

# Comprehensive Annual Financial Report

For the Fiscal Year Ended February 29, 2012



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 29, 2012*

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 29, 2012  
TABLE OF CONTENTS**

	<u>PAGE</u>
<b><u>INTRODUCTORY SECTION (Unaudited)</u></b>	
County Auditors' Letter of Transmittal.....	1
Certificate of Achievement for Excellence in Financial Reporting.....	5
Schedule of Board Members, Key Personnel and Consultants.....	6
Organization Chart.....	8
<b><u>FINANCIAL SECTION</u></b>	
Independent Auditors' Report.....	9
Management's Discussion and Analysis (Unaudited).....	11
<b>BASIC FINANCIAL STATEMENTS:</b>	
<b>Government-wide Financial Statements:</b>	
Statement of Net Assets.....	21
Statement of Activities.....	22
<b>Fund Financial Statements:</b>	
Balance Sheet – Governmental Funds.....	23
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets.....	24
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds.....	25
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance of Governmental Funds to the Statement of Activities.....	26
Statement of Fiduciary Net Assets – Agency Funds.....	27
<b>Notes to the Basic Financial Statements:</b>	
1. Summary of Significant Accounting Policies.....	28
2. Deposits and Investments.....	33
3. Property Taxes.....	37
4. Interfund Balances and Transfers.....	37
5. Capital Assets.....	38
6. Long-Term Liabilities.....	39
7. Retirement Plan.....	41
8. Other Post Employment Benefits.....	43
9. Commitments and Contingent Liabilities.....	47
10. Risk Management.....	48
11. Recent Accounting Pronouncements.....	48
<b>Required Supplementary Information (Unaudited):</b>	
Schedule of Revenues and Expenditures – Budget and Actual – Budgetary Basis – Operations and Maintenance (General) Fund.....	51
Notes to the Required Supplementary Information.....	52
Other Post Employment Benefits - Schedule of Funding Progress.....	53
Texas County and District Retirement System - Schedule of Funding Progress.....	54
<b>Other Supplementary Information and Individual Fund Statements:</b>	
Combining Statement of Fiduciary Net Assets – Agency Funds.....	55
Statement of Changes in Fiduciary Assets and Liabilities – Agency Funds.....	56

**HARRIS COUNTY FLOOD CONTROL DISTRICT  
A COMPONENT UNIT OF HARRIS COUNTY, TEXAS  
COMPREHENSIVE ANNUAL FINANCIAL REPORT  
FOR THE FISCAL YEAR ENDED FEBRUARY 29, 2012  
TABLE OF CONTENTS**

	<u>PAGE</u>
Schedule of Revenues and Expenditures – Budget and Actual – Budgetary Basis – Debt Service Funds .....	57
Schedule of Revenues and Expenditures – Budget and Actual – Budgetary Basis – Capital Projects Funds .....	58

**STATISTICAL SECTION  
(Unaudited)**

	<u>TABLE</u>	<u>PAGE</u>
<b>Financial Trends:</b>		
Net Assets by Component – Last Ten Fiscal Years .....	1	60
Changes in Net Assets – Last Ten Fiscal Years .....	2	61
Fund Balances, Governmental Funds – Last Ten Fiscal Years .....	3	62
Changes in Fund Balances, Governmental Funds – Last Ten Fiscal Years .....	4	63
<b>Revenue Capacity:</b>		
Assessed Value and Actual Value of Taxable Property – Last Ten Fiscal Years .....	5	64
Ad Valorem Tax Rates – Last Ten Fiscal Years .....	6	65
Property Tax Rates – All Direct and Overlapping Governments – Last Ten Fiscal Years .....	7	66
Principal Property Taxpayers .....	8	67
Property Tax Levies and Collections – Last Ten Fiscal Years .....	9	68
<b>Debt Capacity:</b>		
Ratio of Outstanding Debt by Type – Last Ten Fiscal Years .....	10	69
Estimated Direct and Overlapping Bonded Debt .....	11	70
Harris County’s Legal Debt Margin Information – Last Ten Fiscal Years .....	12	71
<b>Demographic and Economic Information:</b>		
Demographic and Economic Statistics – Last Ten Calendar Years .....	13	72
Principal Corporate Employers – Current Year and Nine Years Ago .....	14	73
<b>Operating Information:</b>		
Full-Time Equivalent County Employees by Function – Last Ten Fiscal Years .....	15	74
Capital Asset Statistics by Function/Program – Last Nine Fiscal Years .....	16	75
Operating Indicators by Function/Program – Last Nine Fiscal Years .....	17	76
<b>Other Information:</b>		
Services and Rates .....	18	77
General Fund Expenditures .....	19	79
Taxes Levied and Receivable .....	20	80
Long-Term Debt Service Requirements - By Years .....	21	81
Changes in Long-Term Debt .....	22	82
Comparative Schedule of Revenues and Expenditures – General And Debt Service Funds – Five Years Ended .....	23	83
Operating Funds Budget for the District’s Fiscal Year 2012-2013 .....	24	84
Historical Tax Debt Outstanding .....	25	85
County Assessed Values and Tax Rates (Except Flood Control District) .....	26	86
County Tax Levies and Collections (Except Flood Control District) – Last Ten Fiscal Years .....	27	87
County Tax Debt Outstanding .....	28	88
County-Wide Ad Valorem Tax Debt Service Requirements .....	29	89
County-Wide Authorized but Unissued Bonds .....	30	90
Operating Funds Budget for the County’s Fiscal Year 2012-2013 .....	31	91
County Capital Projects Funds Budgeting .....	32	92

**HARRIS COUNTY FLOOD CONTROL DISTRICT  
A COMPONENT UNIT OF HARRIS COUNTY, TEXAS  
COMPREHENSIVE ANNUAL FINANCIAL REPORT  
FOR THE FISCAL YEAR ENDED FEBRUARY 29, 2012  
TABLE OF CONTENTS**

	<u>PAGE</u>
<u>COMPLIANCE SECTION</u>	
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.....	93
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based upon the Audit Performed in Accordance with <i>Government Auditing Standards</i> .....	95
Schedule of Expenditures of Federal Awards.....	97
Notes to the Schedule of Expenditures of Federal Awards.....	98
Schedule of Findings and Questioned Costs.....	99

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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 14, 2012

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 29, 2012. 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 11.

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 29, 2012 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 in all material respects. 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 mission of the Harris County Flood Control District is to provide flood damage reduction projects that work, with appropriate regard for community and natural values. The District reduces the risk of flood damage by devising stormwater management plans, implementing the plans and maintaining the infrastructure. The District is organized into six primary divisions to carry out its mission: Engineering and Construction, Environmental Services, Human Resources, Infrastructure, Office of Chief Engineer and Support Services.

### ***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 and debt service funds is at the fund level; for other funds budgetary control is implemented at various levels. 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***

The Houston – Sugar Land – Baytown Metropolitan Statistical Area is the fifth largest metropolitan area in the United States with an estimated 139,000 residents added between April 1, 2010 and July 1, 2011. It continues to have the fastest job growth rate of the nation's major metropolitan areas. For the 12 months ending March 2012, the Houston - Sugar Land – Baytown Metropolitan Area added 82,300 jobs. Trade, transportation, oil and gas, and utilities experienced significant job growth, while government and construction experienced job losses.

The Houston Association of Realtors reported a 9.6 percent increase in single family home sales in April 2012 compared with April 2011. In April 2012, the average sales price for a single-family home was \$223,328, which was 11.2 percent higher than in April 2011. The median price was \$160,120, up 8.2% from April 2011. Sales of foreclosed properties decreased 10.1 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-long complex of diversified 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 seventh busiest airport in the U.S. for international passengers and the 12<sup>th</sup> largest international air cargo gateway.

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-five companies on the 2012 *Fortune 500* list are headquartered in the Houston – Sugar Land – Baytown Metropolitan Statistical Area. Only two metropolitan statistical areas have more *Fortune 500* headquarters: New York with 67 and Chicago with 29.

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 three medical schools are the University of Texas Medical School, Baylor College of Medicine, and the Houston Campus of the Texas A&M Health Science Center College of Medicine.

#### ***Financial Policies and Long-Term Financial Planning***

Some of the County's financial policies and strategies are:

- The County will continue to focus on building reserves to maintain financial stability and current high bond ratings;
- Tax anticipation notes for annual cash flow purposes will be issued for the general operating fund; and
- A long-term goal is established to build reserves to minimize the need for interim financing over the next several years.

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 2011 for the District per \$100 of taxable value are: \$0.02727 for maintenance and operations and \$0.00082 for debt service, for a total of \$0.02809.

District funds available for investment under the County's investment program as of February 29, 2012 totaled \$302 million with investment earnings of \$2.7 million for the fiscal year. The average yield and maturity of such investments were .57% and 456 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 District's financial statements.

The County provides retirement and disability 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 2012 was 6%. 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 \$193.5 million available to fund capital projects along with an additional \$200 million in borrowing capacity to fund construction projects and land acquisition over the next few years. 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, 2011. 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 three 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](http://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, 2011

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.



*Linda C. Dandson*

President

*Jeffrey R. Enev*

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 29, 2012**

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 29, 2012</u>	Expense Reimbursements <u>Feb 29, 2012</u>	Title at <u>Year End</u>	Resident of <u>District</u>
<b>Commissioners' Court acts as Board of Director for District</b>					
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
R. Jack Cagle 1001 Preston, 9th Fl Houston Texas 77002	(Elected) 10/11 - 12/14 Appointed 10/11	N/A	N/A	Commissioner	Yes
<b>Key Personnel:</b>					
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)

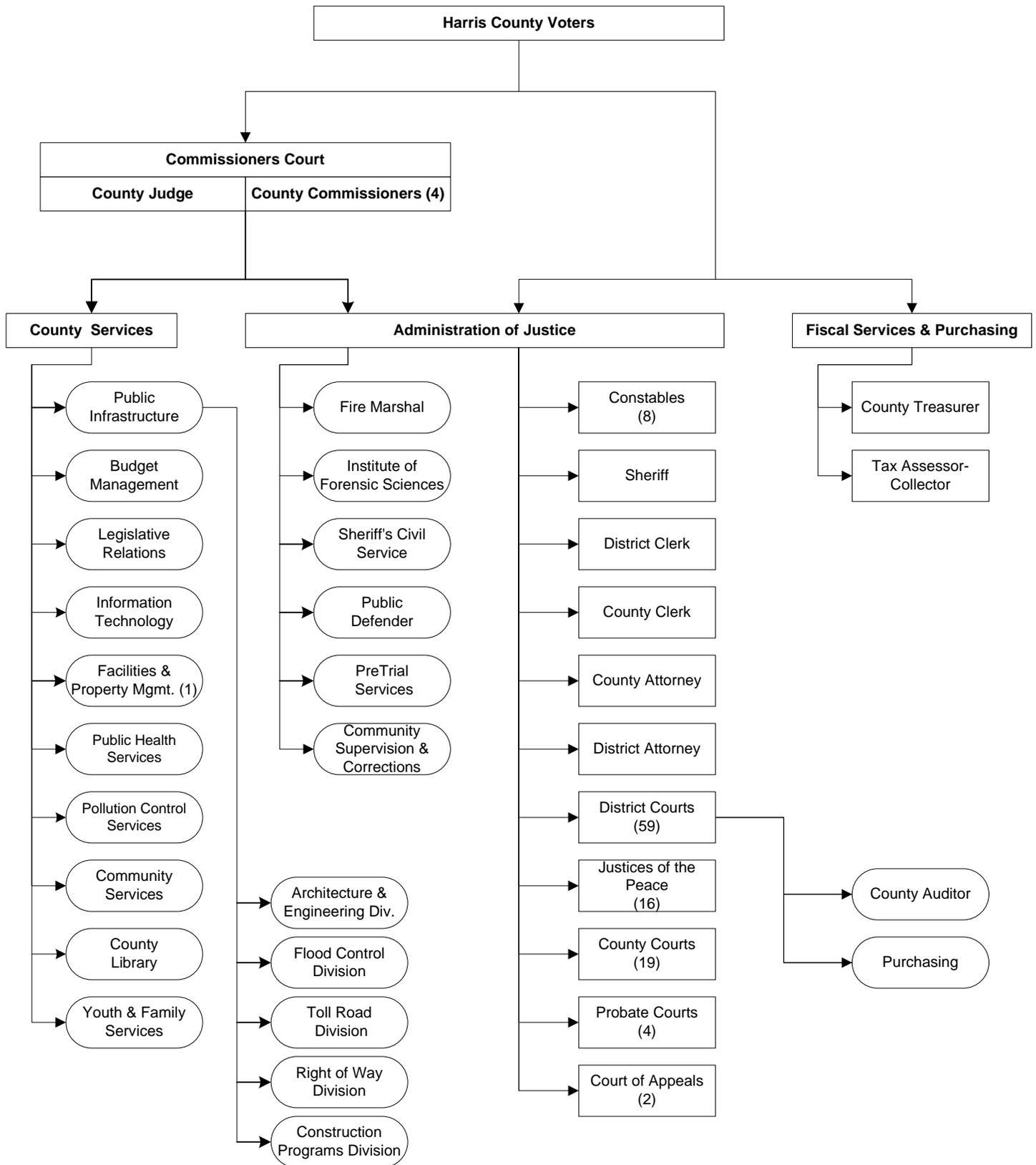
**HARRIS COUNTY FLOOD CONTROL DISTRICT  
A COMPONENT UNIT OF HARRIS COUNTY, TEXAS  
SCHEDULE OF BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS  
For The Year Ended February 29, 2012**

Names and Addresses:	Term of Office (Elected or Appointed) or Date Hired	Fees <u>Feb 29, 2012</u>	Expense Reimbursements <u>Feb 29, 2012</u>	Title at <u>Year End</u>	Resident of <u>District</u>
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 Retired effective 2/29/12	N/A	N/A	Investment Officer & Debt Officer County Employee	Yes
William J. Jackson 1001 Preston, Rm 630 Houston, Texas 77002	(Appointed) 03/13/12	N/A	N/A	Executive Director of Budget Management * County Employee	Yes
<b>County Auditor</b>					
Barbara J. Schott 1001 Preston, 8th Fl Houston Texas 77002	(Appointed) 03/03	N/A	N/A	County Auditor	Yes
<b>Independent Auditor</b>					
Deloitte & Touche LLP 1111 Bagby, Suite 4500 Houston, Texas 77002	04/01/11- 2/29/2012**	\$62,700	N/A	Independent Auditor	N/A

\* On April 2, 2012, Commissioners Court approved the updated Investment Policy naming the Executive Director of Budget Management as the County Investment Officer.

\*\* Agreement between the Flood Control District and Deloitte & Touche LLP, for fiscal year 2011/2012 audit services.

# Harris County Organization Chart



(1) Facilities & Property Management were under Public Infrastructure prior to 3/1/12.

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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 29, 2012, 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the 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 29, 2012, 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 Statement No. 54 *Fund Balance Reporting and Governmental Fund Type Definitions*.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 14, 2012 on our consideration of the District's internal control over financial reporting and on 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 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.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 11-20, 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 on pages 51–54 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The Other Supplementary Information and Individual Fund Statements Section are presented for purposes of additional analysis and are not a required part of the 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*. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Other Supplementary Information and Individual Fund Statements Section and the Schedule of Expenditures of Federal Awards are fairly stated in all material respects in relation to the financial statements as a whole.

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 and Statistical Section are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Deloitte & Touche LLP

August 14, 2012

***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 29, 2012. 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 29, 2012 by \$1,725,034,515, an increase of \$54,104,862 from the previous year when assets exceeded liabilities by \$1,670,929,653.
- Total net assets are comprised of the following:
  - (1) Capital assets, net of related debt, of \$1,616,239,533 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 \$8,591,638 are restricted by constraints imposed from outside the District such as capital projects.
  - (3) Unrestricted net assets of \$100,203,344 represent the portion available to meet ongoing obligations to citizens and creditors.

***Fund Level***

- As of February 29, 2012, the District's governmental funds reported combined fund balances of \$295,498,658. This compares to the prior year combined fund balance of \$289,022,446 showing an increase of \$6,476,212 during the current year. The current year total consists of combined nonspendable fund balance of \$1,138,470, restricted fund balance of \$181,821,318, assigned fund balance of \$26,649,002, and unassigned fund balance of \$85,889,868.
- At the end of the fiscal year, the total fund balance for the Operations and Maintenance (General) fund was \$112,959,836. The unassigned fund balance was \$85,889,868 or 145% of total general fund expenditures and 116% of total general fund revenues. The General fund had a nonspendable fund balance of \$322,379, a restricted fund balance of \$98,587, and an assigned \$26,649,002.
- The fund balance in the Debt Service fund of \$8,943,718 was restricted at the end of the fiscal year. This represents an increase of \$50,524 from the prior year balance of \$8,893,194. While revenues, primarily from intergovernmental, increased by \$6,459,650, there were offsetting increases in interest and fiscal charges.
- The Capital Projects fund at fiscal year-end had a nonspendable fund balance of \$816,091 and a restricted fund balance of \$172,779,013 for a total Capital Projects fund balance of \$173,595,104 a slight decrease from \$176,067,090 in the prior year.

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

- The District issues debt to finance an ongoing capital improvement program, but during fiscal year 2012, no debt was issued. Note 6 to the financial statements, provides additional details related to long-term debt. The debt service ad-valorem tax rate for the 2011 tax year for the District totaled \$0.00082 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 28 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 51 of this report.

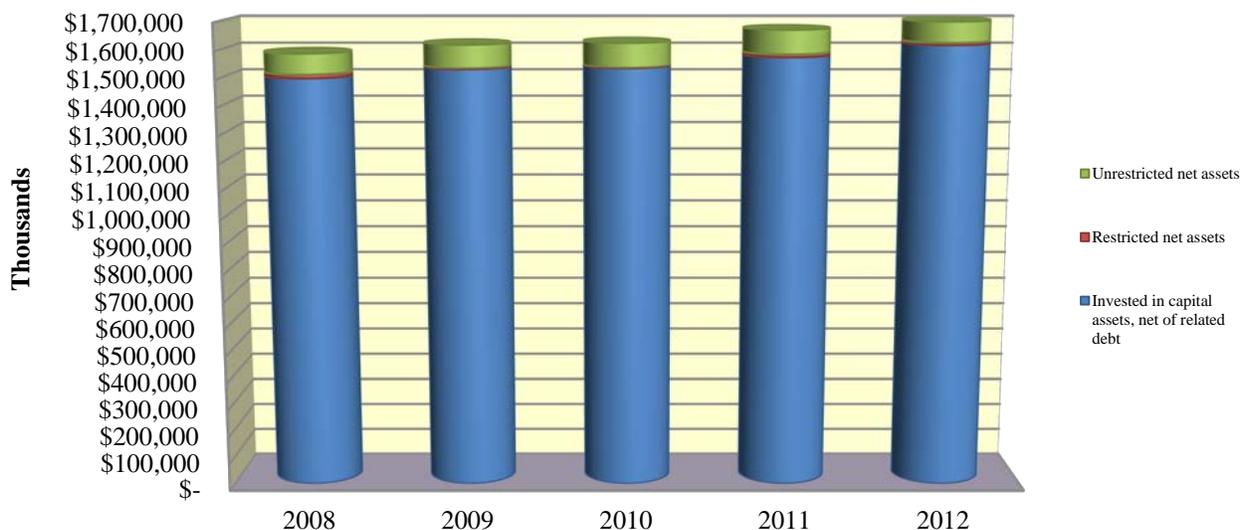
**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

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 \$1,725,034,515 for fiscal year ended 2012 and \$1,670,929,653 for fiscal year ended 2011. 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.

<b>Condensed Statement of Net Assets</b>		
<b>(amounts in thousands)</b>		
	Governmental Activities	
	February 29, 2012	February 28, 2011
Current and other assets	\$ 319,865	\$ 319,304
Capital assets	2,149,071	2,109,640
<b>Total assets</b>	<b>2,468,936</b>	<b>2,428,944</b>
Current and other liabilities	24,745	27,083
Long-term liabilities	719,156	730,932
<b>Total liabilities</b>	<b>743,901</b>	<b>758,015</b>
Net assets:		
Invested in capital assets, net of related debt	1,616,240	1,573,175
Restricted net assets	8,592	10,640
Unrestricted net assets	100,203	87,114
<b>Total net assets</b>	<b>\$ 1,725,035</b>	<b>\$ 1,670,929</b>

**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, \$1,616,239,533, 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 \$43,063,745 in the District's net assets invested in capital assets, net of related debt is comprised of a \$39,431,348 increase in capital assets with an offsetting decrease of \$10,968,740 in debt related to capital assets and a decrease of unspent debt proceeds of \$7,336,343.

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 \$8,591,638 for capital projects. Restricted net assets reflect an overall decrease of \$2,048,161.

The remaining balance of the District's current fiscal year net assets, \$100,203,344 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:

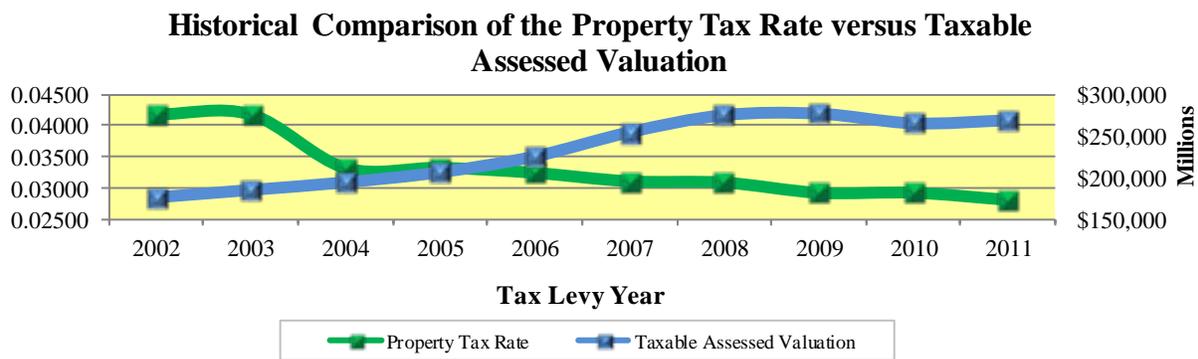
**Harris County Flood Control District  
Management's Discussion and Analysis  
(Unaudited)**

<b>Condensed Statement of Activities</b>		
<b>(amounts in thousands)</b>		
	<b>Governmental Activities</b>	
	<b>For the Year Ended February 29, 2012</b>	<b>For the Year Ended February 28, 2011</b>
<b>Revenues:</b>		
<b>Program revenues:</b>		
Charges for services	\$ 451	\$ 751
Operating grants and contributions	37,064	31,033
Capital grants and contributions	62,201	66,334
<b>General revenues:</b>		
Property taxes	76,721	73,745
Earnings on investments	2,653	1,493
Miscellaneous	1,414	2,505
<b>Total revenues and other items</b>	<b>180,504</b>	<b>175,861</b>
<b>Expenses:</b>		
Flood control	92,832	99,780
Tax administration	647	650
Interest on long-term debt	32,919	28,892
<b>Total expenses and other items</b>	<b>126,398</b>	<b>129,322</b>
Change in net assets	54,106	46,539
Net assets - beginning	1,670,929	1,624,390
Net assets - ending	\$ 1,725,035	\$ 1,670,929

**Revenues**

For fiscal year ended February 29, 2012, revenues from governmental activities totaled \$180,503,560.

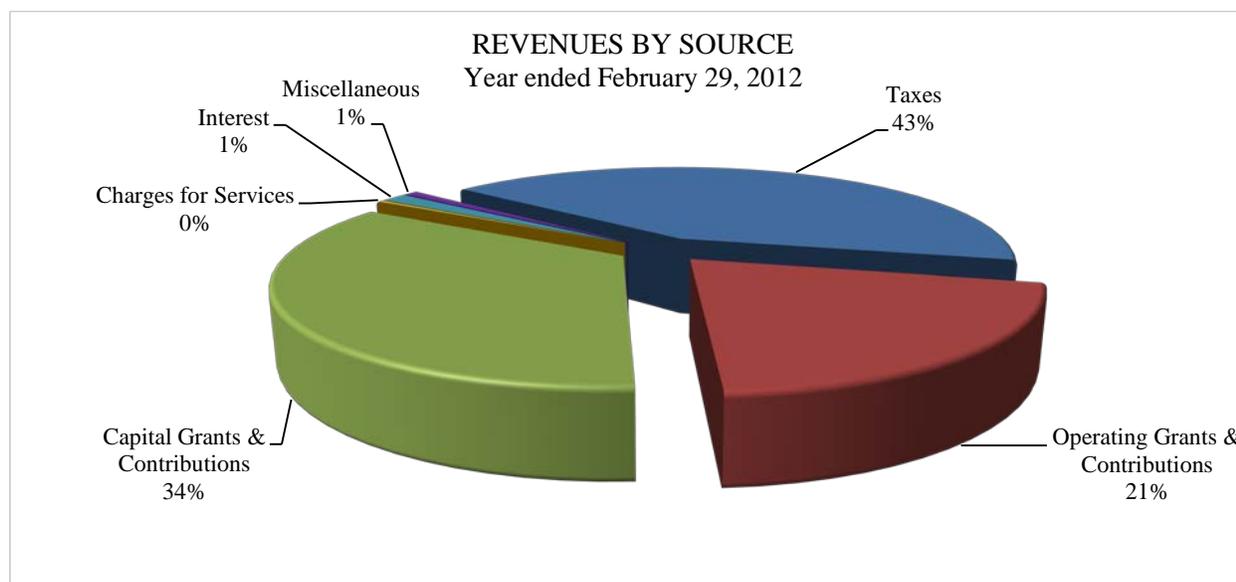
Property taxes of \$76,720,716 were the District's largest revenue source and comprised 43% of total revenues. The tax rate was \$.02809 per \$100 of assessed value for fiscal year 2012 and \$.02923 per \$100 of assessed value for fiscal year 2011. The taxable assessed value increased in fiscal year 2012 to \$268,523,035,000 from \$264,933,206,000 in fiscal year 2011.



**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 \$99,715,789 or 55% of total revenues. A major portion of program revenues are capital grants and contributions of \$62,201,011 (34%) and represent receipts primarily from Federal Emergency Management Agency (FEMA). This category is 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 \$37,063,945 (21%), associated with contributions by Harris County, which increased \$6,030,568 from the prior year. Another portion of program revenues is charges for services of \$450,833 (less than 1% of total revenues), which are primarily from impact fees on development.

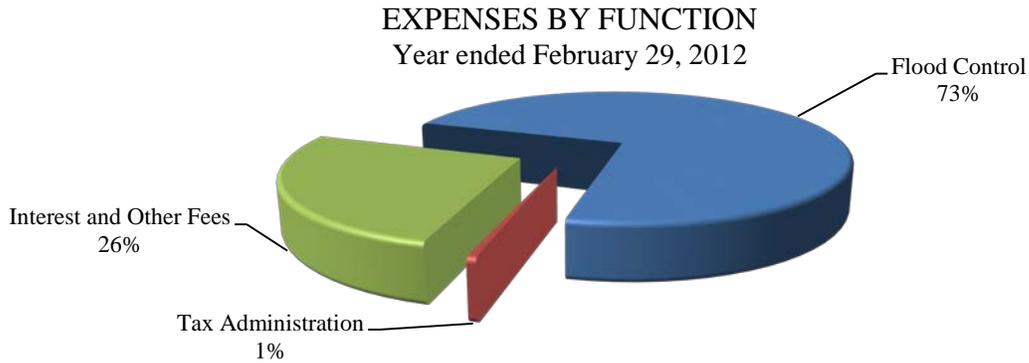
General revenues are revenues that cannot be assigned to a specific function. They consist of property taxes (discussed previously), unrestricted investment or interest earnings of \$2,653,229 (1% of total revenues), miscellaneous income of \$1,413,826 (1% of total revenues). Miscellaneous income is primarily comprised of collections for various fees.



**Expenses**

For fiscal year ended February 29, 2012, expenses for governmental activities totaled \$126,398,698, compared to \$129,321,192 in the prior fiscal year. Flood control administration of \$92,832,128 is the District's largest function with 73% of total expenses. This was a decrease of \$6,947,393 from the prior year due to regular operations of the District. Interest and other fees make up the second largest category of expenses with \$32,919,251 or 26% 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 \$647,319 (1% of total expenses) and has decreased from \$650,151 last year.

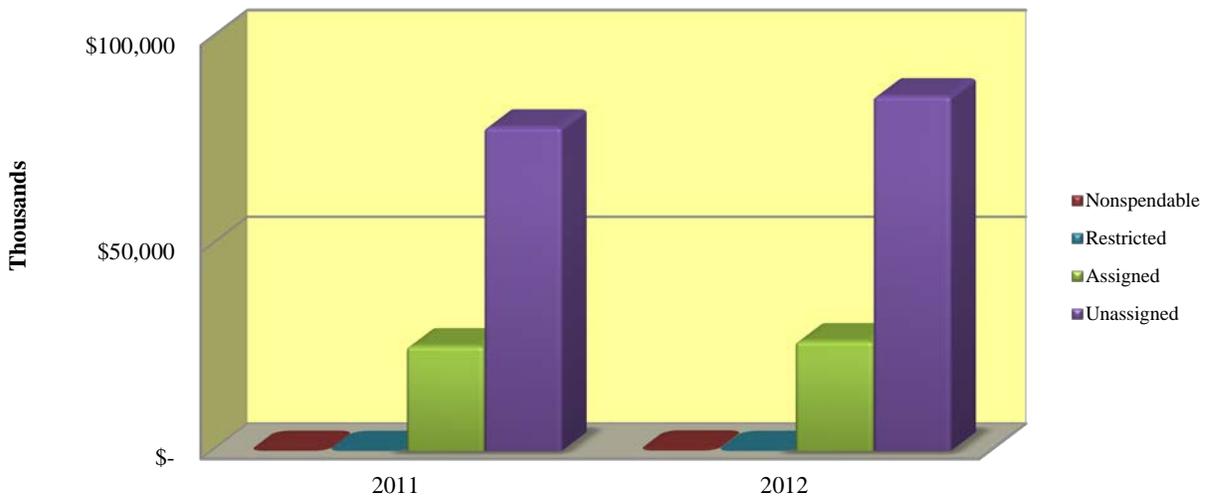
**Harris County Flood Control District  
Management's Discussion and Analysis  
(Unaudited)**



**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, unassigned 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 29, 2012, the District's governmental funds reported combined fund balances of \$295,498,658, of which \$1,138,470 is nonspendable, \$9,042,305 is restricted for debt service, \$172,779,013 is restricted for capital projects, and \$26,649,002 is assigned for encumbrances and petty cash. The remainder, \$85,889,868, is available to meet the District's current and future needs. The District's combined fund balances increased \$6,476,212. 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 \$8,897,674. This was primarily the result of a decrease in operating expenditures.

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 \$2,691,918 decrease in assets and liabilities over the previous fiscal year.

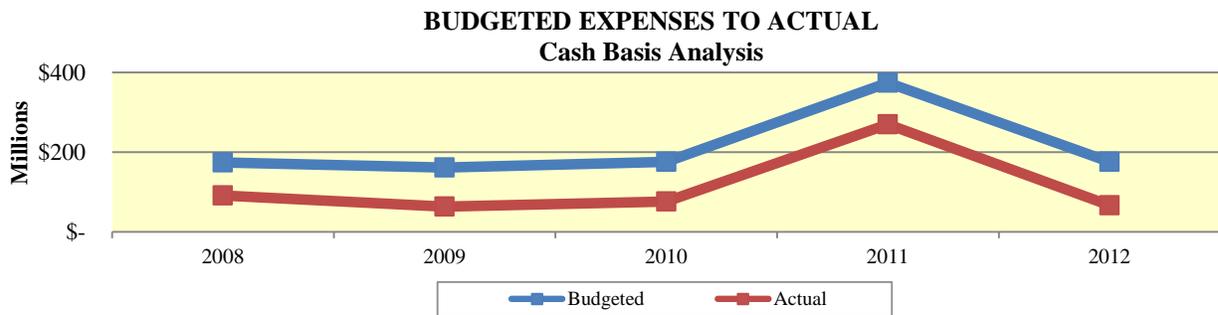
Fund balance in the Debt Service fund increased by \$50,524, primarily as the result of increased intergovernmental revenues. At February 29, 2012, this fund reported revenues of \$39,512,680. The majority of these revenues were from property taxes and intergovernmental revenue from Harris County. See Note 3 to the financial statements for additional information on property taxes.

The fund balance in the Capital Projects fund decreased by \$2,471,986. 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 \$126,600 difference between the original budget and the final amended budget. This increase is due to budget amendments for intergovernmental revenue.

During the year actual revenues were more than budgetary estimates by \$3,244,935. This is attributable to more transfers and miscellaneous revenue in the general operating flood control account. Actual expenditures were less than budgetary estimates by \$108,958,302. This is primarily due to fewer expenditures than anticipated in the general operating flood control account. The net effect of over-realization of revenues and under-realization of appropriations resulted in a positive variance of \$112,203,237, 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 29, 2012, amounted to \$2,149,071,180. 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)**

	<b>Balance</b>	<b>Balance</b>
	<b>February 29, 2012</b>	<b>February 28, 2011</b>
Governmental Activities:		
Land	\$ 1,560,243,160	\$ 1,533,234,585
Construction in Progress	141,188,982	117,505,380
Intangible Assets - water rights	2,400,000	2,400,000
Land Improvements	641,531	641,531
Buildings	11,870,371	11,870,371
Equipment	9,129,720	9,286,084
Flood Control Projects	719,064,080	705,436,470
	2,444,537,844	2,380,374,421
Less Accumulated Depreciation	(295,466,664)	(270,734,589)
Totals	<u>\$ 2,149,071,180</u>	<u>\$ 2,109,639,832</u>

**LONG-TERM LIABILITIES**

At February 29, 2012, the District had total long-term liabilities outstanding of \$719,156,357. Refer to Note 6 to the financial statements for further information on the District's long term liabilities. District officials, citizens, and investors will find the ratio of net bonded debt to assessed valuation (.26%) and the amount of bonded debt per capita (\$170,000) as useful indicators of the District's debt position; this information is shown in the statistical section of this report.

	<b>Balance</b>	<b>Balance</b>
	<b>February 29, 2012</b>	<b>February 28, 2011</b>
Governmental Activities:		
Bonds Payable	\$ 710,700,056	\$ 723,784,325
Compensatory Time Payable	417,820	503,620
OPEB Obligations	7,156,664	6,120,561
Pollution Remediation Obligations	881,817	523,356
Totals	<u>\$ 719,156,357</u>	<u>\$ 730,931,862</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 2011 was 7.2%. This is a favorable decrease from the prior year rate of 8.3%. The state unemployment rate for calendar year 2011 was 7.1%. The number of people employed with the District decreased by 27 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](http://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 29, 2012**

	<b>Governmental Activities</b>
<b>ASSETS</b>	
Cash and investments:	
Cash and cash equivalents	\$ 74,558,795
Investments	210,643,852
Receivables:	
Taxes, net	3,965,364
Accounts, net	9,367,833
Accrued interest	269,004
Other	4,183,589
Prepays and other assets	2,854,441
Restricted cash and cash equivalents	3,299,707
Restricted investments	5,629,740
Deferred charges	5,092,296
Capital assets:	
Land and construction in progress	1,701,432,142
Intangible assets - water rights	2,400,000
Other capital assets, net of depreciation	445,239,038
Total assets	2,468,935,801
<b>LIABILITIES</b>	
Liabilities:	
Vouchers payable	6,699,081
Accrued payroll and compensated absences	2,200,944
Retainages payable	1,671,289
Accrued interest	14,173,615
Long-term liabilities:	
Due within one year:	
Bonds payable	11,455,000
Compensated absences	229,801
Pollution remediation obligation	13,361
Due in more than one year:	
Bonds payable	699,245,056
Compensated absences	188,019
OPEB obligation	7,156,664
Pollution remediation obligation	868,456
Total liabilities	743,901,286
<b>NET ASSETS</b>	
Invested in capital assets, net of related debt	1,616,239,533
Restricted for capital projects	8,591,638
Unrestricted	100,203,344
Total net assets	\$ 1,725,034,515

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 29, 2012**

<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	\$ 92,832,128	\$ 450,833	\$ 37,063,945	\$ 62,201,011	\$ 6,883,661
Tax administration	647,319	-	-	-	(647,319)
Interest on long-term debt	32,919,251	-	-	-	(32,919,251)
Total governmental activities	<u>\$ 126,398,698</u>	<u>\$ 450,833</u>	<u>\$ 37,063,945</u>	<u>\$ 62,201,011</u>	<u>(26,682,909)</u>
General revenues:					
Taxes:					
Property taxes levied for general purposes					74,316,389
Property taxes levied for debt service					2,404,327
Earnings on investments					2,653,229
Miscellaneous					1,413,826
Total general revenues and other items					<u>80,787,771</u>
Change in net assets					54,104,862
Net assets - beginning					<u>1,670,929,653</u>
Net assets - ending					<u>\$ 1,725,034,515</u>

See notes to the financial statements.

**HARRIS COUNTY FLOOD CONTROL DISTRICT**  
**A COMPONENT UNIT OF HARRIS COUNTY, TEXAS**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**February 29, 2012**

	<b>Operations and Maintenance (General)</b>	<b>Special Revenue Grants</b>	<b>Debt Service</b>	<b>Capital Projects</b>	<b>Total 2012</b>
<b>ASSETS</b>					
Cash and investments:					
Cash and cash equivalents	\$ 8,014,079	\$ -	\$ -	\$ 66,544,716	\$ 74,558,795
Investments	102,661,752	79,414	-	107,902,686	210,643,852
Receivables:					
Taxes, net	3,772,921	-	192,443	-	3,965,364
Accounts, net	-	1,780,205	-	7,587,628	9,367,833
Accrued interest	124,157	96	-	144,751	269,004
Other	2,614,229	1,456,610	112,750	-	4,183,589
Due from other funds	4,657,527	190,304	108	43,168	4,891,107
Prepays and other assets	322,379	1,715,971	-	816,091	2,854,441
Restricted cash and cash equivalents	98,587	-	3,201,120	-	3,299,707
Restricted investments	-	-	5,629,740	-	5,629,740
Total assets	<u>\$ 122,265,631</u>	<u>\$ 5,222,600</u>	<u>\$ 9,136,161</u>	<u>\$ 183,039,040</u>	<u>\$ 319,663,432</u>
<b>LIABILITIES AND FUND BALANCE</b>					
Liabilities:					
Vouchers payable	\$ 3,118,735	\$ 521,905	\$ -	\$ 3,071,802	\$ 6,712,442
Accrued payroll and compensated absences	2,200,944	-	-	-	2,200,944
Retainage payable	213,195	-	-	1,458,094	1,671,289
Due to other funds	-	4,700,695	-	190,412	4,891,107
Deferred revenue	3,772,921	-	192,443	4,723,628	8,688,992
Total liabilities	<u>9,305,795</u>	<u>5,222,600</u>	<u>192,443</u>	<u>9,443,936</u>	<u>24,164,774</u>
Fund balances:					
Nonspendable	322,379	-	-	816,091	1,138,470
Restricted	98,587	-	8,943,718	172,779,013	181,821,318
Assigned	26,649,002	-	-	-	26,649,002
Unassigned	85,889,868	-	-	-	85,889,868
Total fund balances	<u>112,959,836</u>	<u>-</u>	<u>8,943,718</u>	<u>173,595,104</u>	<u>295,498,658</u>
Total liabilities and fund balances	<u>\$ 122,265,631</u>	<u>\$ 5,222,600</u>	<u>\$ 9,136,161</u>	<u>\$ 183,039,040</u>	<u>\$ 319,663,432</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 29, 2012**

Total fund balances for governmental funds \$ 295,498,658

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	\$ 1,560,243,160	
Construction in progress	141,188,982	
Intangible assets - water rights	2,400,000	
Land improvements, net of \$161,650 accumulated depreciation	479,881	
Flood control projects, net of \$286,073,616 accumulated depreciation	432,990,464	
Buildings, net of \$2,582,807 accumulated depreciation	9,287,564	
Equipment and vehicles, net of \$6,648,591 accumulated depreciation	<u>2,481,129</u>	
Total capital assets		2,149,071,180

Long-term liabilities applicable to the 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 29, 2012 were:

Accrued interest on bonds	(14,173,615)	
Bonds payable	(710,700,056)	
Deferred charges	5,092,296	
Compensated absences	(417,820)	
OPEB obligation	(7,156,664)	
Pollution remediation obligation	<u>(868,456)</u>	
		(728,224,315)

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>8,688,992</u>
Total net assets of governmental activities		<u><u>\$ 1,725,034,515</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 29, 2012**

	<b>Operations and Maintenance (General)</b>	<b>Special Revenue Grants</b>	<b>Debt Service</b>	<b>Capital Projects</b>	<b>Total 2012</b>
<b>REVENUES</b>					
Taxes	\$ 72,340,021	\$ -	\$ 2,424,185	\$ -	\$ 74,764,206
Intergovernmental	126,600	18,409,501	37,052,500	30,157,195	85,745,796
Lease revenue	281,015	-	-	-	281,015
Earnings on investments	913,925	228	14,309	1,724,767	2,653,229
Miscellaneous	347,212	1,920	21,686	1,177,371	1,548,189
Total revenues	<u>74,008,773</u>	<u>18,411,649</u>	<u>39,512,680</u>	<u>33,059,333</u>	<u>164,992,435</u>
<b>EXPENDITURES</b>					
Current operating:					
Flood control administration	58,352,777	566,805	-	7,576,117	66,495,699
Tax administration	647,319	-	-	-	647,319
Capital outlay	337,445	21,544,063	-	23,710,383	45,591,891
Debt service:					
Principal retirement	-	-	10,109,024	-	10,109,024
Interest and fiscal charges	-	-	35,814,458	-	35,814,458
Total expenditures	<u>59,337,541</u>	<u>22,110,868</u>	<u>45,923,482</u>	<u>31,286,500</u>	<u>158,658,391</u>
Excess (deficiency) of revenues over (under) expenditures	<u>14,671,232</u>	<u>(3,699,219)</u>	<u>(6,410,802)</u>	<u>1,772,833</u>	<u>6,334,044</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	9,274	4,257,953	6,461,326	549,460	11,278,013
Transfers out	(5,925,000)	(558,734)	-	(4,794,279)	(11,278,013)
Sale of capital assets	142,168	-	-	-	142,168
Total other financing sources (uses)	<u>(5,773,558)</u>	<u>3,699,219</u>	<u>6,461,326</u>	<u>(4,244,819)</u>	<u>142,168</u>
Net changes in fund balances	8,897,674	-	50,524	(2,471,986)	6,476,212
Fund balances, beginning	104,062,162	-	8,893,194	176,067,090	289,022,446
Fund balances, ending	<u>\$ 112,959,836</u>	<u>\$ -</u>	<u>\$ 8,943,718</u>	<u>\$ 173,595,104</u>	<u>\$ 295,498,658</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 29, 2012**

Net change in fund balances - total governmental funds \$ 6,476,212

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 \$45,591,891 exceeded depreciation of \$25,034,289 in the current period. 20,557,602

Capital asset donations 18,987,196

In the statement of net assets, repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net assets.

Repayments:

To paying agent for bond principal 10,109,024

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	85,800	
OPEB obligation	(1,036,103)	
Pollution remediation obligation	(345,100)	
Amortization of debt premium	2,927,078	
Accretion of discount - capital appreciation bonds	1,061,020	
Amortization of advanced refunding difference	(1,012,853)	
Accrued interest on bonds	387,390	
Amortization of deferred charges	(467,428)	
Combined adjustment	1,599,804	1,599,804

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. (3,511,526)

The net effect of disposals of capital assets is to decrease net assets. (113,450)

Change in net assets of governmental activities \$ 54,104,862

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 29, 2012**

	<b>Total Agency</b>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 1,017,204
Investments	35,090
Accrued interest receivable	42
Total assets	\$ 1,052,336
 <b>LIABILITIES</b>	
Vouchers payable	\$ 621
Held for others	1,051,715
Total liabilities	\$ 1,052,336

See notes to the financial statements.

**HARRIS COUNTY FLOOD CONTROL DISTRICT  
A COMPONENT UNIT OF HARRIS COUNTY, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
February 29, 2012**

**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. 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. Implementation of GASB 54 is reflected in the financial statements and notes 1.I. and 9.

GASB Statement 59, *Financial Instruments Omnibus* ("GASB 59"), updates and improves existing standards regarding financial reporting of certain financial instruments and external investment pools. Implementation of GASB 59 did not have an impact on the District's financial 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.

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.

**HARRIS COUNTY FLOOD CONTROL DISTRICT**  
**A COMPONENT UNIT OF HARRIS COUNTY, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**February 29, 2012**

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 as part of restricted, committed or assigned fund balance depending on the source of funding. 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 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.

**HARRIS COUNTY FLOOD CONTROL DISTRICT**  
**A COMPONENT UNIT OF HARRIS COUNTY, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**February 29, 2012**

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 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.
- 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.

**HARRIS COUNTY FLOOD CONTROL DISTRICT**  
**A COMPONENT UNIT OF HARRIS COUNTY, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**February 29, 2012**

- 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. The intangible assets held by the District are in perpetuity intangible assets, meaning there is no determinable useful life and therefore are not depreciated. 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:

**HARRIS COUNTY FLOOD CONTROL DISTRICT  
A COMPONENT UNIT OF HARRIS COUNTY, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
February 29, 2012**

<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.

FUND BALANCE CLASSIFICATIONS

In fiscal year 2012, the District implemented GASB 54 for its governmental funds. Under GASB 54, fund balances are required to be reported according to the following classifications:

*Nonspendable* – Amounts that cannot be spent because they are either not in spendable form or they are required, legally or contractually, to be maintained intact. This classification includes inventories, prepaid amounts, assets held for resale, and long-term receivables.

*Restricted* – As in the government-wide financial statements, these amounts represent assets that have externally imposed restrictions by creditors, grantors, contributors, or laws or regulations of other governments. Assets may also be restricted as imposed by law through constitutional provisions or enabling legislation.

*Committed* – Amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority. The District's highest level of decision-making authority resides with the Commissioners' Court. The constraints imposed by the formal action of the Commissioners' Court remain binding unless removed or changed in the same manner employed to previously commit those resources.

*Assigned* – Amounts that are constrained by the District's intent to be used for a specific purposes, but that do not meet the criteria to be restricted or committed. Such intent should be expressed by the Commissioners' Court or its designated officials to assign amounts to be used. Constraints imposed on the use of the assigned amounts can be removed with no formal action.

*Unassigned* – Amounts that have not been restricted, committed, or assigned.

**J. COMPENSATED ABSENCES**

Accumulated compensatory time, vacation and sick leave expected to be liquidated with expendable available financial resources are reported as expenditures in the respective governmental fund.

**HARRIS COUNTY FLOOD CONTROL DISTRICT**  
**A COMPONENT UNIT OF HARRIS COUNTY, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**February 29, 2012**

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.

**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 29, 2012, the carrying amount of the District's demand and time deposits was negative \$6,935,649 and the balance per various financial institutions was \$0. The District's deposits are not exposed to custodial credit risk since all deposits are covered by FDIC insurance 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.

**HARRIS COUNTY FLOOD CONTROL DISTRICT  
A COMPONENT UNIT OF HARRIS COUNTY, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
February 29, 2012**

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, including letters of credit, of the United States or its agencies and instrumentalities.
2. Direct obligation of the State of Texas or its agencies and instrumentalities.
3. 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 United States or their respective agencies and instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation or by the explicit full faith and credit of the United States.
4. Obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than A or its equivalent.
5. 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.
6. Fully collateralized repurchase agreements as authorized by the Public Funds Investment Act.
7. Commercial paper with a stated maturity of 270 days or fewer from the date of issuance as authorized by the Public Funds Investment Act and is rated not less than A-1 or P-1, or equivalent by at least two nationally recognized agencies.
8. 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.
9. Guaranteed Investment Contracts as authorized by the Public Funds Investment Act.
10. 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 29, 2012.

	<b>Governmental Activities</b>	<b>Fiduciary Funds</b>	<b>Total</b>
Cash and Cash Equivalents	\$ 74,558,795	\$ 1,017,204	\$ 75,575,999
Restricted Cash and Cash Equivalents	3,299,707	-	3,299,707
Investments	210,643,852	35,090	210,678,942
Restricted Investments	5,629,740	-	5,629,740
<b>Total Cash &amp; Investments</b>	<b>\$ 294,132,094</b>	<b>\$ 1,052,294</b>	<b>\$ 295,184,388</b>

**HARRIS COUNTY FLOOD CONTROL DISTRICT**  
**A COMPONENT UNIT OF HARRIS COUNTY, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**February 29, 2012**

The table below indicates the fair value and maturity value of the District's investments as of February 29, 2012, summarized by security type. Also demonstrated are the percentage of total portfolio and the weighted average maturity in years for each summarized security type.

<u>Security</u>	<u>Fair Value</u>	<u>Percentage of Portfolio</u>	<u>Maturity Amount</u>	<u>Weighted Avg Modified Duration (Years)</u>	<u>Credit Rating S&amp;P/ Moody's</u>
<i>US Agency Notes</i>					
FHLMC	\$ 41,032,500	13.58%	\$ 41,000,000	0.452	AA+/Aaa
FNMA	38,026,875	12.59%	38,000,000	0.353	AA+/Aaa
<i>Commercial Paper</i>					
FCAR	43,383,707	14.36%	43,420,000	0.247	A-1+/P-1
TMCC	77,645,910	25.70%	78,000,000	0.144	A-1+/P-1
TMCPR	5,629,740	1.86%	5,646,000	0.011	A-1+/P-1
<i>Local Governments</i>					
Bexer County	1,006,020	0.33%	1,000,000	0.003	AA+/Aa1
Connecticut State GO	999,330	0.33%	1,000,000	0.007	AA/Aa3
New York State D	4,604,850	1.52%	4,500,000	0.026	AA/Aa2
Ohio St Dev	1,475,782	0.49%	1,475,000	0.000	AA/Aa2
San Francisco	2,004,620	0.66%	2,000,000	0.001	A+/A1
Virginia State Port Authority	498,930	0.17%	500,000	0.004	AA+/Aa1
<i>Money Market Funds</i>					
Fidelity Instl Treasury	37,091,097	12.28%	37,091,097	N/A	AAA/Aaa
Fidelity Instl - Tax Exempt	48,720,676	16.13%	48,720,676	N/A	AAA/Aaa
Total Investments	302,120,037	100.00%	\$ 302,352,773		
<i>Demand and Time Deposits</i>	(6,935,649)				
<b>Total Cash &amp; Investments</b>	<b>\$ 295,184,388</b>				

**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 (2/14/12), no more than 50% of the portfolio, excluding those investments held for future major capital expenditures, debt service payments, bond fund reserve accounts and capitalized interest funds, may be invested beyond 36 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 three years. As of February 29, 2012, the District was in compliance with all of these guidelines to manage interest rate risk.

**HARRIS COUNTY FLOOD CONTROL DISTRICT  
A COMPONENT UNIT OF HARRIS COUNTY, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
February 29, 2012**

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.

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 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 or AAA-m by at least one nationally recognized investment rating firm.

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 29, 2012, 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.

<u>Fund Type</u>	<u>Investment Strategy</u>	<u>Avg Investment Duration Per Policy (Days)</u>	<u>Maturity Amount</u>	<u>Average Remaining Days To Maturity</u>
Capital Projects	Matching/Barbell	1,800	\$ 26,000,000	971
Debt Service Funds	Matching	720	5,646,000	211
Pool/Special Revenue	Matching	1,800	184,895,000	465
Money Market Mutual Funds	N/A	N/A	85,811,773	N/A
			<u>\$ 302,352,773</u>	

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

**HARRIS COUNTY FLOOD CONTROL DISTRICT  
A COMPONENT UNIT OF HARRIS COUNTY, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
February 29, 2012**

**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.

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 2011 tax year, per \$100 of taxable valuation:

	Operations and Maintenance (General)	Debt Service	Total
Flood Control District	\$0.02727	\$0.00082	\$0.02809

Property tax receivables of \$3,965,364 as of February 29, 2012 are reported net of an allowance for uncollectible taxes of \$11,048,761 and includes penalties and interest of \$5,280,357.

**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 29, 2012 are as follows:

	<b>Receivable:</b>				
	<b>General Fund</b>	<b>Special Revenue Grants</b>	<b>Debt Service</b>	<b>Capital Projects</b>	<b>Total</b>
<b>Payable:</b>					
Special Revenue Grants	\$ 4,657,527	\$ -	\$ -	\$ 43,168	\$ 4,700,695
Capital Projects	-	190,304	108	-	190,412
<b>TOTAL</b>	<b>\$ 4,657,527</b>	<b>\$ 190,304</b>	<b>\$ 108</b>	<b>\$ 43,168</b>	<b>\$ 4,891,107</b>

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

**HARRIS COUNTY FLOOD CONTROL DISTRICT**  
**A COMPONENT UNIT OF HARRIS COUNTY, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**February 29, 2012**

The following is a summary of the District's transfers for the year ended February 29, 2012:

	<b>Transfers In:</b>				<b>Total</b>
	<b>General Fund</b>	<b>Special Revenue Grants</b>	<b>Debt Service</b>	<b>Capital Projects</b>	
<b>Transfers Out:</b>					
General Fund	\$ -	\$ -	\$ 5,925,000	\$ -	\$ 5,925,000
Special Revenue Grants	9,274	-	-	549,460	558,734
Capital Projects	-	4,257,953	536,326	-	4,794,279
<b>TOTAL</b>	<b>\$ 9,274</b>	<b>\$ 4,257,953</b>	<b>\$ 6,461,326</b>	<b>\$ 549,460</b>	<b>\$ 11,278,013</b>

The transfers are routine in nature. Transfers to the Special Revenue Grants are to meet grant matching requirements in the grant contracts. Transfers to the Debt Service 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:

	<b>Balance March 1, 2011</b>	<b>Additions</b>	<b>Deletions</b>	<b>Transfers</b>	<b>Balance February 29, 2012</b>
Governmental Activities:					
Land	\$ 1,533,234,585	\$ 27,108,269	\$ (99,694)	\$ -	\$ 1,560,243,160
Construction in progress	117,505,380	37,311,212	-	(13,627,610)	141,188,982
Intangible Assets - water rights	2,400,000	-	-	-	2,400,000
Total capital assets not depreciated	<u>1,653,139,965</u>	<u>64,419,481</u>	<u>(99,694)</u>	<u>(13,627,610)</u>	<u>1,703,832,142</u>
Land improvements	641,531	-	-	-	641,531
Buildings	11,870,371	-	-	-	11,870,371
Equipment	9,286,084	160,606	(316,970)	-	9,129,720
Flood control projects	705,436,470	-	-	13,627,610	719,064,080
	<u>727,234,456</u>	<u>160,606</u>	<u>(316,970)</u>	<u>13,627,610</u>	<u>740,705,702</u>
Less accumulated depreciation for:					
Land Improvements	(129,838)	(31,812)	-	-	(161,650)
Buildings	(2,313,143)	(269,664)	-	-	(2,582,807)
Equipment	(6,094,555)	(856,250)	302,214	-	(6,648,591)
Flood control projects	(262,197,053)	(23,876,563)	-	-	(286,073,616)
	<u>(270,734,589)</u>	<u>(25,034,289)</u>	<u>302,214</u>	<u>-</u>	<u>(295,466,664)</u>
Total capital assets being depreciated, net	<u>456,499,867</u>	<u>(24,873,683)</u>	<u>(14,756)</u>	<u>13,627,610</u>	<u>445,239,038</u>
Governmental activities capital assets, net	<u>\$ 2,109,639,832</u>	<u>\$ 39,545,798</u>	<u>\$ (114,450)</u>	<u>\$ -</u>	<u>\$ 2,149,071,180</u>

Depreciation expense was charged to the Flood Control Administration function of the District for \$25,034,289.

**HARRIS COUNTY FLOOD CONTROL DISTRICT**  
**A COMPONENT UNIT OF HARRIS COUNTY, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**February 29, 2012**

**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 2011-2012 were as follows:

	<b>Balance Outstanding March 1,</b>			<b>Balance Outstanding February 29,</b>		<b>Amount Due Within</b>
	<b>2011</b>	<b>Increase</b>	<b>Decrease</b>	<b>2012</b>	<b>One Year</b>	
Governmental Activities:						
Refunding Series 1993 - CAB	\$ 259,024	\$ -	\$ (259,024)	\$ -	\$ -	-
Refunding Series 2002	6,835,000	-	(1,060,000)	5,775,000	2,365,000	-
Refunding Series 2003A	5,845,000	-	(1,200,000)	4,645,000	1,185,000	-
Refunding Series 2004A	24,155,000	-	(5,605,000)	18,550,000	5,885,000	-
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	153,245,000	-	(1,985,000)	151,260,000	2,020,000	-
Refunding Series 2010A	181,885,000	-	-	181,885,000	-	-
Total Bonds Payable - Principal	690,199,024	-	(10,109,024)	680,090,000	11,455,000	-
Unamortized Premium, Series 1993	30,314	-	(30,314)	-	-	-
Unamortized Premium, Series 2002	134,513	-	(62,351)	72,162	-	-
Unamortized Discount, Series 2003A	(9,991)	-	1,020	(8,971)	-	-
Unamortized Premium, Series 2004A	659,739	-	(287,063)	372,676	-	-
Unamortized Premium, Series 2006A	5,393,402	-	(210,696)	5,182,706	-	-
Unamortized Premium, Series 2007	4,680,677	-	(184,220)	4,496,457	-	-
Unamortized Premium, Series 2008A	15,004,832	-	(1,541,761)	13,463,071	-	-
Unamortized Discount, Series 2008C	(744,793)	-	31,530	(713,263)	-	-
Unamortized Premium, Series 2010A	19,436,206	-	(643,223)	18,792,983	-	-
Accretion of Discount - Capital						
Appreciation Bonds: Series 1993	1,061,020	74,945	(1,135,965)	-	-	-
Bond Refunding Loss, Series 2002	(30,021)	-	10,033	(19,988)	-	-
Bond Refunding Loss, Series 2003A	(152,980)	-	33,377	(119,603)	-	-
Bond Refunding Loss, Series 2008A	(3,092,177)	-	322,662	(2,769,515)	-	-
Bond Refunding Loss, Series 2008C	(8,785,440)	-	646,781	(8,138,659)	-	-
Total Bonds Payable	723,784,325	74,945	(13,159,214)	710,700,056	11,455,000	-
Compensatory Time Payable	503,620	226,444	(312,244)	417,820	229,801	-
OPEB Obligation	6,120,561	1,036,103	-	7,156,664	-	-
Pollution Remediation Obligation	523,356	358,461	-	881,817	13,361	-
<b>TOTAL</b>	<b>\$ 730,931,862</b>	<b>\$ 1,695,953</b>	<b>\$ (13,471,458)</b>	<b>\$ 719,156,357</b>	<b>\$ 11,698,162</b>	<b>-</b>

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.

**HARRIS COUNTY FLOOD CONTROL DISTRICT  
A COMPONENT UNIT OF HARRIS COUNTY, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
February 29, 2012**

**A. OUTSTANDING BONDED DEBT**

	Original Issue Amount	Interest Rates (%)	Date Series		Balance February 29, 2012
			Issued	Matures	
Refunding Series 2002	\$ 44,495,000	3.00-5.50	2002	2014	\$ 5,775,000
Refunding Series 2003A	36,945,000	3.00-6.00	2003	2015	4,645,000
Refunding Series 2004A	139,865,000	3.00-5.25	2004	2014	18,550,000
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	2024	151,260,000
Refunding Series 2010A	181,885,000	5.00	2011	2039	181,885,000
<b>TOTAL</b>	<b>\$ 882,170,000</b>				<b>\$ 680,090,000</b>

**B. DEBT SERVICE REQUIREMENTS**

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

<u>Fiscal year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 11,455,000	\$ 34,030,288	\$ 45,485,288
2014	11,805,000	33,492,913	45,297,913
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
2018-2022	159,620,000	145,747,281	305,367,281
2023-2027	176,460,000	97,045,706	273,505,706
2028-2032	181,150,000	54,726,000	235,876,000
2033-2037	63,655,000	21,447,500	85,102,500
2038-2042	46,355,000	4,710,750	51,065,750
	<b>\$ 680,090,000</b>	<b>\$ 488,513,538</b>	<b>\$ 1,168,603,538</b>

**C. UNISSUED AUTHORIZED BONDS**

As of February 29, 2012, the District has issued all voter authorized property tax bonds.

**D. REFUNDING/ISSUANCE OF DEBT**

The District did not issue any debt in the current fiscal year.

**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 29, 2012, there is no outstanding Series F commercial paper, nor was there any Series F commercial paper activity during the year then ended.

**F. SUBSEQUENT BOND ISSUANCES**

The 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

**HARRIS COUNTY FLOOD CONTROL DISTRICT  
A COMPONENT UNIT OF HARRIS COUNTY, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
February 29, 2012**

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 2012. As of February 29, 2012 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 and disability 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 624 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 County 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 County adopted an annually determined contribution rate plan, for which the employer contribution rate is actuarially determined as a part of the annual actuarial valuation. The rate, applicable for a calendar year, consists of the normal cost contribution rate plus the rate required to amortize the unfunded actuarial liability over the remainder of the plan's 25-year amortization period which began January 1, 1995 using the entry age actuarial cost method. Monthly contributions by the County are based on the covered payroll and the employer contribution rate in effect. The contribution rate for calendar year 2012 is 10.67%. The contribution rates for calendar years 2011 and 2010 were 9.82% and 11.31% 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.

Funding Policy

The County has elected the annually determined contribution rate ("ADCR") plan provisions of the TCDRS Act. The plan is funded by monthly contributions from both employee members and the County based on the covered payroll of employee members. Under the TCDRS Act, the contribution rate of the County is actuarially determined annually. The County contributed using actuarially determined rate of 9.82% for the months of the calendar year in 2011, and 10.67% for the months of the calendar year in 2012.

**HARRIS COUNTY FLOOD CONTROL DISTRICT  
A COMPONENT UNIT OF HARRIS COUNTY, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
February 29, 2012**

The contribution rate payable by the employee members for 2011 and 2012 is the rate of 6% 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 ended February 29, 2012, the annual pension cost for the TCDRS plan for its employees, including the District, was \$75,064,075 and the actual contributions for the District were \$1,800,466. (This excludes actuarial contributions of \$3,221,360 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 2011 and 2012. The December 31, 2011 actuarial valuation is the most recent valuation.

The assumptions summarized below include the following: (1) the assets for the County’s pension plan are held by TCDRS in two funds – the Employee Savings Fund (ESF) and the Subdivision Accumulation Fund (SAF). Based on expected investment returns of 7% for ESF and 9% for SAF, the assumed long-term rate of return on combined pension plan assets is 8%; (2) under the amortization method described below, it was assumed that payroll would grow at 4% per year.

<b>Actuarial Valuation Method</b>			
Actuarial Valuation Date	12/31/09	12/31/10	12/31/11
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)	5.4 %	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.			

<b>Harris County Trend Information</b>				
Accounting Year Ending	Total Annual Pension Cost	Flood Control Portion	Percentage of APC Contributed	Net Pension Obligation
2/29/12	\$ 75,064,075	\$1,800,466	100%	\$ -
2/28/11	\$ 89,543,487	\$2,137,293	100%	-
2/28/10	\$ 84,946,672	\$1,925,655	100%	-

**HARRIS COUNTY FLOOD CONTROL DISTRICT  
A COMPONENT UNIT OF HARRIS COUNTY, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
February 29, 2012**

<b>Schedule of Funding (including Community Supervision)</b>	
Actuarial Valuation Date	12/31/11
Actuarial Value of Assets	\$2,809,759,604
Actuarial Accrued Liability (AAL)	\$3,256,666,141
Unfunded Actuarial Accrued Liability (UAAL)	\$ 446,906,537
Funded Ratio	86.28%
Annual Covered Payroll (Actuarial)	\$ 794,141,978
UAAL as Percentage of Covered Payroll	56.28%

**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, 2011, the date of the latest actuarial valuation, consists of the following:

Retirees and beneficiaries receiving benefits	3,852
Active plan members	14,250
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:

**HARRIS COUNTY FLOOD CONTROL DISTRICT  
A COMPONENT UNIT OF HARRIS COUNTY, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
February 29, 2012**

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.

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.

Effective March 1, 2012:

Harris County pays no more for retiree healthcare than the premium it pays for active employees for each rate tier structure (retiree only, retiree + spouse, retiree + child, retiree + 2 or more dependents). As a result all non-Medicare retirees pay an additional amount for their coverage regardless of their retirement date.

The Plan rates are set annually by Commissioner's Court based on the combination of premiums and 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 29, 2012, plan members or beneficiaries receiving benefits contributed \$5.94 million, or approximately 13.3 percent of total benefits paid during the year. Participating employers contributed \$38.81 million. The total contributions for the year ended February 29, 2012 was \$44.75 million. Total contributions included actual medical claims paid, premiums for other insurance and administrative costs calculated through an annual rate calculation.

**HARRIS COUNTY FLOOD CONTROL DISTRICT  
A COMPONENT UNIT OF HARRIS COUNTY, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
February 29, 2012**

**THE EMPLOYER:**

Annual OPEB Cost

For 2012, the County's annual OPEB cost (expense) was \$92,618,903 (including Flood Control of \$3,096,178) for the post employment healthcare plan. The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the fiscal year ended February 29, 2012 were as follows:

Annual Required Contribution	\$ 96,605,903
Add interest on Net OPEB Obligation	12,055,321
Less adjustment to Annual Required Contribution	<u>(16,042,321)</u>
Annual OPEB Cost	92,618,903
Less Contributions made	<u>(38,812,133)</u>
Change in Net OPEB Obligation	53,806,770
Net OPEB Obligation, beginning of the year	253,796,224
Net OPEB Obligation, end of the year	<u>\$ 307,602,994</u>

*Trend Information:*

Fiscal Year Ended	Annual OPEB Cost	Employer Contribution	Percentage of Annual	
			OPEB Cost Contributed	Net Ending OPEB Obligation
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
2/29/2012	92,618,903	38,812,133	42%	307,602,994

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 net OPEB obligation for Emergency 911 and Community Supervision is \$468,194 and \$0 respectively for fiscal year 2011 and the net OPEB obligation for Emergency 911 and Community Supervision is \$595,798 and \$0 respectively at February 29, 2012. Flood Control's portion of the net OPEB obligation above is \$6,120,561 for fiscal year 2011 and \$7,156,664 at February 29, 2012.

*Funded Status and Funding Progress.* The funded status of the plan as of March 1, 2011 (most recent actuarial valuation) was as follows:

	<u>All Participants</u>	<u>Flood Control Portion</u>
Unfunded actuarial accrued liability (UAAL)	\$ 976,631,331	\$ 38,189,532
Funded ratio (actuarial value of plan assets/AAL)	0%	0%
Covered Payroll (active plan members)	\$ 751,741,400	\$ 17,693,707
UAAL as a percentage of covered payroll	130%	216%

The "All Participants" column in the above table includes UAAL of \$1,355,567 for Emergency 911 and UAAL of \$14,780,305 for Community Supervision.

**HARRIS COUNTY FLOOD CONTROL DISTRICT**  
**A COMPONENT UNIT OF HARRIS COUNTY, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**February 29, 2012**

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 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, 2011, actuarial valuation, a 4.75% discount rate was used. The medical trend rates of 7% for 2012, and 6% for 2013 graded down to an ultimate rate of 5% by 2014 were used 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 Credit 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

**HARRIS COUNTY FLOOD CONTROL DISTRICT**  
**A COMPONENT UNIT OF HARRIS COUNTY, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**February 29, 2012**

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 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 per the requirements at the time. Currently, the District has no regulatory requirement to remediate this site. The costs for this landfill are included in the pollution remediation obligations.

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 \$881,817. 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 current provision for such costs is adequate. There are no estimated recoveries reducing the liability as of February 29, 2012. 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 \$67,186,943.

ENCUMBRANCES

The District uses "encumbrances" to control expenditure commitments for the year. Encumbrances represent commitments related to executor contracts not yet performed and purchase orders not yet filled. Commitments for such expenditure of monies are encumbered to reserve portion of applicable appropriations. Depending on the source(s) of funding, encumbrances are reported as part of restricted, committed or assigned fund balance on the governmental funds balance sheet. As of February 29, 2012, the

**HARRIS COUNTY FLOOD CONTROL DISTRICT  
A COMPONENT UNIT OF HARRIS COUNTY, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
February 29, 2012**

encumbrance balances for the governmental funds are reported as follows:

	Restricted	Assigned	Total
General Fund	\$ -	\$ 26,648,402	\$ 26,648,402
Capital Projects	67,186,943	-	67,186,943
	<u>\$ 67,186,943</u>	<u>\$ 26,648,402</u>	<u>\$ 93,835,345</u>

**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 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 29, 2012 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 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.

**HARRIS COUNTY FLOOD CONTROL DISTRICT**  
**A COMPONENT UNIT OF HARRIS COUNTY, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**February 29, 2012**

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.

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.

GASB Statement 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* (“GASB 63”), amends the net asset reporting requirements in Statement No. 34 and other pronouncements by incorporating deferred outflows of the resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position rather than net assets. GASB 63 will be implemented by the District in fiscal year 2013 and the impact has not yet been determined.

GASB Statement 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions – an amendment of GASB Statement No. 53* (“GASB 64”), clarifies whether an effective hedging relationship continues after the replacement of a swap counterparty or a swap counterparty’s credit support provider and establishes when the effective hedging relationship continues and therefore should continue to be applied. GASB 64 will be implemented by the District in fiscal year 2013 and the impact has not yet been determined.

GASB Statement 65, *Items Previously Reported as Assets and Liabilities* (“GASB 65”), establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources and deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. GASB 65 will be implemented by the District in fiscal year 2014 and the impact has not yet been determined.

GASB Statement 66, *Technical Corrections-2012-an amendment of GASB Statements No. 10 and No. 62* (“GASB 66”), seeks to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuances of two pronouncements, Statements No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, and No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 GASB and AICPA Pronouncements*. GASB 66 will be implemented by the District in fiscal year 2014 and the impact has not yet been determined.

GASB Statement 67, *Financial Reporting for Pension Plans* (“GASB 67”), replaces the requirements of Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans* and Statement No. 50, *Pension Disclosures*, as they relate to pension plans that are

**HARRIS COUNTY FLOOD CONTROL DISTRICT**  
**A COMPONENT UNIT OF HARRIS COUNTY, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**February 29, 2012**

administered through trusts or similar arrangements meeting certain criteria. GASB 67 enhances note disclosures and RSI for both defined benefit and defined contribution plans. GASB 67 will be implemented by the District in fiscal year 2015 and the impact has not yet been determined.

GASB Statement 68, *Accounting and Financial Reporting for Pensions* (“GASB 68”), replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers* and Statement No. 50, *Pension Disclosures*, as they relate to governments that provide pensions through pension plans administered as trusts or similar arrangements that meet certain criteria. GASB 68 will be implemented by the District in fiscal year 2016 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 29, 2012**

	<b>OPERATIONS AND MAINTENANCE (GENERAL) FUND</b>			<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	
<b>REVENUES AND OTHER FINANCING SOURCES</b>				
Beginning Cash and Investments:				
Flood Control General	\$ 106,141,218	\$ 106,141,218	\$ 104,929,837	\$ (1,211,381)
FC Series F Commercial Paper	98,582	98,582	98,581	(1)
Total Beginning Cash and Investments	<u>106,239,800</u>	<u>106,239,800</u>	<u>105,028,418</u>	<u>(1,211,382)</u>
Interest:				
Flood Control General	796,741	796,741	679,759	(116,982)
FC Series F Commercial Paper	-	-	6	6
Total Interest	<u>796,741</u>	<u>796,741</u>	<u>679,765</u>	<u>(116,976)</u>
Taxes:				
Flood Control General	68,327,636	68,327,636	72,372,025	4,044,389
Intergovernmental:				
Flood Control General	-	126,600	126,600	-
Miscellaneous:				
Flood Control General	77,525	77,525	490,140	412,615
Other - Lease Revenue:				
Flood Control General	174,000	174,000	281,015	107,015
Other Transfers In:				
Flood Control General	-	-	9,274	9,274
Total Other Transfers In	<u>-</u>	<u>-</u>	<u>9,274</u>	<u>9,274</u>
Total Revenue and Other Financing Sources	<u>175,615,702</u>	<u>175,742,302</u>	<u>178,987,237</u>	<u>3,244,935</u>
<b>EXPENDITURES AND OTHER FINANCING USES</b>				
Flood Control General	175,517,120	175,643,720	66,784,000	108,859,720
FC Series F Commercial Paper	98,582	98,582	-	98,582
Total Expenditures and Other Financing Uses	<u>175,615,702</u>	<u>175,742,302</u>	<u>66,784,000</u>	<u>108,958,302</u>
Net changes in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 112,203,237</u>	<u>\$ 112,203,237</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 29, 2012**

**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:

	<b>General Fund</b>
<b>REVENUES AND OTHER FINANCING SOURCES</b>	
Cash (budgetary) basis	\$ 178,987,237
Beginning Cash and Investments	(105,028,418)
Accrued in 2011, received in 2012	(2,659,381)
Accrued in 2012, to be received in 2013	2,860,777
Revenues and other financing sources on modified accrual (GAAP) basis	74,160,215
<b>EXPENDITURES AND OTHER FINANCING USES</b>	
Cash (budgetary) basis	66,784,000
Incurred during 2011, paid in 2012	(4,323,224)
Incurred during 2012, payable in 2013	2,801,765
Expenditures and other financing uses on modified accrual (GAAP) basis	65,262,541
Net changes in Fund Balance	\$ 8,897,674

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 29, 2012**

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)
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%
2012	3/1/2011	-	976,631,331	976,631,331	0%	751,741,400	129.9%

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 \$1,355,567 and \$14,780,305 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)
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%
2012	3/1/2011	-	38,189,532	38,189,532	0%	17,693,707	215.8%

**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 29, 2012**

Actuarial Valuation Date	12/31/09	12/31/10	12/31/11
Actuarial Value of Assets	\$2,619,204,575	\$2,739,687,861	\$2,809,759,604
Actuarial Accrued Liability (AAL)	\$2,978,320,920	\$3,123,164,193	\$3,256,666,141
Unfunded Actuarial Accrued Liability (UAAL)	\$ 359,116,345	\$ 383,476,332	\$ 446,906,537
Funded Ratio	87.94%	87.72%	86.28%
Annual Covered Payroll (Actuarial)	\$ 882,729,740	\$ 849,143,883	\$ 794,141,978
UAAL as Percentage of Covered Payroll	40.68%	45.16%	56.28%

**OTHER SUPPLEMENTARY INFORMATION  
and  
INDIVIDUAL FUND STATEMENTS**

**HARRIS COUNTY FLOOD CONTROL DISTRICT  
A COMPONENT UNIT OF HARRIS COUNTY, TEXAS  
COMBINING STATEMENT OF FIDUCIARY NET ASSETS**

**AGENCY FUNDS**

**February 29, 2012**

	<b>Corps. of Engineers Escrow</b>	<b>Payroll Fund</b>	<b>Total Agency</b>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 25,733	\$ 991,471	\$ 1,017,204
Investments	-	35,090	35,090
Accrued interest receivable	-	42	42
Total assets	<u>\$ 25,733</u>	<u>\$ 1,026,603</u>	<u>\$ 1,052,336</u>
<b>LIABILITIES</b>			
Vouchers payable	\$ -	\$ 621	\$ 621
Held for others	25,733	1,025,982	1,051,715
Total liabilities	<u>\$ 25,733</u>	<u>\$ 1,026,603</u>	<u>\$ 1,052,336</u>

**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 29, 2012**

	<u>Balance</u> <u>March 1, 2011</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>February 29, 2012</u>
<b>Corps. of Engineers Escrow</b>				
<b>ASSETS</b>				
Cash and cash equivalents	\$ 625,738	\$ 9,049	\$ 609,054	\$ 25,733
Total Assets	<u>\$ 625,738</u>	<u>\$ 9,049</u>	<u>\$ 609,054</u>	<u>\$ 25,733</u>
<b>LIABILITIES</b>				
Held for others	\$ 625,738	\$ 9,049	\$ 609,054	\$ 25,733
Total Liabilities	<u>\$ 625,738</u>	<u>\$ 9,049</u>	<u>\$ 609,054</u>	<u>\$ 25,733</u>
<b>Payroll Fund</b>				
<b>ASSETS</b>				
Cash and cash equivalents	\$ 1,853	\$ 52,086,435	\$ 51,096,817	\$ 991,471
Investments	37,035	35,090	37,035	35,090
Accrued interest	69	42	69	42
Total Assets	<u>\$ 38,957</u>	<u>\$ 52,121,567</u>	<u>\$ 51,133,921</u>	<u>\$ 1,026,603</u>
<b>LIABILITIES</b>				
Vouchers payable	\$ -	\$ 28,979	\$ 28,358	\$ 621
Held for others	38,957	39,878,844	38,891,819	1,025,982
Total Liabilities	<u>\$ 38,957</u>	<u>\$ 39,907,823</u>	<u>\$ 38,920,177</u>	<u>\$ 1,026,603</u>
<b>Total Agency Funds</b>				
<b>ASSETS</b>				
Cash and cash equivalents	\$ 627,591	\$ 52,095,484	\$ 51,705,871	\$ 1,017,204
Investments	37,035	35,090	37,035	35,090
Accrued interest	69	42	69	42
Total Assets	<u>\$ 664,695</u>	<u>\$ 52,130,616</u>	<u>\$ 51,742,975</u>	<u>\$ 1,052,336</u>
<b>LIABILITIES</b>				
Vouchers payable	\$ -	\$ 28,979	\$ 28,358	\$ 621
Held for others	664,695	39,887,893	39,500,873	1,051,715
Total Liabilities	<u>\$ 664,695</u>	<u>\$ 39,916,872</u>	<u>\$ 39,529,231</u>	<u>\$ 1,052,336</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 29, 2012**

	<b>DEBT SERVICE FUND</b>			<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	
<b>REVENUES AND OTHER FINANCING SOURCES</b>				
Beginning Cash and Investments	\$ 8,663,480	\$ 8,663,480	\$ 8,461,169	\$ (202,311)
Revenues and Transfers In:				
Taxes	8,899,593	8,899,593	2,526,749	(6,372,844)
Interest	60,783	60,783	16,128	(44,655)
Miscellaneous	4,239	4,239	22,759	18,520
Other	37,269,014	37,269,014	43,585,452	6,316,438
Total Revenues and Transfers In	<u>46,233,629</u>	<u>46,233,629</u>	<u>46,151,088</u>	<u>(82,541)</u>
Total Available Resources	<u>54,897,109</u>	<u>54,897,109</u>	<u>54,612,257</u>	<u>(284,852)</u>
<b>EXPENDITURES AND OTHER FINANCING USES</b>				
Flood Control Contract Refunding 2006A	4,710,517	4,710,517	4,709,250	1,267
Flood Control Refunding Series 1993A	1,496,809	1,496,809	1,466,626	30,183
Flood Control Refunding Series 2002	4,164,465	4,164,465	1,435,925	2,728,540
Flood Control Refunding Series 2003	2,908,477	2,908,477	1,439,544	1,468,933
Flood Control Contract Refunding 2004A-D	6,931,487	6,931,487	6,812,750	118,737
Flood Control Improvement Bonds 2007	8,922,089	8,922,089	4,384,000	4,538,089
Flood Control Contract Refunding 2010A	9,300,622	9,300,622	9,296,344	4,278
Flood Control Contract Refunding 2008A	6,999,055	6,999,055	6,993,600	5,455
Flood Control Contract Refunding 2008C	9,463,588	9,463,588	9,457,069	6,519
Total Expenditures and Other Financing Uses	<u>54,897,109</u>	<u>54,897,109</u>	<u>45,995,108</u>	<u>8,902,001</u>
Net changes in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,617,149</u>	<u>\$ 8,617,149</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 29, 2012**

	<b>CAPITAL PROJECTS FUND</b>			<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	
<b>REVENUES AND OTHER FINANCING SOURCES</b>				
Beginning Cash and Investments	\$ 123,310,049	\$ 123,561,461	\$ 190,153,022	\$ 66,591,561
Revenues and Transfers In:				
Interest	-	1,211,236	1,211,236	-
Miscellaneous	-	896,415	1,177,371	280,956
Intergovernmental	-	17,037,686	24,804,314	7,766,628
Other Proceeds from Commerical Paper	267,528,400	266,768,953	-	(266,768,953)
Other Transfers In	-	-	549,460	549,460
Total Revenues and Transfers In	<u>267,528,400</u>	<u>285,914,290</u>	<u>27,742,381</u>	<u>(258,171,909)</u>
Total Available Resources	<u>390,838,449</u>	<u>409,475,751</u>	<u>217,895,403</u>	<u>(191,580,348)</u>
<b>EXPENDITURES AND OTHER FINANCING USES</b>				
Regional Flood Control Projects	15,010,808	15,139,366	1,310,891	13,828,475
Flood Control Capital Projects	60,296,169	79,003,106	4,716,485	74,286,621
FC Bonds 2004A-Construction	11,539,436	11,661,762	2,079,241	9,582,521
FC Improvement Bonds 2007	36,463,636	36,877,637	8,501,406	28,376,231
Commercial Paper - Flood Control	267,528,400	266,793,880	21,044,583	245,749,297
Total Expenditures and Other Financing Uses	<u>390,838,449</u>	<u>409,475,751</u>	<u>37,652,606</u>	<u>371,823,145</u>
Net changes in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 180,242,797</u>	<u>\$ 180,242,797</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.

**Table 1**

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

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
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	\$ 1,616,240
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	8,592
Unrestricted	119,049	91,988	70,874	67,189	68,738	74,876	83,768	88,261	87,114	100,203
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>	<u>\$ 1,725,035</u>

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

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
<b>EXPENSES</b>										
Governmental activities:										
Flood Control	\$ 23,166	\$ 85,733	\$ 60,911	\$ 84,205	\$ 84,383	\$ 94,515	\$ 98,955	\$ 108,331	\$ 99,780	\$ 92,832
Tax Administration	580	558	574	441	490	548	664	699	650	647
Interest and Fiscal Charges	23,586	11,614	15,404	19,435	20,802	28,784	25,555	26,312	28,892	32,919
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>	<u>\$ 126,398</u>
<b>PROGRAM REVENUES</b>										
Governmental activities:										
Charges for services:										
Flood Control	\$ 3,862	\$ 2,899	\$ 2,545	\$ 1,008	\$ 849	\$ 410	\$ 551	\$ 314	\$ 751	\$ 451
Operating grants and contributions	8,235	8,837	5,803	22,734	19,913	22,645	24,251	25,751	31,033	37,064
Capital grants and contributions	377	-	422	47,310	43,581	30,399	39,983	29,528	66,334	62,201
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>	<u>\$ 99,716</u>
<b>NET (EXPENSE)/REVENUE</b>										
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>	<u>\$ (26,682)</u>
<b>GENERAL REVENUES AND OTHER CHANGES IN NET ASSETS</b>										
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	\$ 74,317
Property taxes levied for debt services	20,665	21,740	16,370	11,900	11,704	9,248	9,088	4,850	4,987	2,404
Earnings on investments	2,861	1,773	1,789	6,207	8,952	13,679	6,475	3,767	1,493	2,653
Miscellaneous	920	1,114	2,005	904	341	1,504	3,199	1,395	2,505	1,414
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>	<u>80,788</u>
<b>CHANGE IN NET ASSETS</b>										
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>	<u>\$ 54,106</u>

**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>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>	<u>2012</u>
General Fund:										
Reserved	\$ 19,499	\$ 30,701	\$ 18,956	\$ 25,145	\$ 25,709	\$ 25,799	\$ 25,708	\$ 27,443	\$ 25,718	\$ -
Unreserved	35,615	58,275	56,114	52,150	49,784	55,702	67,646	68,467	78,344	-
Nonspendable	-	-	-	-	-	-	-	-	-	322
Restricted	-	-	-	-	-	-	-	-	-	99
Assigned	-	-	-	-	-	-	-	-	-	26,649
Unassigned	-	-	-	-	-	-	-	-	-	85,890
Total general fund	<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>	<u>\$ 112,960</u>
All Other Governmental Funds:										
Reserved	\$ 68,099	\$ 66,793	\$ 71,148	\$ 75,464	\$ 61,185	\$ 74,031	\$ 55,570	\$ 42,910	\$ 43,750	\$ -
Unreserved, reported in:										
Capital project funds	17,349	(20,266)	66,288	57,419	136,630	103,961	104,562	86,219	141,210	-
Nonspendable	-	-	-	-	-	-	-	-	-	816
Restricted	-	-	-	-	-	-	-	-	-	181,723
Total all other governmental funds	<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>	<u>\$ 182,539</u>

**Note:** GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, replaced the categories that previously had been used to classify fund balance. The County implemented GASB No. 54 for fiscal year 2012.

**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>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>	<u>2012</u>
<b>REVENUES</b>										
Taxes	\$ 73,187	\$ 76,463	\$ 65,015	\$ 67,690	\$ 71,775	\$ 77,069	\$ 82,908	\$ 80,486	\$ 76,642	\$ 74,764
Charges for Services	-	130	-	-	-	-	-	-	-	-
Lease revenue	-	-	-	136	189	192	171	178	200	281
Intergovernmental	8,736	6,006	5,802	25,167	22,195	18,233	55,714	45,786	60,631	85,746
Earnings on investments	2,861	1,773	1,789	6,187	8,952	13,679	6,475	3,767	1,493	2,653
Miscellaneous	4,254	3,887	4,935	1,796	1,001	1,722	3,590	1,488	2,227	1,548
Total revenues	<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>	<u>164,992</u>
<b>EXPENDITURES</b>										
Flood Control	13,178	49,534	48,449	58,761	66,721	71,590	71,046	74,465	75,145	66,495
Tax Administration	580	558	574	441	490	548	664	699	650	647
Capital Outlay	111,132	122,599	81,841	67,990	92,162	57,209	77,386	69,533	52,720	45,592
Debt Service:										
Bond issuance fees	-	-	1,012	-	1,583	-	3,164	-	1,594	-
Interest and fiscal charges	18,636	6,034	11,123	20,486	20,848	34,465	25,847	30,190	28,900	35,815
Principal	15,979	19,975	18,200	18,975	17,070	8,755	12,554	11,573	10,269	10,109
	<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>	<u>158,658</u>
Excess of revenues over (under) expenditures	(70,467)	(110,441)	(83,658)	(65,677)	(94,762)	(61,672)	(41,803)	(54,755)	(28,085)	6,334
<b>OTHER FINANCING SOURCES (USES)</b>										
Transfer in (out) from/to Harris County	400	(17,158)	(3,286)	10,925	16,408	18,384	-	-	-	-
Transfer in	144	228,738	417	208	105,517	9,003	9,181	9,912	205,835	11,278
Transfer out	(144)	(228,738)	(417)	(208)	(105,517)	(9,003)	(9,181)	(9,912)	(205,835)	(11,278)
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	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 ager	(46,087)	(38,544)	-	-	-	-	(466,930)	-	-	-
Sale of capital assets	1,454	2,600	347	579	246	1,613	63	308	895	142
Total other financing sources (uses)	<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>	<u>142</u>
Net change in fund balances	<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>	<u>\$ 6,476</u>
Debt service as a percentage of noncapital expenditures	71.6%	34.2%	37.0%	40.0%	35.5%	37.5%	33.9%	35.7%	33.6%	40.6%

**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)**

<b>Fiscal Year</b>	<b>Real Property</b>	<b>Personal Property</b>	<b>Less Exemptions (a)</b>	<b>Total Taxable Assessed Value</b>	<b>Total Direct Tax Rate</b>
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
2012	321,629,707	43,346,546	96,453,218	268,523,035	0.02809

(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)**

<b>Purpose</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>
<b>Flood Control District -</b>										
Maintenance	\$ 0.02853	\$ 0.02981	\$ 0.02553	\$ 0.02733	\$ 0.02733	\$ 0.02754	\$ 0.02754	\$ 0.02754	\$ 0.02727	\$ 0.02727
Debt Service	0.01321	0.01193	0.00765	0.00589	0.00508	0.00352	0.00332	0.00168	0.00196	0.00082
<b>Total - Flood Control</b>	<b>\$ 0.04174</b>	<b>\$ 0.04174</b>	<b>\$ 0.03318</b>	<b>\$ 0.03322</b>	<b>\$ 0.03241</b>	<b>\$ 0.03106</b>	<b>\$ 0.03086</b>	<b>\$ 0.02922</b>	<b>\$ 0.02923</b>	<b>\$ 0.02809</b>

**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)**

<b>Purpose</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>
<b>County-Wide Taxing Jurisdiction:</b>										
Harris County	\$ 0.3881	\$ 0.3880	\$ 0.3999	\$ 0.3999	\$ 0.4024	\$ 0.3924	\$ 0.3892	\$ 0.3922	\$ 0.3881	\$ 0.3912
Harris County Flood Control District	0.0417	0.0417	0.0332	0.0332	0.0324	0.0311	0.0309	0.0292	0.0292	0.0281
Port of Houston Authority	0.0199	0.0200	0.0167	0.0147	0.0130	0.0144	0.0177	0.0164	0.0205	0.0185
Harris County Hospital District	0.1902	0.1902	0.1902	0.1922	0.1922	0.1922	0.1922	0.1922	0.1922	0.1922
<b>Total</b>	<b>\$ 0.6399</b>	<b>\$ 0.6399</b>	<b>\$ 0.6400</b>	<b>\$ 0.6400</b>	<b>\$ 0.6400</b>	<b>\$ 0.6301</b>	<b>\$ 0.6300</b>	<b>\$ 0.6300</b>	<b>\$ 0.6300</b>	<b>\$ 0.6300</b>
<b>Cities:</b>										
Baytown	0.7370	0.7370	0.7370	0.7370	0.7370	0.7370	0.7870	0.7870	0.7870	0.8220
Bellaire	0.4900	0.4800	0.4800	0.4700	0.4400	0.4400	0.3775	0.3759	0.3999	0.3999
Deer Park	0.6990	0.7000	0.7200	0.7200	0.7200	0.7200	0.7050	0.7050	0.7050	0.7050
Houston	0.6550	0.6550	0.6550	0.6500	0.6475	0.6450	0.6438	0.6388	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	0.6625	0.6400	0.6400	0.6275	0.6088	0.6088	0.6300	0.6300	0.6160	0.6160
Missouri City	0.5033	0.5100	0.5017	0.4980	0.4945	0.4993	0.5172	0.5284	0.5284	0.5284
Pasadena	0.5670	0.5670	0.5670	0.5670	0.5670	0.5670	0.5620	0.5620	0.5916	0.5916
Pearland	0.6860	0.6960	0.6950	0.6744	0.6527	0.6526	0.6526	0.6526	0.6651	0.6851
Seabrook	0.6006	0.6082	0.6196	0.6307	0.6210	0.6203	0.5884	0.5884	0.6268	0.6500
South Houston	0.0000	0.7000	0.7000	0.6863	0.6588	0.6770	0.6784	0.6732	0.6732	0.6732
Webster	0.2400	0.2510	0.2680	0.2575	0.2575	0.2489	0.2060	0.2325	0.2575	0.2853
West University Place	0.4300	0.4467	0.4467	0.4300	0.4020	0.3660	0.3590	0.3588	0.3741	0.3741
<b>School Districts and Junior Colleges:</b>										
Aldine	1.6180	1.6680	1.6890	1.7090	1.6040	1.2770	1.2920	1.3005	1.4305	1.3284
Alief	1.6750	1.6750	1.6750	1.7200	1.5900	1.5900	1.3400	1.3400	1.3400	1.3400
Clear Creek	1.7400	1.7300	1.7450	1.7750	1.6300	1.3200	1.3600	1.3600	1.2937	1.3600
Cypress-Fairbanks	1.7900	1.7900	1.7900	1.8000	1.8000	1.6450	1.3240	1.3500	1.4100	1.4300
Deer Park	1.8035	1.8071	1.8055	1.8055	1.6623	1.3177	1.3367	1.3667	1.3967	1.3967
Galena Park	1.7135	1.7650	1.7950	1.8150	1.7100	1.4309	1.4550	1.4784	1.5134	1.5134
Goose Creek	1.6942	1.6837	1.6837	1.7275	1.5956	1.3020	1.2821	1.2821	1.3021	1.3321
Houston	1.5800	1.5800	1.5800	1.7275	1.6200	1.1570	1.1567	1.1567	1.1567	1.1567
Humble	1.7400	1.7400	1.7400	1.7700	1.7700	1.3100	1.5200	1.5200	1.5200	1.5200
Katy	1.9400	1.9700	2.0000	2.0000	1.8150	1.5266	1.5266	1.5266	1.5266	1.5266
Klein	1.7200	1.7200	1.7000	1.7000	1.5800	1.2600	1.3100	1.3600	1.4100	1.4300
LaPorte	1.6800	1.6800	1.7335	1.7335	1.6350	1.3200	1.3250	1.3250	1.3250	1.3550
North Forest	1.7444	1.7444	1.7444	1.7125	1.7125	1.2367	1.3143	1.3500	1.3500	1.4693
Lone Star College System*	0.1055	0.1145	0.1145	0.1207	0.1167	0.1144	0.1101	0.1101	0.1176	0.1210
Pasadena	1.6875	1.7750	1.7750	1.8050	1.6900	1.3500	1.3500	1.3500	1.3500	1.3500
Pearland	1.8370	1.8092	1.7922	1.7922	1.6622	1.4272	1.4194	1.4194	1.4194	1.4194
San Jacinto Junior College	0.1307	0.1307	0.1391	0.1391	0.1454	0.1454	0.1634	0.1708	0.1708	0.1763
Sheldon	1.6330	1.7030	1.7460	1.7500	1.6340	1.4300	1.4300	1.4300	1.4300	1.4300
Spring	1.7000	1.7600	1.8700	1.9500	1.7100	1.4400	1.4400	1.4600	1.4600	1.4600
Spring Branch	1.7900	1.8100	1.8100	1.8100	1.8100	1.2850	1.3825	1.3945	1.3945	1.3945
Tomball	1.6800	1.7300	1.7300	1.7100	1.5800	1.2750	1.3600	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	2012			2003		
	2011 Taxable Valuations (a)	Rank	Percentage of Total 2011 Taxable Valuation (b)	2002 Valuations (a)	Rank	Percentage of Total 2002 Taxable Valuation (c)
Exxon Mobil Corporation	\$ 2,835,690	1	1.06%	\$ 3,046,389	1	1.73%
Centerpoint Energy, Inc.	2,393,467	2	0.89	-		0.00
Shell Oil Company	2,319,116	3	0.86	1,287,819	4	0.73
Chevron Chemical Company	1,531,505	4	0.57	-		0.00
Hines Interests Ltd Partnership	1,180,205	5	0.44	976,536	6	0.55
Hewlett Packard Company	1,118,454	6	0.42	-		0.00
Crescent Real Estate	1,076,212	7	0.40	495,025	9	0.28
National Oilwell Inc	1,053,525	8	0.39	-		0.00
Equistar Chemicals LP	984,726	9	0.37	1,103,139	5	0.63
Houston Refining	948,896	10	0.35	-		0.00
Walmart	808,079	11	0.30	-		0.00
AT&T Moblity LLC	780,563	12	0.29	-		0.00
Lyondell Chemical	728,917	13	0.27	759,179	7	0.43
Amoco Chemical Company	577,210	14	0.21	-		0.00
Continental Airlines Inc. (d)	492,228	15	0.18	-		0.00
Houston Lighting and Power Company	-		0.00	2,012,039	2	1.14
Southwestern Bell Telephone	-		0.00	1,428,158	3	0.81
Oxy Vinlys LP	-		0.00	519,389	8	0.29
Compaq Computer Corporation	-		0.00	482,200	10	0.27
Chevron Phillips Chemical Company	-		0.00	463,732	11	0.26
Anhueser Busch Incorporated	-		0.00	436,378	12	0.25
Crescent Real Estate Equities	-		0.00	363,755	13	0.21
Trizechahn Allen Center LP	-		0.00	360,627	14	0.20
Lyondell-Citgo Refining Company	-		0.00	354,337	15	0.20
<b>Total</b>	<b>\$ 18,828,793</b>		<b>7.00%</b>	<b>\$ 14,088,702</b>		<b>7.98%</b>

**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 29, 2012.
- (c) Based on the District's total taxable value as of February 28, 2003.
- (d) Continental Airlines Inc. is now a wholly owned subsidiary of United Continental Holdings, Inc.

**Table 9**

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

<b>Fiscal Year</b>	<b>Taxes Levied for the Fiscal Year</b>		<b>Adjusted Levy as of End of Current Fiscal Year</b>		<b>Collected within the Fiscal Year of the Levy</b>		<b>Collections in Subsequent Years*</b>	<b>Total Collections to Date</b>	
	<b>Amount</b>	<b>Percentage of Levy</b>	<b>Amount</b>	<b>Percentage of Levy</b>	<b>Amount</b>	<b>Percentage of Levy</b>		<b>Amount</b>	<b>Percentage of Levy</b>
2003	\$ 73,429		\$ 73,397		\$ 71,492	97.4%	\$ 1,520	\$ 73,012	99.5%
2004	75,721		75,818		74,979	99.0	455	75,434	99.5
2005	64,263		64,151		61,911	96.3	1,900	63,811	99.5
2006	64,981		67,117		60,008	92.3	6,780	66,788	99.5
2007	70,782		71,503		62,680	88.6	8,482	71,162	99.5
2008	72,083		76,800		69,058	95.8	7,381	76,439	99.5
2009	84,057		83,747		74,344	88.4	8,863	83,207	99.4
2010	80,534		79,557		74,798	92.9	4,069	78,867	99.1
2011	77,374		76,805		72,089	93.2	3,798	75,887	98.8
2012	75,400		75,400		71,159	94.4	-	71,159	94.4

\* 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)**

<b>Fiscal Year</b>	<b>Governmental Activities</b>			<b>Percentage of Actual Taxable Value of Property (a)</b>	<b>Percentage of Personal Income (b)</b>	<b>Debt Per Capita (b)</b>
	<b>General Bonded Debt</b>	<b>Commercial Paper</b>	<b>Total Government</b>			
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%	0.39%	177
2012	710,700	-	710,700	0.26%	n/a	170

**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 29, 2012  
(Unaudited)**

	Percentage Applicable To Name of Government	Net Debt (Thousands)
<b>County-Wide Jurisdiction:</b>		
Harris County (2/29/12)	100.00%	\$ 2,259,579
Harris County Flood Control District (2/29/12)	100.00	634,518
Port of Houston Authority (12/31/11)	100.00	745,874
<b>Total County-Wide Direct Debt</b>		<u>3,639,971</u>
<b>Cities:</b>		
Baytown (9/30/11)	80.75	\$ 67,111
Bellaire (9/30/11)	100.00	71,139
Bunker Hill Village (2/2/12)	100.00	16,917
Deer Park (9/30/11)	100.00	43,886
Friendswood (9/30/11)	100.00	17,510
Galena Park (9/30/11)	100.00	7,045
Houston (6/30/11)	99.36	3,286,892
Jacinto City (9/30/11)	100.00	5,177
Jersey Village (9/30/11)	100.00	20,405
Katy (9/30/11)	69.19	11,087
La Porte (9/30/11)	100.00	11,607
League City (9/30/11)	5.52	104,310
Missouri City (6/30/11)	8.33	101,361
Pasadena (9/30/11)	100.00	102,474
Pearland (1/31/11)	6.16	283,967
Piney Point Village (02/23/12)	100.00	5,458
Seabrook (9/30/11)	100.00	15,161
South Houston (9/30/11)	100.00	5,281
Southside Place (5/8/12)	100.00	10,619
Tomball (9/30/11)	100.00	22,784
Webster (10/01/11)	100.00	14,908
West University Place (12/31/11)	100.00	5,827
Other Cities (a)	100.00	10,185
<b>Sub-Total Cities</b>		<u>4,241,111</u>
<b>School Districts and Junior Colleges:</b>		
Aldine (6/30/11)	100.00	392,930
Alief (8/31/11)	100.00	208,757
Channelview (8/31/11)	100.00	175,150
Clear Creek (3/31/11)	80.62	1,015,045
Crosby (8/31/11)	100.00	58,905
Cypress-Fairbanks (6/30/11)	100.00	1,697,441
Deer Park (8/31/11)	100.00	189,843
Galena Park (8/31/11)	100.00	227,207
Goose Creek (2/29/12)	80.04	305,888
Houston (2/29/12)	100.00	2,234,510
Humble (6/30/11)	100.00	593,694
Katy (8/21/11)	88.64	1,037,264
Klein (8/31/11)	100.00	695,027
LaPorte (2/15/12)	100.00	312,684
Lone Star College System (8/31/11)	78.67	549,047
North Forest (8/31/11)	100.00	55,446
Pasadena (8/31/11)	100.00	608,804
Pearland (8/31/11)	2.25	321,589
San Jacinto Junior College (2/29/12)	100.00	291,718
Sheldon (8/31/11)	100.00	147,014
Spring (6/30/11)	100.00	1,042,755
Spring Branch (6/30/11)	100.00	685,799
Tomball (8/31/11)	88.02	316,008
Waller (2/3/12)	31.68	140,880
Other Schools (b)	100.00	35,774
<b>Sub-Total School Districts and Junior Colleges</b>		<u>13,339,179</u>
Utility Districts (c)	100.00	4,489,112
<b>Total Overlapping Debt</b>		<u>22,069,402</u>
<b>Total Direct and Overlapping Debt (Estimated \$6,153 Per Capita) (d)</b>		<u>\$ 25,709,373</u>

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

(b) Aggregate net debt of 3 schools, each of which had a net debt of less than \$25,000,000.

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

(d) Census Bureau population estimated at 4,178,574. 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 2012**

Assessed Value of All Taxable Property	\$ 365,015,683
Assessed Value of Real Property	<u>\$ 313,475,950</u>
Debt Limit (25% of real property assessed value) (a)	78,368,988
Amount of Debt Applicable to Constitutional Debt Limit:	
Total Bonded Applicable Debt	1,287,505
Less: Debt Service Funds Cash	<u>(126,394)</u>
Total Net Debt Applicable to Limit	<u>1,161,111</u>
Legal Debt Margin, Bonds Issued Uner Article III, Section 52 of the Texas Constitution	<u><u>\$ 77,207,877</u></u>

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Debt Limit	\$ 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	\$ 78,368,988
Total Net Debt Applicable to Limit	1,026,324	1,074,243	1,178,759	1,152,955	1,390,672	1,313,108	1,278,101	1,205,427	1,143,838	1,161,111
Legal Debt Margin	<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>	<u>\$ 77,207,877</u>
Total Net Debt Applicable to the Limit as a percentage of Debt Limit	2.31%	2.27%	2.36%	2.00%	2.22%	1.87%	1.63%	1.52%	1.49%	1.48%

(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 \$18,250,784 compared to applicable bonds outstanding at February 29, 2012 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 \$0.02809 per \$100 of taxable value, which includes \$0.00082 per \$100 of taxable value for debt service, was levied by the Flood Control District in tax year 2011.

**Table 13**

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

**LAST TEN CALENDAR YEARS  
(Unaudited)**

<b>Calendar Year</b>	<b>Population</b>	<b>Unemployment Rate</b>	<b>Personal Income (amounts in thousands)</b>	<b>Per Capita Personal Income</b>
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%	183,899,347	44,936
2011	4,178,574	7.2%	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	2011			2002		
	Employees	Rank	Percentage of Total County Employment	Employees	Rank	Percentage of Total County Employment
Exxon Mobil	11,000	1	0.41%	6,800	8	0.29%
Shell Oil Company	10,750	2	0.40%	9,324	4	0.40%
National Oilwell Varco Inc.	8,000	3	0.30%			
Chevron Companies	7,000	4	0.26%			
JP Morgan Chase	6,750	5	0.25%			
Jacobs Technology	6,500	6	0.24%			
Halliburton	6,200	7	0.23%	14,078	3	0.61%
CenterPoint Energy (spun off from Reliant Energy)	4,776	8	0.18%			
KBR Inc.	4,557	9	0.17%			
ConocoPhillips	3,750	10	0.14%			
Walgreens	3,750	10	0.14%			
Continental Airlines				19,440	1	0.84%
Compaq Computer				18,044	2	0.78%
Wal-Mart Stores Inc.				8,951	5	0.39%
Reliant Energy Inc.				8,838	6	0.38%
SBC Southwestern Bell Inc.				7,822	7	0.34%
Baker Hughes				6,100	9	0.26%
BP America				6,000	10	0.26%
	73,033			105,397		

\* Based on calendar year.

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

**Note:** Total County Employment for 2011 was an estimated 2,665,000 (based on prior year employment figures) and for 2002 was 2,321,720.

**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)**

	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>
Administration of Justice	8,115	8,450	8,554	8,380 (a)	8,168	8,740	9,425	9,308	8,779	8,462
Parks	*	*	*	715	706	732	787	797	670	625
County Administration	2,627	2,720	2,787	2,726	2,871	3,024	3,339	3,161	3,032	2,901
Health and Human Services	*	*	*	1,613	1,604	1,706	1,796	1,718	1,467	1,385
Flood Control	289	331	342	312	333	325	354	374	335	308
Tax Administration	450	465	442	428	426	435	428	415	378	341
Roads and Bridges	752	817	837	782	779	807	856	914	597	561
Other *	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 29, 2012, it is estimated that approximately 2,639 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 NINE FISCAL YEARS\*  
(Unaudited)**

<b><u>Function/Program</u></b>	<b>Fiscal Years</b>								
	<b><u>2003</u></b>	<b><u>2004</u></b>	<b><u>2005</u></b>	<b><u>2006</u></b>	<b><u>2007</u></b>	<b><u>2008</u></b>	<b><u>2009</u></b>	<b><u>2010</u></b>	<b><u>2011</u></b>
<b><u>Flood Control</u></b>									
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	16,081
Buyouts	414	640	763	776	825	845	880	931	958
Channels	20,562	20,661	20,704	20,753	20,799	20,832	20,858	20,935	21,117

**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 NINE FISCAL YEARS\*  
(Unaudited)**

<b><u>Function/Program</u></b>	<b>Fiscal Years</b>								
	<b><u>2003</u></b>	<b><u>2004</u></b>	<b><u>2005</u></b>	<b><u>2006</u></b>	<b><u>2007</u></b>	<b><u>2008</u></b>	<b><u>2009</u></b>	<b><u>2010</u></b>	<b><u>2011</u></b>
<b><u>Flood Control</u></b>									
Developer Plans Approved- Watershed Mgt.**	1,095	976	1,114	1,221	1,467	1,578	1,713	1,833	1,831
Citizen Services Requests	2,462	1,980	2,393	2,681	2,948	2,573	2,476	2,479	1,738

**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 29, 2012  
(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 29, 2012  
(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 29, 2012  
(Unaudited)**

Personnel Expenditures (including benefits)	\$ 24,896,249
Professional Fees and Contractual Services	31,989,628
Utilities	587,638
Repairs and Maintenance	990,100
Capital Outlay	337,445
Other Expenditures	<u>536,481</u>
TOTAL EXPENDITURES	<u><u>\$ 59,337,541</u></u>

Number of persons employed by the District: 308 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 29, 2012**  
**(Unaudited)**

	Operations and Maintenance Taxes	Debt Service Taxes
Taxes receivable, beginning of year	\$ 9,020,233	\$ 1,877,384
2011 Original Tax Levy (adjusted thru 2/29/12)	73,198,692	2,201,061
Total to be accounted for	<u>82,218,925</u>	<u>4,078,445</u>
Tax collections:		
Current year	(66,991,369)	(2,014,417)
Prior years	(6,923,026)	(634,789)
Total collections	<u>(73,914,395)</u>	<u>(2,649,206)</u>
Taxes receivable, end of year	<u>\$ 8,304,530</u>	<u>\$ 1,429,239</u>
Taxes receivable, by years		
2001 and prior	\$ 769,370	\$ 703,203
2002	263,723	122,119
2003	274,749	109,946
2004	261,790	78,462
2005	269,579	58,097
2006	293,591	54,554
2007	361,768	46,226
2008	482,264	58,148
2009	649,602	39,631
2010	856,283	61,589
2011	3,821,811	97,264
Taxes receivable, end of year	<u>\$ 8,304,530</u>	<u>\$ 1,429,239</u>

	2011	2010	2009	2008
Property valuations: (amounts in thousands)				
Real property	\$ 321,629,707	\$ 315,200,613	\$ 325,453,516	\$ 321,147,405
Personal property	43,346,546	43,537,642	45,496,068	43,010,048
Less exemptions	(96,453,218)	(93,805,049)	(94,414,243)	(89,424,111)
Total property valuations	<u>\$ 268,523,035</u>	<u>\$ 264,933,206</u>	<u>\$ 276,535,341</u>	<u>\$ 274,733,342</u>
Tax rates per \$100 valuation:				
Operations and Maintenance tax rates (a)	\$ 0.02727	\$ 0.02727	\$ 0.02754	\$ 0.02754
Debt service tax rates	0.00082	0.00196	0.00168	0.00332
Total tax rates per \$100 valuation	<u>\$ 0.02809</u>	<u>\$ 0.02923</u>	<u>\$ 0.02922</u>	<u>\$ 0.03086</u>
Original tax levy (b)	<u>\$ 75,428</u>	<u>\$ 77,440</u>	<u>\$ 80,804</u>	<u>\$ 84,783</u>
Percent of taxes collected to taxes levied (c)	<u>94.4%</u>	<u>93.2%</u>	<u>92.9%</u>	<u>88.4%</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 29, 2012**

Due During Fiscal Years Ending	<b>Annual Requirements for All Series</b>		
	Total Principal Due	Total Interest Due	Total Principal and Interest Due
2013	\$ 11,455,000	\$ 34,030,288	\$ 45,485,288
2014	11,805,000	33,492,913	45,297,913
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	21,033,068	67,638,068
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>\$ 680,090,000</u>	<u>\$ 488,513,538</u>	<u>\$ 1,168,603,538</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 29, 2012  
(Unaudited)**

	<b>Bond Issues</b>									<b>Total</b>
	<b>Series 1993</b>	<b>Series 2002</b>	<b>Series 2003A</b>	<b>Series 2004A</b>	<b>Series 2006A</b>	<b>Series 2007</b>	<b>Series 2008A</b>	<b>Series 2008C</b>	<b>Series 2010A</b>	
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, 2011	\$ 259,024	\$ 6,835,000	\$ 5,845,000	\$ 24,155,000	\$ 94,185,000	\$ 89,600,000	\$ 134,190,000	\$ 153,245,000	\$ 181,885,000	\$ 690,199,024
Bonds Sold During the Current Year: 2011-2012	-	-	-	-	-	-	-	-	-	-
Retirements During the Current Year: 2011-2012	259,024	1,060,000	1,200,000	5,605,000	-	-	-	1,985,000	-	10,109,024
Bonds Outstanding at February 29, 2012	<u>\$ -</u>	<u>\$ 5,775,000</u>	<u>\$ 4,645,000</u>	<u>\$ 18,550,000</u>	<u>\$ 94,185,000</u>	<u>\$ 89,600,000</u>	<u>\$ 134,190,000</u>	<u>\$ 151,260,000</u>	<u>\$ 181,885,000</u>	<u>\$ 680,090,000</u>
Interest Paid During the Current Year - 2011-2012	<u>\$ 1,135,976</u>	<u>\$ 375,925</u>	<u>\$ 239,544</u>	<u>\$ 1,207,750</u>	<u>\$ 4,709,250</u>	<u>\$ 4,384,000</u>	<u>\$ 6,993,600</u>	<u>\$ 7,472,069</u>	<u>\$ 9,296,344</u>	<u>\$ 35,814,458</u>

<b>Paying Agent's</b>	<b>Name</b>	<b>City</b>
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

<b>Bond Authorization:</b>	<b>Tax Bonds</b>
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 29, 2012:** \$ 8,830,860

**Average Annual Debt Service Payment (Principal & Interest) for remaining term of all debt:** \$ 43,281,613

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 29, 2012**  
**(Unaudited)**

	Amounts					Percent of Fund Total Revenues				
	2012	2011	2010	2009	2008	2012	2011	2010	2009	2008
<b>General Fund:</b>										
<b>Revenues:</b>										
Taxes	\$ 72,340,021	\$ 71,369,211	\$ 75,485,688	\$ 73,743,747	\$ 67,872,698	97.7%	92.6%	97.1%	95.3%	94.7%
Lease Revenue	281,015	199,498	178,280	171,073	192,402	0.4%	0.3%	0.2%	0.2%	0.3%
Intergovernmental	126,600	3,760,611	400,000	852,476	-	0.2%	4.9%	0.5%	1.1%	0.0%
Interest	913,925	660,903	1,199,340	1,789,202	3,092,363	1.2%	0.9%	1.5%	2.3%	4.3%
Miscellaneous	347,212	1,049,141	501,754	840,268	504,020	0.5%	1.3%	0.6%	1.1%	0.7%
<b>Total Revenues</b>	<b>\$ 74,008,773</b>	<b>\$ 77,039,364</b>	<b>\$ 77,765,062</b>	<b>\$ 77,396,766</b>	<b>\$ 71,661,483</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>
<b>Expenditures:</b>										
Current Operating:										
Flood Control	\$ 58,352,777	\$ 65,410,356	\$ 68,599,451	\$ 60,446,437	\$ 57,149,249	78.8%	84.9%	88.2%	78.1%	79.7%
Tax Administration	647,319	650,151	699,455	664,155	548,026	0.9%	0.8%	0.9%	0.9%	0.8%
Capital Outlay	337,445	1,015,215	948,310	2,979,324	3,464,039	0.5%	1.3%	1.2%	3.8%	4.8%
Debt Service										
Bond issuance fees	-	546,734	-	-	-	0.0%	0.7%	0.0%	0.0%	0.0%
Interest and Fiscal Charges	-	208,274	395,007	963,774	26,845,868	0.0%	0.3%	0.5%	1.2%	37.5%
<b>Total Expenditures</b>	<b>\$ 59,337,541</b>	<b>\$ 67,830,730</b>	<b>\$ 70,642,223</b>	<b>\$ 65,053,690</b>	<b>\$ 88,007,182</b>	<b>80.2%</b>	<b>88.0%</b>	<b>90.8%</b>	<b>84.0%</b>	<b>122.8%</b>
<b>Excess (Deficiency) of Revenues</b>										
<b>Over (Under) Expenditures</b>	<b>\$ 14,671,232</b>	<b>\$ 9,208,634</b>	<b>\$ 7,122,839</b>	<b>\$ 12,343,076</b>	<b>\$(16,345,699)</b>	<b>19.8%</b>	<b>12.0%</b>	<b>9.2%</b>	<b>16.0%</b>	<b>-22.8%</b>
<b>Debt Service Fund:</b>										
<b>Revenues:</b>										
Taxes	\$ 2,424,185	\$ 5,272,810	\$ 5,000,589	\$ 9,163,852	\$ 9,196,529	6.1%	16.0%	16.4%	27.0%	93.0%
Intergovernmental	37,052,500	27,713,000	25,351,200	23,506,300	-	93.8%	83.8%	83.3%	69.3%	0.0%
Interest	14,309	21,682	66,633	356,054	674,368	0.0%	0.1%	0.2%	1.1%	6.8%
Miscellaneous	21,686	45,538	16,371	885,145	15,507	0.1%	0.1%	0.1%	2.6%	0.2%
<b>Total Revenues</b>	<b>\$ 39,512,680</b>	<b>\$ 33,053,030</b>	<b>\$ 30,434,793</b>	<b>\$ 33,911,351</b>	<b>\$ 9,886,404</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>
<b>Expenditures:</b>										
Debt Service										
Principal Retirement	\$ 10,109,024	\$ 10,268,921	\$ 11,572,889	\$ 12,553,864	\$ 3,995,287	25.6%	31.1%	38.0%	37.0%	40.4%
Bond issuance fees	-	1,046,702	-	-	-	0.0%	3.2%	0.0%	0.0%	0.0%
Interest and Fiscal Charges	35,814,458	28,692,092	29,794,930	28,047,265	12,379,097	90.6%	86.8%	97.9%	82.7%	125.2%
<b>Total Expenditures</b>	<b>\$ 45,923,482</b>	<b>\$ 40,007,715</b>	<b>\$ 41,367,819</b>	<b>\$ 40,601,129</b>	<b>\$ 16,374,384</b>	<b>116.2%</b>	<b>121.1%</b>	<b>135.9%</b>	<b>119.7%</b>	<b>165.7%</b>
<b>Excess (Deficiency) of Revenues</b>										
<b>Over (Under) Expenditures</b>	<b>\$ (6,410,802)</b>	<b>\$ (6,954,685)</b>	<b>\$(10,933,026)</b>	<b>\$ (6,689,778)</b>	<b>\$ (6,487,980)</b>	<b>-16.2%</b>	<b>-21.1%</b>	<b>-35.9%</b>	<b>-19.7%</b>	<b>-65.7%</b>

**HARRIS COUNTY FLOOD CONTROL DISTRICT  
A COMPONENT UNIT OF HARRIS COUNTY, TEXAS  
OPERATING FUNDS BUDGET FOR THE DISTRICT'S FISCAL YEAR 2012-2013  
(Unaudited)**

On March 13, 2012 the Commissioners Court adopted the budget for the District for the Fiscal Year 2013. The following is a summary the Fiscal Year 2013 budget for the District's Current Operating Fund:

Cash Balance as of March 1, 2012	\$ 114,057,310
Estimated Revenues:	
Ad Valorem Taxes	74,071,643
Lease Revenues	212,000
Interest	145,049
Miscellaneous	267,010
Total Cash and Estimated Revenues	<u>\$ 188,753,012</u>
Appropriations:	
Current Operating Expenses	\$ 187,864,699
Capital Outlay	888,313
Total Appropriations	<u>\$ 188,753,012</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 2002-2003 through 2011-12.

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
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
2012	100,020	268,523,035	0.04	4,178,574	24

(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)**

<b>Fiscal Year</b>	<b>Real Property</b>	<b>Personal Property</b>	<b>Less Exemptions (a)</b>	<b>Total Taxable Assessed Value</b>		<b>M&amp;O Tax Rate</b>	<b>Debt Service Tax Rate</b>	<b>Total County Tax Rate</b>
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
2012	313,475,950	51,539,733	88,299,285	276,716,398		0.33444	0.05673	0.39117

(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)**

<u>Fiscal Year</u>	<u>Taxes Levied for the Fiscal Year</u>	<u>Adjusted Levy as of End of Current Fiscal Year</u>	<u>Collected within the Fiscal Year of the Levy</u>		<u>Collections in Subsequent Years*</u>	<u>Total Collections to Date</u>	
			<u>Amount</u>	<u>Percentage of Levy</u>		<u>Amount</u>	<u>Percentage of Levy</u>
2003	\$ 682,975	\$ 682,666	\$ 657,498	96.3%	\$ 21,581	\$ 679,079	99.5%
2004	704,093	704,992	693,384	98.5	8,032	701,416	99.5
2005	793,759	762,204	740,302	93.3	17,841	758,143	99.5
2006	796,885	820,263	719,922	90.3	96,417	816,339	99.5
2007	887,598	904,085	793,835	89.4	105,903	899,738	99.5
2008	929,929	991,312	910,828	97.9	75,434	986,262	99.5
2009	1,089,141	1,085,143	981,807	90.1	96,630	1,078,437	99.4
2010	1,114,429	1,101,323	1,036,477	93.0	55,755	1,092,232	99.2
2011	1,058,623	1,050,905	987,684	93.3	51,110	1,038,794	98.8
2012	1,081,861	1,081,861	1,022,187	94.5	-	1,022,187	94.5

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

**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	\$ 1,122,596,629
Unlimited Tax Debt	749,615,000
Flood Control	580,070,000
Toll Road Tax Bonds	<u>537,890,000</u>
Total	\$ 2,990,171,629
Less: Toll Road Tax Bonds	<u>(537,890,000)</u>
Total (Approximately 0.67% of 2011 Assessed Value)	<u><u>\$ 2,452,281,629</u></u>

(a) Excluding Flood Control District debt of \$100,020,000 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
2013	\$ 29,225	\$ 49,377	\$ 78,602	\$ 26,740	\$ 35,065	\$ 61,805	\$ 47,645	\$ 37,262	\$ 84,907	\$ 11,455	\$ 34,030	\$ 45,485	\$ 115,065	\$ 155,734	\$ 270,799
2014	49,995	46,784	96,779	17,458	35,924	53,382	57,705	27,001	84,706	11,805	33,492	45,297	136,963	143,201	280,164
2015	58,883	44,867	103,750	24,003	33,292	57,295	62,770	20,086	82,856	10,760	32,932	43,692	156,416	131,177	287,593
2016	60,907	42,615	103,522	23,878	32,438	56,316	40,685	17,832	58,517	9,785	32,420	42,205	135,255	125,305	260,560
2017	69,822	40,295	110,117	23,414	31,566	54,980	26,380	16,419	42,799	9,045	31,961	41,006	128,661	120,241	248,902
2018	67,496	37,430	104,926	28,127	30,746	58,873	26,610	15,128	41,738	9,450	31,530	40,980	131,683	114,834	246,517
2019	71,046	34,518	105,564	42,550	29,650	72,200	27,445	13,742	41,187	24,245	31,058	55,303	165,286	108,968	274,254
2020	65,241	31,370	96,611	40,995	27,491	68,486	28,345	12,277	40,622	40,100	29,791	69,891	174,681	100,929	275,610
2021	73,445	28,206	101,651	63,720	25,551	89,271	29,285	10,765	40,050	40,655	27,704	68,359	207,105	92,226	299,331
2022	96,670	24,866	121,536	61,455	23,416	84,871	19,445	9,486	28,931	45,170	25,664	70,834	222,740	83,432	306,172
2023	57,625	20,509	78,134	52,300	22,171	74,471	20,240	8,449	28,689	45,290	23,298	68,588	175,455	74,427	249,882
2024	53,851	18,012	71,863	31,470	18,908	50,378	20,700	7,385	28,085	46,605	21,033	67,638	152,626	65,338	217,964
2025	85,222	15,819	101,041	48,695	15,561	64,256	21,165	6,297	27,462	17,055	18,703	35,758	172,137	56,380	228,517
2026	41,339	11,739	53,078	43,075	12,640	55,715	12,070	5,430	17,500	33,255	17,838	51,093	129,739	47,647	177,386
2027	54,865	9,527	64,392	43,075	10,486	53,561	12,090	4,796	16,886	34,255	16,175	50,430	144,285	40,984	185,269
2028	55,540	7,078	62,618	43,075	8,333	51,408	12,115	4,161	16,276	35,280	14,462	49,742	146,010	34,034	180,044
2029	35,350	4,975	40,325	43,070	6,304	49,374	12,135	3,524	15,659	35,735	12,730	48,465	126,290	27,533	153,823
2030	24,125	3,125	27,250	32,645	4,275	36,920	12,160	2,886	15,046	36,205	10,975	47,180	105,135	21,261	126,396
2031	24,825	2,228	27,053	29,935	2,768	32,703	12,185	2,247	14,432	36,705	9,197	45,902	103,650	16,440	120,090
2032	25,575	1,307	26,882	29,935	1,384	31,319	12,210	1,607	13,817	37,225	7,362	44,587	104,945	11,660	116,605
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
<b>Total</b>	<b>\$ 1,122,597</b>	<b>\$ 475,006</b>	<b>\$ 1,597,603</b>	<b>\$ 749,615</b>	<b>\$ 407,969</b>	<b>\$ 1,157,584</b>	<b>\$ 537,890</b>	<b>\$ 228,067</b>	<b>\$ 765,957</b>	<b>\$ 680,090</b>	<b>\$ 488,514</b>	<b>\$ 1,168,604</b>	<b>\$ 3,090,192</b>	<b>\$ 1,599,556</b>	<b>\$ 4,689,748</b>

(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 29, 2012, 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.

County Ad Valorem Tax Bonds

Limited Tax:		
Civil Justice Center	\$ 33,000	
Parks	65,000	
Forensic Lab	80,000	
Family Law Center	70,000	
Total Limited Tax Bonds	<u>                    </u>	\$ 248,000
Unlimited Tax:		
Road Bonds	<u>149,677</u>	
Total Unlimited Tax Bonds		149,677
Combination Unlimited Tax and Revenue:		
Toll Roads	<u>15,148</u>	
Total Unlimited Tax and Revenue Bonds		15,148
Harris County Flood Control District Limited Tax Bonds		-
Total Harris County Ad Valorem Tax Bonds		<u>412,825</u>
Total Authorized but Unissued Bonds		<u><u>\$ 412,825</u></u>

**HARRIS COUNTY FLOOD CONTROL DISTRICT  
A COMPONENT UNIT OF HARRIS COUNTY, TEXAS  
OPERATING FUNDS BUDGET FOR THE COUNTY'S FISCAL YEAR 2012-2013  
(Unaudited)**

On March 13, 2012 the Commissioners Court adopted the budget for the County for the Fiscal Year 2012-2013. The Fiscal Year 2013 budget included appropriations for some capital projects, which are financed from current revenues. The following is a summary of the Fiscal Year 2012-2013 budget for the County's Current Operating Fund:

Cash Balance as of March 1, 2012	\$ 145,954,000
Estimated Revenues:	
Ad Valorem and Miscellaneous Taxes	907,692,298
Charges for Services	190,405,616
Fines and Forfeitures	17,881,860
Intergovernmental Revenues	35,618,948
Interest	707,500
Other	41,259,346
Total Cash and Estimated Revenues	<u>\$ 1,339,519,568</u>
Appropriations:	
Current Operating Expenses	\$ 1,329,086,633
Capital Outlay:	
Roads	8,852,227
Parks	1,450,708
Office/Courts	130,000
Total Appropriations	<u>\$ 1,339,519,568</u>

**Table 32**

**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 29, 2012 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	\$ 166,942,150
Permanent Improvements	33,150,006
Flood Control	174,447,402
Reliant Park	<u>13,408,254</u>
Total	<u>\$ 387,947,812</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 29, 2012. 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 29, 2012.

### **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 14, 2012

## **INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED UPON THE AUDIT 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 29, 2012, and have issued our report thereon dated August 14, 2012. 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**

Management of the District is responsible for establishing and maintaining effective 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 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 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 14, 2012

**HARRIS COUNTY FLOOD CONTROL DISTRICT, TEXAS**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED FEBRUARY 29, 2012**

Fund No.	Federal Grantor / Pass-Through Agency Grantor / Program	CFDA Number	Grantor or Pass-through Grantor's Number	Federal Expenditures	Amount Provided to Subrecipients
<b><u>FEDERAL GRANTS</u></b>					
<b><u>U.S. DEPARTMENT OF HOMELAND SECURITY</u></b>					
<b>DIRECT PROGRAMS:</b>					
7589	Cooperating Technical Partners	97.045	EMT-200-CA-0014	\$ 153,925	\$ -
7589	Cooperating Technical Partners	97.045	EMT-2010-CA-0015	70,108	-
<b>PASS THROUGH PROGRAMS, GOVERNORS DIVISION OF EMERGENCY MANAGEMENT:</b>					
7031	FEMA - Pre-Disaster Mitigation Competitive	97.047	PDM08-003	15,942	-
7031	FEMA - Pre-Disaster Mitigation Competitive	97.047	PDM09-003	10,723	-
7031	FEMA - Pre-Disaster Mitigation Competitive	97.047	PDM09-001	294,767	-
7031	FEMA - Pre-Disaster Mitigation Competitive	97.047	PDM10-002	587,926	-
7059	FEMA - Hazard Mitigation Grant Project	97.039	FEMA-1791-DR-002	217,495	-
7059	FEMA - Hazard Mitigation Grant Project	97.039	FEMA-1791-DR-007	184,883	-
7059	FEMA - Hazard Mitigation Grant Project	97.039	FEMA-1791-DR-008	1,800	-
7119	FEMA - Hazard Mitigation Grant Project	97.039	FEMA-1606-DR-040	252,524	-
7119	FEMA - Hazard Mitigation Grant Project	97.039	FEMA-1709-DR-007	81,994	-
7984	FEMA - Hazard Mitigation Grant Project	97.039	FEMA-1791-DR-TX-068	31,560	-
7984	FEMA - Hazard Mitigation Grant Project	97.039	FEMA-1791-DR-TX-067	551,137	-
7984	FEMA - Hazard Mitigation Grant Project	97.039	FEMA-1791-DR-TX-069	140,439	-
7984	FEMA - Hazard Mitigation Grant Project	97.039	FEMA-1791-DR-TX-131	30,000	-
7984	FEMA - Hazard Mitigation Grant Project	97.039	FEMA-1791-DR-TX-138	6,148,477	-
<b>PASS THROUGH PROGRAMS, TEXAS WATER DEVELOPMENT BOARD:</b>					
7073	FEMA - Severe Repetitive Loss - SRL 2008	97.110	0900010907	383,306	-
7073	FEMA - Severe Repetitive Loss - SRL 2008 - Brandywood	97.110	0900011151	6,264,981	-
7073	FEMA - Severe Repetitive Loss - SRL 2009	97.110	0900011040	55,095	-
7073	FEMA - Severe Repetitive Loss - SRL 2009 APP 2	97.110	1000011110	1,238,802	-
7073	FEMA - Severe Repetitive Loss - SRL 2009 APP 3	97.110	1100011190	1,204,741	-
7073	FEMA - Severe Repetitive Loss - SRL 2011 APP 1	97.110	1200011384	131,598	-
7073	FEMA - Severe Repetitive Loss - SRL 2011 APP 2	97.110	1200011407	152,787	-
<b>TOTAL U.S. DEPARTMENT OF HOMELAND SECURITY</b>				<b>18,205,010</b>	<b>-</b>
<b><u>U.S. DEPARTMENT OF DEFENSE</u></b>					
<b>PASS THROUGH PROGRAMS, ARMY CORPS OF ENGINEERS:</b>					
3310	Brays Bayou Federal Project	12.000	NONE	7,084,386	-
<b>TOTAL U.S. DEPARTMENT OF DEFENSE</b>				<b>7,084,386</b>	<b>-</b>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>				<b>\$ 25,289,396</b>	<b>\$ -</b>

See notes to the schedule of expenditures of federal awards.

**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 29, 2012**

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 29, 2012:

Federal expenditures per schedule	\$ 25,289,396	
Add:		
County funded portion of grants	4,153,904	
Less:		
Trial balance adjustments for modified accrual basis of accounting	(248,046)	
Grants - Brays Bayou expenditures incurred in prior years and approved for federal reimbursement in the current year	(7,084,386)	
Total	<u>\$ 22,110,868</u>	
Balance per financial report - Grants Special Revenue Fund	<u>\$ 22,110,868</u>	

**HARRIS COUNTY FLOOD CONTROL DISTRICT  
A COMPONENT UNIT OF HARRIS COUNTY, TEXAS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED FEBRUARY 29, 2012**

**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:	
FEMA – Hazard Mitigation Grant Project	97.039
FEMA - Severe Repetitive Loss - SRL 2008	97.110
FEMA - Severe Repetitive Loss - SRL 2008-Brandywood	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
FEMA - Severe Repetitive Loss - SRL 2011 APP1	97.110
FEMA - Severe Repetitive Loss - SRL 2011 APP2	97.110
Dollar threshold used to distinguish between Type A and Type B programs:	\$758,682
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 29, 2012**

**II. FINANCIAL STATEMENT FINDINGS SECTION**

None noted.

**III. FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS SECTION**

None noted.

**IV. STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS**

None noted.