

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

Basic Financial Statements



**For the Fiscal Year Ended
February 28, 2005**

**HARRIS COUNTY FLOOD CONTROL DISTRICT
A COMPONENT UNIT OF HARRIS COUNTY, TEXAS
BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED FEBRUARY 28, 2005**

TABLE OF CONTENTS

	<u>PAGE</u>
<u>Financial Section</u>	
Independent Auditors' Report	1
Management's Discussion and Analysis (Unaudited)	3
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Assets	11
Statement of Activities	12
Fund Financial Statements:	
Balance Sheet – Governmental Funds	13
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets	14
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	15
Reconciliation of Statement of Revenues, Expenditures and Changes in Fund Balance to the Statement of Activities	16
Notes to the Financial Statements	
1. Summary of Significant Accounting Policies	17
2. Deposits and Investments	23
3. Property Taxes	24
4. Interfund Transfers	24
5. Capital Assets	25
6. Long-Term Debt	25
7. Retirement Plan	29
8. Post Employment Benefits	31
9. Commitments and Contingent Liabilities	31
10. Risk Management	31
Required Supplementary Information:	
Schedule of Revenues and Expenditures – Budget and Actual – Budgetary Basis – Operations and Maintenance (General) Fund	33
Notes to the Required Supplementary Information	34
<u>Supplemental Schedules (Unaudited)</u>	
Schedule of Services and Rates – Schedule 1	35
Schedule of General Fund Expenditures – Schedule 2	37
Schedule of Temporary Investments – Schedule 3	38
Schedule of Taxes Levied and Receivable – Schedule 4	39
Schedule of Long-Term Debt Service Requirements by Years – Schedule 5	40
Schedule of Commercial Paper Debt Service Requirements by Year – Schedule 5a	46
Schedule of Changes in Long-Term Debt – Schedule 6	47
Comparative Schedule of Revenues and Expenditures – General Fund And Debt Service Funds – Five Years Ended– Schedule 7	48
Schedule of Board Members, Key Personnel and Consultants – Schedule 8	49

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, and each major fund of the Harris County Flood Control District (the "District"), a component unit of Harris County, Texas (the "County") as of and for the year ended February 28, 2005, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express an opinion on the respective financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America ("generally accepted auditing standards"). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic 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 County's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the respective financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District as of February 28, 2005, 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.H to the financial statements, the District restated beginning net assets for the accretion of discounts on bond series that had been redeemed in a prior year.

The Management's Discussion and Analysis and Schedule of Revenues and Expenditures – Budget and Actual - Budgetary Basis – Operations and Maintenance (General) Fund are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. This supplementary information is the responsibility of the County's management. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit such information and we do not express an opinion on it.

Our audit was conducted for the purpose of forming an opinion on the District's respective financial statements that collectively comprise the District's basic financial statements. The supplemental schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. This supplementary information is the responsibility of the County's management. The supplemental schedules have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Deloitte & Touche LLP

July 22, 2005

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

This section of the Harris County Flood Control District's (the "District") financial statements presents management's discussion and analysis ("MD&A") of the financial activities of the District during the fiscal year ended February 28, 2005. Please read it in conjunction with the District's basic financial statements following this section.

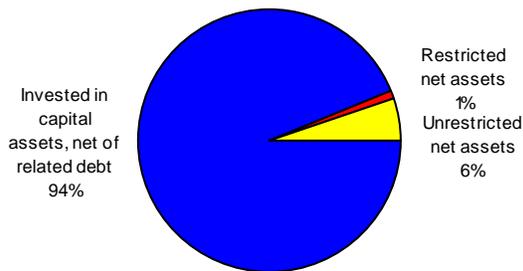
The District is a component unit of Harris County, Texas (the "County") and is included as a blended component unit in the County's financial statements. This analysis presents information about the District and the operations and activities of the District legal entity only and is not intended to provide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

FINANCIAL HIGHLIGHTS

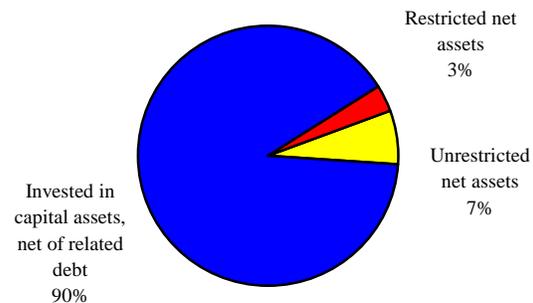
Government-wide

- The total government-wide assets of the District exceeded the liabilities (net assets) at February 28, 2005 by \$1,354,928,052. This is comparable to the previous year when assets exceeded liabilities by \$1,353,080,838 (restated).
- Total net assets are comprised of the following:
 - (1) Capital assets, net of related debt, of \$1,270,801,992 include property and equipment, net of accumulated depreciation, and reduced for outstanding debt related to the purchase or construction of capital assets. This category of net assets increased from 90% to 94% of total net assets from the previous year. This was due to an increase in related debt, net of unspent proceeds, of \$18,840,066, while capital assets increased by \$72,603,351, causing an overall increase in capital assets net of related debt of \$53,763,285.
 - (2) Net assets of \$13,251,777 are restricted by constraints imposed from outside the District such as debt obligations. Restricted net assets decreased from 3% to 1% of total net assets due to new bond proceeds for capital projects that were not spent in the current year.
 - (3) Unrestricted net assets of \$70,874,283 represent the portion available to meet ongoing obligations to citizens and creditors. Unrestricted net assets decreased slightly from 7% to 6% of total net assets due to an overall decrease in operating revenues.

NET ASSETS BY CATEGORY
February 28, 2005



NET ASSETS BY CATEGORY
February 29, 2004



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

Fund Level

- As of February 28, 2005, the District's governmental funds reported combined fund balances of \$212,505,752. This compares to the prior year combined fund balances of \$135,503,512 showing an increase of \$77,002,240 during the current year. Combined unreserved fund balances of \$122,401,748 for fiscal year 2005 shows an increase of \$84,392,975 over the prior year. These increases were primarily due to unspent bond proceeds received in the current year.
- At the end of the fiscal year, unreserved fund balance for the Operations and Maintenance (General) fund was \$56,113,650, or 86.5% of total general fund expenditures and 110.7% of total general fund revenues. In addition, the General fund had a reserved fund balance of \$18,956,073.
- The fund balance in the Debt Service fund of \$18,934,166 was fully reserved at the end of the fiscal year.
- The Capital Projects fund at fiscal year end had an unreserved fund balance of \$66,288,098 and a reserved fund balance of \$52,213,765 for a total Capital Projects fund balance of \$118,501,863.
- The District issues debt to finance an ongoing capital improvement program, and during fiscal year 2005, issued \$139,865,000 in refunding revenue bonds. Note 6 to the financial statements, provides additional details related to long-term debt. The debt service ad-valorem tax rate for the 2004 tax year for the District totaled \$0.00765 per \$100 valuation.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are 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 is 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. The governmental activities of the District include flood control and tax administration.

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

Fund Financial Statements are groupings of related accounts that are used to maintain control over resources that have been segregated for specific activities or objectives. The 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. However, the District has only governmental 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 a 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.

The District maintains three 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), Debt Service, and Capital Projects.

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 on pages 17-32 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. Required supplementary information can be found beginning on page 33 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 \$1,354,928,052 for fiscal year ended 2005 and \$1,353,080,838 as restated for fiscal year 2004. Net assets increased primarily due to a decrease in the amount transferred to Harris County for the Tropical Storm Allison buyout program cash match.

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

**Condensed Statement of Net Assets
(Amounts in thousands)**

	Governmental Activities	
	<u>February 28, 2005</u>	<u>February 29, 2004</u>
Current and other assets	\$ 232,210	\$ 155,657
Capital Assets	<u>1,594,652</u>	<u>1,522,049</u>
Total assets	<u>1,826,862</u>	<u>1,677,706</u>
Current and other liabilities	20,724	18,292
Long-term liabilities	<u>451,210</u>	<u>382,378</u>
Total liabilities	<u>471,934</u>	<u>400,670</u>
Net assets:		
Invested in capital assets, net of related debt	1,270,802	1,217,039
Restricted net assets	13,252	44,054
Unrestricted net assets	<u>70,874</u>	<u>91,988</u>
Total net assets (as restated)	<u>\$ 1,354,928</u>	<u>\$ 1,353,081</u>

The largest portion of the District's current fiscal year net assets, 93.8%, 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 District's net assets invested in capital assets, net of related debt, increased because debt related to capital assets, net of unspent debt proceeds, increased \$18,840,066, while capital assets increased \$72,603,351 in the current year.

Another portion of the District's current fiscal year net assets, 1.0%, represents resources that are subject to external restrictions on how they may be used. This increased primarily because of unspent proceeds from bonds issued in the current year and a decrease spending on capital projects.

The remaining balance of the District's current fiscal year net assets, 5.2%, represents unrestricted net assets, which may be used to meet the District's ongoing obligations to citizens and creditors.

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

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

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

**Condensed Statement of Activities
(Amounts In Thousands)**

	Governmental Activities	
	February 28, 2005	February 29, 2004
Revenues:		
Program revenues:		
Charges for services	\$ 2,545	\$ 2,899
Operating grants and contributions	5,802	8,837
Capital grants and contributions	422	-
General revenues:		
Property taxes	65,955	75,191
Earnings on investments	1,789	1,773
Miscellaneous	2,005	1,114
Gain on sale of capital assets	218	-
Total revenues and other items	<u>78,736</u>	<u>89,814</u>
Expenses:		
Flood control	60,911	85,733
Tax Administration	574	558
Interest on long-term debt	15,404	7,217
Loss on sale of capital assets	-	483
Total expenses and other items	<u>76,889</u>	<u>93,991</u>
Change in net assets	1,847	(4,177)
Net assets - beginning (as restated)	<u>1,353,081</u>	<u>1,357,258</u>
Net assets - ending (as restated)	<u>\$ 1,354,928</u>	<u>\$ 1,353,081</u>

Revenues

For fiscal year ended February 28, 2005, revenues from governmental activities totaled \$78,736,139.

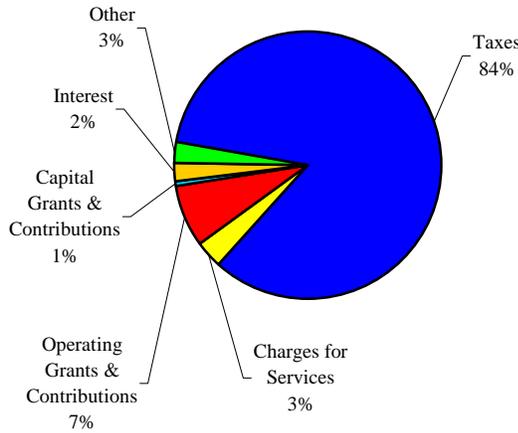
Property taxes were the District's largest revenue source of \$65,954,867 or 84% of total revenues. The tax rate was \$.03318 per \$100 of assessed value for fiscal year 2005 and \$.04174 per \$100 of assessed value for fiscal year 2004. The assessed value increased in fiscal year 2005 to \$231,497,956 from the assessed value in fiscal year 2004 of \$219,935,751.

Program revenues are derived from the program itself and reduce the cost of the function to the District. Total program revenues were \$8,769,938 or 11% of total revenues. The largest portion of program revenues are capital grants and contributions of \$5,802,511 (7%) and represent receipts primarily from Federal Emergency Management Agency and the Army Corp. of Engineers. The second largest portion of program revenues consists of charges for services of \$2,545,029 (3%), which are receipts primarily from impact fees on development and rents. Another portion of program revenues is Capital Grants and Contributions of \$422,398 (less than 1%), which consists of insurance recoveries related to capital assets.

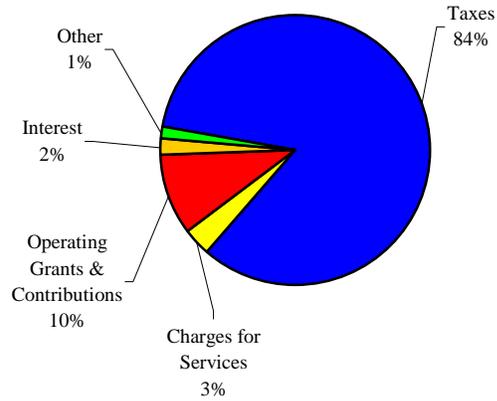
General revenues are revenues that can not be assigned to a specific function. They consist of property taxes (discussed above), unrestricted investment earnings or interest of \$1,788,757 (2% of total revenues), miscellaneous income of \$2,004,803 (3% of total revenues) and gain on sale of capital assets of \$217,774 (less than 1% of total revenues). Miscellaneous income is primarily receipts of miscellaneous collections for various fees.

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

REVENUES BY SOURCE
Year ended February 28, 2005



REVENUES BY SOURCE
Year ended February 29, 2004



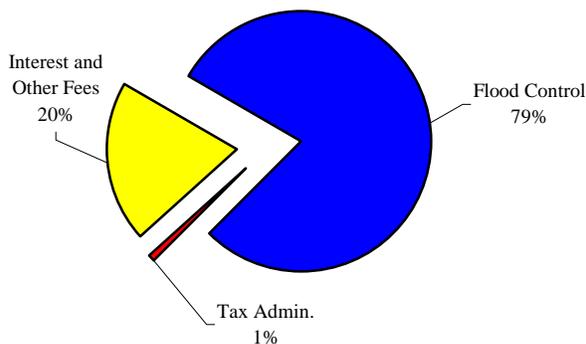
Expenses

For fiscal year ended February 28, 2005, expenses for governmental activities totaled \$76,888,925.

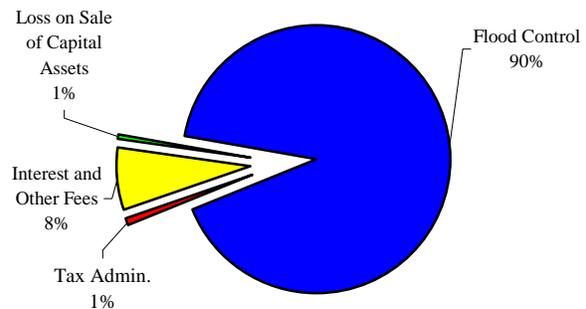
Flood control expense of \$60,910,835 is the District's largest function with 79% of total expenses. This was a decrease from prior year of \$24,821,851, because fewer items were reclassified from capital outlay to expense and fewer funds were transferred to Harris County for FEMA cash match funds, as the Tropical Storm Allison Buyout Program was substantially completed.

The other functions are tax administration with \$574,083 or 1% of expenses and interest and other fees with \$15,404,007 (20%) of expenses. Tax administration is the portion of tax department expenses related to the District. Interest and other fees are payments of interest and fees on the debt outstanding.

EXPENSES BY FUNCTION
Year ended February 28, 2005



EXPENSES BY FUNCTION
Year ended February 29, 2004



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

FINANCIAL ANALYSIS OF MAJOR FUNDS

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

At February 28, 2005, the District's governmental funds reported combined fund balances of \$212,505,752, of which \$71,166,259 is reserved for encumbrances and \$18,937,745 is reserved for debt service. The remainder, \$122,401,748, is available to meet the District's current and future needs. There was an increase in combined fund balances of \$77,002,240, the reasons for this change are explained below by individual fund.

The Operating and Maintenance (General) fund is the chief operating fund of the District. Fund balance in the General Fund decreased by \$13,906,670. This was primarily due to a decrease in tax revenue and an increase in capital outlay expenditures.

Fund balance in the Debt Service fund decreased by \$5,377,745, primarily due to less property tax revenues, because of a decrease in the tax rate. At February 28, 2005, this fund reported revenues of \$15,836,229. The majority of these revenues were from property taxes. See Note 3 to the financial statements for further discussion of property taxes.

Fund balance in the Capital Projects fund increased by \$96,286,655, which was due to a decrease in expenditures and an increase in unspent bond proceeds. The Capital Projects fund relies heavily on the issuance of bonds and commercial paper to support current and future projects. At February 28, 2005 this fund reported revenues of \$10,996,101 with additional financing of \$162,877,260 from refunding bonds and commercial paper. See Note 6 to the financial statements for further discussion of commercial paper.

OPERATING AND MAINTENANCE (GENERAL) FUND BUDGETARY HIGHLIGHTS

Differences between the original budget and the final amended budget resulted in a \$22,885,391 increase in appropriations and can be briefly summarized as follows:

During the year actual revenues were less than budgetary estimates by \$11,872,764. This is due to less property tax revenues. Actual expenditures were less than budgetary estimates by \$65,317,300. This is primarily due to less expenditures than anticipated in the general operating flood control account. The net effect of under-realization of revenues and appropriations resulted in a positive variance of \$53,444,536, thus eliminating the need to draw upon the existing fund balance.

CAPITAL ASSETS

The District's capital assets, net of accumulated depreciation for its governmental activities as of February 28, 2005, amounted to \$1,594,652,301. These capital assets include land, improvements, buildings, flood control infrastructure, equipment, and construction in progress, as shown in the table below. For further information regarding capital assets, see Note 5 to the financial statements.

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

	Balance February 28, 2005	Balance February 29, 2004
Governmental Activities:		
Land	\$ 1,345,713,543	\$ 1,306,323,842
Construction in Progress	101,517,436	62,576,147
Buildings	3,330,706	3,330,706
Equipment	7,117,902	7,168,206
Flood Control Projects	<u>275,006,250</u>	<u>272,703,569</u>
	1,732,685,837	1,652,102,470
Less Accumulated Depreciation	<u>(138,033,536)</u>	<u>(130,053,520)</u>
Totals	<u>\$ 1,594,652,301</u>	<u>\$ 1,522,048,950</u>

LONG-TERM DEBT

At February 28, 2005, the District had total long-term liabilities outstanding of \$451,210,253. Refer to Note 6 to the financial statements for a detailed breakdown of long-term liabilities owed by the District.

	Outstanding at February 28, 2005	Outstanding at February 29, 2004
Governmental Activities:		
Bonds Payable (as restated)	\$ 424,294,024	\$ 292,025,614
Commercial Paper Payable	26,580,000	14,000,000
Compensatory Time Payable	<u>336,229</u>	<u>306,887</u>
Totals (as restated)	<u>\$ 451,210,253</u>	<u>\$ 306,332,501</u>

ECONOMIC FACTORS

The District and FEMA have recently completed the Tropical Storm Allison Recovery Project (TSARP) which will result in new FEMA Flood Insurance Rate Maps in late 2005. This effort has also resulted in a vast array of new planning tools, including new hydrologic and hydraulic models for all watersheds and channels, new topographic data, and new benchmarks. In October 2004, FEMA provided draft Flood Insurance Rate Maps to all 35 local communities. This was followed by five Information Fairs for the public, in November 2004. The District is still performing activities associated with TSARP in support of FEMA's statutory 90-day appeals period and subsequent final adoption of the maps. The economic impact of the remapping is yet to be determined.

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.

HARRIS COUNTY FLOOD CONTROL DISTRICT
A COMPONENT UNIT OF HARRIS COUNTY, TEXAS
STATEMENT OF NET ASSETS
February 28, 2005

	Governmental Activities
ASSETS	
Cash and investments (Note 2):	
Cash and cash equivalents	\$ 5,149,026
Pooled cash and investments	3,984,282
Investments	213,148,976
Receivables:	
Taxes, net (Note 3)	4,195,083
Accounts	580
Accrued interest	866,453
Other	1,104,735
Due from primary government	102,126
Due from other units	854,264
Deferred charges	2,804,439
Capital assets (Note 5):	
Land, improvements, and construction in progress	1,447,230,979
Other capital assets, net of depreciation	147,421,322
Total assets	1,826,862,265
LIABILITIES	
Liabilities:	
Vouchers payable	9,211,616
Accrued payroll and compensated absences	1,501,275
Retainages payable	1,763,481
Due to primary government	227,844
Accrued interest	8,019,744
Long-term liabilities (Note 6):	
Due within one year:	
Bonds payable	18,975,000
Commercial paper payable	2,416,364
Compensated absences	268,984
Due in more than one year:	
Bonds payable	405,319,024
Commercial paper payable	24,163,636
Compensated absences	67,245
Total liabilities	471,934,213
NET ASSETS	
Invested in capital assets, net of related debt	1,270,801,992
Restricted for debt service	12,527,409
Restricted for capital projects	724,368
Unrestricted	70,874,283
Total net assets	\$ 1,354,928,052

See notes to the financial statements.

**HARRIS COUNTY FLOOD CONTROL DISTRICT
A COMPONENT UNIT OF HARRIS COUNTY, TEXAS
STATEMENT OF ACTIVITIES
For The Year Ended February 28, 2005**

<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>		
Governmental activities:					
Flood control	\$ 60,910,835	\$ 2,545,029	\$ 5,802,511	\$ 422,398	\$ (52,140,897)
Tax administration	574,083	-	-	-	(574,083)
Interest on long-term debt	15,404,007	-	-	-	(15,404,007)
Total governmental activities	<u>76,888,925</u>	<u>2,545,029</u>	<u>5,802,511</u>	<u>422,398</u>	<u>(68,118,987)</u>
General revenues:					
Taxes:					
Property taxes levied for general purposes					49,584,926
Property taxes levied for debt service					16,369,941
Earnings on investments					1,788,757
Miscellaneous					2,004,803
Gain on sale of capital assets					217,774
Total general revenues and other items					<u>69,966,201</u>
Change in net assets					1,847,214
Net assets - beginning (as restated)					<u>1,353,080,838</u>
Net assets - ending					<u>\$ 1,354,928,052</u>

See notes to the financial statements.

HARRIS COUNTY FLOOD CONTROL DISTRICT
A COMPONENT UNIT OF HARRIS COUNTY, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
February 28, 2005

	Operations and Maintenance (General)	Debt Service	Capital Projects	Total 2005
ASSETS				
Cash and investments (Note 2):				
Cash and cash equivalents	\$ 3,495,087	\$ 1,467,669	\$ 186,270	\$ 5,149,026
Pooled cash and investments	3,984,282	-	-	3,984,282
Investments	70,535,918	16,816,571	125,796,487	213,148,976
Receivables:				
Taxes, net (Note 3)	2,582,096	1,612,987	-	4,195,083
Accounts	5	-	575	580
Accrued interest	142,660	-	723,793	866,453
Other	828,353	276,382	-	1,104,735
Due from primary government	102,126	-	-	102,126
Due from other units	480,720	373,544	-	854,264
Total assets	<u>\$ 82,151,247</u>	<u>\$ 20,547,153</u>	<u>\$ 126,707,125</u>	<u>\$ 229,405,525</u>
LIABILITIES AND FUND BALANCE				
Liabilities:				
Vouchers payable	\$ 2,461,153	\$ -	\$ 6,750,463	\$ 9,211,616
Accrued payroll and compensated absences	1,501,275	-	-	1,501,275
Retainages payable	536,636	-	1,226,845	1,763,481
Due to primary government	41	-	227,803	227,844
Deferred revenue	2,582,419	1,612,987	151	4,195,557
Total liabilities	<u>7,081,524</u>	<u>1,612,987</u>	<u>8,205,262</u>	<u>16,899,773</u>
Fund balances:				
Reserved for:				
Encumbrances	18,952,494	-	52,213,765	71,166,259
Debt service	3,579	18,934,166	-	18,937,745
Unreserved	56,113,650	-	66,288,098	122,401,748
Total fund balances	<u>75,069,723</u>	<u>18,934,166</u>	<u>118,501,863</u>	<u>212,505,752</u>
Total liabilities and fund balances	<u>\$ 82,151,247</u>	<u>\$ 20,547,153</u>	<u>\$ 126,707,125</u>	<u>\$ 229,405,525</u>

See notes to the financial statements.

**HARRIS COUNTY FLOOD CONTROL DISTRICT
A COMPONENT UNIT OF HARRIS COUNTY, TEXAS
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
February 28, 2005**

Total fund balances for governmental funds \$ 212,505,752

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	\$ 1,345,713,543	
Construction in progress	101,517,436	
Flood control projects, net of \$133,278,458 accumulated depreciation	141,727,792	
Buildings, net of \$1,254,079 accumulated depreciation	2,076,627	
Equipment and vehicles, net of \$3,500,999 accumulated depreciation	<u>3,616,903</u>	
Total capital assets (See Note 5)		1,594,652,301

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

Balances as of February 28, 2005 were:

Accrued interest on bonds	(8,019,744)	
Bonds payable	(424,294,024)	
Deferred charges	2,804,439	
Commercial paper payable	(26,580,000)	
Compensated absences	<u>(336,229)</u>	
		(456,425,558)

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.

4,195,557

Total net assets of governmental activities

\$ 1,354,928,052

See notes to the financial statements.

HARRIS COUNTY FLOOD CONTROL DISTRICT
A COMPONENT UNIT OF HARRIS COUNTY, TEXAS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For The Year Ended February 28, 2005

	Operations and Maintenance (General)	Debt Service	Capital Projects	Total 2005
REVENUES				
Taxes (Note 3)	\$ 49,401,450	\$ 15,613,192	\$ -	\$ 65,014,642
Intergovernmental	-	-	5,802,511	5,802,511
Earnings on investments	751,786	212,489	824,482	1,788,757
Miscellaneous	555,900	10,548	4,369,108	4,935,556
	<u>50,709,136</u>	<u>15,836,229</u>	<u>10,996,101</u>	<u>77,541,466</u>
EXPENDITURES				
Current operating:				
Flood control	46,439,981	-	2,009,551	48,449,532
Tax administration	574,083	-	-	574,083
Capital outlay	9,934,220	-	71,906,746	81,840,966
Debt service (Note 6):				
Principal retirement	-	18,200,000	-	18,200,000
Bond issuance fees	720,947	-	290,774	1,011,721
Interest and fiscal charges	7,942,182	3,181,054	-	11,123,236
	<u>65,611,413</u>	<u>21,381,054</u>	<u>74,207,071</u>	<u>161,199,538</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(14,902,277)</u>	<u>(5,544,825)</u>	<u>(63,210,970)</u>	<u>(83,658,072)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in (out) from/to Harris County	(150,000)	-	(3,136,256)	(3,286,256)
Transfers in	246,958	170,659	-	417,617
Transfers out	(170,659)	(3,579)	(243,379)	(417,617)
Bonds issued	-	-	100,297,260	100,297,260
Refunding bonds issued	39,567,740	-	-	39,567,740
Premium on refunding bonds issued	11,154,404	-	-	11,154,404
Commercial paper issued	-	-	62,580,000	62,580,000
Payment to defease commercial paper	(50,000,000)	-	-	(50,000,000)
Sale of capital assets	347,164	-	-	347,164
	<u>995,607</u>	<u>167,080</u>	<u>159,497,625</u>	<u>160,660,312</u>
Net changes in fund balances	(13,906,670)	(5,377,745)	96,286,655	77,002,240
Fund balances, beginning	<u>88,976,393</u>	<u>24,311,911</u>	<u>22,215,208</u>	<u>135,503,512</u>
Fund balances, ending	<u>\$ 75,069,723</u>	<u>\$ 18,934,166</u>	<u>\$ 118,501,863</u>	<u>\$ 212,505,752</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
February 28, 2005**

Net change in fund balances - total governmental funds \$ 77,002,240

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 exceeded depreciation in the current period. 72,695,261

Capital asset donations 37,480

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

Debt issued:			
Bonds		\$(100,297,260)	
Refunding bonds		(39,567,740)	
Premium on refunding bonds		(11,154,404)	
Commercial paper		(62,580,000)	
Repayments:			
To paying agent for bond principal		18,200,000	
To paying agent for commercial paper refunding		50,000,000	
Net adjustment		<u>(145,399,404)</u>	

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

Compensated absences	(29,342)	
Amortization of debt premium	2,595,349	
Accretion of discount	(1,961,205)	
Amortization of advanced refunding difference	(83,150)	
Accrued interest on bonds	(4,690,645)	
Amortization of deferred charges	(141,120)	
Capitalization of deferred charges	<u>1,011,721</u>	
Combined adjustment		(3,298,392)

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 increased by this amount in the current period. 939,419

The net effect of sales involving capital assets is to increase net assets. (129,390)

Change in net assets of governmental activities \$ 1,847,214

See notes to the financial statements.

**HARRIS COUNTY FLOOD CONTROL DISTRICT
A COMPONENT UNIT OF HARRIS COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
February 28, 2005**

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 did not implement any significant new standards. The following standards will be implemented in future years as noted.

GASB Statement No. 40, *Deposits and Investment Risk Disclosures – an amendment of GASB 3* ("GASB 40"), modifies disclosures to limit required disclosures to:

- Deposits that are not covered by depository insurance and are (a) uncollateralized, (b) collateralized with securities held by the pledging financial institution, or (c) collateralized with securities held by the pledging financial institution's trust department or agent but not in the depositor-government's name.

- Investment securities that are uninsured, are not registered in the name of the government, and are held by either (a) the counterparty or (b) the counterparty's trust department or agent but not in the government's name.

The District will implement GASB 40 in fiscal year 2006.

GASB Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries* ("GASB 42"), establishes standards that define capital asset impairment and specifies how various types of impairment losses will be measured, reported and disclosed. Also, clarifies and establishes reporting and disclosure of all insurance recoveries. GASB 42 will be implemented by the District in fiscal year 2006.

GASB Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other than Pension Plans* ("GASB 43"), establishes uniform financial reporting standards for OPEB plans and supersedes the interim guidance included in GASB Statement No. 26, *Financial Reporting for Postemployment Healthcare Plans Administered by Defined Benefit Pension Plans*. The District will implement GASB 43

HARRIS COUNTY FLOOD CONTROL DISTRICT
A COMPONENT UNIT OF HARRIS COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
February 28, 2005

in fiscal year 2007.

GASB Statement No. 44, *Economic Condition Reporting: The Statistical Section – an Amendment of NCGA Statement 1* (“GASB 44”), updates the statistical section requirements to include guidance for all types of state and local governments, improve the understandability, comparability, and usefulness in the statistical section of the CAFR, and assist users in assessing the state or local government’s economic condition. GASB 44 will be implemented by the District in fiscal year 2007.

GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions* (“GASB 45”), establishes standards for the measurement, recognition, and display of OPEB expense/expenditures and related liabilities (assets), note disclosures, and if applicable, required supplementary information (RSI) in the financial reports of state and local governmental employers. The District will implement GASB 45 in fiscal year 2008.

GASB Statement No. 46, *Net Assets Restricted by Enabling Legislation – an amendment of GASB 34* (“GASB 46”), clarifies that a legally enforceable enabling legislation restriction is one that a party external to a government – such as citizens, public interest groups, or the judiciary – can compel a government to honor. GASB 46 states that the legal enforceability of an enabling legislation restriction should be reevaluated if any of the resources raised by the enabling legislation are used for a purpose not specified by the enabling legislation or if a government has other cause for reconsideration. This statement also specifies the accounting and financial reporting requirements if new enabling legislation replaces existing legislation or if legal enforceability is reevaluated. Finally, GASB 46 requires governments to disclose the portion of total net assets that is restricted by enabling legislation. The District will implement this statement in fiscal year 2007.

GASB Statement No. 47, *Accounting for Termination Benefits* (“GASB 47”), establishes accounting standards for termination benefits (voluntary and involuntary). GASB 47 will be implemented by the District in fiscal year 2007.

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.

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

HARRIS COUNTY FLOOD CONTROL DISTRICT
A COMPONENT UNIT OF HARRIS COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
February 28, 2005

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 and tax administration 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. 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.

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 only governmental funds and reports all 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.

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

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

D. BUDGETS

Annual appropriation budgets are adopted for the Flood Control Operations and Maintenance (General) Fund and the Flood Control Debt Service Funds. Commissioners Court appoints the County Budget Officer, who prepares the proposed budget using revenue estimates furnished by the County Auditor. 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 Funds:

HARRIS COUNTY FLOOD CONTROL DISTRICT
A COMPONENT UNIT OF HARRIS COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
February 28, 2005

- 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. Available resources include the unrestricted cash and investment balance at the beginning of the fiscal year plus estimated revenues 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 and includes estimated available financial resources and proposed expenditures.
- 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.
- The department is the legal level of budgetary control. Commissioners Court approval is necessary to transfer appropriations between departments. Transfers may not increase the total budget.
- Annual budgets are legally adopted for the General Fund and Debt Service Fund. Budgets for Capital Projects are established on a project basis.
- Transfers cannot exceed the original appropriation level adopted for the fund during the fiscal year.
- Appropriations lapse at year-end.
- Budgets are prepared on a cash basis (budget basis) which differs from a GAAP basis.

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, as required by GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, based upon quoted market prices as of February 28, 2005, with the difference between the purchase price and market price being recorded as earnings on investments.

State statutes authorize the District to invest in fully collateralized or insured time deposits, direct debt securities of the United States or its Agencies, investment grade commercial paper, money market mutual funds and fully collateralized repurchase agreements. District policy requires repurchase agreements be purchased under a master repurchase agreement which specifies the rights and obligations of both parties and requires that the securities involved in the transaction be held in a safekeeping account subject to the control and custody of the District. The margin requirement for all repurchase agreements is that market value must be at least 101% of the purchase price. Investments in repurchase agreements may be made only through a primary government securities dealer, as defined by the Federal Reserve, or a bank domiciled in the State of Texas with which the District has signed a master repurchase agreement.

**HARRIS COUNTY FLOOD CONTROL DISTRICT
A COMPONENT UNIT OF HARRIS COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
February 28, 2005**

Under Texas law, the District is required to invest its funds under written investment policies that primarily emphasize safety of principal and liquidity and that address investment diversification, yield, maturity, and the quality and capability of investment management, and all District funds must be invested in investments that protect principal, are consistent with the operating requirements of the District, and yield the highest possible rate of return. The District's written investment policy specifically excludes investments in mortgage-backed securities and bankers' acceptances.

In practice, the District's investments are limited to obligations of the United States or its instrumentalities, Federal agencies, fully collateralized repurchase agreements, commercial paper, municipal obligations rated AA or higher, and money market mutual funds. Under Texas law, District investments must be made "with judgment and care, under prevailing circumstances, that a person of prudence, discretion, and intelligence would exercise in the management of the person's own affairs, not for speculation, but for investment, considering the probable safety of capital and the probable income to be derived."

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. CAPITAL ASSETS

Capital assets include land, buildings, improvements other than buildings, equipment, construction in progress, 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 bridges, flood control channels, roads, storm sewers, tunnels, 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 and easements, regardless of the historical cost. The threshold for capitalizing buildings and building improvements is \$100,000. The capitalization threshold for infrastructure ranges from \$25,000 to \$250,000, depending on the type of infrastructure asset.

All 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:

<u>Asset</u>	<u>Years</u>
Buildings	45
Equipment	3-20
Flood Control Infrastructure:	
Bridges	40
Flood control channels	25-75
Roads	20-50
Storm sewers	30-75
Tunnels	40

**HARRIS COUNTY FLOOD CONTROL DISTRICT
A COMPONENT UNIT OF HARRIS COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
February 28, 2005**

H. 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 debt service and capital projects.

In connection with the preparation of the February 28, 2005 financial statements, the District has restated net assets as of March 1, 2004 in the amount of \$76,045,205. This restatement is due to accretion of discount on a bond series that had been refunded in a prior year.

RESERVATIONS AND DESIGNATIONS

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

I. COMPENSATED ABSENCES

Accumulated compensatory time, vacation and sick leave expected to be liquidated with expendable available financial resources is reported as an expenditure in the respective Governmental Fund. Accumulated compensated absences not expected to be liquidated with expendable available resources are reported as long-term liabilities in the government-wide financial statements.

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 sick leave hours. Unused sick leave benefits are not paid at termination. Employees with more than one year of service accrue from two to four weeks of vacation annually, depending on years of service. Unused vacation benefits lapse at calendar year-end or upon termination, except for exempt employees who may convert such benefits to compensatory time, subject to a 240 hour maximum.

Non-exempt employees earn compensatory time at one and one-half times their full pay times the excess of 40 hours per week worked. Non-exempt employees can carry forward compensatory time up to 240 hours indefinitely. 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.

J. 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.

**HARRIS COUNTY FLOOD CONTROL DISTRICT
A COMPONENT UNIT OF HARRIS COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
February 28, 2005**

2. DEPOSITS AND INVESTMENTS

Deposits:

As of February 28, 2005, the carrying amount of the District's demand and time deposits was \$0. All cash in bank accounts was swept to money market mutual funds at February 28, 2005.

Investments:

As of February 28, 2005, the District's invested funds were \$222,282,284. The following percentages of the District's invested funds were invested in the following categories of investments the average remaining maturity of such investments was 337 days.

Distribution of District Invested Funds

U.S. Government Securities	64.6%
Money Market Mutual Funds	3.0%
Commercial Paper	23.5%
Municipal Securities	8.9%

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

- Category 1: Insured or registered, or for which the securities are held by the District or its agent in the District's name.
- Category 2: Uninsured and unregistered, for which the securities are held by the District's counterparty's trust department or agent in the District's name.
- Category 3: Uninsured and unregistered, for which the securities are held by the counterparty, or by its trust department or agent but not in the District's name.

Shown below are the District's investments by risk category as of February 28, 2005:

	Categories			Fair Value
	1	2	3	
U.S. Government Securities	\$ 143,558,628	\$ -	\$ -	\$ 143,558,628
Commercial Paper	52,225,504	-	-	52,225,504
Municipal Securities	19,826,657	-	-	19,826,657
Subtotal	\$ 215,610,789	\$ -	\$ -	\$ 215,610,789
Investments not subject to categorization:				
Money Market Mutual Funds				6,671,495
Total Investments				\$ 222,282,284

**HARRIS COUNTY FLOOD CONTROL DISTRICT
A COMPONENT UNIT OF HARRIS COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
February 28, 2005**

3. PROPERTY TAXES

Property taxes for the District are levied each October 1 on the assessed value as of the preceding January 1 for all taxable real and personal property. 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 four years. Taxpayers and taxing units may challenge appraisals of the Appraisal District through various appeals and, if necessary, legal action.

The County is responsible for setting the tax rate for Harris County, the District, Harris County Hospital District and Port of Houston Authority - Debt Tax Rate, only.

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 adopted the following tax rates on behalf of the District for the 2003 tax year, per \$100 of taxable valuation:

	Operations and Maintenance <u>(General)</u>	Debt <u>Service</u>	<u>Total</u>
Flood Control District	\$0.02553	\$0.00765	\$0.03318

Property tax receivables of \$4,195,083 as of February 28, 2005 are reported net of an allowance for uncollectible taxes of \$17,251,798 and includes penalties and interest of \$8,550,663.

4. INTERFUND TRANSFERS

The following is a summary of the District's transfers for the year ended February 28, 2005:

	Transfers In:		
	General Fund	Debt Service Fund	Total
Transfers Out:			
General Fund	\$ -	\$ 170,659	\$ 170,659
Debt Service Fund	3,579	-	3,579
Capital Projects Fund	243,379	-	243,379
TOTAL	<u>\$ 246,958</u>	<u>\$ 170,659</u>	<u>\$ 417,617</u>

The transfers are routine in nature. Transfers between individual governmental funds are eliminated in the government-wide financial statements.

5. CAPITAL ASSETS

**HARRIS COUNTY FLOOD CONTROL DISTRICT
A COMPONENT UNIT OF HARRIS COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
February 28, 2005**

Capital assets transactions are summarized as follows:

	Balance March 1, 2004	Additions	Disposals	Transfers	Balance February 28, 2005
Governmental Activities:					
Land	\$ 1,306,323,842	\$ 39,430,322	\$ (40,621)	\$ -	\$ 1,345,713,543
Construction in Progress	62,576,147	41,456,764	(212,794)	(2,302,681)	101,517,436
Total capital assets not depreciated	<u>1,368,899,989</u>	<u>80,887,086</u>	<u>(253,415)</u>	<u>(2,302,681)</u>	<u>1,447,230,979</u>
Buildings	3,330,706	-	-	-	3,330,706
Equipment	7,168,206	1,094,135	(1,144,439)	-	7,117,902
Flood Control Projects	272,703,569	-	-	2,302,681	275,006,250
	<u>283,202,481</u>	<u>1,094,135</u>	<u>(1,144,439)</u>	<u>2,302,681</u>	<u>285,454,858</u>
Less accumulated depreciation for:					
Buildings	(1,181,703)	(72,376)	-	-	(1,254,079)
Equipment	(3,640,525)	(916,144)	1,055,670	-	(3,500,999)
Flood Control Projects	(125,231,292)	(8,047,166)	-	-	(133,278,458)
	<u>(130,053,520)</u>	<u>(9,035,686)</u>	<u>1,055,670</u>	<u>-</u>	<u>(138,033,536)</u>
Total capital assets being depreciated, net	<u>153,148,961</u>	<u>(7,941,551)</u>	<u>(88,769)</u>	<u>2,302,681</u>	<u>147,421,322</u>
Governmental activities capital assets, net	<u>\$ 1,522,048,950</u>	<u>\$ 72,945,535</u>	<u>\$ (342,184)</u>	<u>\$ -</u>	<u>\$ 1,594,652,301</u>

Depreciation expense was charged to the Flood Control function of the District for \$9,035,686.

6. LONG-TERM DEBT

A. OVERVIEW - SUMMARY OF LONG-TERM DEBT

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.

B. CHANGES IN BONDED DEBT AND OTHER LONG-TERM OBLIGATIONS

The following is a summary of the governmental long-term debt transactions:

HARRIS COUNTY FLOOD CONTROL DISTRICT
A COMPONENT UNIT OF HARRIS COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
February 28, 2005

	Outstanding March 1, 2004	Increase	Decrease	Outstanding February 28, 2005	Amount Due Within One Year
Governmental Activities:					
Total Bonds Payable - Principal	\$ 263,564,985	\$ 139,865,000	\$ (18,200,000)	\$ 385,229,985	\$ 18,975,000
Unamortized Premium, Series 1993	5,191,917	-	(689,415)	4,502,502	-
Unamortized Premium, Series 2002	1,000,183	-	(352,578)	647,605	-
Unamortized Premium, Series 2003A	1,460,372	-	(770,516)	689,856	-
Unamortized Premium, Series 2003B	9,620,185	-	(394,566)	9,225,619	-
Unamortized Premium, Series 2004A	-	11,154,404	(388,274)	10,766,130	
Accretion of Discount - Compound				-	
Interest Bonds:				-	
Series 1993	11,777,540	1,961,205	-	13,738,745	-
Bond Refunding Loss, Series 2002	(202,946)	-	49,773	(153,173)	-
Bond Refunding Loss, Series 2003A	(386,622)	-	33,377	(353,245)	-
Total Bonds Payable (as restated)	292,025,614	152,980,609	(20,712,199)	424,294,024	18,975,000
Commercial Paper Payable	14,000,000	62,580,000	(50,000,000)	26,580,000	2,416,364
Compensatory Time Payable	306,887	274,852	(245,510)	336,229	268,984
TOTAL (as restated)	<u>\$ 306,332,501</u>	<u>\$ 215,835,461</u>	<u>\$ (70,957,709)</u>	<u>\$ 451,210,253</u>	<u>\$ 21,660,348</u>

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.

C. OUTSTANDING BONDED DEBT

	Interest Rates(%)	Date Issued	Series Matures	Balance February 28, 2005
Refunding Series 1993	(a)	1993	2015	\$ 6,474,985
Refunding Series 2002	3.00 – 5.50	2002	2014	16,080,000
Refunding Series 2003-A	3.00 – 6.00	2003	2015	31,045,000
Refunding Series 2003-B	5.00 – 5.25	2003	2023	191,765,000
Refunding Series 2004-A	3.00 – 5.25	2004	2024	<u>139,865,000</u>
TOTAL				<u>\$385,229,985</u>

a)Includes Compound Interest Bonds @ 5.40-5.60% to mature 2007-2011. Includes Current Interest Bonds @ 4.60-5.60% to mature 2005-2015.

D. 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>Requirements</u>
--------------------	------------------	-----------------	---------------------

**HARRIS COUNTY FLOOD CONTROL DISTRICT
A COMPONENT UNIT OF HARRIS COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
February 28, 2005**

2006	\$ 18,975,000	\$ 19,095,412	\$38,070,412
2007	17,070,000	18,057,524	35,127,524
2008	8,755,287	25,682,457	34,437,744
2009	7,908,864	22,937,380	30,846,244
2010	8,667,889	21,462,254	30,130,143
2011-2015	44,277,945	82,588,274	126,866,219
2016-2020	84,910,000	67,168,262	152,078,262
2021-2025	<u>194,665,000</u>	<u>26,834,588</u>	<u>221,499,588</u>
 TOTAL	 <u>\$385,229,985</u>	 <u>\$283,826,151</u>	 <u>\$669,056,136</u>

E. UNISSUED AUTHORIZED BONDS

As of February 28, 2005, the District has voter authorization to issue \$95,000,000 of additional property tax bonds.

F. REFUNDING OF DEBT

On September 22, 2004, the Flood Control District issued \$139,865,000 Contract Tax and Refunding Bonds, Series 2004A to finance various flood control projects pursuant to the Flood Control Projects Contract and to defease a portion of the District's Contract Tax Commercial Paper Notes, Series F. The annual interest rate ranges from 3% to 5.25%. Interest accrues semiannually and the bonds mature in fiscal year 2025. There was no economic gain or loss due to the refunding of commercial paper.

G. 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. The estimated cost of projects anticipated under the Flood Contract is \$718,830,000.

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

The County's commitment under the Flood Contract is the payment to the Flood Control District of amounts necessary for the principal and/or interest due; the fees and expenditures of the issuing and paying agent, the dealer, and the credit provider; amounts related to any special or contingency funds or accounts for the notes; and any amounts to restore deficiencies in such funds or accounts. The County's payment obligation is secured by a levy and pledge of a portion of the County's ad valorem taxes which extends until all obligations under the Series F Notes, including any obligations to refund the notes, are no longer outstanding. During the term of the Flood Contract, the County is required to levy taxes computed at a tax rate sufficient to provide the funds required to make the annual payments and to provide and maintain a sinking fund adequate for such amounts as they become due. Commissioners Court issued an order whereby the sinking fund may never be less than 2% of the County's outstanding

**HARRIS COUNTY FLOOD CONTROL DISTRICT
A COMPONENT UNIT OF HARRIS COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
February 28, 2005**

indebtedness under the Flood Contract at the time of the tax levy. In setting the tax rate, the County may consider all sources of funding lawfully available or that are to be available including the credit agreement entered into for the Series F Notes, discussed below. Because of the timing of adoption of tax rates, the County has not yet been required to set a tax rate as of February 28, 2005. However, the County has allocated other available funds sufficient to pay the annual amounts due under the Flood Contract prior to the required first adoption of the tax rate. Based on the County's outstanding indebtedness as of February 28, 2005 (exclusive of Flood Control District debt), this amount required under the 2% limitation is estimated to be \$531,600.

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

The Series F Notes are also secured through an irrevocable, direct-pay, transferable letter of credit between the Flood Control District and the New York branch of Landesbank Hessen-Thüringen Girozentrale. The amount of the letter of credit totals \$214,794,521. This total includes the principal amount of the notes (\$200,000,000) and interest of \$14,794,521 calculated as 270 days at an assumed per annum rate of 10% and a 365-day year. The term of the letter of credit expires August 1, 2007 and is subject to extension of up to 364 days per request. The letter of credit also provides for the establishment of loans with maturity dates ranging from three to four years depending on the earliest of several anniversary dates. The interest rate on such loans may not exceed the maximum rate allowed by law, currently 15%. The principal portion of the loans is repayable in equal quarterly installments and the interest quarterly. Under the terms of the letter of credit, the Flood Control District is charged a quarterly fee, based on the daily average amount of the outstanding draws against the letter of credit, presently at .12%. This fee is dependent on the County's parity debt rating at the time. In addition, there are fixed transactional fees ranging from \$12 to \$1,000.

Assuming that as of February 28, 2005, loans existed for the full \$26,580,000 principal outstanding on Series F Notes, the following table is representative of the debt service requirements based on the average interest rate for the quarter ending February 28, 2005 over the next four years:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$ 2,416,364	\$ 2,021,188	\$ 4,437,552
2007	9,665,455	3,123,653	12,789,108
2008	9,665,454	1,653,699	11,319,153
2009	4,832,727	275,616	5,108,343
TOTAL	\$ 26,580,000	\$ 7,074,156	\$ 33,654,156

H. ARBITRAGE REBATE LIABILITY

The Tax Reform Act of 1986 established regulations for the rebate to the federal government of arbitrage earnings on certain local government bonds issued after December 31, 1985, and all local governmental

**HARRIS COUNTY FLOOD CONTROL DISTRICT
A COMPONENT UNIT OF HARRIS COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
February 28, 2005**

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 2005. As of February 28, 2005 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 year.

7. RETIREMENT PLAN

Plan Description

The District, a component unit of Harris County, provides retirement, disability, and death benefits for all of its full-time employees 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 553 non-traditional defined benefit pension plans. TCDRS in the aggregate issues a comprehensive annual financial report ("CAFR") on a calendar year basis. The CAFR is available upon written request from the TCRDS Board of Trustees at P.O. Box 2034, Austin, Texas 78768-2034.

Under the state law governing TCDRS since 1991, the District has had the option of selecting the plan of benefits to provide in the future, while at the same time considering the level of the employer contribution rate required to adequately finance the plan. Effective January 1, 1995, the District adopted an annually determined contribution rate plan, for which the employer contribution rate is actuarially determined as a part of the annual actuarial valuation. The rate, applicable for a calendar year, consists of the normal cost contribution rate plus the rate required to amortize the unfunded actuarial liability over the remainder of the plan's 25-year amortization period which began January 1, 1995 using the entry age actuarial cost method. Monthly contributions by the District are based on the covered payroll and the employer contribution rate in effect. The contribution rate for 2005 is 10.05%. The contribution rates for 2004 and 2003 were 10.53% and 10.31% 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 District has elected the annually determined contribution rate plan provisions of the TCDRS Act. The plan is funded by monthly contributions from both employee members and the District based on the covered payroll of employee members. Under the TCDRS Act, the contribution rate of the District is actuarially determined annually. The District contributed using actuarially determined rate of 10.53% for the months of the calendar year in 2004, and 10.05% for the months of the calendar year in 2005.

The contribution rate payable by the employee members for 2004 and 2005 is the rate of 7% as adopted by

**HARRIS COUNTY FLOOD CONTROL DISTRICT
A COMPONENT UNIT OF HARRIS COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
February 28, 2005**

Commissioners Court. The employee contribution rate and the employer contribution rate may be changed by Commissioners Court, within the options available in the TCDRS Act.

Annual Pension Cost

For the County's accounting year ending February 28, 2005, the annual pension cost for the TCDRS plan for its employees, including the District, was \$60,824,272, and the actual contributions for the District were \$1,611,523.

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, 2003 and December 31, 2004, which were the basis for determining the contribution rates for calendar years 2004 and 2005. The December 31, 2004 actuarial valuation is the most recent valuation.

Actuarial Valuation Method			
Actuarial Valuation Date	12/31/02	12/31/03	12/31/04
Actuarial Cost Method	Entry Age	Entry Age	Entry Age
Amortization Method	Level percentage of payroll, open	Level percentage of payroll, open	Level percentage of payroll, open
Amortization period in years	20	20	20
Asset Valuation Method	Long-term appreciation with adjustments	Long-term appreciation with adjustments	Long-term appreciation with adjustments
Actuarial Assumption			
Investment return (1)	8.0 %	8.0 %	8.0 %
Projected Salary Increases (1)	5.5 %	5.5 %	5.5 %
Inflation	3.5 %	3.5 %	3.5 %
Cost of Living Adjustments	0.0%	0.0%	0.0%
(1) Includes inflation at the stated rate.			

Harris County Trend Information			
Accounting Year Ending	Annual Pension Cost	Percentage of APC Contributed	Net Pension Obligation
2/28/05	\$ 60,824,272	100%	-
2/29/04	\$ 56,659,405	100%	-
2/28/03	\$ 56,254,388	100%	-

Schedule of Funding			
Actuarial Valuation Date	12/31/02	12/31/03	12/31/04
Actuarial Value of Assets	\$1,484,207,932	\$1,640,964,686	\$1,789,864,440
Actuarial Accrued Liability (AAL)	\$1,711,255,341	\$1,848,669,873	\$2,005,039,645
Unfunded Actuarial Accrued Liability (UAAL)	\$ 227,047,409	\$ 207,705,187	\$ 215,175,205

**HARRIS COUNTY FLOOD CONTROL DISTRICT
A COMPONENT UNIT OF HARRIS COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
February 28, 2005**

Funded Ratio	86.73%	88.76%	89.27%
Annual Covered Payroll (Actuarial)	\$ 537,829,236	\$ 570,304,250	\$ 623,386,613
UAAL as Percentage of Covered Payroll	42.22%	36.42%	34.52%

8. POST EMPLOYMENT BENEFITS

In addition to providing pension benefits described herein, the District provides certain retirement health care and life insurance benefits for retired employees. In accordance with the Personnel Regulations adopted by Commissioners Court, all District employees may become eligible for these benefits after meeting the service and retirement age requirements of the District's retirement plan. These requirements, which were modified effective January 1, 1996, require 30 years of service, or 8 years of service and 60 years of age, or years of service plus age equal to 75 or more. The District recognizes expenditures for retirement benefits as incurred, which during fiscal year 2005 totaled \$847,293. Presently, 160 retirees qualified for retirement benefits.

9. COMMITMENTS AND CONTINGENT LIABILITIES

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.

CONSTRUCTION COMMITMENTS

The District has commitments under various contracts in connection with the construction of flood control facilities, buildings, and projects of \$52,213,765.

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 reinsurance coverage for excess workers' compensation and employer's liability. The retention (deductible) for the fiscal year ended February 28, 2005 is \$850,000 per occurrence. During the last three fiscal years, five claims incurred 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 retirees 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

HARRIS COUNTY FLOOD CONTROL DISTRICT
A COMPONENT UNIT OF HARRIS COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
February 28, 2005

dependents and optional coverages, are paid into the County's Health Insurance Internal Service 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.

**HARRIS COUNTY FLOOD CONTROL DISTRICT
A COMPONENT UNIT OF HARRIS COUNTY, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL - BUDGETARY BASIS
OPERATIONS AND MAINTENANCE (GENERAL) FUND
For The Year Ended February 28, 2005**

	OPERATIONS AND MAINTENANCE (GENERAL) FUND			Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
REVENUES AND OTHER FINANCING SOURCES				
Beginning Cash and Investments:				
Flood Control General	\$ 85,700,000	\$ 85,700,000	\$ 87,645,427	\$ 1,945,427
FC Ser F Comm Paper	1,530,872	1,530,872	1,678,843	147,971
Issuance Cost FC Ref Ser 2003 B	382,166	382,166	17,078	(365,088)
FC Refunding Servies 2003B	3,573	3,573	3,580	7
Total Beginning Cash and Investments	<u>87,616,611</u>	<u>87,616,611</u>	<u>89,344,928</u>	<u>1,728,317</u>
Interest:				
Flood Control General	582,820	582,820	1,067,878	485,058
FC Ser F Comm Paper	2,110	2,110	17,085	14,975
Issuance Cost FC Ref Ser 2003 B	3,822	3,822	88	(3,734)
FC Refunding Servies 2003B	-	36	371	335
FC Contract Tax 2004A	-	-	18	18
Total Interest	<u>588,752</u>	<u>588,788</u>	<u>1,085,440</u>	<u>496,652</u>
Taxes:				
Flood Control General	54,748,286	54,748,286	50,264,095	(4,484,191)
FC Refunding Servies 2003B	9,780,991	9,780,991	-	(9,780,991)
Total Taxes	<u>64,529,277</u>	<u>64,529,277</u>	<u>50,264,095</u>	<u>(14,265,182)</u>
Miscellaneous:				
Flood Control General	380,088	380,088	913,420	533,332
Other Bond Proceeds:				
FC Contract Tax 2004A	-	50,722,143	50,722,143	-
Other Transfers In:				
FC Ser F Comm Paper	579,128	50,579,128	50,203,680	(375,448)
FC Refunding Servies 2003B	7,718,962	7,718,962	7,722,041	3,079
FC Contract Tax 2004A	-	-	6,486	6,486
Total Other Transfers In	<u>8,298,090</u>	<u>58,298,090</u>	<u>57,932,207</u>	<u>(365,883)</u>
Total Revenue and Other Financing Sources	<u>161,412,818</u>	<u>262,134,997</u>	<u>250,262,233</u>	<u>(11,872,764)</u>
EXPENDITURES AND OTHER FINANCING USES				
Flood Control General	141,411,194	118,525,838	65,252,047	53,273,791
FC Ser F Comm Paper	2,112,110	52,112,110	50,223,220	1,888,890
Flood Control Refunding 2003B - Cost of issuance	385,988	385,988	17,166	368,822
FC Refunding Servies 2003B	17,503,562	17,503,562	7,718,962	9,784,600
FC Contract Tax 2004A	-	50,722,144	50,720,947	1,197
Total Expenditures and Other Financing Uses	<u>161,412,854</u>	<u>239,249,642</u>	<u>173,932,342</u>	<u>65,317,300</u>
Net changes in Fund Balance	<u>\$ (36)</u>	<u>\$ 22,885,355</u>	<u>\$ 76,329,891</u>	<u>\$ 53,444,536</u>

See notes to required supplementary information.

**HARRIS COUNTY FLOOD CONTROL DISTRICT
A COMPONENT UNIT OF HARRIS COUNTY, TEXAS
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
February 28, 2005**

RECONCILIATION OF ACCOUNTING BASIS

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

	General Fund
REVENUES AND OTHER FINANCING SOURCES	
Cash (budgetary) basis	\$ 250,262,233
Accrued in 2004, received in 2005	59,706,506
Accrued in 2005, to be received in 2006	<u>(207,943,337)</u>
Revenues on modified accrual (GAAP) basis	<u>102,025,402</u>
EXPENDITURES AND OTHER FINANCING USES	
Cash (budgetary) basis	173,932,342
Incurred during 2004, paid in 2005	(5,484,940)
Incurred during 2005, payable in 2006	<u>(52,515,330)</u>
Expenditures on modified accrual (GAAP) basis	<u>115,932,072</u>
Net changes in Fund Balance	<u><u>\$ (13,906,670)</u></u>

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

**HARRIS COUNTY FLOOD CONTROL DISTRICT
A COMPONENT UNIT OF HARRIS COUNTY, TEXAS
SCHEDULE OF SERVICES AND RATES
For Fiscal Year Ended February 28, 2005
Schedule 1
(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
SCHEDULE OF SERVICES AND RATES
For Fiscal Year Ended February 28, 2005
Schedule 1
(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.

**HARRIS COUNTY FLOOD CONTROL DISTRICT
A COMPONENT UNIT OF HARRIS COUNTY, TEXAS
SCHEDULE OF GENERAL FUND EXPENDITURES
For The Year Ended February 28, 2005
Schedule 2
(Unaudited)**

Personnel Expenditures (including benefits)	\$	21,138,657
Professional Fees and Contractual Services		24,096,197
Utilities		459,803
Repairs and Maintenance		576,808
Administrative Expenditures		684
Capital Outlay		9,934,220
Other Expenditures		9,405,044
Transfers Out		<u>170,659</u>
 TOTAL EXPENDITURES & TRANSFERS OUT	 \$	 <u><u>65,782,072</u></u>

Number of persons employed by the District: 338 Full-Time 5 Part-Time

**HARRIS COUNTY FLOOD CONTROL DISTRICT
A COMPONENT UNIT OF HARRIS COUNTY, TEXAS
SCHEDULE OF TEMPORARY INVESTMENTS
For The Year Ended February 28, 2005
Schedule 3
(Unaudited)**

No temporary investments outstanding at fiscal year end

**HARRIS COUNTY FLOOD CONTROL DISTRICT
A COMPONENT UNIT OF HARRIS COUNTY, TEXAS
SCHEDULE OF TAXES LEVIED AND RECEIVABLE
For The Year Ended February 28, 2005**

**Schedule 4
(Unaudited)**

(amounts in thousands)

	Operations and Maintenance Taxes	Debt Service Taxes
Taxes receivable, beginning of year	\$ 8,430,252	\$ 5,675,648
2004 Original Tax Levy	47,919,226	14,358,875
Total to be accounted for	<u>56,349,478</u>	<u>20,034,523</u>
Tax collections:		
Current year	(44,653,149)	(13,192,077)
Prior years	(3,614,685)	(2,027,872)
Total collections	<u>(48,267,834)</u>	<u>(15,219,949)</u>
Taxes receivable, end of year	<u>\$ 8,081,644</u>	<u>\$ 4,814,574</u>

Taxes receivable, by years		
1995 and prior	\$ 1,032,524	\$ 1,541,224
1996	319,365	233,265
1997	327,918	284,784
1998	390,939	297,092
1999	493,716	309,074
2000	518,586	281,578
2001	543,941	363,232
2002	668,440	309,526
2003	849,078	314,694
2004	2,937,137	880,105
Taxes receivable, end of year	<u>\$ 8,081,644</u>	<u>\$ 4,814,574</u>

	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>
Property valuations:				
Real property	\$ 199,378,304	\$ 185,632,048	\$ 177,554,625	\$ 165,804,662
Personal property	32,119,652	30,601,495	30,129,999	30,627,904
Less exemptions	(37,273,944)	(34,822,427)	(31,764,643)	(28,809,564)
Total property valuations	<u>\$ 194,224,012</u>	<u>\$ 181,411,116</u>	<u>\$ 175,919,981</u>	<u>\$ 167,623,002</u>

HARRIS COUNTY FLOOD CONTROL DISTRICT
A COMPONENT UNIT OF HARRIS COUNTY, TEXAS
SCHEDULE OF LONG-TERM DEBT SERVICE REQUIREMENTS - BY YEARS
For The Year Ended February 28, 2005
Schedule 5
(Unaudited)

Due During Fiscal Years Ending	Annual Requirements for All Series		
	Total Principal Due	Total Interest Due	Total Principal and Interest Due
2006	\$ 18,975,000	\$ 19,095,412	\$ 38,070,412
2007	17,070,000	18,057,525	35,127,525
2008	8,755,287	25,682,457	34,437,744
2009	7,908,864	22,937,380	30,846,244
2010	8,667,889	21,462,255	30,130,144
2011	8,318,921	19,409,711	27,728,632
2012	8,124,024	17,294,233	25,418,257
2013	9,435,000	15,771,706	25,206,706
2014	9,715,000	15,299,982	25,014,982
2015	8,685,000	14,812,644	23,497,644
2016	7,945,000	14,383,276	22,328,276
2017	7,170,000	13,977,513	21,147,513
2018	7,545,000	13,601,088	21,146,088
2019	22,925,000	13,204,975	36,129,975
2020	39,325,000	12,001,413	51,326,413
2021	41,385,000	9,936,850	51,321,850
2022	45,175,000	7,764,138	52,939,138
2023	47,465,000	5,482,238	52,947,238
2024	49,845,000	3,084,625	52,929,625
2025	10,795,000	566,730	11,361,730
	<u>\$ 385,229,985</u>	<u>\$ 283,826,151</u>	<u>\$ 669,056,136</u>

(Continued)

**HARRIS COUNTY FLOOD CONTROL DISTRICT
A COMPONENT UNIT OF HARRIS COUNTY, TEXAS
SCHEDULE OF LONG-TERM DEBT SERVICE REQUIREMENTS - BY YEARS
For The Year Ended February 28, 2005
Schedule 5
(Unaudited)**

<u>Due During Fiscal Years Ending</u>	Series 1993		
	<u>Principal Due 10/01</u>	<u>Interest Due 04/01, 10/01</u>	<u>Total</u>
2006	\$ -	\$ -	\$ -
2007	-	-	-
2008	2,725,287	8,389,713	11,115,000
2009	1,678,864	5,906,136	7,585,000
2010	1,167,889	4,677,111	5,845,000
2011	643,921	2,926,079	3,570,000
2012	259,024	1,135,976	1,395,000
	\$ 6,474,985	\$ 23,035,015	\$ 29,510,000

(Continued)

**HARRIS COUNTY FLOOD CONTROL DISTRICT
A COMPONENT UNIT OF HARRIS COUNTY, TEXAS
SCHEDULE OF LONG-TERM DEBT SERVICE REQUIREMENTS - BY YEARS**

For The Year Ended February 28, 2005

**Schedule 5
(Unaudited)**

Due During Fiscal Years Ending	Series 2002		
	Principal Due 10/01	Interest Due 04/01, 10/01	Total
2006	\$ 6,095,000	\$ 820,355	\$ 6,915,355
2007	990,000	515,606	1,505,606
2008	-	483,925	483,925
2009	-	483,925	483,925
2010	1,085,000	483,925	1,568,925
2011	1,075,000	429,675	1,504,675
2012	1,060,000	375,925	1,435,925
2013	2,365,000	317,624	2,682,624
2014	2,365,000	187,550	2,552,550
2015	1,045,000	57,475	1,102,475
	<u>\$ 16,080,000</u>	<u>\$ 4,155,985</u>	<u>\$ 20,235,985</u>

(Continued)

HARRIS COUNTY FLOOD CONTROL DISTRICT
A COMPONENT UNIT OF HARRIS COUNTY, TEXAS
SCHEDULE OF LONG-TERM DEBT SERVICE REQUIREMENTS - BY YEARS
For The Year Ended February 28, 2005
Schedule 5
(Unaudited)

Due During Fiscal Years Ending	Series 2003-A		
	Principal Due 10/01	Interest Due 04/01, 10/01	Total
2006	\$ 8,645,000	\$ 1,363,081	\$ 10,008,081
2007	11,545,000	930,831	12,475,831
2008	1,270,000	424,481	1,694,481
2009	1,270,000	360,981	1,630,981
2010	1,245,000	322,881	1,567,881
2011	1,225,000	282,419	1,507,419
2012	1,200,000	239,544	1,439,544
2013	1,185,000	191,544	1,376,544
2014	1,170,000	144,144	1,314,144
2015	1,155,000	95,881	1,250,881
2016	1,135,000	48,238	1,183,238
	<u>\$ 31,045,000</u>	<u>\$ 4,404,025</u>	<u>\$ 35,449,025</u>

(Continued)

**HARRIS COUNTY FLOOD CONTROL DISTRICT
A COMPONENT UNIT OF HARRIS COUNTY, TEXAS
SCHEDULE OF LONG-TERM DEBT SERVICE REQUIREMENTS - BY YEARS
For The Year Ended February 28, 2005
Schedule 5
(Unaudited)**

Due During Fiscal Years Ending	Series 2003-B		
	Principal Due 10/01	Interest Due 04/01, 10/01	Total
2006	\$ -	\$ 9,784,600	\$ 9,784,600
2007	-	9,784,600	9,784,600
2008	-	9,784,600	9,784,600
2009	-	9,784,600	9,784,600
2010	-	9,784,600	9,784,600
2011	-	9,784,600	9,784,600
2012	-	9,784,600	9,784,600
2013	-	9,784,600	9,784,600
2014	-	9,784,600	9,784,600
2015	-	9,784,600	9,784,600
2016	-	9,784,600	9,784,600
2017	-	9,784,600	9,784,600
2018	-	9,784,600	9,784,600
2019	14,985,000	9,784,600	24,769,600
2020	30,965,000	8,997,888	39,962,888
2021	32,590,000	7,372,225	39,962,225
2022	35,915,000	5,661,250	41,576,250
2023	37,720,000	3,865,500	41,585,500
2024	39,590,000	1,979,500	41,569,500
	<u>\$ 191,765,000</u>	<u>\$ 164,860,763</u>	<u>\$ 356,625,763</u>

(Concluded)

**HARRIS COUNTY FLOOD CONTROL DISTRICT
A COMPONENT UNIT OF HARRIS COUNTY, TEXAS
SCHEDULE OF LONG-TERM DEBT SERVICE REQUIREMENTS - BY YEARS**

For The Year Ended February 28, 2005

**Schedule 5
(Unaudited)**

Due During Fiscal Years Ending	Series 2004-A		
	Principal Due 10/01	Interest Due 04/01, 10/01	Total
2006	\$ 4,235,000	\$ 7,127,376	\$ 11,362,376
2007	4,535,000	6,826,488	11,361,488
2008	4,760,000	6,599,738	11,359,738
2009	4,960,000	6,401,738	11,361,738
2010	5,170,000	6,193,738	11,363,738
2011	5,375,000	5,986,938	11,361,938
2012	5,605,000	5,758,188	11,363,188
2013	5,885,000	5,477,938	11,362,938
2014	6,180,000	5,183,688	11,363,688
2015	6,485,000	4,874,688	11,359,688
2016	6,810,000	4,550,438	11,360,438
2017	7,170,000	4,192,913	11,362,913
2018	7,545,000	3,816,488	11,361,488
2019	7,940,000	3,420,375	11,360,375
2020	8,360,000	3,003,525	11,363,525
2021	8,795,000	2,564,625	11,359,625
2022	9,260,000	2,102,888	11,362,888
2023	9,745,000	1,616,738	11,361,738
2024	10,255,000	1,105,125	11,360,125
2025	10,795,000	566,730	11,361,730
	<u>\$ 139,865,000</u>	<u>\$ 87,370,363</u>	<u>\$ 227,235,363</u>

(Concluded)

**HARRIS COUNTY FLOOD CONTROL DISTRICT
A COMPONENT UNIT OF HARRIS COUNTY, TEXAS
SCHEDULE OF COMMERCIAL PAPER DEBT SERVICE REQUIREMENTS - BY YEARS
For The Year Ended February 28, 2005
Schedule 5a
(Unaudited)**

Commercial Paper Series F			
Due During Fiscal Years Ending	Principal	Interest	Total
2006	\$ 2,416,364	\$ 2,021,188	\$ 4,437,552
2007	9,665,455	3,123,653	12,789,108
2008	9,665,454	1,653,699	11,319,153
2009	4,832,727	275,616	5,108,343
TOTAL	\$ 26,580,000	\$ 7,074,156	\$ 33,654,156

**HARRIS COUNTY FLOOD CONTROL DISTRICT
A COMPONENT UNIT OF HARRIS COUNTY, TEXAS
SCHEDULE OF CHANGES IN LONG-TERM DEBT
For The Year Ended February 28, 2005
Schedule 6
(Unaudited)**

	Bond Issues					Total
	Series 1993	Series 2002	Series 2003-A	Series 2003-B	Series 2004-A	
Interest Rate	4.60 - 5.60	3.00 - 5.50	3.00 - 6.00	5.00 - 5.25	3.00 - 5.25	
Dates Interest Payable	04/01;10/01	04/01;10/01	04/01;10/01	04/01;10/01	04/01;10/01	
Maturity Dates	10/1/2015	10/1/2014	10/1/2015	10/1/2023	10/1/2024	
Bonds Outstanding at March 1, 2004	\$ 6,474,985	\$ 28,380,000	\$ 36,945,000	\$ 191,765,000	\$ -	\$ 263,564,985
Bonds Sold During the Current Year: 2004-2005	-	-	-	-	139,865,000	139,865,000
Retirements During the Current Year: 2004-2005	-	12,300,000	5,900,000	-	-	18,200,000
Bonds Outstanding at February 28, 2005	<u>\$ 6,474,985</u>	<u>\$ 16,080,000</u>	<u>\$ 31,045,000</u>	<u>\$ 191,765,000</u>	<u>\$ 139,865,000</u>	<u>\$ 385,229,985</u>
Interest Paid During the Current Year - 2004-2005	<u>\$ -</u>	<u>\$ 1,435,356</u>	<u>\$ 1,745,698</u>	<u>\$ 7,718,962</u>	<u>\$ -</u>	<u>\$ 10,900,016</u>

Paying Agent's	Name	City
Series 1993	Chase Manhattan Bank	New York, New York
Series 2002	JPMorgan Chase Bank	Dallas, Texas
Series 2003-A	JPMorgan Chase Bank	Dallas, Texas
Series 2003-B	JPMorgan Chase Bank	Dallas, Texas
Series 2004-A	JPMorgan Chase Bank	Dallas, Texas

Bond Authorization: **Tax Bonds**

HARRIS COUNTY FLOOD CONTROL DISTRICT
A COMPONENT UNIT OF HARRIS COUNTY, TEXAS
COMPARATIVE SCHEDULE OF REVENUE AND EXPENDITURES-GENERAL FUND AND DEBT SERVICE FUNDS-FY
For The Year Ended February 28, 2005
Schedule 7
(Unaudited)

	Amounts					Percent of Fund		
	2005	2004	2003	2002	2001	2005	2004	2003
General Fund:								
Revenues:								
Taxes	\$ 49,401,450	\$ 54,198,331	\$ 49,590,215	\$ 48,240,512	\$ 59,924,526	97.4%	97.3%	97.3%
Charges for Services	124,397	42	27	261,309	255,419	0.2%	0.0%	0.0%
Intergovernmental	-	-	190,416	124	403,777	0.0%	0.0%	0.0%
Interest	751,786	934,438	894,054	2,027,238	3,124,596	1.5%	1.7%	1.7%
Miscellaneous	431,503	543,532	508,866	432,924	587,726	0.9%	1.0%	1.0%
Total Revenues	<u>\$ 50,709,136</u>	<u>\$ 55,676,343</u>	<u>\$ 51,183,578</u>	<u>\$ 50,962,107</u>	<u>\$ 64,296,044</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>
Expenditures:								
Current Operating:								
Flood Control	\$ 46,439,981	\$ 47,419,771	\$ 13,177,778	\$ 44,533,695	\$ 43,459,875	91.6%	25.8%	25.8%
Tax Administration	574,083	558,583	579,853	738,144	875,413	1.1%	1.0%	1.0%
Capital Outlay	9,934,220	5,549,373	31,385,863	-	-	19.6%	61.3%	61.3%
Debt Service	8,663,129	1,768,040	-	-	-	17.1%	3.2%	3.2%
Total Expenditures	<u>\$ 65,611,413</u>	<u>\$ 55,295,767</u>	<u>\$ 45,143,494</u>	<u>\$ 45,271,839</u>	<u>\$ 44,335,288</u>	<u>129.4%</u>	<u>91.3%</u>	<u>91.3%</u>
Excess (Deficiency) of Revenues								
Over (Under) Expenditures	<u>\$ (14,902,277)</u>	<u>\$ 380,576</u>	<u>\$ 6,040,084</u>	<u>\$ 5,690,268</u>	<u>\$ 19,960,756</u>	<u>-29.4%</u>	<u>0.7%</u>	<u>0.7%</u>
Debt Service Fund:								
Revenues:								
Taxes	\$ 15,613,192	\$ 22,264,879	\$ 23,596,948	\$ 31,947,788	\$ 33,224,416	98.6%	99.1%	99.1%
Interest	212,489	211,559	442,964	1,048,526	2,253,466	1.4%	0.9%	0.9%
Miscellaneous	10,548	-	200	-	-	0.1%	0.0%	0.0%
Total Revenues	<u>\$ 15,836,229</u>	<u>\$ 22,476,438</u>	<u>\$ 24,039,912</u>	<u>\$ 32,996,314</u>	<u>\$ 35,477,882</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>
Expenditures:								
Debt Service								
Principal Retirement	\$ 18,200,000	\$ 19,975,000	\$ 15,979,644	\$ 20,244,282	\$ 22,170,242	114.9%	88.9%	88.9%
Interest and Fiscal Charges	3,181,054	4,265,483	18,635,680	17,148,324	22,411,765	20.1%	19.0%	19.0%
Total Expenditures	<u>\$ 21,381,054</u>	<u>\$ 24,240,483</u>	<u>\$ 34,615,324</u>	<u>\$ 37,392,606</u>	<u>\$ 44,582,007</u>	<u>135.0%</u>	<u>107.8%</u>	<u>107.8%</u>
Excess (Deficiency) of Revenues								
Over (Under) Expenditures	<u>\$ (5,544,825)</u>	<u>\$ (1,764,045)</u>	<u>\$ (10,575,412)</u>	<u>\$ (4,396,292)</u>	<u>\$ (9,104,125)</u>	<u>-35.0%</u>	<u>-7.8%</u>	<u>-7.8%</u>

HARRIS COUNTY FLOOD CONTROL DISTRICT
A COMPONENT UNIT OF HARRIS COUNTY, TEXAS
SCHEDULE OF BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
For The Year Ended February 28, 2005
Schedule 8
(Unaudited)

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

District Business Telephone Number: (713) 684-4000

Names and Addresses:	Term of Office (Elected or Appointed) or Date Hired	Fees Feb 28, 2005	Expense Reimbursements Feb 28, 2005	Title at Year End	Resident of District
Commissioners' Court acts as Board of Director for District					
Judge Robert Eckels 1001 Preston, Suite 911 Houston Texas 77002	(Elected) 01/03 - 12/06	N/A	N/A	County Judge	Yes
El Franco Lee 1001 Preston, 9th Fl Houston Texas 77002	(Elected) 01/05 - 12/08	N/A	N/A	Commissioner	Yes
Sylvia R. Garcia 1001 Preston, 9th Fl Houston Texas 77002	(Elected) 01/03 - 12/06	N/A	N/A	Commissioner	Yes
Steve Radack 1001 Preston, 9th Fl Houston Texas 77002	(Elected) 01/05 - 12/08	N/A	N/A	Commissioner	Yes
Jerry Eversole 1001 Preston, 9th Fl Houston Texas 77002	(Elected) 01/03 - 12/06	N/A	N/A	Commissioner	Yes

Key Personnel:

HARRIS COUNTY FLOOD CONTROL DISTRICT
A COMPONENT UNIT OF HARRIS COUNTY, TEXAS
SCHEDULE OF BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
For The Year Ended February 28, 2005
Schedule 8
(Unaudited)

Names and Addresses:	Term of Office (Elected or Appointed) or Date Hired	Fees Feb 28, 2005	Expense Reimbursements Feb 28, 2005	Title at Year End	Resident of District
Michael Stafford 1019 Congress 15th Fl Houston Texas 77002	(Elected) 01/05 - 12/08	N/A	N/A	County Attorney	Yes
Paul Bettencourt 1001 Preston, 1th Fl Houston Texas 77002	(Elected) 01/05 - 12/08	N/A	N/A	Tax Assessor & Collector of Taxes	Yes
Edwin Harrison 1001 Preston, Rm 630 Houston, Texas 77002	(Appointed) 01/03	N/A	N/A	Investment Officer & Debt Manager County Employee	Yes
County Auditor					
Barbara J. Schott 1001 Preston, 8th Fl Houston Texas 77002	(Appointed) 03/03	N/A	N/A	County Auditor	Yes
Consultant					
Deloitte & Touche LLP 333 Clay St. Suite 2300 Houston, Texas 77002	3/21/2001	N/A	N/A	Independent Auditor	N/A