EXPENDITURES-GENERAL AND DEBT SERVICE FUNDS-FIVE YEARS ENDED
For The Year Ended February 28, 2011
(Unaudited)

	Amounts					Percent of Fund Total Revenues				
	2011	2010	2009	2008	2007	2011	2010	2009	2008	2007
General Fund:										
Revenues:										
Taxes	\$ 71,369,211	\$ 75,485,688	\$ 73,743,747	\$ 67,872,698	\$ 59,995,908	92.6%	97.1%	95.3%	94.7%	95.0%
Lease Revenue	199,498	178,280	171,073	192,402	188,999	0.3%	0.2%	0.2%	0.3%	0.3%
Intergovernmental	3,760,611	400,000	852,476	-	86,611	4.9%	0.5%	1.1%	0.0%	0.1%
Interest	660,903	1,199,340	1,789,202	3,092,363	2,789,178	0.9%	1.5%	2.3%	4.3%	4.4%
Miscellaneous	1,049,141	501,754	840,268	504,020	147,772	1.3%	0.7%	1.1%	0.7%	0.2%
Total Revenues	\$ 77,039,364	\$ 77,765,062	\$ 77,396,766	\$ 71,661,483	\$ 63,208,468	100.0%	100.0%	100.0%	100.0%	100.0%
Expenditures:										
Current Operating:										
Flood Control	\$ 65,410,356	\$ 68,599,451	\$ 60,446,437	\$ 57,149,249	\$ 58,611,400	84.9%	88.2%	78.1%	79.7%	92.7%
Tax Administration	650,151	699,455	664,155	548,026	490,139	0.8%	0.9%	0.9%	0.8%	0.8%
Capital Outlay	1,015,215	948,310	2,979,324	3,464,039	2,656,420	1.3%	1.2%	3.8%	4.8%	4.2%
Debt Service										
Bond issuance fees	546,734	-	-	-	-	0.7%	0.0%	0.0%	0.0%	0.0%
Interest and Fiscal Charges	208,274	395,007	963,774	26,845,868	24,652,026	0.3%	0.5%	1.2%	37.5%	39.0%
Total Expenditures	\$ 67,830,730	\$ 70,642,223	\$ 65,053,690	\$ 88,007,182	\$ 86,409,985	88.0%	90.8%	84.0%	122.8%	136.7%
Excess (Deficiency) of Revenues										
Over (Under) Expenditures	\$ 9,208,634	\$ 7,122,839	\$ 12,343,076	\$(16,345,699)	\$(23,201,517)	12.0%	9.2%	16.0%	-22.8%	-36.7%
Debt Service Fund:										
Revenues:										
Taxes	\$ 5,272,810	\$ 5,000,589	\$ 9,163,852	\$ 9,196,529	\$ 11,779,309	16.0%	16.4%	27.0%	93.0%	95.4%
Intergovernmental	27,713,000	25,351,200	23,506,300	-	-	83.8%	83.3%	69.3%	0.0%	0.0%
Interest	21,682	66,633	356,054	674,368	556,239	0.1%	0.2%	1.1%	6.8%	4.5%
Miscellaneous	45,538	16,371	885,145	15,507	6,840	0.1%	0.1%	2.6%	0.2%	0.1%
Total Revenues	\$ 33,053,030	\$ 30,434,793	\$ 33,911,351	\$ 9,886,404	\$ 12,342,388	100.0%	100.0%	100.0%	100.0%	100.0%
Expenditures:										
Debt Service										
Principal Retirement	\$ 10,268,921	\$ 11,572,889	\$ 12,553,864	\$ 3,995,287	\$ 12,535,000	31.1%	38.0%	37.0%	40.4%	101.6%
Bond issuance fees	1,046,702	-	-	-	-	3.2%	0.0%	0.0%	0.0%	0.0%
Interest and Fiscal Charges	28,692,092	29,794,930	28,047,265	12,379,097	2,044,802	86.8%	97.9%	82.7%	125.2%	16.6%
Total Expenditures	\$ 40,007,715	\$ 41,367,819	\$ 40,601,129	\$ 16,374,384	\$ 14,579,802	121.1%	135.9%	119.7%	165.6%	118.2%
Excess (Deficiency) of Revenues										
Over (Under) Expenditures	\$ (6,954,685)	\$(10,933,026)	\$ (6,689,778)	\$ (6,487,980)	\$ (2,237,414)	-21.1%	-35.9%	-19.7%	-65.6%	-18.2%

**HARRIS COUNTY FLOOD CONTROL DISTRICT
A COMPONENT UNIT OF HARRIS COUNTY, TEXAS
OPERATING FUNDS BUDGET FOR THE DISTRICT'S FISCAL YEAR 2011-2012
(Unaudited)**

On March 8, 2011 the Commissioners Court adopted the budget for the District for the Fiscal Year 2012. The following is a summary the Fiscal Year 2012 Budget for the District's Current Operating Fund:

Cash Balance as of March 1, 2011	\$ 106,141,218
Estimated Revenues:	
Ad Valorem Taxes	68,327,636
Lease Revenues	174,000
Interest	796,741
Miscellaneous	<u>77,525</u>
Total Cash and Estimated Revenues	<u><u>\$ 175,517,120</u></u>
Appropriations:	
Current Operating Expenses	\$ 173,854,380
Capital Outlay	<u>1,662,740</u>
Total Appropriations	<u><u>\$ 175,517,120</u></u>

Table 25

**HARRIS COUNTY FLOOD CONTROL DISTRICT
A COMPONENT UNIT OF HARRIS COUNTY, TEXAS
HISTORICAL TAX DEBT OUTSTANDING
(Unaudited)**

The following table sets forth the District's ad valorem tax debt outstanding, as of the end of the Fiscal years 2001-2002 through 2010-11.

Fiscal Year	District's Debt Outstanding (a) (thousands)	Taxable Value (b) (thousands)	Outstanding as a Percentage of Taxable Value	Estimated Population (c)	Debt Outstanding Per Capita
2002	\$ 108,995	\$ 167,623,002	0.07%	\$ 3,460,589	\$ 31
2003	92,090	176,174,470	0.05	3,557,055	26
2004	71,800	185,113,324	0.04	3,596,086	20
2005	53,600	194,224,012	0.03	3,644,285	15
2006	38,860	206,309,290	0.02	3,693,050	11
2007	115,925	225,201,409	0.05	3,886,207	30
2008	111,930	254,186,951	0.04	3,935,855	28
2009	108,981	274,733,342	0.04	3,984,349	27
2010	105,483	276,535,341	0.04	4,070,989	26
2011	102,539	264,933,206	0.04	4,092,459	25

(a) Includes debt paid for by the District's ad valorem tax revenues.

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

(c) Source: Bureau of the Census.

**HARRIS COUNTY FLOOD CONTROL DISTRICT
A COMPONENT UNIT OF HARRIS COUNTY, TEXAS
COUNTY ASSESSED VALUES AND TAX RATES
(EXCEPT FLOOD CONTROL DISTRICT)
LAST TEN FISCAL YEARS
(Unaudited)
(amounts in thousands)**

Fiscal Year	Real Property	Personal Property	Less Exemptions (a)	Total Taxable Assessed Value		M&O Tax Rate	Debt Service Tax Rate	Total County Tax Rate
2002	\$165,804,662	\$ 30,668,510	\$ 28,809,564	\$ 167,663,608		0.33606	0.04787	0.38393
2003	177,809,114	30,171,225	31,764,643	176,215,696	(b)	0.33538	0.05276	0.38814
2004	189,334,256	30,644,381	34,822,427	185,156,210	(b)	0.34490	0.04313	0.38803
2005	199,378,304	32,159,586	37,273,945	194,263,945	(b)	0.33117	0.06869	0.39986
2006	230,050,598	37,313,520	61,017,743	206,346,375	(c)	0.34728	0.05258	0.39986
2007	250,997,888	40,381,452	66,142,090	225,237,250	(c)	0.34221	0.06018	0.40239
2008	281,251,230	46,122,092	73,150,566	254,222,756		0.33918	0.05321	0.39239
2009	313,740,198	50,453,455	82,016,388	282,177,265		0.33815	0.05108	0.38923
2010	316,949,419	54,044,038	85,902,801	285,090,656		0.33401	0.05823	0.39224
2011	307,139,208	51,636,041	85,743,093	273,032,156		0.33401	0.05404	0.38805

(a) The majority of exemptions are made up of the optional 20% homestead property exemption. In addition, persons 65 years of age or older or disabled receive an exemption up to a maximum individual amount of \$160,000 (\$156,240 prior to 2008).

(b) HCAD tax supplement as of February 1 of the tax year.

(c) HCAD tax supplement as of January 29 of the tax year.

Source: Harris County Appraisal District.

Note: Property in the County must be revalued every three years. Property is assessed at market value; therefore, the taxable values are equal to market value less applicable exemptions. Tax rates are per \$100 of assessed value.

Table 27

**HARRIS COUNTY FLOOD CONTROL DISTRICT
A COMPONENT UNIT OF HARRIS COUNTY, TEXAS
COUNTY TAX LEVIES AND COLLECTIONS
(EXCEPT FLOOD CONTROL DISTRICT)**

LAST TEN FISCAL YEARS

(Unaudited)

(amounts in thousands)

Fiscal Year	Taxes Levied for the Fiscal Year	Adjusted Levy as of End of Current Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years*	Total Collections to Date	
			Amount	Percentage of Levy		Amount	Percentage of Levy
2002	\$ 643,711	\$ 643,632	\$ 617,800	96.0	\$ 22,449	\$ 640,249	99.5
2003	682,975	682,732	657,498	96.3	21,463	678,961	99.4
2004	704,093	705,065	693,384	98.5	7,860	701,244	99.5
2005	793,759	762,284	740,302	93.3	17,594	757,896	99.4
2006	796,885	820,345	719,922	90.3	95,992	815,914	99.5
2007	887,598	903,994	793,835	89.4	105,130	898,965	99.4
2008	929,929	991,262	910,828	97.9	74,136	984,964	99.4
2009	1,089,141	1,085,945	981,807	90.1	94,713	1,076,520	99.1
2010	1,114,429	1,105,875	1,036,477	93.0	53,313	1,089,790	98.5
2011	1,058,623	1,058,623	987,684	93.3	-	987,684	93.3

* For reporting purposes refunds associated with a prior year are netted against the prior year collections.

Table 28

**HARRIS COUNTY FLOOD CONTROL DISTRICT
A COMPONENT UNIT OF HARRIS COUNTY, TEXAS
COUNTY TAX DEBT OUTSTANDING
(Unaudited)**

	<u>County's Total Outstanding Tax Debt (a)</u>
Limited Tax Debt	\$ 1,070,696,629
Unlimited Tax Debt	683,820,000
Flood Control	587,660,000
Toll Road Tax Bonds	<u>583,270,000</u>
Total	\$ 2,925,446,629
Less: Toll Road Tax Bonds	<u>(583,270,000)</u>
Total (Approximately 0.65% of 2010 Assessed Value)	<u><u>\$ 2,342,176,629</u></u>

(a) Excluding Flood Control District debt paid for by the District's ad valorem tax revenues. Amounts expressed at gross value, not considering unamortized premium or discount or accretion of capital appreciation bonds.

Table 29

**HARRIS COUNTY FLOOD CONTROL DISTRICT
A COMPONENT UNIT OF HARRIS COUNTY, TEXAS
COUNTY-WIDE AD VALOREM TAX DEBT SERVICE REQUIREMENTS
(Unaudited)
(amounts in thousands)**

Fiscal Year	Limited Tax Debt			Unlimited Tax Debt			Toll Road Unlimited Tax & Subordinate Lien Revenue Bonds			Flood Control (a)			Total County-Wide Tax Debt		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2012	\$ 33,810	\$ 48,170	\$ 81,980	\$ 19,270	\$ 32,339	\$ 51,609	\$ 45,380	\$ 39,793	\$ 85,173	\$ 10,109	\$ 35,814	\$ 45,923	\$ 108,569	\$ 156,116	\$ 264,685
2013	38,975	45,180	84,155	27,215	31,375	58,590	47,000	37,907	84,907	11,455	34,030	45,485	124,645	148,492	273,137
2014	40,245	47,275	87,520	17,703	32,066	49,769	57,695	27,011	84,706	11,805	33,492	45,297	127,448	139,844	267,292
2015	54,078	46,936	101,014	19,313	29,354	48,667	51,770	31,086	82,856	10,760	32,932	43,692	135,921	140,308	276,229
2016	56,102	45,334	101,436	19,163	28,690	47,853	40,525	17,992	58,517	9,785	32,420	42,205	125,575	124,436	250,011
2017	65,017	43,699	108,716	18,719	28,021	46,740	38,195	4,604	42,799	9,045	31,961	41,006	130,976	108,285	239,261
2018	62,691	41,483	104,174	23,452	27,358	50,810	26,610	15,128	41,738	9,450	31,530	40,980	122,203	115,499	237,702
2019	66,241	39,214	105,455	37,900	26,488	64,388	27,445	13,742	41,187	24,245	31,058	55,303	155,831	110,502	266,333
2020	60,441	36,692	97,133	36,370	24,521	60,891	28,345	12,277	40,622	40,100	29,791	69,891	165,256	103,281	268,537
2021	68,645	25,340	93,985	59,120	22,776	81,896	29,285	10,765	40,050	40,655	27,704	68,359	197,705	86,585	284,290
2022	89,920	22,238	112,158	56,885	20,860	77,745	19,445	9,486	28,931	45,170	25,664	70,834	211,420	78,248	289,668
2023	55,005	18,123	73,128	47,750	19,816	67,566	20,240	8,449	28,689	45,290	23,298	68,588	168,285	69,686	237,971
2024	46,901	27,197	74,098	26,940	16,762	43,702	20,700	7,385	28,085	46,605	21,033	67,638	141,146	72,377	213,523
2025	80,557	25,564	106,121	43,755	13,612	57,367	21,165	6,297	27,462	17,055	18,703	35,758	162,532	64,176	226,708
2026	39,039	21,991	61,030	38,140	10,888	49,028	12,070	5,430	17,500	33,255	17,838	51,093	122,504	56,147	178,651
2027	50,065	8,087	58,152	38,140	8,981	47,121	12,090	4,796	16,886	34,255	16,175	50,430	134,550	38,039	172,589
2028	50,740	5,878	56,618	38,140	7,074	45,214	12,115	4,161	16,276	35,280	14,462	49,742	136,275	31,575	167,850
2029	30,550	17,975	48,525	38,135	5,292	43,427	12,135	3,524	15,659	35,735	12,730	48,465	116,555	39,521	156,076
2030	19,325	2,405	21,730	27,710	3,511	31,221	12,160	2,886	15,046	36,205	10,975	47,180	95,400	19,777	115,177
2031	20,025	1,748	21,773	25,000	2,250	27,250	12,185	2,247	14,432	36,705	9,197	45,902	93,915	15,442	109,357
2032	20,775	1,067	21,842	25,000	1,125	26,125	12,210	1,607	13,817	37,225	7,362	44,587	95,210	11,161	106,371
2033	21,550	359	21,909	-	-	-	12,240	965	13,205	11,520	5,501	17,021	45,310	6,825	52,135
2034	-	-	-	-	-	-	12,265	322	12,587	12,095	4,925	17,020	24,360	5,247	29,607
2035	-	-	-	-	-	-	-	-	-	12,700	4,320	17,020	12,700	4,320	17,020
2036	-	-	-	-	-	-	-	-	-	13,335	3,685	17,020	13,335	3,685	17,020
2037	-	-	-	-	-	-	-	-	-	14,005	3,018	17,023	14,005	3,018	17,023
2038	-	-	-	-	-	-	-	-	-	14,705	2,318	17,023	14,705	2,318	17,023
2039	-	-	-	-	-	-	-	-	-	15,440	1,582	17,022	15,440	1,582	17,022
2040	-	-	-	-	-	-	-	-	-	16,210	810	17,020	16,210	810	17,020
Total	\$ 1,070,697	\$ 571,955	\$ 1,642,652	\$ 683,820	\$ 393,159	\$ 1,076,979	\$ 583,270	\$ 267,860	\$ 851,130	\$ 690,199	\$ 524,328	\$ 1,214,527	\$ 3,027,986	\$ 1,757,302	\$ 4,785,288

(a) Includes Flood Control District debt paid for by the District's ad valorem tax revenues and debt paid for by the County's ad valorem tax revenues as a result of refunded commercial paper.

**HARRIS COUNTY FLOOD CONTROL DISTRICT
A COMPONENT UNIT OF HARRIS COUNTY, TEXAS
COUNTY-WIDE AUTHORIZED BUT UNISSUED BONDS
(Unaudited)
(Amounts in Thousands)**

As of February 28, 2011, the following County-wide ad valorem tax bonds authorized by the voters at elections held in September, 1983, November, 1999, November, 2001, and November, 2007 remain unissued.

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

The Schedule also shows Port of Houston Authority valorem tax bonds that were authorized by the voters at elections held in November, 2007 but remain unissued. Harris County has no legal responsibility for repayment of these bonds.

County Ad Valorem Tax Bonds

Limited Tax:		
Civil Justice Center	\$ 33,000	
Parks	80,730	
Forensic Lab	80,000	
Family Law Center	70,000	
Total Limited Tax Bonds	<u> </u>	\$ 263,730
Unlimited Tax:		
Road Bonds	169,993	
Total Unlimited Tax Bonds	<u> </u>	169,993
Combination Unlimited Tax and Revenue:		
Toll Roads	15,148	
Total Unlimited Tax and Revenue Bonds	<u> </u>	15,148
Harris County Flood Control District Limited Tax Bonds		-
Total Harris County Ad Valorem Tax Bonds		<u>448,871</u>
<u>Port of Houston Authority Unlimited Tax Bonds</u>		
Port Improvements - Docks & Security Enhancements	<u> </u>	-
Total Port of Houston Authority Bonds		<u> </u>
Total Authorized but Unissued Bonds		<u><u>\$ 448,871</u></u>

**HARRIS COUNTY FLOOD CONTROL DISTRICT
A COMPONENT UNIT OF HARRIS COUNTY, TEXAS
OPERATING FUNDS BUDGET FOR THE COUNTY'S FISCAL YEAR 2011-2012
(Unaudited)**

On March 8, 2011 the Commissioners Court adopted the budget for the County for the Fiscal Year 2011-2012. The Fiscal Year 2012 Budget included appropriations for some capital projects, which are financed from current revenues. The following is a summary of the Fiscal Year 2011-2012 Budget for the County's Current Operating Fund:

Cash Balance as of March 1, 2011	\$ 38,841,734
Estimated Revenues:	
Ad Valorem and Miscellaneous Taxes	879,935,994
Charges for Services	199,543,959
Fines and Forfeitures	18,188,918
Intergovernmental Revenues	36,802,769
Interest	602,429
Other	56,572,907
Total Cash and Estimated Revenues	<u>\$ 1,230,488,710</u>
Appropriations:	
Current Operating Expenses	\$ 1,190,690,898
Capital Outlay:	
Roads	33,378,105
Parks	6,387,737
Office/Courts	31,970
Total Appropriations	<u>\$ 1,230,488,710</u>

**HARRIS COUNTY FLOOD CONTROL DISTRICT
A COMPONENT UNIT OF HARRIS COUNTY, TEXAS
COUNTY CAPITAL PROJECTS FUNDS BUDGETING
(Unaudited)**

County Capital Projects Funds are used to construct roads, office and court buildings, jails, juvenile home facilities, parks and libraries. Cash and investments on hand in the Capital Projects Funds at February 28, 2011 derived from the sale of bonds and the investment income thereon, are designated to be spent over a period of several years for the following purposes:

Roads	\$ 197,321,562
Permanent Improvements	27,184,060
Flood Control	181,783,745
Reliant Park	<u>15,222,591</u>
Total	<u>\$ 421,511,958</u>

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

County Judge Ed Emmett and
Members of Commissioners Court of
Harris County, Texas:

Compliance

We have audited Harris County Flood Control District's (the "District") compliance with the types of compliance requirements described in the OMB *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended February 28, 2011. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended February 28, 2011.

Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be *material weaknesses*, as defined above.

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

Deloitte & Touche LLP

August 12, 2011

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

County Judge Ed Emmett and
Members of Commissioners Court of
Harris County, Texas:

We have audited the financial statements of the Harris County Flood Control District (the "District"), as of and for the year ended February 28, 2011, and have issued our report thereon dated August 12, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

Deloitte & Touche LLP

August 12, 2011

HARRIS COUNTY FLOOD CONTROL DISTRICT, TEXAS
A COMPONENT UNIT OF HARRIS COUNTY, TEXAS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED FEBRUARY 28, 2011

Fund No.	Federal Grantor / Pass-Through Agency Grantor / Program	CFDA Number	Grantor or Pass-through Grantor's Number	Federal Expenditures	Amount Provided to Subrecipients
<u>FEDERAL GRANTS</u>					
<u>U.S. DEPARTMENT OF HOMELAND SECURITY</u>					
DIRECT PROGRAMS:					
7589	Cooperating Technical Partners	97.045	EMT-200-CA-0014	\$ 389,080	\$ -
7589	Cooperating Technical Partners	97.045	EMT-2010-CA-0015	9,330	-
PASS THROUGH PROGRAMS, GOVERNORS DIVISION OF EMERGENCY MANAGEMENT:					
7031	FEMA - Pre-Disaster Mitigation Competitive	97.017	EMT-2004-PC-0003-03-007	2,867	-
7031	FEMA - Pre-Disaster Mitigation Competitive	97.017	EMT-2004-PC-0003-03-007	165,371	-
7031	FEMA - Pre-Disaster Mitigation Competitive	97.047	PDM08-003	198,520	-
7031	FEMA - Pre-Disaster Mitigation Competitive	97.047	PDM08-002	200,812	-
7031	FEMA - Pre-Disaster Mitigation Competitive	97.047	PDM09-003	253,063	-
7059	FEMA - Hazard Mitigation Grant Project	97.039	FEMA-1791-DR-002	313,540	-
7059	FEMA - Hazard Mitigation Grant Project	97.039	FEMA-1791-DR-007	1,171,833	-
7059	FEMA - Hazard Mitigation Grant Project	97.039	FEMA-1791-DR-008	206,116	-
7119	FEMA - Hazard Mitigation Grant Project	97.039	FEMA-1606-DR-040	2,052,619	-
7119	FEMA - Hazard Mitigation Grant Project	97.039	FEMA-1709-DR-007	195,070	-
7283	FEMA - Hazard Mitigation Grant Project - TSA	97.039	FEMA-1379-DR	440,444	-
7293	FEMA - Hazard Mitigation Grant Project	97.039	FEMA-1439-DR-TX-05	4,382	-
PASS THROUGH PROGRAMS, TEXAS WATER DEVELOPMENT BOARD:					
7292	FEMA - FMA 2007 - Flood Mitigation Assistance Program	97.029	0700010770	2,296	-
7073	FEMA - Severe Repetitive Loss - SRL 2008	97.110	0900010907	933,419	-
7073	FEMA - Severe Repetitive Loss - SRL 2009	97.110	0900011040	1,330,225	-
7073	FEMA - Severe Repetitive Loss - SRL 2009 APP 2	97.110	1000011110	1,190,562	-
7073	FEMA - Severe Repetitive Loss - SRL 2009 APP 3	97.110	1100011190	7,290	-
7297	FEMA - FMAP 8 - Flood Mitigation Assistance Program	97.029	0900010906	8,282	-
TOTAL U.S. DEPARTMENT OF HOMELAND SECURITY				9,075,121	-
<u>U.S. DEPARTMENT OF DEFENSE</u>					
PASS THROUGH PROGRAMS, ARMY CORPS OF ENGINEERS:					
3310	Brays Bayou Federal Project	12.000	NONE	76,183,171	-
TOTAL U.S. DEPARTMENT OF DEFENSE				76,183,171	-
TOTAL EXPENDITURES OF FEDERAL AWARDS				\$ 85,258,292	\$ -

See notes to schedule.

**HARRIS COUNTY FLOOD CONTROL DISTRICT
A COMPONENT UNIT OF HARRIS COUNTY, TEXAS
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED FEBRUARY 28, 2011**

1. The accompanying schedule of expenditures of federal awards includes the federal grant activity of the District and is presented on the modified cash basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.
2. Reconciliation of the Schedule of Expenditures of Federal Awards to Grants Special Revenue Fund of the District's Financial Report for the year ended February 28, 2011:

Federal expenditures per schedule	\$ 85,258,292	
Add:		
County funded portion of grants	1,751,224	
Less:		
Trial balance adjustments for modified accrual basis of accounting	53,874	
Grants - Brays Bayou expenditures incurred in prior years and approved for federal reimbursement in the current year	(76,185,467)	
Total	<u>\$ 10,877,923</u>	
Balance per financial report - Grants Special Revenue Fund	<u>\$ 10,877,923</u>	

**HARRIS COUNTY FLOOD CONTROL DISTRICT
A COMPONENT UNIT OF HARRIS COUNTY, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED FEBRUARY 28, 2011**

I. SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued:	Unqualified.
Internal control over financial reporting: Material weakness (es) identified?	No.
Significant deficiency (ies) identified not considered to be a material weakness?	None reported.
Noncompliance material to financial statements noted?	No.

Federal Awards

Internal control over major programs: Material weakness (es) identified?	No.
Significant deficiency (ies) identified not considered to be a material weakness?	None reported.
Type of auditors' report issued on compliance for major programs:	Unqualified.
Any audit findings disclosed that are required to be reported in accordance with Circular A-133 (section 510(a))?	No.
Identification of major programs:	
Brays Bayou Federal Project	12.000
FEMA – Hazard Mitigation Grant Project	97.039
FEMA – Hazard Mitigation Grant Project -TSA	97.039
FEMA - Severe Repetitive Loss - SRL 2008	97.110
FEMA - Severe Repetitive Loss - SRL 2009	97.110
FEMA - Severe Repetitive Loss - SRL 2009 APP2	97.110
FEMA - Severe Repetitive Loss - SRL 2009 APP3	97.110
Dollar threshold used to distinguish between Type A and Type B programs:	\$2,557,748
Auditee qualified as a low-risk auditee?	No.

**HARRIS COUNTY FLOOD CONTROL DISTRICT
A COMPONENT UNIT OF HARRIS COUNTY, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED FEBRUARY 28, 2011**

II. FINANCIAL STATEMENT FINDINGS SECTION

None noted.

III. FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS SECTION

None noted.

**HARRIS COUNTY FLOOD CONTROL DISTRICT
A COMPONENT UNIT OF HARRIS COUNTY, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED FEBRUARY 28, 2011**

IV. STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS

Program	Finding/Noncompliance	Questioned Cost
	Finding 10-01 –Material Noncompliance and Material Weakness in Internal Controls over Reporting Compliance Requirements	None
FEMA – Severe Repetitive Loss – SRL 2008, CFDA: 97.110	<p><u>Condition:</u> Expenditures on the Schedule of Expenditures of Federal Awards (SEFA) of the Severe Repetitive Loss (SRL) Grant Program and Hazard Mitigation (HM) Grant were overstated by approximately \$820,827 and \$2,497,438, respectively.</p>	
FEMA – Hazard Mitigation Grant, CFDA: 97.039	<p><u>Criteria:</u> Expenditures should only be reported for transactions occurring within the fiscal year. Allowable costs under the SRL and HM programs include the purchase of real estate, and expenditures should be recorded only when the title passes to the District upon closing of the real estate purchase.</p> <p><u>Cause:</u> Twenty-three properties were included as expenditures in the SEFA for the year ended February 28, 2010 for which title did not transfer to the District during the fiscal year. Control procedures currently in place identified these transactions but failed to exclude them from the SEFA.</p> <p><u>Effect:</u> The Schedule of Expenditures of Federal Awards was overstated by \$820,827 and \$2,497,438 for the SRL and HM programs, respectively. The District has made an adjustment to the SEFA to correct these errors.</p> <p><u>Recommendation:</u> The Auditor’s Office should review the current process in place which identifies and records SRL and HM expenditures and consider whether additional controls should be implemented to prevent future recording errors. A formal review by a person not directly involved in preparing related journal entries or the SEFA should be conducted as a final check and balance of SEFA expenditures.</p> <p><u>Status:</u> The County developed procedures for recording of land transactions under which all land transactions are coded to a pending account. The District coordinates with County personnel to review the closing dates of all land deals coded to this object code. County personnel then prepares a reclassifying entry to move the closed transactions to land expenditures. At fiscal year end, this object code was reviewed for outstanding check items that need to be reversed and any land transactions that may need to be reclassified. This pending account is excluded from the SEFA.</p>	