



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

Comprehensive Annual Financial Report

For the Fiscal Year Ended
February 28, 2009



**Reducing Flooding Potential.
Increasing Quality of Life.**

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A Component Unit of Harris County, Texas

Comprehensive Annual Financial Report
For the Fiscal Year Ended
February 28, 2009

Prepared By:
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**HARRIS COUNTY FLOOD CONTROL DISTRICT
A COMPONENT UNIT OF HARRIS COUNTY, TEXAS
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED FEBRUARY 28, 2009
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Mike Post, C.P.A.
Chief Assistant County Auditor
Accounting Division

**Steven L. Garner, C.P.A.,
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Chief Assistant County Auditor
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BARBARA J. SCHOTT, C.P.A.
HARRIS COUNTY AUDITOR

July 27, 2009

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

The Harris County Auditor's Office (the "Auditor's Office") is pleased to present the Basic Financial Statements of Harris County Flood Control District (the "District"), a component unit of Harris County, Texas (the "County") for the fiscal year ended February 28, 2009. This report is submitted in accordance with Section 114.025 of the Texas Local Government Code and was prepared by the staff of the County Auditor's Office.

The report consists of management's representations concerning the finances of the District. Therefore, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. We believe the information and data contained herein are accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the District in accordance with generally accepted accounting principles in the United States of America ("GAAP"). All disclosures necessary to enable the reader to gain an understanding of the District's financial activities have been included, beginning with Management's Discussion and Analysis ("MD&A") on page 11.

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

The District's financial statements were audited by Deloitte & Touche LLP, an independent audit firm. The goal of the independent audit was to provide reasonable assurance that the financial statements of the District for fiscal year ended February 28, 2009 are free of material misstatement. The independent auditor concluded based upon the audit that there was a reasonable basis for rendering an unqualified opinion that the District's financial statements are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

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

PROFILE OF THE DISTRICT

History, Geographic Location, and Population

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

The District's area of jurisdictional authority is Harris County. Harris County is located in the Gulf Coast region of Texas approximately 50 miles from the Gulf of Mexico and covers over 1,700 square miles with over 3.9 million residents.

District Structure and Services

The District is organized into four main divisions: Communications, Operations, Administrative Services and Infrastructure. The District employs a staff of about 380 with engineering design, construction and routine maintenance generally outsourced.

The District's mission is to provide flood damage reduction projects that work with appropriate regard for community and natural values. Risk of flood damage is reduced by devising storm water management plans, implementing the plans and maintaining the infrastructure.

Budget Process

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

INFORMATION USEFUL IN ASSESSING ECONOMIC CONDITION

Local Economy

The global recession along with weak energy prices have curtailed the County's robust employment growth. This became especially evident during the first quarter of 2009. Sectors of the local economy that have shed jobs include refining, petrochemicals, construction, retail and wholesale trade, transportation, utilities, finance and informational services. Upstream energy employment job growth has slowed with the Texas Alliance of Energy producers predicting that the oil and gas industry will not recover until 2010. The University of Houston's Institute for Regional Forecasting has forecast regional job losses in 2009 and 2010 of 56,000, mostly occurring in 2009. Factors that will continue to influence the County's economic future are the health of the national economy, energy prices, and the value of the dollar against major foreign currencies.

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

- Oil and gas exploration
- Basic petroleum refining

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

The Houston Association of Realtors reported a 17.3 percent decline in closings during 2008 with the total sales volume falling 15.9 percent. In April 2009, the average sales price for a single-family home was \$194,222, which was 5.8 percent lower than in April 2008. However, the median price was \$149,050, virtually unchanged from April 2008. Sales of foreclosed single-family properties have slowed recently. In April 2009, foreclosures made up 23.6 percent of all single-family sales compared to 34.0 percent in January 2009.

Catalysts for growth in Harris County, the Port of Houston and the Houston Ship Channel are vibrant components of the regional economy. The Port of Houston is a 25-mile assembly of public and private facilities along the Houston Ship Channel. The Port of Houston is ranked first in the U.S. in foreign waterborne commerce and second in total tonnage, with a total of 8,053 vessel calls in 2008. Two major railroads and numerous trucking lines connect the Port with the rest of the United States, Mexico and Canada. In November 1999, Harris County voters approved a \$387 million bond issue for the construction of a new container facility at the Port's Bayport Terminal. The opening phase of the project celebrated its grand opening in February 2007. The Bayport facility is expected to generate almost 12,000 jobs in its first ten years of operation and to generate nearly \$1 billion in new business revenues and more than \$40 million in new tax revenues annually.

In addition to the County's moderate climate and diverse economic base, it offers a modern and efficient infrastructure for people working and doing business in the County. This includes local government that encourages business development, high capacity freeways, major rail lines, the fourth largest airport in the country, and state of the art telecommunication services. In January 2004, a 7.5-mile light rail line was completed, linking Houston's Central Business District, the Museum District, the Texas Medical Center, and Reliant Stadium. In March 2009, the Metropolitan Transit Authority contracted to construct approximately 20 additional miles of light rail lines.

Harris County is the nation's third most populous county, ranking behind Los Angeles County, California and Cook County, Illinois. Houston is tied with Chicago for second place among metropolitan statistical areas for the number of *Fortune 500* headquarters with twenty-nine, behind New York, which has seventy-three.

Educational opportunities play a key role in Harris County's quality of life. The County has a number of acclaimed school districts and outstanding colleges and universities. Major institutions of higher learning include Rice University, Texas Southern University, University of Houston, University of St. Thomas and Houston Baptist University. Houston's two medical schools are the University of Texas Medical School and Baylor College of Medicine.

Financial Policies and Long-Term Financial Planning

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

- Expenditures are to be budgeted and controlled so that at the end of the fiscal year the minimum undesignated fund balance for operating funds will be no less than 15% of fiscal year expenditures;
- Full disclosure and open lines of communications will be provided for rating agencies. A goal is sustaining the County's AAA (Standard & Poor's), Aa1 (Moody's) and AA+ (Fitch) debt rating with a stable outlook.
- Tax anticipation notes for annual cash flow purposes will be issued for the Harris County's general operating fund; and
- The County's investment policy has been adopted to establish policies and procedures that enhance opportunities for a prudent and systematic investment of County funds. The County's general objectives in investing its funds are: understanding the suitability of the investment to the financial requirements of the County, preservation and safety of principal, liquidity, marketability of the investment if the need arises to liquidate the investment before maturity, diversification of the investment portfolio, and yield. The "prudent person" standard has been adopted for managing the portfolio for the County. To ensure safety of public funds, the policy adheres to Chapter 2256 of the Texas Government Code, The Public Funds Investment Act, and the statutory requirements of Local Government Code 116.112.

The County is responsible for setting the tax rates for the District. Tax rates are levied for maintenance and operations and debt service requirements relative to General Obligation Bonds. The respective tax rates which were adopted in 2008 for the District per \$100 of taxable value are: \$0.02754 for maintenance and operations and \$0.00332 for debt service, for a total of \$0.03086.

District funds available for investment under the County's investment program as of February 28, 2009 totaled \$259 million with investment earnings of \$6.5 million for the fiscal year. The average yield and maturity of such investments were 1.52% and 405 days.

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

The County provides retirement, disability, and death benefits for all the District's full-time employees through a nontraditional defined benefit pension plan in the statewide Texas County and District Retirement System (TCDRS). The County has elected the annually determined contribution rate (ADCR) plan provisions of the TCDRS Act. The plan is funded by monthly contributions from both employee members and the employer based on the covered payroll of employee members. Under the TCDRS Act, the County's contribution rate is actuarially determined annually. The contribution rate payable by the employee members for fiscal year 2009 was 7%. In addition to providing retirement benefits, the County provides certain healthcare and life insurance benefits for retired employees. Additional information regarding the County's retirement plan and other post employment benefits can be found in Notes 7 and 8 of the notes to the financial statements.

Major Initiatives

The District has \$264 million available for continuation of its capital program. The more prominent projects include using FEMA grants for County-wide buyouts and construction projects, the Brays Bayou federal project, and the Sims Bayou federal project. The District's partnership with the Federal Government through the U.S. Army Corps of Engineers and increasingly through FEMA, forms the foundation of the District's Capital Improvements program for the next fifteen years or more.

ACKNOWLEDGMENTS

I wish to express my gratitude to the Commissioners Court, District Judges, and other County and District officials and departments for their interest and support in planning and conducting the financial affairs of the District in a responsible and professional manner.

REQUEST FOR INFORMATION

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

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

**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, 2009**

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

District Business Telephone Number: (713) 684-4000

Names and Addresses:	Term of Office (Elected or Appointed) <u>or Date Hired</u>	Fees <u>Feb 28, 2009</u>	Expense Reimbursements <u>Feb 28, 2009</u>	Title at <u>Year End</u>	Resident of <u>District</u>
Commissioners' Court acts as Board of Director for District					
Judge Ed Emmett 1001 Preston, Suite 911 Houston Texas 77002	(Elected) 01/07 - 12/10	N/A	N/A	County Judge	Yes
El Franco Lee 1001 Preston, 9th Fl Houston Texas 77002	(Elected) 01/09 - 12/12	N/A	N/A	Commissioner	Yes
Sylvia R. Garcia 1001 Preston, 9th Fl Houston Texas 77002	(Elected) 01/07 - 12/10	N/A	N/A	Commissioner	Yes
Steve Radack 1001 Preston, 9th Fl Houston Texas 77002	(Elected) 01/09 - 12/12	N/A	N/A	Commissioner	Yes
Jerry Eversole 1001 Preston, 9th Fl Houston Texas 77002	(Elected) 01/07 - 12/10	N/A	N/A	Commissioner	Yes
Key Personnel:					
Arthur L. Storey Jr. P.E. 1001 Preston, 7th Fl Houston Texas 77002	(Appointed) 9/25/1989	N/A	N/A	Executive Director/ County Employee	Yes
Michael D. Talbott P.E. 9900 NW Fwy Houston, Texas 77092	6/22/1998	N/A	N/A	Director/ Employee	Yes

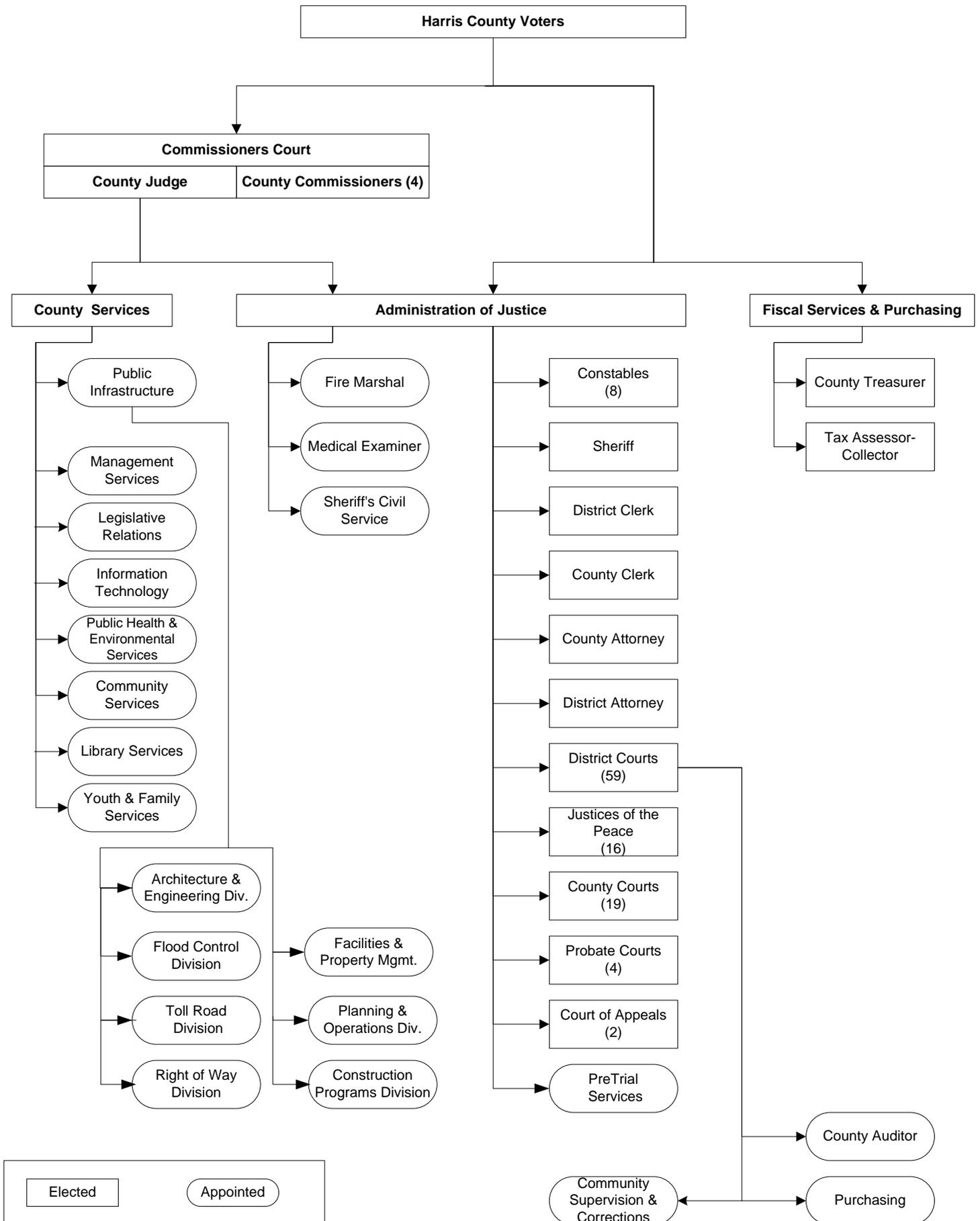
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**HARRIS COUNTY FLOOD CONTROL DISTRICT
A COMPONENT UNIT OF HARRIS COUNTY, TEXAS
SCHEDULE OF BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
For The Year Ended February 28, 2009**

Names and Addresses:	Term of Office (Elected or Appointed) or Date Hired	Fees <u>Feb 28, 2009</u>	Expense Reimbursements <u>Feb 28, 2009</u>	Title at <u>Year End</u>	Resident of <u>District</u>
Vince Ryan 1019 Congress 15th Fl Houston Texas 77002	(Elected) 01/09 - 12/12	N/A	N/A	County Attorney	Yes
Leo R. Vasquez 1001 Preston, 1st Fl Houston Texas 77002	(Elected)* 01/09 - 12/12	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 Officer County Employee	Yes
County Auditor					
Barbara J. Schott 1001 Preston, 8th Fl Houston Texas 77002	(Appointed) 03/03	N/A	N/A	County Auditor	Yes
Independent Auditor					
Deloitte & Touche LLP 1111 Bagby, Suite 4500 Houston, Texas 77002	3/19/2008	N/A	N/A	Independent Auditor	N/A

* Leo R. Vasquez was appointed by Commissioner's Court in December 2008.

Harris County Organization Chart



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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities and each major fund and the remaining 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, 2009, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on 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") and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the respective financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the 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 opinions.

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 and the remaining fund of the District as of February 28, 2009, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 27, 2009, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis, the Schedule of Revenue and Expenditures – Budget and Actual – Budgetary Basis – Operations and Maintenance (General) Fund, the Schedule of Funding Progress – OPEB, and the Texas County and District Retirement System – Schedule of Funding Progress are not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. This supplementary information is the responsibility of the District's management. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit such information and we do not express an opinion on it.

Our audit was conducted for the purpose of forming an opinion on the District's basic financial statements. The Schedule of Expenditures of Federal Awards is presented for the purpose of additional analysis and is not a required part of the basic financial statements, but is supplementary information required by the U.S. Office of Management and Budget (“OMB”) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. This schedule is the responsibility of the District's management. This schedule has been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The Introductory and Statistical Sections 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 also the responsibility of the District's management. The Introductory and Statistical Sections 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.

Debitte & Touche LLP

July 27, 2009

***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, 2009. Please read it in conjunction with the District's basic financial statements following this section.

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

FINANCIAL HIGHLIGHTS

Government-wide

- The total government-wide assets of the District exceeded the liabilities (net assets) at February 28, 2009 by \$1,618,005,228, an increase of \$31,558,161 from the previous year when assets exceeded liabilities by \$1,586,447,067.
- Total net assets are comprised of the following:
 - (1) Capital assets, net of related debt, of \$1,530,478,670 include land, improvements, construction in progress and equipment, net of accumulated depreciation, and reduced for outstanding debt related to the purchase or construction of capital assets.
 - (2) Net assets of \$3,758,570 are restricted by constraints imposed from outside the District such as debt obligations and capital projects.
 - (3) Unrestricted net assets of \$83,767,988 represent the portion available to meet ongoing obligations to citizens and creditors.

Fund Level

- As of February 28, 2009, the District's governmental funds reported combined fund balances of \$253,486,287. This compares to the prior year combined fund balance of \$259,493,770 showing a decrease of \$6,007,483 during the current year. The combined unreserved fund balance of \$172,207,684 for fiscal year 2009 shows an increase of \$12,544,557 over the prior year. These increases were primarily attributable to a decrease in reserves for encumbrances.
- At the end of the fiscal year, the total fund balance for the Operations and Maintenance (General) fund was \$93,354,463. The unreserved fund balance was \$67,645,891 or 104.0% of total general fund expenditures and 87.4% of total general fund revenues. The General fund had a reserved fund balance of \$25,708,572 which is set aside for encumbrances and prepaids.
- The fund balance in the Debt Service fund of \$16,076,461 was fully reserved at the end of the fiscal year. This represents an increase of \$1,501,175 from the prior year balance of \$14,575,286. Revenues, primarily from taxes, increased by \$24,024,947.
- The Capital Projects fund at fiscal year end had an unreserved fund balance of \$104,561,793 and a reserved fund balance of \$39,493,570 for a total Capital Projects fund balance of \$144,055,363 down from \$163,417,193 in the prior year. This decrease is primarily due to spending bond proceeds from previous years.

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

- The District issues debt to finance an ongoing capital improvement program, and during fiscal year 2009, issued \$451,465,000 in refunding bonds and \$32,630,000 in commercial paper. Note 6 to the financial statements, provides additional details related to long-term debt. The debt service ad-valorem tax rate for the 2008 tax year for the District totaled \$0.00332 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.

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 four governmental funds and one fiduciary fund.

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

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

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

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

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

Notes to the Basic Financial Statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes can be found beginning on page 28 of this report.

Required Supplementary Information is presented concerning the District's Operations and Maintenance (General) Fund budgetary schedule. The District adopts an annual budget for this fund. A budgetary comparison schedule, which includes the original and final amended budgets and actual figures, has been provided to demonstrate compliance with these budgets. Also presented in this section are the Schedule of Funding Progress for Other Post Employment Benefits and the Schedule of Funding Progress for Texas County and District Retirement System. Required supplementary information can be found beginning on page 51 of this report.

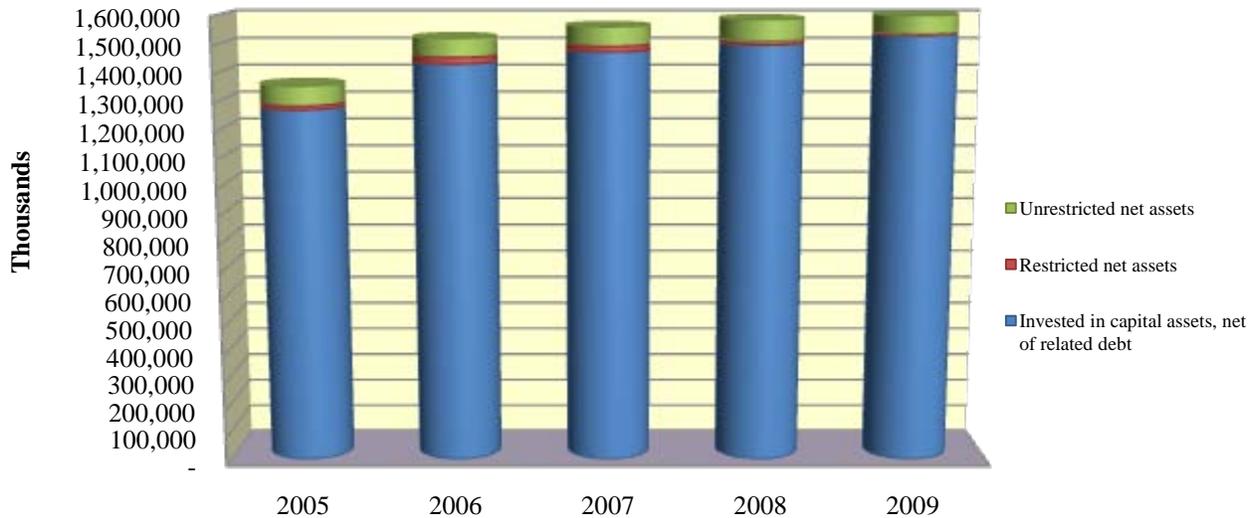
GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$1,618,005,228 for fiscal year ended 2009 and \$1,586,447,067 for fiscal year 2008. Net assets increased primarily due to an increase in capital assets. For further information regarding the increase in capital assets see Note 5 to the financial statements.

Condensed Statement of Net Assets		
(amounts in thousands)		
	Governmental Activities	
	February 28, 2009	February 29, 2008
Current and other assets	\$ 280,199	\$ 287,827
Capital assets	2,006,540	1,946,923
Total assets	2,286,739	2,234,750
Current and other liabilities	26,395	30,035
Long-term liabilities	642,339	618,268
Total liabilities	668,734	648,303
Net assets:		
Invested in capital assets, net of related debt	1,530,479	1,497,771
Restricted net assets	3,758	13,800
Unrestricted net assets	83,768	74,876
Total net assets	\$ 1,618,005	\$ 1,586,447

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

Change in Net Assets



The largest portion of the District's current fiscal year net assets, \$1,530,478,670, reflects its investments in capital assets (e.g. land, improvements, buildings, equipment, infrastructure), less any related debt used to acquire those assets that is still outstanding. The main use of these capital assets is to provide services to citizens; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. The increase of \$32,708,012 in the District's net assets invested in capital assets, net of related debt is comprised of a \$59,616,735 increase in capital assets with an offsetting increase of \$12,850,779 in debt related to capital assets and a decrease of unspent debt proceeds of \$14,057,944.

The District's current fiscal year net assets represent resources that are subject to external restrictions on how they may be used. Restricted net assets totaled \$3,758,570 with \$1,178,246 restricted for capital projects and \$2,580,324 restricted for debt service. Primarily due to decreased outside funding for joint projects restricted net assets reflect an overall decrease of \$10,041,253.

The remaining balance of the District's current fiscal year net assets, \$83,767,988 represents unrestricted net assets, which may be used by the District for current and future needs.

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

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

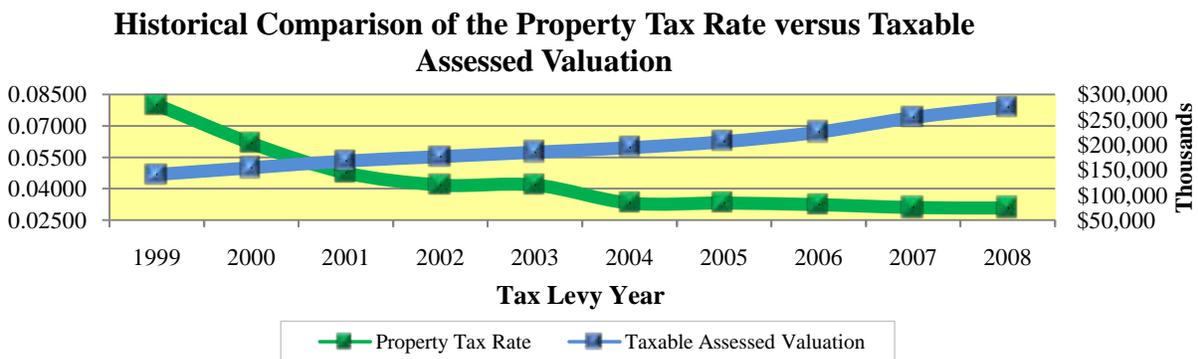
**Harris County Flood Control District
Management's Discussion and Analysis
(Unaudited)**

Condensed Statement of Activities		
(amounts in thousands)		
	Governmental Activities	
	For the Year Ended February 28, 2009	For the Year Ended February 29, 2008
Revenues:		
Program revenues:		
Charges for services	\$ 551	\$ 410
Operating grants and contributions	24,251	22,645
Capital grants and contributions	39,983	30,399
General revenues:		
Property taxes	82,236	78,880
Earnings on investments	6,475	13,679
Miscellaneous	3,199	1,504
Gain on sale of capital assets	37	1,201
Total revenues and other items	<u>156,732</u>	<u>148,718</u>
Expenses:		
Flood control	98,955	94,515
Tax administration	664	548
Interest on long-term debt	25,555	28,784
Total expenses and other items	<u>125,174</u>	<u>123,847</u>
Change in net assets	31,558	24,871
Net assets - beginning	1,586,447	1,561,576
Net assets - ending	<u>\$ 1,618,005</u>	<u>\$ 1,586,447</u>

Revenues

For fiscal year ended February 28, 2009, revenues from governmental activities totaled \$156,732,556.

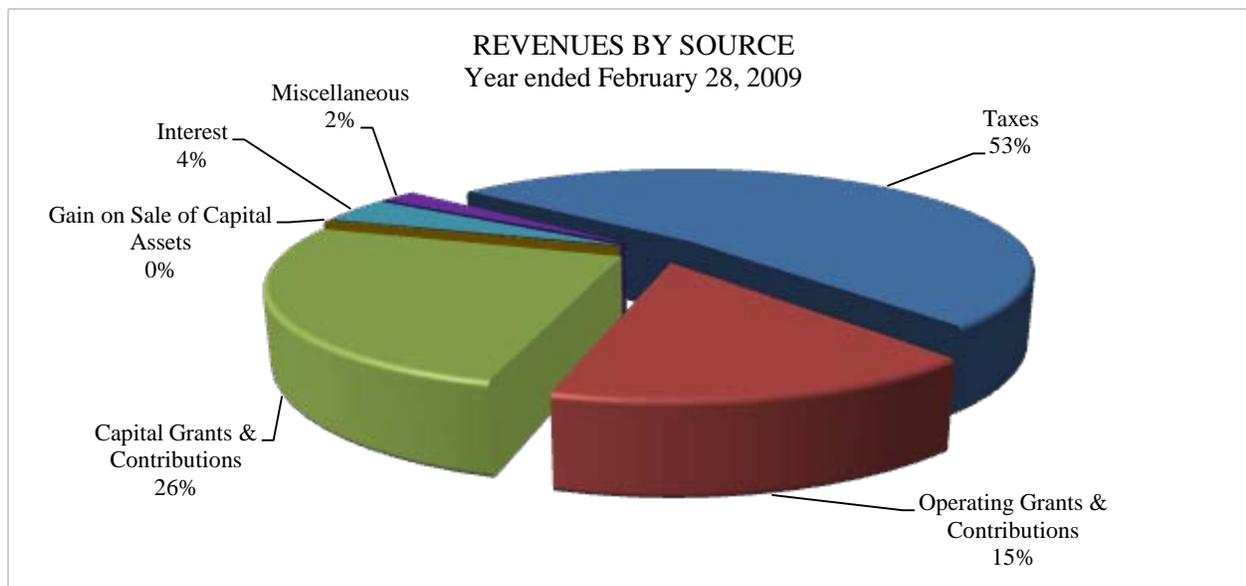
Property taxes of \$82,236,352 were the District's largest revenue source and comprised 53% of total revenues. The tax rate was \$.03086 per \$100 of assessed value for fiscal year 2009 and \$.03106 per \$100 of assessed value for fiscal year 2008. The assessed value increased in fiscal year 2009 to \$364,157,453,000 from \$327,373,322,000 in fiscal year 2008.



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

Program revenues are derived from the program itself and reduce the cost of the function to the District. Total program revenues were \$64,784,859 or 41% of total revenues. A major portion of program revenues are capital grants and contributions of \$39,983,318 (26%) and represent receipts primarily from Federal Emergency Management Agency (FEMA) and the Army Corps of Engineers. A major portion of program revenues consists of operating grants and contributions of \$24,250,831 (15%), associated with contributions by Harris County. Another portion of program revenues is charges for services of \$550,710 (less than 1% of total revenues), which are primarily from impact fees on development.

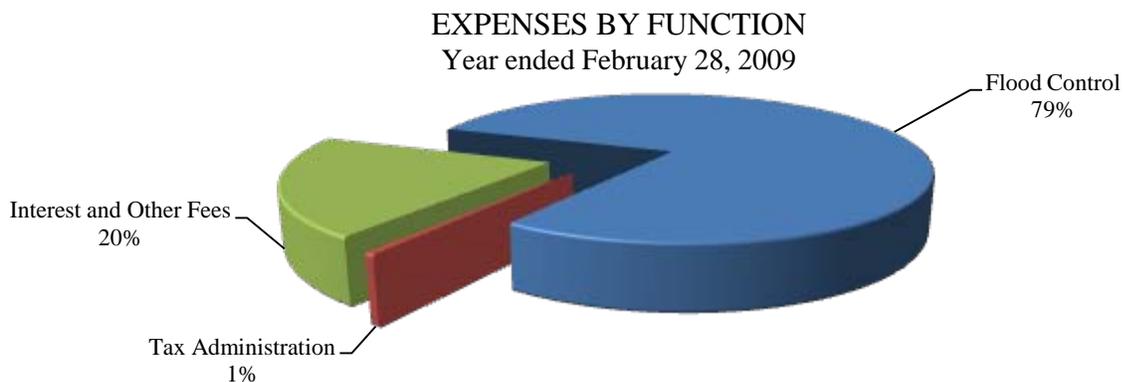
General revenues are revenues that cannot be assigned to a specific function. They consist of property taxes (discussed above), unrestricted investment or interest earnings of \$6,474,730 (4% of total revenues), miscellaneous income of \$3,199,363 (2% of total revenues). Miscellaneous income is primarily comprised of collections for various fees. In the current year, there was a gain on sale of capital assets of \$37,252 (less than 1% of total revenues).



Expenses

For fiscal year ended February 28, 2009, expenses for governmental activities totaled \$125,174,395, compared to \$123,846,673 in the prior fiscal year. Flood control administration of \$98,954,943 is the District's largest function with 79% of total expenses. This was an increase from the prior year of \$4,440,301, due to regular operations of the District. Interest and other fees makes up the second largest category of expenses with \$25,555,297 or 20% of the total, which is interest on long term debt. Tax administration, which represents the cost to collect taxes assessed on behalf of the District by the Harris County Tax Assessor is \$664,155 (less than 1% of total expenses) and has increased from \$548,026 last year.

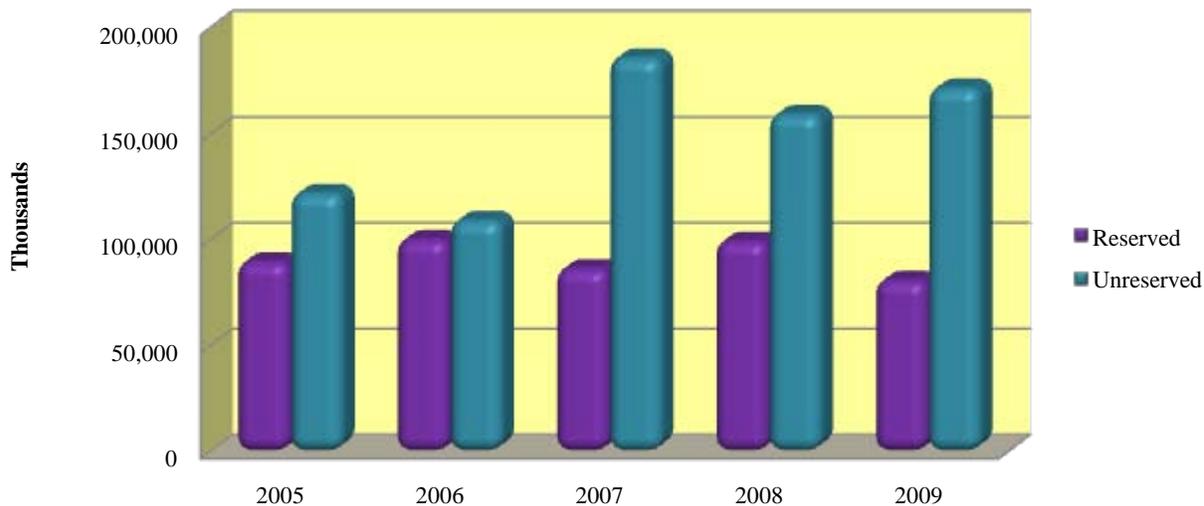
**Harris County Flood Control District
Management's Discussion and Analysis
(Unaudited)**



FINANCIAL ANALYSIS OF MAJOR FUNDS

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

Governmental Fund Balances



At February 28, 2009, the District's governmental funds reported combined fund balances of \$253,486,287, of which \$65,142,311 is reserved for encumbrances, \$16,076,461 is reserved for debt service, and \$59,831 is reserved for prepaids. The remainder, \$172,207,684, is available to meet the District's current and future needs. The District's combined fund balances decreased \$6,007,483. The reasons for this change are explained below by individual fund.

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

The Operating and Maintenance (General) fund is the operating fund of the District. Fund balance in the General Fund increased by \$11,853,172. This was primarily the result of an increase in tax revenues of \$5,871,049 and a reduction of interest and fiscal charges.

The Special Revenue Grants fund accounts for grants that have been awarded in the District's name. There is no fund balance in grant funds. However, the overall grant activity for the current fiscal year resulted in a \$5,751,267 increase in assets and liabilities over the previous fiscal year.

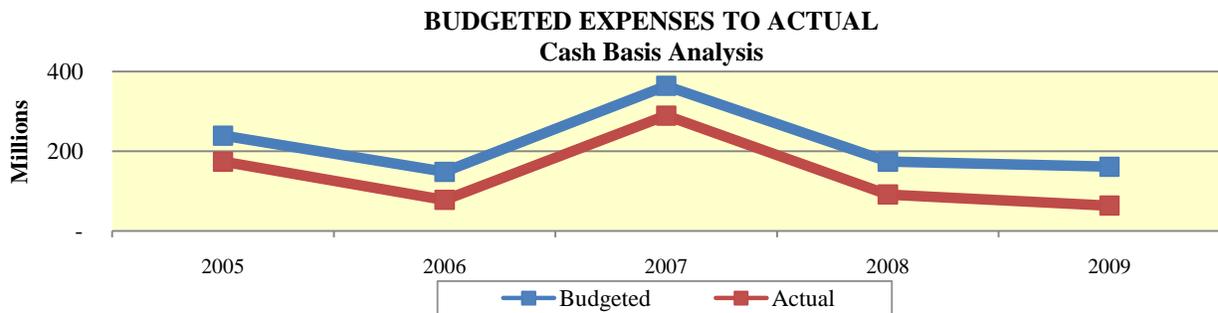
Fund balance in the Debt Service fund increased by \$1,501,175, primarily as the result of refunding bonds issued in the current year. At February 28, 2009, this fund reported revenues of \$33,911,351. The majority of these revenues were from property taxes and intergovernmental revenue from Harris County. See Note 3 to the financial statements and Table 20 of the statistical section for additional information on property taxes.

The fund balance in the Capital Projects fund decreased by \$19,361,830, which was due to expenditures exceeding revenues and the use of commercial paper proceeds. The Capital Projects fund relies primarily on the issuance of bonds and commercial paper to support current and future projects. The funding for projects was provided through bond issues, commercial paper and joint funded projects with outside agencies. See Note 6 to the financial statements for further discussion of long term debt.

OPERATING AND MAINTENANCE (GENERAL) FUND BUDGETARY HIGHLIGHTS

There were no differences between the original budget and the final amended budget.

During the year actual revenues were less than budgetary estimates by \$1,798,224. This is attributable to less transfers from Harris County for the commercial paper agreement. Actual expenditures were less than budgetary estimates by \$97,712,421. This is primarily due to fewer 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 \$95,914,197, thus eliminating the need to draw upon the existing fund balance on a cash basis.



CAPITAL ASSETS

The District's capital assets, net of accumulated depreciation for its governmental activities as of February 28, 2009, amounted to \$2,006,539,903. These capital assets include land, improvements, buildings, flood control infrastructure, equipment, and construction in progress, as shown in the table below. For further information regarding capital assets, see Note 5 to the financial statements.

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

	Balance	Balance
	February 28, 2009	February 29, 2008
Governmental Activities:		
Land	\$ 1,457,122,610	\$ 1,429,542,726
Construction in Progress	125,809,418	153,631,858
Land Improvements	641,531	635,507
Buildings	11,869,695	11,869,695
Equipment	9,317,828	9,585,951
Flood Control Projects	632,691,287	547,644,476
	2,237,452,369	2,152,910,213
Less Accumulated Depreciation	(230,912,466)	(205,987,045)
Totals	\$ 2,006,539,903	\$ 1,946,923,168

LONG-TERM DEBT

At February 28, 2009, the District had total long-term liabilities outstanding of \$642,338,752. Refer to Note 6 to the financial statements for further information on the District's long term debt. District officials, citizens, and investors will find the ratio of net bonded debt to assessed valuation and the amount of bonded debt per capita as useful indicators of the District's debt position; this information is shown in the statistical section of this report.

	Balance	Balance
	February 28, 2009	February 29, 2008
Governmental Activities:		
Bonds Payable	\$ 553,793,678	\$ 564,277,754
Commercial Paper Payable	84,435,000	51,805,000
Compensatory Time Payable	479,938	350,637
Judgments Payable	-	60,000
OPEB Obligations	3,564,545	1,774,748
Pollution Remediation Obligations	65,591	-
Totals	\$ 642,338,752	\$ 618,268,139

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

ECONOMIC FACTORS

The unemployment rate for Harris County for calendar year 2008 was 5.5%. This is an unfavorable increase from the prior year rate of 4.2%. The state unemployment rate for calendar year 2008 was 5.7%. The number of people employed with the District increased by 29 during the year.

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

REQUEST FOR INFORMATION

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

BASIC FINANCIAL STATEMENTS

HARRIS COUNTY FLOOD CONTROL DISTRICT
A COMPONENT UNIT OF HARRIS COUNTY, TEXAS
STATEMENT OF NET ASSETS
February 28, 2009

	Governmental Activities
ASSETS	
Cash and investments:	
Cash and cash equivalents	\$ 59,724,483
Investments	183,401,043
Receivables:	
Taxes, net	4,420,860
Accounts	696,847
Accrued interest	723,250
Other	9,748,448
Prepays and other assets	803,763
Restricted cash and cash equivalents	15,817,049
Deferred charges	4,863,824
Capital assets:	
Land and construction in progress	1,582,932,028
Other capital assets, net of depreciation	423,607,875
Total assets	2,286,739,470
LIABILITIES	
Liabilities:	
Vouchers payable	11,743,094
Accrued payroll and compensated absences	2,066,575
Retainages payable	3,016,253
Accrued interest	9,569,568
Long-term liabilities:	
Due within one year:	
Bonds payable	15,912,457
Compensated absences	249,568
Due in more than one year:	
Bonds payable	537,881,221
Commercial paper payable	84,435,000
Compensated absences	230,370
OPEB obligation	3,564,545
Pollution remediation obligation	65,591
Total liabilities	668,734,242
NET ASSETS	
Invested in capital assets, net of related debt	1,530,478,670
Restricted for debt service	2,580,324
Restricted for capital projects	1,178,246
Unrestricted	83,767,988
Total net assets	\$ 1,618,005,228

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, 2009**

<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 administration	\$ 98,954,943	\$ 550,710	\$ 24,250,831	\$ 39,983,318	\$ (34,170,084)
Tax administration	664,155	-	-	-	(664,155)
Interest on long-term debt	25,555,297	-	-	-	(25,555,297)
Total governmental activities	<u>\$ 125,174,395</u>	<u>\$ 550,710</u>	<u>\$ 24,250,831</u>	<u>\$ 39,983,318</u>	<u>(60,389,536)</u>
General revenues:					
Taxes:					
Property taxes levied for general purposes					73,148,311
Property taxes levied for debt service					9,088,041
Earnings on investments					6,474,730
Miscellaneous					3,199,363
Gain on sale of capital assets					37,252
Total general revenues and other items					<u>91,947,697</u>
Change in net assets					31,558,161
Net assets - beginning					<u>1,586,447,067</u>
Net assets - ending					<u>\$ 1,618,005,228</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, 2009

	Operations and Maintenance (General)	Special Revenue Grants	Debt Service	Capital Projects	Total 2009
ASSETS					
Cash and investments:					
Cash and cash equivalents	\$ 26,712,537	\$ -	\$ -	\$ 33,011,946	\$ 59,724,483
Investments	63,614,934	43,136	-	119,742,973	183,401,043
Receivables:					
Taxes, net	3,771,863	-	648,997	-	4,420,860
Accounts	2,523	94,173	-	600,151	696,847
Accrued interest	212,248	144	-	510,858	723,250
Other	2,760,936	6,610,285	361,150	16,077	9,748,448
Due from other funds	7,131,901	467,168	-	51,160	7,650,229
Prepays and other assets	59,831	743,932	-	-	803,763
Restricted cash and cash equivalents	101,738	-	15,715,311	-	15,817,049
Total assets	<u>\$ 104,368,511</u>	<u>\$ 7,958,838</u>	<u>\$ 16,725,458</u>	<u>\$ 153,933,165</u>	<u>\$ 282,985,972</u>
LIABILITIES AND FUND BALANCE					
Liabilities:					
Vouchers payable	\$ 4,945,821	\$ 775,777	\$ -	\$ 6,021,496	\$ 11,743,094
Accrued payroll and compensated absences	2,066,575	-	-	-	2,066,575
Retainage payable	227,266	-	-	2,788,987	3,016,253
Due to other funds	-	7,183,061	-	467,168	7,650,229
Deferred revenue	3,774,386	-	648,997	600,151	5,023,534
Total liabilities	<u>11,014,048</u>	<u>7,958,838</u>	<u>648,997</u>	<u>9,877,802</u>	<u>29,499,685</u>
Fund balances:					
Reserved for:					
Encumbrances	25,648,741	-	-	39,493,570	65,142,311
Debt service	-	-	16,076,461	-	16,076,461
Prepays	59,831	-	-	-	59,831
Unreserved	<u>67,645,891</u>	<u>-</u>	<u>-</u>	<u>104,561,793</u>	<u>172,207,684</u>
Total fund balances	<u>93,354,463</u>	<u>-</u>	<u>16,076,461</u>	<u>144,055,363</u>	<u>253,486,287</u>
Total liabilities and fund balances	<u>\$ 104,368,511</u>	<u>\$ 7,958,838</u>	<u>\$ 16,725,458</u>	<u>\$ 153,933,165</u>	<u>\$ 282,985,972</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, 2009**

Total fund balances for governmental funds \$ 253,486,287

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	\$ 1,457,122,610	
Construction in progress	125,809,418	
Land improvements, net of \$66,198 accumulated depreciation	575,333	
Flood control projects, net of \$223,592,587 accumulated depreciation	409,098,700	
Buildings, net of \$1,755,835 accumulated depreciation	10,113,860	
Equipment and vehicles, net of \$5,497,846 accumulated depreciation	<u>3,819,982</u>	
Total capital assets (See Note 5)		2,006,539,903

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, 2009 were:

Accrued interest on bonds	(9,569,568)	
Bonds payable	(553,793,678)	
Deferred charges	4,863,824	
Commercial paper payable	(84,435,000)	
Compensated absences	(479,938)	
OPEB obligation	(3,564,545)	
Pollution remediation obligation	<u>(65,591)</u>	
		(647,044,496)

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.

5,023,534

Total net assets of governmental activities

\$ 1,618,005,228

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, 2009

	Operations and Maintenance (General)	Special Revenue Grants	Debt Service	Capital Projects	Total 2009
REVENUES					
Taxes	\$ 73,743,747	\$ -	\$ 9,163,852	\$ -	\$ 82,907,599
Intergovernmental	852,476	10,849,505	23,506,300	20,505,906	55,714,187
Lease revenue	171,073	-	-	-	171,073
Earnings on investments	1,789,202	-	356,054	4,329,474	6,474,730
Miscellaneous	840,268	-	885,145	1,864,715	3,590,128
	<u>77,396,766</u>	<u>10,849,505</u>	<u>33,911,351</u>	<u>26,700,095</u>	<u>148,857,717</u>
EXPENDITURES					
Current operating:					
Flood control administration	60,446,437	254,377	-	10,344,842	71,045,656
Tax administration	664,155	-	-	-	664,155
Capital outlay	2,979,324	14,687,443	-	59,719,751	77,386,518
Debt service:					
Principal retirement	-	-	12,553,864	-	12,553,864
Bond issuance fees	-	-	3,163,829	-	3,163,829
Interest and fiscal charges	963,774	-	24,883,436	-	25,847,210
	<u>65,053,690</u>	<u>14,941,820</u>	<u>40,601,129</u>	<u>70,064,593</u>	<u>190,661,232</u>
Excess (deficiency) of revenues over (under) expenditures	<u>12,343,076</u>	<u>(4,092,315)</u>	<u>(6,689,778)</u>	<u>(43,364,498)</u>	<u>(41,803,515)</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	-	4,092,315	5,088,298	-	9,180,613
Transfers out	(553,281)	-	-	(8,627,332)	(9,180,613)
Refunding bonds issued	-	-	451,465,000	-	451,465,000
Premium on refunding bonds issued	-	-	19,332,124	-	19,332,124
Discount on refunding bonds issued	-	-	(764,569)	-	(764,569)
Commercial paper issued	-	-	-	32,630,000	32,630,000
Payment to escrow agent	-	-	(466,929,900)	-	(466,929,900)
Sale of capital assets	63,377	-	-	-	63,377
	<u>(489,904)</u>	<u>4,092,315</u>	<u>8,190,953</u>	<u>24,002,668</u>	<u>35,796,032</u>
Net changes in fund balances	11,853,172	-	1,501,175	(19,361,830)	(6,007,483)
Fund balances, beginning	<u>81,501,291</u>	<u>-</u>	<u>14,575,286</u>	<u>163,417,193</u>	<u>259,493,770</u>
Fund balances, ending	<u>\$ 93,354,463</u>	<u>\$ -</u>	<u>\$ 16,076,461</u>	<u>\$ 144,055,363</u>	<u>\$ 253,486,287</u>

See notes to the financial statements.

**HARRIS COUNTY FLOOD CONTROL DISTRICT
A COMPONENT UNIT OF HARRIS COUNTY, TEXAS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
For The Year Ended February 28, 2009**

Net change in fund balances - total governmental funds \$ (6,007,483)

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay of \$77,386,518 exceeded depreciation of \$25,979,176 in the current period. 51,407,342

Capital asset donations 8,252,067

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

Debt issued:		
Refunding bonds	\$ (451,465,000)	
Premium on refunding bonds	(19,332,124)	
Discount on refunding bonds	764,569	
Commercial paper	(32,630,000)	
Repayments:		
To paying agent for bond principal	12,553,864	
To refunding bond escrow agent	466,929,900	
Refunding interest expense	<u>(7,214,804)</u>	
Net adjustment		(30,393,595)

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 10 balances.

Compensated absences	(129,301)	
Judgments payable	60,000	
OPEB obligation	(1,789,797)	
Pollution remediation obligation	(65,591)	
Amortization of debt premium	2,916,848	
Accretion of discount - capital appreciation bonds	4,538,097	
Amortization of advanced refunding difference	(984,584)	
Accrued interest on bonds	1,362,178	
Amortization of deferred charges	(325,822)	
Capitalization of deferred charges	<u>3,163,829</u>	
Combined adjustment		8,745,857

Because some revenues will not be collected for several months after the District's fiscal year end, they are not considered "available" revenues and are deferred in the governmental funds. Deferred revenues decreased by this amount in the current period. (403,353)

The net effect of sales involving capital assets is to decrease net assets. (42,674)

Change in net assets of governmental activities \$ 31,558,161

HARRIS COUNTY FLOOD CONTROL DISTRICT
A COMPONENT UNIT OF HARRIS COUNTY, TEXAS
STATEMENT OF FIDUCIARY NET ASSETS
AGENCY FUNDS
February 28, 2009

	Corps. of Engineers Escrow
ASSETS	
Cash and cash equivalents	\$ 1,168,026
Total assets	<u>\$ 1,168,026</u>
LIABILITIES	
Held for others	\$ 1,168,026
Total liabilities	<u>\$ 1,168,026</u>

See notes to the financial statements.

**HARRIS COUNTY FLOOD CONTROL DISTRICT
A COMPONENT UNIT OF HARRIS COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
February 28, 2009**

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. REPORTING ENTITY

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

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

B. IMPLEMENTATION OF NEW STANDARDS

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

GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations* ("GASB 49"), establishes accounting standards for pollution remediation obligations regarding existing pollution areas. Implementation of GASB 49 is reflected in the statements and note disclosure (Note 9).

GASB Statement No. 50, *Pension Disclosures- an amendment of GASB Statements No. 25 and No. 27* ("GASB 50"), more closely aligns the financial reporting requirements for pensions with those for other postemployment benefits (OPEB) and, in doing so, enhances information disclosed in the notes to the financial statements. Implementation of GASB 50 is reflected in the note disclosure (Notes 7 and 8).

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

Government-wide Statements

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

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

HARRIS COUNTY FLOOD CONTROL DISTRICT
A COMPONENT UNIT OF HARRIS COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
February 28, 2009

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

Fund-level Statements

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

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

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

Funds are generally classified into three categories: Governmental, Proprietary, and Fiduciary. The District has four governmental funds and one fiduciary fund 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.

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

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

HARRIS COUNTY FLOOD CONTROL DISTRICT
A COMPONENT UNIT OF HARRIS COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
February 28, 2009

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

FIDUCIARY FUND - used to report assets held in an agency capacity for others and therefore cannot be used to support the government's own programs. The District reports one agency fund.

D. BUDGETS

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

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

**HARRIS COUNTY FLOOD CONTROL DISTRICT
A COMPONENT UNIT OF HARRIS COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
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A reconciliation of General Fund revenues and expenditures on a cash basis (budgetary basis) compared to modified accrual basis (GAAP) is presented in the Notes to Required Supplementary Information.

E. DEPOSITS AND INVESTMENTS

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

F. INTERFUND TRANSACTIONS

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

G. PREPAIDS AND OTHER ASSETS

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

H. CAPITAL ASSETS

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

Capital assets of the District are defined as assets with individual costs of \$5,000 or more and estimated useful lives in excess of one year. Exceptions to the \$5,000 capitalization threshold are as follows: it is the County's policy to capitalize all land 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>
Land improvements	20
Buildings	45
Equipment	3-20
Flood Control Infrastructure:	
Flood control channels	25-75
Storm sewers	30-75

**HARRIS COUNTY FLOOD CONTROL DISTRICT
A COMPONENT UNIT OF HARRIS COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
February 28, 2009**

I. NET ASSETS AND FUND BALANCES

NET ASSETS CLASSIFICATIONS

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

RESERVATIONS AND DESIGNATIONS

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

J. COMPENSATED ABSENCES

Accumulated compensatory time, vacation and sick leave expected to be liquidated with expendable available financial resources 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 hours of sick leave. Unused sick leave benefits are not paid at termination. Employees accrue from three to ten hours of vacation per pay period depending on years of service and pay period type, standard versus extra. Employees may accumulate from 120 to 280 hours of vacation benefits, depending on years of service. Upon termination, employees are paid the balance of unused vacation benefits.

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

K. USE OF ESTIMATES

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

2. DEPOSITS AND INVESTMENTS

Deposits: Chapter 2257 of the Texas Government Code is known as the Public Funds Collateral Act. This act provides guidelines for the amount of collateral that is required to secure the deposit of public funds.

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Federal Depository Insurance (FDIC) is available for funds deposited at any one financial institution up to a maximum of \$100,000 each for demand deposits, time and savings deposits, and deposits pursuant to indenture. The Public Funds Collateral Act requires that the deposit of public funds be collateralized in an amount not less than the total deposit, reduced by the amount of FDIC insurance available.

The custodial credit risk for deposits is the risk that the District will not be able to recover deposits that are in the possession of an outside party. Deposits are exposed to custodial credit risk if they are not insured or collateralized. At February 28, 2009, the carrying amount of the District's demand and time deposits was negative \$86,887 and the balance per various financial institutions was \$0. The District's deposits are not exposed to custodial credit risk since all deposits are either covered by FDIC insurance or collateralized with securities held by the District or its agent in the District's name, in accordance with the Public Funds Collateral Act.

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

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

AUTHORIZED INVESTMENTS

Harris County funds may be invested in the following investment instruments provided that such instruments meet the guidelines of the investment policy:

1. Obligations of the U.S. or its agencies and instrumentalities.
2. Direct obligation of the State of Texas or its agencies and instrumentalities.
3. Collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States, with a stated final maturity of 10 years or less.
4. Other obligations the principal and interest of which are unconditionally guaranteed or insured by or backed by the full faith and credit of this state or the U.S.
5. Obligations of states, agencies, counties, cities, and other political subdivisions of any state rated and to investment quality by a nationally recognized investment rating firm not less than A or its equivalent.
6. Certificates of deposit issued by a state or national bank domiciled in this state or a savings and loan association domiciled in this state that are guaranteed or insured by the FDIC or secured by authorized investments that have a market value of not less than the principal amount of the certificates.
7. Fully collateralized repurchase agreements as authorized by the Public Funds Investment Act.
8. Commercial paper with a stated maturity of 270 days or fewer from the date of issuance as authorized by the Public Funds Investment Act.
9. No-load money market mutual funds regulated by the SEC, with a dollar-weighted average stated maturity of 90 days or fewer and which include in their investment objectives the maintenance of a stable net asset value of \$1 per share as authorized by the Public Funds Investment Act.
10. Guaranteed Investment Contracts as authorized by the Public Funds Investment Act.

**HARRIS COUNTY FLOOD CONTROL DISTRICT
A COMPONENT UNIT OF HARRIS COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
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11. Public Funds Investment Pools as authorized by the Investment Act.

Summary of Cash and Investments

The District's cash and investments are stated at fair value. The following is a summary of cash and investments held by the District at February 28, 2009.

	Governmental Activities	Fiduciary Funds	Total
Cash and Cash Equivalents	\$ 59,724,483	\$ 1,168,026	\$ 60,892,509
Restricted Cash and Cash Equivalents	15,817,049	-	15,817,049
Investments	183,401,043	-	183,401,043
Total Cash & Investments	\$ 258,942,575	\$ 1,168,026	\$ 260,110,601

The table below indicates the fair value and maturity value of the District's investments as of February 28, 2009, summarized by security type. Also demonstrated are the percentage of total portfolio and the weighted average maturity in years for each summarized security type.

Security	Fair Value	Percentage of Portfolio	Maturity Amount	Weighted Avg Modified Duration (Years)	Credit Rating S&P/ Moody's
<i>US Agency Notes</i>					
FAMCA	\$ 4,282,640	1.64%	\$ 4,000,000	0.040	AAA/Aaa
FFCB	6,974,375	2.68%	7,000,000	0.014	AAA/Aaa
FHLB	26,925,625	10.35%	27,000,000	0.149	AAA/Aaa
FHLMC	98,865,772	38.00%	99,000,000	0.593	AAA/Aaa
FNMA	29,378,750	11.29%	29,000,000	0.242	AAA/Aaa
<i>Local Governments</i>					
Los Angeles	3,769,688	1.45%	3,750,000	0.006	AA/Aa2
New Jersey EC	1,730,965	0.66%	1,660,000	0.013	AA/A
North Tex Twy	6,728,235	2.59%	6,500,000	0.038	A-/A2
Southern CA	2,181,851	0.84%	2,175,000	0.003	AAA/Aa3
St Louis MO	2,513,622	0.97%	2,480,000	0.012	AAA/Aa2
<i>Money Market Funds</i>					
Fidelity Instl Treasury	75,717,146	29.10%	75,717,146	N/A	AAAm/Aaa
Fidelity Instl - Tax Exempt	1,128,819	0.43%	1,128,819	N/A	AAAm/Aaa
Total Investments	260,197,488	100.00%	\$ 259,410,965	1.110	
<i>Demand and Time Deposits</i>	(86,887)				
Total Cash & Investments	\$ 260,110,601				

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

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

According to the County investment policy, no more than 25% of the portfolio, excluding those investments held for future capital expenditures, debt service payments, bond fund reserve accounts and capitalized interest funds, may be invested beyond 24 months. Additionally at least 15% of the portfolio, with the previous exceptions, is invested in overnight instruments or in marketable securities which can be sold to raise cash within one day's notice. Overall, the average maturity of the portfolio, with the previous exceptions, shall not exceed two years. As of February 28, 2009, the District was in compliance with all of these guidelines to manage interest rate risk.

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

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

Custodial Credit Risk: Investments are exposed to custodial credit risk if the investments are uninsured, are not registered in the District's name and are held by the counterparty. In the event of the failure of the counterparty, the District may not be able to recover the value of its investments that are held by the counterparty. As of February 28, 2009, all of the District's investments are held in the District's name.

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

FUND INVESTMENT CONSIDERATIONS

The Investment Policy outlines specific investment strategies for each fund or group of funds identified on the District's financial statements. The two investment strategies employed by the District are the Matching Approach and the Barbell Approach. The Matching Approach is an investment method that matches maturing investments with disbursements. Matching requires an accurate forecast of disbursement requirements. The Barbell Approach is an investment method where maturities are concentrated at two

**HARRIS COUNTY FLOOD CONTROL DISTRICT
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points, one at the short end of the investment horizon and the other at the long end. Additionally, the Investment Policy specifies average investment durations for each fund type, excluding Pooled Investments. Specific guidelines have not been established for Pooled Investments, but the same standards that were developed for the Harris County General Fund are also applicable to Pooled Investments. The investment strategies and maturity criteria are outlined in the following table.

Fund Type	Investment Strategy	Avg Investment Duration Per Policy (Days)	Maturity Amount	Average Remaining Days To Maturity
Special Revenue Funds	Matching	1,080	\$ 107,405,000	551
Capital Project Funds	Matching	1,080	75,160,000	689
Money Market Mutual Funds	N/A	N/A	76,845,965	N/A
			<u>\$ 259,410,965</u>	

3. PROPERTY TAXES

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

The District is permitted by law to levy a tax rate up to \$.30 per \$100 of taxable valuation. There is no limitation on the tax rate which may be set for debt service within the \$.30/\$100 valuation. The tax rate for maintenance is limited to the rate as may from time to time be approved by the voters of the District. The maximum tax rate for maintenance is \$.15 per \$100 of taxable valuation. The County is responsible for setting the tax rate for the District. The County adopted the following tax rates on behalf of the District for the 2008 tax year, per \$100 of taxable valuation:

	Operations and Maintenance (General)	Debt Service	Total
Flood Control District	\$0.02754	\$0.00332	\$0.03086

Property tax receivables of \$4,420,860 as of February 28, 2009 are reported net of an allowance for uncollectible taxes of \$15,521,183 and includes penalties and interest of \$6,834,282.

4. INTERFUND RECEIVABLE, PAYABLES, AND TRANSFERS

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

**HARRIS COUNTY FLOOD CONTROL DISTRICT
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The interfund receivable and payable balances, as of February 28, 2009 are as follows:

	Receivable	Payable
General Fund	\$ 7,131,901	\$ -
Special Revenue Grants	467,168	7,183,061
Capital Projects	51,160	467,168
Total	\$ 7,650,229	\$ 7,650,229

The following is a summary of the District's transfers for the year ended February 28, 2009:

	Transfers In:		
Transfers Out:	Grants Fund	Debt Service Fund	Total
General Fund	\$ -	\$ 553,281	\$ 553,281
Capital Projects Fund	4,092,315	4,535,017	8,627,332
TOTAL	\$ 4,092,315	\$ 5,088,298	\$ 9,180,613

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

5. CAPITAL ASSETS

Capital assets transactions are summarized as follows:

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	Balance				Balance
	March 1, 2008	Additions	Disposals	Transfers	February 28, 2009
Governmental Activities:					
Land	\$ 1,429,542,726	\$ 24,046,947	\$ -	\$ 3,532,937	\$ 1,457,122,610
Construction in progress	153,631,858	60,757,308	-	(88,579,748)	125,809,418
Total capital assets not depreciated	<u>1,583,174,584</u>	<u>84,804,255</u>	<u>-</u>	<u>(85,046,811)</u>	<u>1,582,932,028</u>
Land improvements	635,507	6,024	-	-	641,531
Buildings	11,869,695	-	-	-	11,869,695
Equipment	9,585,951	828,306	(1,096,429)	-	9,317,828
Flood control projects	547,644,476	-	-	85,046,811	632,691,287
	<u>569,735,629</u>	<u>834,330</u>	<u>(1,096,429)</u>	<u>85,046,811</u>	<u>654,520,341</u>
Less accumulated depreciation for:					
Land Improvements	(34,423)	(31,775)	-	-	(66,198)
Buildings	(1,542,540)	(213,295)	-	-	(1,755,835)
Equipment	(5,420,980)	(1,130,621)	1,053,755	-	(5,497,846)
Flood control projects	(198,989,102)	(24,603,485)	-	-	(223,592,587)
	<u>(205,987,045)</u>	<u>(25,979,176)</u>	<u>1,053,755</u>	<u>-</u>	<u>(230,912,466)</u>
Total capital assets being depreciated, net	<u>363,748,584</u>	<u>(25,144,846)</u>	<u>(42,674)</u>	<u>85,046,811</u>	<u>423,607,875</u>
Governmental activities capital assets, net	<u>\$ 1,946,923,168</u>	<u>\$ 59,659,409</u>	<u>\$ (42,674)</u>	<u>\$ -</u>	<u>\$ 2,006,539,903</u>

Depreciation expense was charged to the Flood Control function of the District for \$25,979,176.

6. 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. All bonded debt is capital related.

The changes in the District's Governmental Long-Term Debt for fiscal year 2008-2009 were as follows:

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	Outstanding March 1, 2008	Increase	Decrease	Outstanding February 28, 2009	Amount Due Within One Year
Governmental Activities:					
Refunding Series 1993 - CAB	\$ 3,749,698	\$ -	\$ (1,678,864)	\$ 2,070,834	\$ 1,167,889
Refunding Series 2002	8,995,000	-	-	8,995,000	1,085,000
Refunding Series 2003A	9,585,000	-	(1,270,000)	8,315,000	1,245,000
Refunding Series 2003B	191,765,000	-	(191,765,000)	-	-
Refunding Series 2004A	126,335,000	-	(91,635,000)	34,700,000	5,170,000
Refunding Series 2006A	94,185,000	-	-	94,185,000	-
Improvement Bonds Series 2007	89,600,000	-	-	89,600,000	-
Refunding Series 2008A	-	137,095,000	(2,905,000)	134,190,000	-
Refunding Series 2008B	-	156,270,000	(156,270,000)	-	-
Refunding Series 2008C	-	158,100,000	-	158,100,000	2,905,000
Total Bonds Payable - Principal	524,214,698	451,465,000	(445,523,864)	530,155,834	11,572,889
Unamortized Premium, Series 1993	1,093,154	-	(588,785)	504,369	-
Unamortized Premium, Series 2002	361,376	-	(78,819)	282,557	-
Unamortized Discount, Series 2003A	(7,060)	-	(2,590)	(9,650)	-
Unamortized Premium, Series 2003B	7,928,971	-	(7,928,971)	-	-
Unamortized Premium, Series 2004A	7,737,807	-	(6,326,676)	1,411,131	-
Unamortized Premium, Series 2006A	5,971,898	-	(184,292)	5,787,606	-
Unamortized Premium, Series 2007	5,187,091	-	(161,432)	5,025,659	-
Unamortized Premium, Series 2008A	-	19,332,124	(1,405,037)	17,927,087	-
Unamortized Discount, Series 2008C	-	(764,569)	(4,976)	(769,545)	-
Accretion of Discount - Capital					
Appreciation Bonds: Series 1993	12,103,052	1,368,264	(5,906,361)	7,564,955	4,339,568
Bond Refunding Loss, Series 2002	(60,120)	-	10,033	(50,087)	-
Bond Refunding Loss, Series 2003A	(253,113)	-	33,378	(219,735)	-
Bond Refunding Loss, Series 2008A	-	(4,055,861)	318,360	(3,737,501)	-
Bond Refunding Loss, Series 2008B	-	(443,331)	443,331	-	-
Bond Refunding Loss, Series 2008C	-	(10,258,484)	179,482	(10,079,002)	-
Total Bonds Payable	564,277,754	456,643,143	(467,127,219)	553,793,678	15,912,457
Commercial Paper Payable	51,805,000	32,630,000	-	84,435,000	-
Compensatory Time Payable	350,637	371,241	(241,940)	479,938	249,568
Judgments Payable	60,000	-	(60,000)	-	-
OPEB Obligation	1,774,748	1,789,797	-	3,564,545	-
Pollution Remediation Obligation	-	65,591	-	65,591	-
TOTAL	\$ 618,268,139	\$ 491,499,772	\$ (467,429,159)	\$ 642,338,752	\$ 16,162,025

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

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A. OUTSTANDING BONDED DEBT

	Original Issue Amount	Interest Rates (%)	Date Series		Balance February 28, 2009
			Issued	Matures	
Refunding Series 1993 - CAB	\$ 94,464,985	5.40-5.60	1993	2011	\$ 2,070,834
Refunding Series 2002	44,495,000	3.00-5.50	2002	2014	8,995,000
Refunding Series 2003A	36,945,000	3.00-6.00	2003	2015	8,315,000
Refunding Series 2004A	139,865,000	3.00-5.25	2004	2024	34,700,000
Refunding Series 2006A	94,185,000	5.00	2006	2031	94,185,000
Improvement Series 2007	89,600,000	4.75-5.00	2007	2031	89,600,000
Refunding Series 2008A	137,095,000	4.00-5.25	2008	2021	134,190,000
Refunding Series 2008C	158,100,000	3.00-5.125	2008	2031	158,100,000
TOTAL	\$ 794,749,985				\$ 530,155,834

B. DEBT SERVICE REQUIREMENTS

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

<u>Fiscal year</u>	<u>Principal At 2/28/2009</u>	<u>Capital Appreciation Bonds</u>	<u>Principal Value At Maturity</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 11,572,889	\$ 4,339,568	\$ 15,912,457	\$ 29,794,929	\$ 45,707,386
2011	10,268,921	2,392,638	12,661,559	28,692,092	41,353,651
2012	10,109,024	832,749	10,941,773	26,518,114	37,459,887
2013	11,455,000	-	11,455,000	24,936,037	36,391,037
2014	11,805,000	-	11,805,000	24,398,663	36,203,663
2015-2019	63,285,000	-	63,285,000	114,430,088	177,715,088
2020-2024	217,820,000	-	217,820,000	82,018,431	299,838,431
2025-2029	115,075,000	-	115,075,000	38,137,069	153,212,069
2030-2034	78,765,000	-	78,765,000	7,844,500	86,609,500
	\$ 530,155,834	\$ 7,564,955	\$ 537,720,789	\$ 376,769,923	\$ 914,490,712

C. UNISSUED AUTHORIZED BONDS

As of February 28, 2009, the District has issued all voter authorized property tax bonds.

D. REFUNDING/ISSUANCE OF DEBT

On March 5, 2008, the Flood Control District issued \$137,095,000 Flood Control District Contract Tax Refunding Bonds, Series 2008A and \$156,270,000 Flood Control District Contract Tax Refunding Bonds, Series 2008B to refund and defease a portion of the District's outstanding Flood Control District Contract Tax Refunding Bonds, Series 2003B and Flood Control District Contract Tax Refunding Bonds, Series 2004A and to pay costs of such issuance. The annual interest rates range from 4.0% to 5.25%. The issuance had a premium of \$19,332,124. Interest accrues semiannually and the bonds mature in fiscal year 2021. The refundings resulted in a decrease in cash flow requirements of \$19,232,509 and had an economic gain of \$13,279,303.

On November 20, 2008, the Flood Control District issued \$158,100,000 Flood Control District Contract Tax Refunding Bonds, Series 2008C to refund all of the District's outstanding Flood Control District Contract Tax Refunding Bonds, Series 2008B and to pay costs of issuance. The annual interest rates range from 3.00% to 5.125%. Interest accrues semiannually and the bonds mature in fiscal year 2025. The refunding resulted in a decrease in cash flow requirements of \$11,404,486 and had an economic gain of \$11,376,674.

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E. COMMERCIAL PAPER

On August 21, 2001, Commissioners Court authorized a \$200,000,000 commercial paper program designated as the Harris County Flood Control District Contract Tax Commercial Paper Notes, Series F ("Series F Notes") to fund projects identified in an agreement between the County and the Flood Control District ("Flood Contract") and refinance, refund, and renew the notes themselves and fund issuance costs.

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

The County's commitment under the Flood Contract is the payment to the Flood Control District of amounts necessary for the principal and/or interest due; the fees and expenditures of the issuing and paying agent, the dealer, and the credit provider; amounts related to any special or contingency funds or accounts for the notes; and any amounts to restore deficiencies in such funds or accounts. The County's payment obligation is secured by a levy and pledge of a portion of the County's ad valorem taxes which extends until all obligations under the Series F Notes, including any obligations to refund the notes, are no longer outstanding. During the term of the Flood Contract, the County is required to levy taxes computed at a tax rate sufficient to provide the funds required to make the annual payments and to provide and maintain a sinking fund adequate for such amounts as they become due. Commissioners Court issued an order whereby the sinking fund may never be less than 2% of the County's outstanding indebtedness under the Flood Contract at the time of the tax levy. In setting the tax rate, the County may consider all sources of funding lawfully available or that are to be available including the credit agreement entered into for the Series F Notes, discussed below. The tax year 2008 tax rate adopted by Commissioners Court for fiscal year 2009 to satisfy the annual amount due under the Flood contract related to the 2% limitation was .00663. Based on the County's outstanding indebtedness as of February 28, 2009 (exclusive of Flood Control District debt), this amount required under the 2% limitation is estimated to be \$1,688,700.

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, 2010 and is subject to extension. The letter of credit also provides for the establishment of loans with maturity

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dates ranging from three to four years depending on the earliest of several anniversary dates. The interest rate on such loans may not exceed the maximum rate allowed by law, currently 15%. The principal portion of the loans is repayable in equal quarterly installments and the interest quarterly. Under the terms of the letter of credit, the Flood Control District is charged a quarterly fee, based on the daily average amount of the outstanding draws against the letter of credit ranging from 0.25% to 1.00%, depending on the County's long term parity debt rating. This fee is dependent on the County's parity debt rating at the time. In addition, there are fixed transactional fees ranging from \$175 to \$5,000.

The following is the expected debt service requirements for the term loan related to commercial paper issuance, as of February 28, 2009, assuming the District had drawn down the outstanding principal balance on the letter of credit and subsequently executed a term loan with the bank:

Fiscal Year	Principal	Interest	Total
2010	\$ -	\$ -	\$ -
2011	7,675,909	6,420,578	14,096,487
2012	30,703,636	9,922,712	40,626,348
2013	30,703,636	5,253,200	35,956,836
2014	15,351,819	875,533	16,227,352
TOTAL	\$ 84,435,000	\$ 22,472,023	\$ 106,907,023

F. SUBSEQUENT BOND ISSUANCES

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

G. ARBITRAGE REBATE LIABILITY

The Tax Reform Act of 1986 established regulations for the rebate to the federal government of arbitrage earnings on certain local government bonds issued after December 31, 1985, and all local governmental bonds issued after August 31, 1986. Issuing governments must calculate any rebate due and remit the amount due at least every five years. There were no arbitrage rebate payments made during fiscal year 2009. As of February 28, 2009 there were no estimated liabilities for arbitrage rebate on governmental debt. The Debt Service Funds have typically been used to liquidate arbitrage liabilities in previous years.

7. RETIREMENT PLAN

Plan Description

The District, a component unit of Harris County, provides retirement, disability, and death benefits for all of its 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 586 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

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plan's 25-year amortization period which began January 1, 1995 using the entry age actuarial cost method. Monthly contributions by the District are based on the covered payroll and the employer contribution rate in effect. The contribution rate for calendar year 2009 is 9.74%. The contribution rates for calendar years 2008 and 2007 were 9.64% and 10.43% 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 ("ADCR") plan provisions of the TCDRS Act. The plan is funded by monthly contributions from both employee members and the District based on the covered payroll of employee members. Under the TCDRS Act, the contribution rate of the District is actuarially determined annually. The District contributed using actuarially determined rate of 9.64% for the months of the calendar year in 2008, and 9.74% for the months of the calendar year in 2009.

The contribution rate payable by the employee members for 2008 and 2009 is the rate of 7% as adopted by Commissioner's Court. The employee contribution rate and the employer contribution rate may be changed by Commissioner's Court, within the options available in the TCDRS Act.

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

Annual Pension Cost

For the County's fiscal year ending February 28, 2009, the annual pension cost for the TCDRS plan for its employees, including the District, was \$79,047,481 and the actual contributions for the District were \$1,744,789. (This excludes actuarial contributions of \$2,960,716 for Community Supervision, which is not considered a department or component unit of the County.) The annual required contributions were actuarially determined as a percent of the covered payroll of the participating employees, and were in compliance with GASB Statement No. 27, *Accounting for Pensions by State and Local Governmental Employees*, parameters based on the actuarial valuations as of December 31, 2007 and December 31, 2008, which were the basis for determining the contribution rates for calendar years 2008 and 2009. The December 31, 2008 actuarial valuation is the most recent valuation.

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Actuarial Valuation Method			
Actuarial Valuation Date	12/31/06	12/31/07	12/31/08
Actuarial Cost Method	Entry Age	Entry Age	Entry Age
Amortization Method	Level percentage of payroll, closed	Level percentage of payroll, closed	Level percentage of payroll, closed
Amortization period in years	15	15	20
Asset Valuation Method	SAF: 10-yr smoothed value ESF: Fund value	SAF: 10-yr smoothed value ESF: Fund value	SAF: 10-yr smoothed value ESF: Fund value
Actuarial Assumption			
Investment return (1)	8.0 %	8.0 %	8.0 %
Projected Salary Increases (1)	5.3 %	5.3 %	5.3 %
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
2/28/09	\$ 79,047,481	100%	\$ -
2/29/08	\$ 75,944,968	100%	-
2/28/07	\$ 65,922,424	100%	-

Schedule of Funding (including Community Supervision)	
Actuarial Valuation Date	12/31/08
Actuarial Value of Assets	\$2,355,663,641
Actuarial Accrued Liability (AAL)	\$2,724,786,646
Unfunded Actuarial Accrued Liability (UAAL)	\$ 369,123,005
Funded Ratio	86.45%
Annual Covered Payroll (Actuarial)	\$ 839,919,068
UAAL as Percentage of Covered Payroll	43.95%

8. OTHER POST EMPLOYMENT BENEFITS

THE PLAN:

Plan Description

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

Membership in the plan at March 1, 2007, the date of the latest actuarial valuation, consists of the following:

Retirees and beneficiaries receiving benefits	3,000
Active plan members	14,226
Number of participating employers	5

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Summary of Significant Accounting Policies

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

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

Contributions

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

Retired Prior to March 1, 2002:

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

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

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

Eligible to Retire March 1, 2011 or After:

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

Employees Hired on or After March 1, 2007:

A combination of age plus a minimum of 20 years of service equal to 80 or at least age 65 with a minimum

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of 15 years of service to receive any County contributions for retiree or dependent coverage.

The Plan rates are set annually by Commissioner's Court based on the combination of premiums and prior year costs of the self-funded portion of the plan. The Plan is funded on a pay-as-you-go basis. For the year ended February 28, 2009, plan members or beneficiaries receiving benefits contributed \$4.53 million, or approximately 14 percent of total benefits paid during the year. Participating employers contributed \$26.82 million. The total contributions for the year ended February 28, 2009 was \$31.35 million. Total contributions included actual medical claims paid, premiums for other insurance and administrative costs calculated through an annual rate calculation and network access based on a percent of claims paid.

THE EMPLOYER:

Annual OPEB Cost

For 2009, the County's annual OPEB cost (expense) was \$96,615,958 (including Flood Control of \$3,394,598) for the post employment healthcare plan. The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the fiscal year ended February 28, 2009 were as follows:

Annual Required Contribution	\$ 97,628,162
Add interest on Net OPEB Obligation	3,685,994
Less adjustment to Annual Required Contribution	(4,698,198)
Annual OPEB Cost	96,615,958
Less Contributions made	(26,823,612)
Change in Net OPEB Obligation	69,792,346
Net OPEB Obligation, beginning of the year	70,209,408
Net OPEB Obligation, end of the year	<u>\$ 140,001,754</u>

Trend Information:

Fiscal Year Ended	Annual OPEB Cost	Employer Contribution	Percentage of Annual	
			OPEB Cost Contributed	Net Ending OPEB Obligation
2/29/2008	\$ 97,628,162	\$ 27,418,754	28%	\$ 70,209,408
2/28/2009	96,615,958	26,823,612	28%	140,001,754

The above tables include information for the 5 participating employers to the agent multiple-employer defined benefit post employment healthcare plan that the County administers. Two of the employers, Emergency 911 and Community Supervision, are not considered departments or component units of the County. The annual net OPEB obligation for Emergency 911 and Community Supervision is \$142,209 and \$0 respectively for fiscal year 2008 and the net OPEB obligation for Emergency 911 and Community Supervision is \$286,167 and \$66,579 respectively at February 28, 2009. Flood Control's portion of the net OPEB obligation above is \$1,774,748 for fiscal year 2008 and \$3,564,545 at February 28, 2009. Note that this is the second year of implementation of GASB 45, which requires three years of data in the trend information table.

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Funded Status and Funding Progress. The funded status of the plan as of March 1, 2007 (most recent actuarial valuation) was as follows:

	<u>All Participants</u>	<u>Flood Control Portion</u>
Unfunded actuarial accrued liability (UAAL)	\$ 852,350,950	\$ 35,907,037
Funded ratio (actuarial value of plan assets/AAL)	0%	0%
Covered Payroll (active plan members)	\$ 760,995,816	\$ 18,465,276
UAAL as a percentage of covered payroll	112%	195%

The “All Participants” column in the above table includes UAAL of \$1,317,537 for Emergency 911 and UAAL of \$19,615,199 for Community Supervision.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. The actuarial assumptions used in calculating the County’s UAAL and ARC are elaborated later in this note. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revisions as actual results are compared with past expectations and new estimates are made about the future.

Actuarial Methods and Assumptions

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

In the March 1, 2007, actuarial valuation, a 5.25% discount rate was used. The medical trend rates of 10% for 2007, and 9% for 2008 graded down to an ultimate rate of 5% by 2012 per the actuary’s best estimate of expected long-term plan experience.

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

Additional Disclosures

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

Because the County is given the authority to pay OPEB for its retired employees, it may incur a debt obligation to pay for OPEB so long as the County follows the constitutional requirement that it have

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

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

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

The schedule of funding progress, presented as Required Supplementary Information, following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

9. COMMITMENTS AND CONTINGENT LIABILITIES

LANDFILL POSTCLOSURE CARE COST

The District acquired land for a detention basin. When construction for the detention basin began several years ago, an unpermitted landfill was discovered. This landfill was capped per the requirements at the time. The costs for this landfill are included in the pollution remediation obligations.

POLLUTION REMEDIATION OBLIGATIONS

The District is subject to numerous Federal, State and Local environmental regulations. GASB 49 established standards for the accounting and reporting of obligations incurred to address current or potential detrimental effects of existing pollution. The District recorded in the financial statements pollution remediation liabilities of \$65,591. The liability was calculated based on guidance from GASB 49 and professional judgment. Although some uncertainties associated with environmental assessment remain, the current provision for such costs is adequate. Additional costs, if any, are not expected to have a material effect on the financial condition of the District.

LITIGATION

The District is involved in lawsuits and other claims in the ordinary course of operations. Although the outcome of such lawsuits and other claims is not presently determinable, the resolution of these matters is not expected to have a material effect on the financial condition of the District. There are some civil cases that have resulted in settlements, consent decrees, or are expected to have a financial impact on the District in subsequent fiscal years. An additional amount of \$1,345,000 is considered possible for payment in relation to other cases; accounting standards require that this amount be disclosed, but it is not recorded as a liability in the financial statements.

CONSTRUCTION COMMITMENTS

The District has commitments under various contracts in connection with the construction of flood control facilities, buildings, and projects of \$39,493,570.

HARRIS COUNTY FLOOD CONTROL DISTRICT
A COMPONENT UNIT OF HARRIS COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
February 28, 2009

10. RISK MANAGEMENT

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

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

The County has excess insurance coverage for workers' compensation and employer's liability. The retention (deductible) for the fiscal year ended February 28, 2009 is \$850,000 per occurrence. During the last three fiscal years, no claims paid exceeded the insurance coverage for the County. Through the County, the District provides medical, dental, vision, and basic life and disability insurance to eligible employees and retirees. The District pays the full cost of health benefits for eligible employees and 50% of the cost of dependent premiums. Disability insurance will pay up to 50% of an employee's salary for two years with an employee option to extend the benefits period to age 65 and increase the percentage to 60%.

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

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

11. RECENT ACCOUNTING PRONOUNCEMENTS

GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets* ("GASB 51"), establishes accounting and financial reporting requirements for intangible assets to reduce these inconsistencies, thereby enhancing the comparability of the accounting and financial reporting of such assets among state and local governments. GASB 51 will be implemented by the District in fiscal year 2011 and the impact has not yet been determined.

GASB Statement No. 52, *Land and Other Real Estate Held as Investments by Endowments* ("GASB 52"), establishes consistent standards for the reporting of land and other real estate held as investments by essentially similar entities. GASB 52 will be implemented by the District in fiscal year 2010 and the impact has not yet been determined.

HARRIS COUNTY FLOOD CONTROL DISTRICT
A COMPONENT UNIT OF HARRIS COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
February 28, 2009

GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments* (“GASB 53”), addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments. GASB 53 will be implemented by the District in fiscal year 2011 and the impact has not yet been determined.

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

GASB Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments* (“GASB 55”), is to incorporate the hierarchy of generally accepted accounting principles (GAAP) for state and local governments into the Governmental Accounting Standards Board’s (GASB) authoritative literature. GASB 55 will be implemented by the District in fiscal year 2010 and the impact has not yet been determined.

GASB Statement No. 56, *Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards* (“GASB 56”), is to incorporate into the Governmental Accounting Standards Board’s (GASB) authoritative literature certain accounting and financial reporting guidance presented in the American Institute of Certified Public Accountants’ Statements on Auditing Standards. GASB 56 will be implemented by the District in fiscal year 2010 and the impact has not yet been determined.

REQUIRED SUPPLEMENTARY INFORMATION
(Unaudited)

**HARRIS COUNTY FLOOD CONTROL DISTRICT
A COMPONENT UNIT OF HARRIS COUNTY, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL - BUDGETARY BASIS
OPERATIONS AND MAINTENANCE (GENERAL) FUND
For The Year Ended February 28, 2009**

	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	\$ 83,434,005	\$ 83,434,005	\$ 81,352,205	\$ (2,081,800)
FC Ser F Comm Paper	253,681	253,681	263,113	9,432
Total Beginning Cash and Investments	<u>83,687,686</u>	<u>83,687,686</u>	<u>81,615,318</u>	<u>(2,072,368)</u>
Interest:				
Flood Control General	2,071,181	2,071,181	2,331,099	259,918
FC Ser F Comm Paper	9,569	9,569	2,399	(7,170)
Total Interest	<u>2,080,750</u>	<u>2,080,750</u>	<u>2,333,498</u>	<u>252,748</u>
Taxes:				
Flood Control General	<u>71,756,287</u>	<u>71,756,287</u>	<u>72,800,809</u>	<u>1,044,522</u>
Miscellaneous:				
Flood Control General	<u>53,100</u>	<u>53,100</u>	<u>1,810,181</u>	<u>1,757,081</u>
Other - Lease Revenue:				
Flood Control General	<u>208,000</u>	<u>208,000</u>	<u>176,793</u>	<u>(31,207)</u>
Other Transfers In:				
FC Ser F Comm Paper	<u>3,549,000</u>	<u>3,549,000</u>	<u>800,000</u>	<u>(2,749,000)</u>
Total Other Transfers In	<u>3,549,000</u>	<u>3,549,000</u>	<u>800,000</u>	<u>(2,749,000)</u>
 Total Revenue and Other Financing Sources	 <u>161,334,823</u>	 <u>161,334,823</u>	 <u>159,536,599</u>	 <u>(1,798,224)</u>
EXPENDITURES AND OTHER FINANCING USES				
Flood Control General	157,522,573	157,522,573	62,658,628	94,863,945
FC Ser F Comm Paper	<u>3,812,250</u>	<u>3,812,250</u>	<u>963,774</u>	<u>2,848,476</u>
Total Expenditures and Other Financing Uses	<u>161,334,823</u>	<u>161,334,823</u>	<u>63,622,402</u>	<u>97,712,421</u>
Net changes in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 95,914,197</u>	<u>\$ 95,914,197</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, 2009**

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	\$ 159,536,599
Beginning Cash and Investments	(81,615,318)
Accrued in 2008, received in 2009	(4,256,196)
Accrued in 2009, to be received in 2010	3,795,058
Revenues and other financing sources on modified accrual (GAAP) basis	77,460,143
EXPENDITURES AND OTHER FINANCING USES	
Cash (budgetary) basis	63,622,402
Incurred during 2008, paid in 2009	5,027,175
Incurred during 2009, payable in 2010	(3,042,606)
Expenditures and other financing uses on modified accrual (GAAP) basis	65,606,971
Net changes in Fund Balance	\$ 11,853,172

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

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

Fiscal Year	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a percentage of covered payroll ((b-a)/c)
2008	3/1/2007	\$ -	\$ 852,350,950	\$ 852,350,950	0%	\$ 698,535,669	122.0%
2009	3/1/2007	-	852,350,950	852,350,950	0%	760,995,816	112.0%

The above table includes information for the 5 participating employers to the agent multiple-employer defined benefit post employment healthcare plan that the County administers. Two of the employers, Emergency 911 and Community Supervision are not considered departments or component units of the County; the UAAL for these entities are \$1,317,537 and \$19,615,199 respectively.

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

Fiscal Year	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a percentage of covered payroll ((b-a)/c)
2008	3/1/2007	\$ -	\$ 35,907,037	\$ 35,907,037	0%	\$ 16,694,413	215.1%
2009	3/1/2007	-	35,907,037	35,907,037	0%	18,465,276	194.5%

Note: This is the second year of implementation of GASB 45, which requires 3 years of data in this table. Additional years will be added to the disclosure as they become available. The most recent actuarial valuation was 3/1/2007.

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

Actuarial Valuation Date	12/31/06	12/31/07	12/31/08
Actuarial Value of Assets	\$2,184,433,915	\$2,375,906,657	\$2,355,663,641
Actuarial Accrued Liability (AAL)	\$2,322,483,635	\$2,521,078,602	\$2,724,786,646
Unfunded Actuarial Accrued Liability (UAAL)	\$ 138,049,720	\$ 145,171,945	\$ 369,123,005
Funded Ratio	94.06%	94.24%	86.45%
Annual Covered Payroll (Actuarial)	\$ 682,345,135	\$ 755,852,867	\$ 839,919,068
UAAL as Percentage of Covered Payroll	20.23%	19.21%	43.95%

OTHER SUPPLEMENTARY INFORMATION
And
INDIVIDUAL FUND STATEMENTS

**HARRIS COUNTY FLOOD CONTROL DISTRICT
A COMPONENT UNIT OF HARRIS COUNTY, TEXAS
STATEMENT OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
For The Year Ended February 28, 2009**

	<u>Balance March 1, 2008</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance February 28, 2009</u>
<u>Corp. of Engineers Escrow</u>				
ASSETS				
Cash and cash equivalents	\$ 1,540,775	\$ 1,478,933	\$ 1,851,682	\$ 1,168,026
Total Assets	<u>\$ 1,540,775</u>	<u>\$ 1,478,933</u>	<u>\$ 1,851,682</u>	<u>\$ 1,168,026</u>
LIABILITIES				
Held for others	\$ 1,540,775	\$ 1,480,067	\$ 1,852,816	\$ 1,168,026
Total Liabilities	<u>\$ 1,540,775</u>	<u>\$ 1,480,067</u>	<u>\$ 1,852,816</u>	<u>\$ 1,168,026</u>

**HARRIS COUNTY FLOOD CONTROL DISTRICT
A COMPONENT UNIT OF HARRIS COUNTY, TEXAS
SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL - BUDGETARY BASIS
DEBT SERVICE FUND
For The Year Ended February 28, 2009**

	DEBT SERVICE FUND			Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
REVENUES AND OTHER FINANCING SOURCES				
Beginning Cash and Investments	\$ 14,460,406	\$ 14,460,406	\$ 27,197,466	\$ 12,737,060
Revenues and Transfers In:				
Taxes	13,615,336	13,615,336	9,089,813	(4,525,523)
Interest	382,771	505,728	459,972	(45,756)
Miscellaneous	-	-	884,585	884,585
Other	25,856,600	977,874,839	967,455,752	(10,419,087)
Total Revenues and Transfers In	<u>39,854,707</u>	<u>991,995,903</u>	<u>977,890,122</u>	<u>(14,105,781)</u>
Total Available Resources	<u>54,315,113</u>	<u>1,006,456,309</u>	<u>1,005,087,588</u>	<u>(1,368,721)</u>
EXPENDITURES AND OTHER FINANCING USES				
Flood Control Contract Refunding 2006A	4,715,944	4,715,944	4,709,250	6,694
Flood Control Refunding Series 1993A	13,901,272	13,901,272	7,585,000	6,316,272
Flood Control Refunding Series 2002	2,111,202	2,111,202	483,925	1,627,277
Flood Control Refunding Series 2003	3,302,041	3,302,041	1,630,981	1,671,060
Flood Control Contract Refunding 2003A	9,792,656	224,219,623	214,435,027	9,784,596
Flood Control Contract Refunding 2004A-D	12,554,916	109,131,369	103,387,752	5,743,617
Flood Control Improvement Bonds 2007	9,108,038	9,108,038	4,384,000	4,724,038
Flood Control Contract Refunding 2008A	-	163,749,821	163,748,252	1,569
Flood Control Contract Refunding 2008B	-	319,451,624	319,445,277	6,347
Flood Control Contract Refunding 2008C	-	157,395,775	157,330,931	64,844
Flood Control Contract Refunding 2008C - COI	-	540,490	391,231	149,259
Total Expenditures and Other Financing Uses	<u>55,486,069</u>	<u>1,007,627,199</u>	<u>977,531,626</u>	<u>30,095,573</u>
Net changes in Fund Balance	<u>\$ (1,170,956)</u>	<u>\$ (1,170,890)</u>	<u>\$ 27,555,962</u>	<u>\$ 28,726,852</u>

**HARRIS COUNTY FLOOD CONTROL DISTRICT
A COMPONENT UNIT OF HARRIS COUNTY, TEXAS
SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL - BUDGETARY BASIS
CAPITAL PROJECTS FUND
For The Year Ended February 28, 2009**

	CAPITAL PROJECTS FUND			Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
REVENUES AND OTHER FINANCING SOURCES				
Beginning Cash and Investments	\$ 165,840,650	\$ 165,840,650	\$ 164,604,740	\$ (1,235,910)
Revenues and Transfers In:				
Interest	-	4,879,798	5,801,037	921,239
Miscellaneous	-	196,160	1,862,060	1,665,900
Intergovernmental	-	1,500,000	20,771,126	19,271,126
Other Proceeds from Commercial Paper	149,178,839	149,021,539	32,630,000	(116,391,539)
Total Revenues and Transfers In	<u>149,178,839</u>	<u>155,597,497</u>	<u>61,064,223</u>	<u>(94,533,274)</u>
Total Available Resources	<u>315,019,489</u>	<u>321,438,147</u>	<u>225,668,963</u>	<u>(95,769,184)</u>
EXPENDITURES AND OTHER FINANCING USES				
Regional Flood Control Projects	16,262,334	16,742,998	1,594,101	15,148,897
Flood Control Capital Projects	30,882,096	33,390,971	8,229,301	25,161,670
FC Bonds 2004A-Construction	29,317,260	30,053,489	10,314,234	19,739,255
FC Improvement Bonds 2007	89,378,960	92,797,687	28,461,380	64,336,307
Commercial Paper - Flood Control	149,178,839	149,197,076	33,301,710	115,895,366
Total Expenditures and Other Financing Uses	<u>315,019,489</u>	<u>322,182,221</u>	<u>81,900,726</u>	<u>240,281,495</u>
Net changes in Fund Balance	<u>\$ -</u>	<u>\$ (744,074)</u>	<u>\$ 143,768,237</u>	<u>\$ 144,512,311</u>



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

Listed below are the areas covered in the statistical section:

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

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

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

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

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

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

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Table 1

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

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

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

Table 2

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

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

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

Table 3

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

	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
General Fund:										
Reserved	\$ 17,929	\$ 19,296	\$ 19,674	\$ 19,499	\$ 30,701	\$ 18,956	\$ 25,145	\$ 25,709	\$ 25,799	\$ 25,708
Unreserved	29,132	22,725	28,637	35,615	58,275	56,114	52,150	49,784	55,702	67,646
Total general fund	<u>\$ 47,061</u>	<u>\$ 42,021</u>	<u>\$ 48,311</u>	<u>\$ 55,114</u>	<u>\$ 88,976</u>	<u>\$ 75,070</u>	<u>\$ 77,295</u>	<u>\$ 75,493</u>	<u>\$ 81,501</u>	<u>\$ 93,354</u>
All Other Governmental Funds:										
Reserved	\$ 68,154	\$ 56,040	\$ 56,799	\$ 68,099	\$ 66,793	\$ 71,148	\$ 75,464	\$ 61,185	\$ 74,031	\$ 55,570
Unreserved, reported in:										
Capital project funds	44,390	45,935	45,990	17,349	(20,266)	66,288	57,419	136,630	103,961	104,562
Total all other governmental funds	<u>\$ 112,544</u>	<u>\$ 101,975</u>	<u>\$ 102,789</u>	<u>\$ 85,448</u>	<u>\$ 46,527</u>	<u>\$ 137,436</u>	<u>\$ 132,883</u>	<u>\$ 197,815</u>	<u>\$ 177,992</u>	<u>\$ 160,132</u>

Table 4

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

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
REVENUES										
Taxes	\$ 110,939	\$ 93,149	\$ 80,188	\$ 73,187	\$ 76,463	\$ 65,015	\$ 67,690	\$ 71,775	\$ 77,069	\$ 82,908
Charges for Services	221	255	261	-	130	-	-	-	-	-
Lease revenue	-	-	-	-	-	-	136	189	192	171
Intergovernmental	1,141	5,587	12,114	8,736	6,006	5,802	25,167	22,195	18,233	55,714
Earnings on investments	6,079	8,884	6,448	2,861	1,773	1,789	6,187	8,952	13,679	6,475
Miscellaneous	4,879	4,778	4,442	4,254	3,887	4,935	1,796	1,001	1,722	3,590
Total revenues	<u>123,259</u>	<u>112,653</u>	<u>103,453</u>	<u>89,038</u>	<u>88,259</u>	<u>77,541</u>	<u>100,976</u>	<u>104,112</u>	<u>110,895</u>	<u>148,858</u>
EXPENDITURES										
Flood Control	36,201	43,460	44,534	13,178	49,534	48,449	58,761	66,721	71,590	71,046
Tax Administration	875	875	738	580	558	574	441	490	548	664
Capital Outlay	30,251	39,344	52,368	111,132	122,599	81,841	67,990	92,162	57,209	77,386
Debt Service:										
Bond issuance fees	-	-	-	-	-	1,012	-	1,583	-	3,164
Interest and fiscal charges	23,177	22,412	17,149	18,636	6,034	11,123	20,486	20,848	34,465	25,847
Principal	22,553	22,170	20,244	15,979	19,975	18,200	18,975	17,070	8,755	12,554
	<u>113,057</u>	<u>128,261</u>	<u>135,033</u>	<u>159,505</u>	<u>198,700</u>	<u>161,199</u>	<u>166,653</u>	<u>198,874</u>	<u>172,567</u>	<u>190,661</u>
Excess of revenues over (under) expenditures	10,202	(15,608)	(31,580)	(70,467)	(110,441)	(83,658)	(65,677)	(94,762)	(61,672)	(41,803)
OTHER FINANCING SOURCES (USES)										
Transfer in (out) from/to Harris County	354	-	600	400	(17,158)	(3,286)	10,925	16,408	18,384	-
Transfer in	22,585	25,424	2,411	144	228,738	417	208	105,517	9,003	9,181
Transfer out	(22,585)	(25,424)	(2,411)	(144)	(228,738)	(417)	(208)	(105,517)	(9,003)	(9,181)
Bonds issued	-	-	-	-	-	100,297	-	89,600	-	-
Refunding bonds issued	-	-	-	44,495	228,710	39,568	-	94,185	-	451,465
Premium on bonds issued	-	-	-	1,984	11,541	11,154	-	11,584	-	19,332
Discount on bonds issued	-	-	-	-	-	-	-	-	-	(764)
Commercial paper issued	-	-	38,084	57,682	118,234	62,580	51,845	45,520	27,860	32,630
Payment to defease commercial paper	-	-	-	-	(200,000)	(50,000)	-	(99,650)	-	-
Payment to refunding bond escrow agent	-	-	-	(46,087)	(38,544)	-	-	-	-	(466,930)
Sale of capital assets	-	-	-	1,454	2,600	347	579	246	1,613	63
Total other financing sources (uses)	<u>354</u>	<u>-</u>	<u>38,684</u>	<u>59,928</u>	<u>105,383</u>	<u>160,660</u>	<u>63,349</u>	<u>157,893</u>	<u>47,857</u>	<u>35,796</u>
Net change in fund balances	<u>\$ 10,556</u>	<u>\$ (15,608)</u>	<u>\$ 7,104</u>	<u>\$ (10,539)</u>	<u>\$ (5,058)</u>	<u>\$ 77,002</u>	<u>\$ (2,328)</u>	<u>\$ 63,131</u>	<u>\$ (13,815)</u>	<u>\$ (6,007)</u>
Debt service as a percentage of noncapital expenditures	55.2%	50.1%	45.2%	71.6%	34.2%	38.2%	40.0%	37.0%	37.5%	36.7%

Table 5

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

Fiscal Year	Real Property	Personal Property	Less Exemptions (a)	Total Taxable Assessed Value	Total Direct Tax Rate
2000	\$ 136,396,208	\$ 26,918,778	\$ 22,345,082	\$ 140,969,904	0.08000
2001	150,845,241	28,354,736	25,145,873	154,054,104	0.06173
2002	165,804,662	30,627,904	28,809,564	167,623,002	0.04758
2003	177,809,114	30,129,999	31,764,643	176,174,470 (b)	0.04174
2004	189,334,256	30,601,495	34,822,427	185,113,324 (b)	0.04174
2005	199,378,304	32,119,653	37,273,945	194,224,012 (b)	0.03318
2006	230,050,598	37,276,435	61,017,743	206,309,290 (c)	0.03322
2007	250,997,888	40,345,611	66,142,090	225,201,409 (c)	0.03241
2008	281,251,230	46,086,287	73,150,566	254,186,951	0.03106
2009	321,147,405	43,010,048	89,424,111	274,733,342	0.03086

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

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

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

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

Source: Harris County Appraisal District.

Note: Property in the County is reassessed each year. Property is assessed at actual value; therefore, the assessed values are equal to actual value. Tax rates are per \$100 of assessed value.

Table 6

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

Purpose	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Flood Control District -										
Maintenance	\$ 0.04920	\$ 0.04001	\$ 0.02853	\$ 0.02853	\$ 0.02981	\$ 0.02553	\$ 0.02733	\$ 0.02733	\$ 0.02754	\$ 0.02754
Debt Service	0.03080	0.02172	0.01905	0.01321	0.01193	0.00765	0.00589	0.00508	0.00352	0.00332
Total - Flood Control	\$ 0.08000	\$ 0.06173	\$ 0.04758	\$ 0.04174	\$ 0.04174	\$ 0.03318	\$ 0.03322	\$ 0.03241	\$ 0.03106	\$ 0.03086

Source: Harris County Auditor.

Table 7

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

Purpose	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
County-Wide Taxing Jurisdiction:										
Harris County	\$ 0.3948	\$ 0.3590	\$ 0.3839	\$ 0.3881	\$ 0.3880	\$ 0.3999	\$ 0.3999	\$ 0.4024	\$ 0.3924	\$ 0.3892
Harris County Flood Control District	0.0800	0.0617	0.0475	0.0417	0.0417	0.0332	0.0332	0.0324	0.0311	0.0309
Port of Houston Authority	0.0204	0.0183	0.0183	0.0199	0.0200	0.0167	0.0147	0.0130	0.0144	0.0177
Harris County Hospital District	0.1465	0.2027	0.1902	0.1902	0.1902	0.1902	0.1922	0.1922	0.1922	0.1922
Total	\$ 0.6417	\$ 0.6417	\$ 0.6399	\$ 0.6399	\$ 0.6399	\$ 0.6400	\$ 0.6400	\$ 0.6400	\$ 0.6301	\$ 0.6300
Cities:										
Baytown	0.7370	0.7370	0.7370	0.7370	0.7370	0.7370	0.7370	0.7370	0.7370	0.7870
Bellaire	0.4900	0.4900	0.4900	0.4900	0.4800	0.4800	0.4700	0.4400	0.4400	0.3775
Deer Park	0.7000	0.7000	0.7000	0.6990	0.7000	0.7200	0.7200	0.7200	0.7200	0.7050
Houston	0.6650	0.6650	0.6650	0.6550	0.6550	0.6550	0.6500	0.6475	0.6450	0.6438
LaPorte	0.7100	0.7100	0.7100	0.7100	0.7100	0.7100	0.7100	0.7100	0.7100	0.7100
League City	0.7250	0.6700	0.6700	0.6625	0.6400	0.6400	0.6275	0.6088	0.6088	0.6300
Missouri City	0.5679	0.5503	0.5200	0.5033	0.5100	0.5017	0.4980	0.4945	0.4993	0.5172
Pasadena	0.5790	0.5790	0.5790	0.5670	0.5670	0.5670	0.5670	0.5670	0.5670	0.5620
Pearland	0.6950	0.6950	0.6860	0.6860	0.6960	0.6950	0.6744	0.6527	0.6526	0.6526
Seabrook	0.5530	0.5840	0.6010	0.6006	0.6082	0.6196	0.6307	0.6210	0.6203	0.5884
South Houston	0.6951	0.6910	0.6950	0.0000	0.7000	0.7000	0.6863	0.6588	0.6770	0.6784
Webster	0.2900	0.2600	0.2600	0.2400	0.2510	0.2680	0.2575	0.2575	0.2489	0.2060
West University Place	0.4000	0.4000	0.4200	0.4300	0.4467	0.4467	0.4300	0.4020	0.3660	0.3590
School Districts and Junior Colleges:										
Aldine	1.4750	1.5190	1.5880	1.6180	1.6680	1.6890	1.7090	1.6040	1.2770	1.2920
Alief	1.6400	1.6400	1.6400	1.6750	1.6750	1.6750	1.7200	1.5900	1.5900	1.3400
Clear Creek	1.6415	1.6415	1.7250	1.7400	1.7300	1.7450	1.7750	1.6300	1.3200	1.3600
Cypress-Fairbanks	1.7090	1.7010	1.7450	1.7900	1.7900	1.7900	1.8000	1.8000	1.6450	1.3240
Deer Park	1.6700	1.6900	1.6900	1.8035	1.8071	1.8055	1.8055	1.6623	1.3177	1.3367
Galena Park	1.6140	1.6135	1.6830	1.7135	1.7650	1.7950	1.8150	1.7100	1.4309	1.4550
Goose Creek	1.6600	1.6610	1.7110	1.6942	1.6837	1.6837	1.7275	1.5956	1.3020	1.2821
Houston	1.4590	1.5190	1.5800	1.5800	1.5800	1.5800	1.7275	1.6200	1.1570	1.1567
Humble	1.8100	1.7110	1.6800	1.7400	1.7400	1.7400	1.7700	1.7700	1.3100	1.5200
Katy	1.6950	1.8680	1.9200	1.9400	1.9700	2.0000	2.0000	1.8150	1.5266	1.5266
Klein	1.6700	1.6700	1.7200	1.7200	1.7200	1.7000	1.7000	1.5800	1.2600	1.3100
LaPorte	1.6500	1.6300	1.6300	1.6800	1.6800	1.7335	1.7335	1.6350	1.3200	1.3250
North Forest	1.6420	1.7440	1.7440	1.7444	1.7444	1.7444	1.7125	1.7125	1.2367	1.3143
Lone Star College System*	0.1170	0.1100	0.1100	0.1055	0.1145	0.1145	0.1207	0.1167	0.1144	0.1101
Pasadena	1.5200	1.5200	1.6600	1.6875	1.7750	1.7750	1.8050	1.6900	1.3500	1.3500
Pearland	1.8620	1.6500	1.8200	1.8370	1.8092	1.7922	1.7922	1.6622	1.4272	1.4194
San Jacinto Junior College	0.1100	0.1100	0.1260	0.1307	0.1307	0.1391	0.1391	0.1454	0.1454	0.1634
Sheldon	1.5380	1.5630	1.6330	1.6330	1.7030	1.7460	1.7500	1.6340	1.4300	1.4300
Spring	1.7400	1.6900	1.6900	1.7000	1.7600	1.8700	1.9500	1.7100	1.4400	1.4400
Spring Branch	1.7900	1.7900	1.8100	1.7900	1.8100	1.8100	1.8100	1.8100	1.2850	1.3825
Tomball	1.5900	1.5900	1.6500	1.6800	1.7300	1.7300	1.7100	1.5800	1.2750	1.3600

* Name change in FY2009 from North Harris Montgomery Community College

Table 8

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

Taxpayers	2009			2000		
	2008 Taxable Valuations (a)	Rank	Percentage of Total 2008 Taxable Valuation (b)	1999 Taxable Valuations (a)	Rank	Percentage of Total 1999 Taxable Valuation (c)
Exxon Mobil Corporation	\$ 4,034,161	1	1.47	\$ 3,030,376	1	2.15
Shell Oil Company	2,715,519	2	0.99	1,160,775	5	0.82
Centerpoint Energy, Inc.	2,500,761	3	0.91	-		0.00
Houston Refining (d)	1,555,086	4	0.57	-		0.00
Equistar Chemicals LP (d)	1,393,805	5	0.51	1,290,425	4	0.92
Chevron Chemical Company	1,386,454	6	0.50	477,197	9	0.34
Crescent Real Estate	1,378,917	7	0.50	754,892	6	0.54
Hines Interests Ltd Partnership	1,248,647	8	0.45	-		0.00
AT&T Mobility LLC	1,069,392	9	0.39	-		0.00
Lyondell Chemical (d)	881,106	10	0.32	753,476	7	0.53
Cullen Allen Holdings LP	740,183	11	0.27	-		0.00
Walmart	721,534	12	0.26	-		0.00
Hewlett Packard Company	717,945	13	0.26	-		0.00
BP Amoco	666,938	14	0.24	-		0.00
Teachers Insurance	659,700	15	0.24	-		0.00
Houston Lighting and Power Company	-		0.00	2,028,171	2	1.44
Southwestern Bell Telephone	-		0.00	1,449,120	3	1.03
Compaq Computer Corporation	-		0.00	739,107	8	0.52
Occidental Chemical Corporation	-		0.00	464,241	10	0.33
Celanese Ltd	-		0.00	425,815	11	0.30
Conoco, Inc.	-		0.00	386,412	12	0.27
Phillips 66 Company	-		0.00	383,520	13	0.27
Fina Oil & Chemical Company	-		0.00	353,241	14	0.25
Weingarten Realty	-		0.00	346,030	15	0.25
Total	\$ 21,670,148		7.88%	\$ 14,042,798		9.96%

Source: Harris County Appraisal District.

(a) Amounts shown for these taxpayers do not include taxable valuations, which may be substantial, attributable to certain subsidiaries and affiliates which are not grouped on the tax rolls with the taxpayers shown.

(b) Based on the District's total taxable value as of February 28, 2009.

(c) Based on the District's total taxable value as of February 20, 2000.

(d) Lyondell Chemical filed for Chapter 11 bankruptcy on January 6, 2009. The District is not certain that it will be able to collect all taxes owed by Lyondell Chemical and its related entities Houston Refining and Equistar Chemical LP to the District.

Table 9

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

Fiscal Year	Taxes Levied for the Fiscal Year	Adjusted Levy as of End of Current Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years*	Total Collections to Date	
			Amount	Percentage of Levy		Amount	Percentage of Levy
2000	\$ 112,895	\$ 112,843	\$ 108,618	96.2	\$ 3,709	\$ 112,327	99.5
2001	95,094	95,087	91,358	96.1	3,240	94,598	99.5
2002	79,755	79,762	77,629	97.3	1,677	79,306	99.4
2003	73,429	73,426	71,492	97.4	1,470	72,962	99.4
2004	75,721	75,848	74,979	99.0	375	75,354	99.3
2005	64,263	64,173	61,911	96.3	1,783	63,694	99.3
2006	64,981	67,117	60,008	92.3	6,583	66,591	99.2
2007	70,782	71,532	62,680	88.6	8,146	70,826	99.0
2008	72,083	77,046	69,058	95.8	6,752	75,810	98.4
2009	84,057	84,057	74,344	88.4	-	74,344	88.4

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

Table 10

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

**RATIO OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS
(Unaudited)**

(amounts in thousands, except per capita)

Fiscal Year	Governmental Activities			Percentage of Actual Taxable Value of Property (a)	Percentage of Personal Income (b)	Debt Per Capita (b)
	General Bonded Debt	Commercial Paper	Total Government			
2000	\$ 221,024	\$ -	\$ 221,024	0.16%	0.20%	\$ 68
2001	205,157	-	205,157	0.13%	0.17%	60
2002	190,768	38,084	228,852	0.14%	0.18%	66
2003	180,814	95,766	276,580	0.16%	0.22%	78
2004	292,026	14,000	306,026	0.17%	0.23%	85
2005	423,634	26,580	450,214	0.23%	0.32%	124
2006	403,967	78,425	482,392	0.23%	0.31%	131
2007	581,971	23,945	605,916	0.27%	0.34%	156
2008	564,278	51,805	616,083	0.24%	0.32%	157
2009	553,794	84,435	638,229	0.23%	n/a	160

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

(a) See Table 5 for property value data.

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

Table 11

**HARRIS COUNTY FLOOD CONTROL DISTRICT
A COMPONENT UNIT OF HARRIS COUNTY, TEXAS
ESTIMATED DIRECT AND OVERLAPPING BONDED DEBT
February 28, 2009
(Unaudited)**

	Percentage Applicable To Name of Government	Net Debt (Thousands)
County-Wide Jurisdiction:		
Harris County (2/28/09) (a)	100.00%	\$ 2,363,229
Harris County Flood Control District (2/28/09)	100.00	486,794
Port of Houston Authority (12/31/08)	100.00	563,015
Total County-Wide Direct Debt		<u>3,413,038</u>
Cities:		
Baytown (9/30/08)	80.75	\$ 57,898
Bellaire (2/28/09)	100.00	54,885
Bunker Hill Village (2/3/09)	100.00	11,741
Deer Park (9/30/08)	100.00	33,343
Friendswood (9/30/08)	100.00	17,745
Galena Park (9/30/08)	100.00	7,847
Houston (6/30/08)	99.36	2,794,967
Jacinto City (09/30/08)	100.00	6,053
Jersey Village (9/30/08)	100.00	22,529
Katy (9/30/08)	69.19	14,471
La Porte (9/30/08)	100.00	14,065
League City (9/30/08)	5.52	69,074
Missouri City (06/30/09)	8.33	54,023
Pasadena (9/30/08)	100.00	102,373
Pearland (12/31/08)	6.16	255,861
Seabrook (09/30/08)	100.00	16,780
South Houston (9/30/08)	100.00	6,033
Southside Place (7/17/09)	100.00	11,866
Tomball (9/30/08)	100.00	14,877
Webster (9/30/08)	100.00	18,789
West University Place (12/31/08)	100.00	60,436
Other Cities (b)	100.00	13,153
Sub-Total Cities		<u>3,658,809</u>
School Districts and Junior Colleges:		
Aldine (2/28/09)	100.00	538,295
Alief (8/31/08)	100.00	246,620
Channelview (8/31/08)	100.00	83,662
Clear Creek (8/31/08)	80.62	1,039,454
Crosby (2/28/09)	100.00	97,851
Cypress-Fairbanks (6/30/08)	100.00	1,292,560
Deer Park (8/31/08)	100.00	177,166
Galena Park (8/31/08)	100.00	355,363
Goose Creek (2/28/09)	80.04	336,087
Houston (2/28/09)	100.00	2,184,061
Huffman (8/31/08)	100.00	79,540
Humble (6/30/08)	100.00	561,361
Katy (8/31/08)	88.64	922,087
Klein (8/31/08)	100.00	508,549
LaPorte (6/30/08)	100.00	179,162
North Forest (8/31/08)	100.00	64,718
Lone Star College System* (8/31/08)	78.67	179,288
Pasadena (8/31/08)	100.00	762,386
Pearland (8/31/08)	2.25	344,654
San Jacinto Junior College (2/28/09)	100.00	121,499
Sheldon (8/31/08)	100.00	153,918
Spring (6/30/09)	100.00	1,006,493
Spring Branch (6/30/09)	100.00	540,963
Tomball (8/31/08)	88.02	217,374
Waller (8/31/08)	31.68	165,324
Other Schools (c)	100.00	16,633
Sub-Total School Districts and Junior Colleges		<u>12,175,068</u>
Utility Districts (d)	100.00	4,316,677
Total Overlapping Debt		<u>20,150,554</u>
Total Direct and Overlapping Debt (Estimated \$5,914 Per Capita) (e)		<u>\$ 23,563,592</u>

(a) Includes all Tax Bonds.

(b) Aggregate net debt of 11 cities, each of which had a net debt of less than \$5,000,000.

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

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

(e) Census Bureau population estimated at 3,984,349. Source: Bureau of the Census.

* Name change from North Harris Montgomery Community College in FY2009.

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

**LAST TEN FISCAL YEARS
(Unaudited)
(amounts in thousands)**

Legal Debt Margin Calculation for Fiscal Year 2009

Assessed Value of All Taxable Property	\$ 364,193,653
Assessed Value of Real Property	\$ 313,740,198
Debt Limit (25% of real property assessed value) (a)	78,435,050
Amount of Debt Applicable to Constitutional Debt Limit:	
Total Bonded Applicable Debt	1,412,545
Less: Debt Service Funds Cash	<u>(134,444)</u>
Total Net Debt Applicable to Limit	<u>1,278,101</u>
Legal Debt Margin, Bonds Issued Under Article III, Section 52 of the Texas Constitution	<u>\$ 77,156,949</u>

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2008
Debt Limit	\$ 34,099,052	\$ 37,711,310	\$ 41,451,166	\$ 44,452,279	\$ 47,333,564	\$ 49,844,576	\$ 57,512,650	\$ 62,749,472	\$ 70,312,808	\$ 78,435,050
Total Net Debt Applicable to Limit	<u>1,022,909</u>	<u>1,004,249</u>	<u>1,065,806</u>	<u>1,026,324</u>	<u>1,074,243</u>	<u>1,178,759</u>	<u>1,152,955</u>	<u>1,390,672</u>	<u>1,313,108</u>	<u>1,278,101</u>
Legal Debt Margin	<u>\$ 33,076,143</u>	<u>\$ 36,707,061</u>	<u>\$ 40,385,360</u>	<u>\$ 43,425,955</u>	<u>\$ 46,259,321</u>	<u>\$ 48,665,817</u>	<u>\$ 56,359,695</u>	<u>\$ 61,358,800</u>	<u>\$ 68,999,700</u>	<u>\$ 77,156,949</u>
Total Net Debt Applicable to the Limit as a percentage of Debt Limit	3.00%	2.66%	2.57%	2.31%	2.27%	2.36%	2.00%	2.22%	1.87%	1.63%

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

Bonds Issued Under Article VIII, Section 9:

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

Certain of the County's bonds payable from such limited tax may be issued under the provisions of Chapter 2, Title 22, Vernon's Texas Civil Statutes. The principal amount of all bonds, which may be issued under the provisions of such Chapter, is limited in aggregate to 5% of the assessed valuation. The debt limit under Chapter 2, Title 22 is approximately \$18,209,683 compared to applicable bonds outstanding at February 28, 2009 of \$-0-.

Bonds Issued Under Article XVI, Section 59:

The Harris County Flood Control District issues bonds pursuant to Article XVI, Section 59 of the State Constitution. No limits are prescribed in such constitutional provision; however, Chapter 407, Acts of 50th Legislature of Texas, Regular Session 1947 provides for a tax limit of \$0.30 per \$100 of taxable valuation for operational and debt service funds. A tax of \$0.03086 per \$100 of taxable value, which includes \$0.00332 per \$100 of taxable value for debt service, was levied by the Flood Control District in tax year 2008.

Table 13

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

**LAST TEN CALENDAR YEARS
(Unaudited)**

Calendar Year	Population	Unemployment Rate	Personal Income (amounts in thousands)	Per Capita Personal Income
1999	3,250,404	4.1%	\$ 109,635,167	\$ 33,730
2000	3,400,578	3.2%	121,592,842	35,757
2001	3,460,589	5.7%	129,728,437	37,487
2002	3,557,055	5.4%	128,298,585	36,069
2003	3,596,086	6.3%	133,472,645	37,116
2004	3,644,285	5.9%	142,229,854	39,028
2005	3,693,050	5.4%	156,920,733	42,491
2006	3,886,207	4.0%	178,160,838	45,844
2007	3,935,855	4.2%	194,177,877	49,336
2008	3,984,349	5.5%	n/a	n/a

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

Table 14

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

Employer	2008			1999		
	Employees	Rank	Percentage of Total County Employment	Employees	Rank	Percentage of Total County Employment
Administaff Inc.	22,475	1	0.84%			
Wal-Mart Stores, Inc.	17,260	2	0.65%			
Continental Airlines	15,522	3	0.58%	16,000	2	0.72%
Exxon Mobil	15,340	4	0.58%			
CenterPoint Energy (former Houston Industries)	8,568	5	0.32%			
Baker Hughes Inc.	8,500	6	0.32%			
National Oilwell Varco	7,400	7	0.28%			
AT&T Inc. (former SBC/Southwestern Bell)	7,018	8	0.26%			
Chevron/Texaco	7,011	9	0.26%			
JP Morgan Chase (former Texas Commerce Bank)	5,900	10	0.22%			
Halliburton Companies				16,622	1	0.74%
Shell Oil Company				14,000	3	0.63%
Compaq Computer				13,778	4	0.62%
Houston Industries (HL&P & Entex)				13,412	5	0.60%
Columbia/HCA				12,900	6	0.58%
Kroger Food Stores				9,600	7	0.43%
Randalls Food Markets, Inc.				8,900	8	0.40%
Pappas Restaurants, Inc.				8,500	9	0.38%
SBC				7,600	10	0.34%
	114,994			121,312		

* Based on calendar year.

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

Note: Total County Employment for 2008 was approximately 2,664,000 and for 1999 was 2,237,663

Table 15

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

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Administration of Justice	7,820	8,054	8,177	8,115	8,450	8,554	8,380 a	8,168	8,740	9,425
Parks	*	*	*	*	*	*	715	706	732	787
County Administration	2,612	2,758	2,817	2,627	2,720	2,787	2,726	2,871	3,024	3,339
Health and Human Services	*	*	*	*	*	*	1,613	1,604	1,706	1,796
Flood Control	276	270	277	289	331	342	312	333	325	354
Tax Administration	458	460	468	450	465	442	428	426	435	428
Roads and Bridges	677	716	736	752	817	837	782	779	807	856
Other *	1,489	1,613	1,742	2,050	2,287	2,441	*	*	*	*

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

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

Note: As of February 28, 2009, it is estimated that approximately 2,728 of the County's employees were members of various labor organizations, some of which are unions affiliated with the AFL-CIO. The County does not maintain collective bargaining agreements with any unions.

Table 16

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

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

Source: The Budget Office and Various County Departments

Table 17

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

<u>Function/Program</u>	<u>Fiscal Years</u>					
	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
<u>Flood Control</u>						
Developer Plans Approved- Watershed Mgt.	1,095	976	1,114	1,221	1,467	1,500
Citizen Services Requests	2,462	1,980	2,393	2,681	2,948	2,573

Source: The Budget Office and Various County Departments

**HARRIS COUNTY FLOOD CONTROL DISTRICT
A COMPONENT UNIT OF HARRIS COUNTY, TEXAS
SERVICES AND RATES
For Fiscal Year Ended February 28, 2009
(Unaudited)**

1. Services Provided by the District:

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

2. Retail Service Providers: None

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

Gallons pumped into system: N/A

Gallons billed to customers: N/A

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

(Continued)

**HARRIS COUNTY FLOOD CONTROL DISTRICT
A COMPONENT UNIT OF HARRIS COUNTY, TEXAS
SERVICES AND RATES
For Fiscal Year Ended February 28, 2009
(Unaudited)**

5. Location of District:

County in which district is located: Harris County

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

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

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

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

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

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

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

Table 19

**HARRIS COUNTY FLOOD CONTROL DISTRICT
A COMPONENT UNIT OF HARRIS COUNTY, TEXAS
GENERAL FUND EXPENDITURES
For The Year Ended February 28, 2009
(Unaudited)**

Personnel Expenditures (including benefits)	\$ 25,755,253
Professional Fees and Contractual Services	29,183,809
Utilities	697,176
Repairs and Maintenance	963,459
Capital Outlay	2,979,325
Other Expenditures	<u>5,474,668</u>
TOTAL EXPENDITURES	<u><u>\$ 65,053,690</u></u>

Number of persons employed by the District: 354 Full-Time

Table 20

HARRIS COUNTY FLOOD CONTROL DISTRICT
A COMPONENT UNIT OF HARRIS COUNTY, TEXAS
TAXES LEVIED AND RECEIVABLE
For The Year Ended February 28, 2009
(Unaudited)
(amounts in thousands)

	Operations and Maintenance Taxes	Debt Service Taxes
Taxes receivable, beginning of year	\$ 9,020,948	\$ 3,064,136
2008 Original Tax Levy (adjusted thru 2/28/09)	75,013,876	9,043,067
Total to be accounted for	<u>84,034,824</u>	<u>12,107,203</u>
Tax collections:		
Current year	(66,346,488)	(7,998,228)
Prior years	(7,466,782)	(1,222,769)
Total collections	<u>(73,813,270)</u>	<u>(9,220,997)</u>
Taxes receivable, end of year	<u>\$ 10,221,554</u>	<u>\$ 2,886,206</u>
Taxes receivable, by years		
1999 and prior	\$ 1,185,704	\$ 1,169,592
2000	316,491	171,846
2001	273,351	182,538
2002	317,338	146,946
2003	353,259	141,363
2004	368,718	110,510
2005	433,114	93,340
2006	595,254	110,609
2007	1,096,062	140,052
2008	5,282,263	619,410
Taxes receivable, end of year	<u>\$ 10,221,554</u>	<u>\$ 2,886,206</u>

	2008	2007	2006	2005
Property valuations:				
Real property	\$ 321,147,405	\$ 281,251,230	\$ 250,997,888	\$ 230,050,598
Personal property	43,010,048	46,086,287	40,345,611	37,276,435
Less exemptions	(89,424,111)	(73,150,566)	(66,142,090)	(61,017,743)
Total property valuations	<u>\$ 274,733,342</u>	<u>\$ 254,186,951</u>	<u>\$ 225,201,409</u>	<u>\$ 206,309,290</u>
Tax rates per \$100 valuation:				
Operations and Maintenance tax rates (a)	\$ 0.02754	\$ 0.02754	\$ 0.02733	\$ 0.02733
Debt service tax rates	0.00332	0.00352	0.00508	0.00589
Total tax rates per \$100 valuation	<u>\$ 0.03086</u>	<u>\$ 0.03106</u>	<u>\$ 0.03241</u>	<u>\$ 0.03322</u>
Original tax levy (b)	<u>\$ 84,783</u>	<u>\$ 78,950</u>	<u>\$ 72,988</u>	<u>\$ 68,536</u>
Percent of taxes collected to taxes levied (c)	<u>88.4%</u>	<u>95.8%</u>	<u>88.6%</u>	<u>92.3%</u>

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

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

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

Table 21

**HARRIS COUNTY FLOOD CONTROL DISTRICT
A COMPONENT UNIT OF HARRIS COUNTY, TEXAS
LONG-TERM DEBT SERVICE REQUIREMENTS - BY YEARS
For The Year Ended February 28, 2009
(Unaudited)**

Due During Fiscal Years Ending	Annual Requirements for All Series		
	Total Principal Due	Total Interest Due	Total Principal and Interest Due
2010	\$ 11,572,889	\$ 29,794,929	\$ 41,367,818
2011	10,268,921	28,692,092	38,961,013
2012	10,109,024	26,518,114	36,627,138
2013	11,455,000	24,936,037	36,391,037
2014	11,805,000	24,398,663	36,203,663
2015	10,760,000	23,838,174	34,598,174
2016	9,785,000	23,325,807	33,110,807
2017	9,045,000	22,866,369	31,911,369
2018	9,450,000	22,436,119	31,886,119
2019	24,245,000	21,963,619	46,208,619
2020	40,100,000	20,696,581	60,796,581
2021	40,655,000	18,609,781	59,264,781
2022	45,170,000	16,569,931	61,739,931
2023	45,290,000	14,203,319	59,493,319
2024	46,605,000	11,938,819	58,543,819
2025	10,055,000	9,608,569	19,663,569
2026	26,255,000	9,093,250	35,348,250
2027	26,255,000	7,780,500	34,035,500
2028	26,255,000	6,467,750	32,722,750
2029	26,255,000	5,187,000	31,442,000
2030	26,255,000	3,906,250	30,161,250
2031	26,255,000	2,625,500	28,880,500
2032	26,255,000	1,312,750	27,567,750
	<u>\$ 530,155,834</u>	<u>\$ 376,769,923</u>	<u>\$ 906,925,757</u>

Table 22

**HARRIS COUNTY FLOOD CONTROL DISTRICT
A COMPONENT UNIT OF HARRIS COUNTY, TEXAS
CHANGES IN LONG-TERM DEBT
For The Year Ended February 28, 2009
(Unaudited)**

	Bond Issues										
	Series 1993	Series 2002	Series 2003A	Series 2003B	Series 2004A	Series 2006A	Series 2007	Series 2008A	Series 2008B	Series 2008C	Total
Interest Rate	5.40 - 5.60	3.00 - 5.50	3.00 - 6.00	5.00 - 5.25	3.00 - 5.25	5.00	4.75 - 5.00	4.00 - 5.25	various	3.00 - 5.125	
Dates Interest Payable	04/01;10/01	04/01;10/01	04/01;10/01	04/01;10/01	04/01;10/01	04/01;10/01	04/01;10/01	04/01;10/01	04/01;10/01	04/01;10/01	
Maturity Dates	10/1/2011	10/1/2014	10/1/2015	10/1/2023	10/1/2024	10/1/2031	10/1/2031	10/1/2021	10/1/2031	10/1/2031	
Bonds Outstanding at March 1, 2008	\$ 3,749,698	\$ 8,995,000	\$ 9,585,000	\$ 191,765,000	\$ 126,335,000	\$ 94,185,000	\$ 89,600,000	\$ -	\$ -	\$ -	\$ 524,214,698
Bonds Sold During the Current Year: 2008-2009	-	-	-	-	-	-	-	137,095,000	156,270,000	158,100,000	451,465,000
Retirements During the Current Year: 2008-2009	1,678,864	-	1,270,000	191,765,000	91,635,000	-	-	2,905,000	156,270,000	-	445,523,864
Bonds Outstanding at February 28, 2009	<u>\$ 2,070,834</u>	<u>\$ 8,995,000</u>	<u>\$ 8,315,000</u>	<u>\$ -</u>	<u>\$ 34,700,000</u>	<u>\$ 94,185,000</u>	<u>\$ 89,600,000</u>	<u>\$ 134,190,000</u>	<u>\$ -</u>	<u>\$ 158,100,000</u>	<u>\$ 530,155,834</u>
Interest Paid During the Current Year - 2008-2009	<u>\$ 5,906,136</u>	<u>\$ 483,925</u>	<u>\$ 360,981</u>	<u>\$ -</u>	<u>\$ 1,851,300</u>	<u>\$ 4,709,250</u>	<u>\$ 4,384,000</u>	<u>\$ 4,068,386</u>	<u>\$ 2,911,304</u>	<u>\$ -</u>	<u>\$ 24,675,282</u>

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

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

Debt Service Fund Cash and Investments balances as of February 28, 2009: \$ 15,715,311

Average Annual Debt Service Payment (Principal & Interest) for remaining term of all debt: \$ 41,223,898

Table 23

**HARRIS COUNTY FLOOD CONTROL DISTRICT
A COMPONENT UNIT OF HARRIS COUNTY, TEXAS
COMPARATIVE SCHEDULE OF REVENUE AND EXPENDITURES-GENERAL AND DEBT SERVICE FUNDS-FIVE YEARS ENDED
For The Year Ended February 28, 2009
(Unaudited)**

General Fund:	Amounts					Percent of Fund Total Revenues				
	2009	2008	2007	2006	2005	2009	2008	2007	2006	2005
Revenues:										
Taxes	\$ 73,743,747	\$ 67,872,698	\$ 59,995,908	\$ 54,925,527	\$ 49,401,450	95.3%	94.7%	95.0%	96.0%	97.4%
Lease Revenue	171,073	192,402	188,999	136,385	124,397	0.2%	0.3%	0.3%	0.3%	0.2%
Intergovernmental	852,476	-	86,611	-	-	1.1%	0.0%	0.1%	0.0%	0.0%
Interest	1,789,202	3,092,363	2,789,178	1,903,542	751,786	2.3%	4.3%	4.4%	3.3%	1.5%
Miscellaneous	840,268	504,020	147,772	239,234	431,503	1.1%	0.7%	0.2%	0.4%	0.9%
Total Revenues	<u>\$ 77,396,766</u>	<u>\$ 71,661,483</u>	<u>\$ 63,208,468</u>	<u>\$ 57,204,688</u>	<u>\$ 50,709,136</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>
Expenditures:										
Current Operating:										
Flood Control	\$ 60,446,437	\$ 57,149,249	\$ 58,611,400	\$ 51,687,419	\$ 46,439,981	78.1%	79.7%	92.7%	90.3%	91.6%
Tax Administration	664,155	548,026	490,139	440,799	574,083	0.9%	0.8%	0.8%	0.8%	1.1%
Capital Outlay	2,979,324	3,464,039	2,656,420	3,303,690	9,934,220	3.8%	4.8%	4.2%	5.8%	19.6%
Debt Service	963,774	26,845,868	24,652,026	22,537,389	8,663,129	1.2%	37.5%	39.0%	39.4%	17.1%
Total Expenditures	<u>\$ 65,053,690</u>	<u>\$ 88,007,182</u>	<u>\$ 86,409,985</u>	<u>\$ 77,969,297</u>	<u>\$ 65,611,413</u>	<u>84.0%</u>	<u>122.8%</u>	<u>136.7%</u>	<u>136.3%</u>	<u>129.4%</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>\$ 12,343,076</u>	<u>\$(16,345,699)</u>	<u>\$(23,201,517)</u>	<u>\$(20,764,609)</u>	<u>\$(14,902,277)</u>	<u>16.0%</u>	<u>-22.8%</u>	<u>-36.7%</u>	<u>-36.3%</u>	<u>-29.4%</u>
Debt Service Fund:										
Revenues:										
Taxes	\$ 9,163,852	\$ 9,196,529	\$ 11,779,309	\$ 12,764,330	\$ 15,613,192	27.0%	93.0%	95.4%	96.5%	98.6%
Intergovernmental	23,506,300	-	-	-	-	69.3%	0.0%	0.0%	0.0%	0.0%
Interest	356,054	674,368	556,239	425,606	212,489	1.1%	6.8%	4.5%	3.2%	1.3%
Miscellaneous	885,145	15,507	6,840	39,592	10,548	2.6%	0.2%	0.1%	0.3%	0.1%
Total Revenues	<u>\$ 33,911,351</u>	<u>\$ 9,886,404</u>	<u>\$ 12,342,388</u>	<u>\$ 13,229,528</u>	<u>\$ 15,836,229</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>
Expenditures:										
Debt Service										
Principal Retirement	\$ 12,553,864	\$ 3,995,287	\$ 12,535,000	\$ 14,740,000	\$ 18,200,000	37.0%	40.4%	101.6%	111.4%	114.9%
Interest and Fiscal Charges	28,047,265	12,379,097	2,044,802	2,183,436	3,181,054	82.7%	125.2%	16.6%	16.5%	20.1%
Total Expenditures	<u>\$ 40,601,129</u>	<u>\$ 16,374,384</u>	<u>\$ 14,579,802</u>	<u>\$ 16,923,436</u>	<u>\$ 21,381,054</u>	<u>119.7%</u>	<u>165.6%</u>	<u>118.2%</u>	<u>127.9%</u>	<u>135.0%</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>\$ (6,689,778)</u>	<u>\$ (6,487,980)</u>	<u>\$ (2,237,414)</u>	<u>\$ (3,693,908)</u>	<u>\$ (5,544,825)</u>	<u>-19.7%</u>	<u>-65.6%</u>	<u>-18.2%</u>	<u>-27.9%</u>	<u>-35.0%</u>

**HARRIS COUNTY FLOOD CONTROL DISTRICT
A COMPONENT UNIT OF HARRIS COUNTY, TEXAS
OPERATING FUNDS BUDGET FOR THE DISTRICT'S FISCAL YEAR 2009-2010
(Unaudited)**

On March 10, 2009 the Commissioners Court adopted the budget for the District for the Fiscal Year 2010. The following is a summary the Fiscal Year 2010 Budget for the District's Current Operating Funds:

Cash Balance as of March 1, 2009	\$ 95,641,003
Estimated Revenues:	
Ad Valorem Taxes	75,178,894
Lease Revenues	196,000
Reimbursements and Refunds	2,400
Interest	476,655
Miscellaneous	67,000
Total Cash and Estimated Revenues	<u>\$ 171,561,952</u>
Appropriations:	
Current Operating Expenses	\$ 168,755,001
Capital Outlay	2,806,951
Total Appropriations	<u>\$ 171,561,952</u>

Table 25

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

The following table sets forth the District's ad valorem tax debt outstanding, as of the end of the Fiscal years 1999-2000 through 2008-09.

Fiscal Year	District's Debt Outstanding (a) (thousands)	Taxable Value (b) (thousands)	Outstanding as a Percentage of Taxable Value	Estimated Population (c)	Debt Outstanding Per Capita
2000	\$ 151,409	\$ 140,969,904	0.11%	3,250,404	\$ 47
2001	129,239	154,054,104	0.08	3,400,578	38
2002	108,995	167,623,002	0.07	3,460,589	31
2003	92,090	176,174,470	0.05	3,557,055	26
2004	71,800	185,113,324	0.04	3,596,086	20
2005	53,600	194,224,012	0.03	3,644,285	15
2006	38,860	206,309,290	0.02	3,693,050	11
2007	115,925	225,201,409	0.05	3,886,207	30
2008	111,930	254,186,951	0.04	3,935,855	28
2009	108,981	274,733,342	0.04	3,984,349	27

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

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

(c) Source: Bureau of the Census.

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

Fiscal Year	Real Property	Personal Property	Less Exemptions (a)	Total Taxable Assessed Value		M&O Tax Rate	Debt Service Tax Rate	Total County Tax Rate
2000	\$136,396,208	\$ 26,962,355	\$ 22,345,082	\$ 141,013,481		0.35780	0.03703	0.39483
2001	150,845,241	28,397,625	25,145,837	154,097,029		0.32599	0.03303	0.35902
2002	165,804,662	30,668,510	28,809,564	167,663,608		0.33606	0.04787	0.38393
2003	177,809,114	30,171,225	31,764,643	176,215,696	(b)	0.33538	0.05276	0.38814
2004	189,334,256	30,644,381	34,822,427	185,156,210	(b)	0.34490	0.04313	0.38803
2005	199,378,304	32,159,586	37,273,945	194,263,945	(b)	0.33117	0.06869	0.39986
2006	230,050,598	37,313,520	61,017,743	206,346,375	(c)	0.34728	0.05258	0.39986
2007	250,997,888	40,381,452	66,142,090	225,237,250	(c)	0.38106	0.02133	0.40239
2008	281,251,230	46,122,092	73,150,566	254,222,756		0.37118	0.02121	0.39239
2009	313,740,198	50,453,455	82,016,388	282,177,265		0.37007	0.01916	0.38923

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

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

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

Source: Harris County Appraisal District.

Note: Property in the County is reassessed each year. Property is assessed at actual value; therefore, the assessed values are equal to actual value. Tax rates are per \$100 of assessed value.

Table 27

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

<u>Fiscal Year</u>	<u>Taxes Levied for the Fiscal Year</u>	<u>Adjusted Levy as of End of Current Fiscal Year</u>	<u>Collected within the Fiscal Year of the Levy</u>		<u>Collections in Subsequent Years*</u>	<u>Total Collections to Date</u>	
			<u>Amount</u>	<u>Percentage of Levy</u>		<u>Amount</u>	<u>Percentage of Levy</u>
2000	\$ 557,352	\$ 557,093	\$ 538,011	96.5	\$ 16,537	\$ 554,548	99.5
2001	553,216	553,173	547,846	99.0	2,487	550,333	99.5
2002	643,711	643,709	617,800	96.0	22,230	640,030	99.4
2003	682,975	682,948	657,498	96.3	21,132	678,630	99.4
2004	704,093	705,269	693,384	98.5	7,287	700,671	99.3
2005	793,759	762,499	740,302	93.3	16,420	756,722	99.2
2006	796,885	820,425	719,922	90.3	94,166	814,088	99.2
2007	887,598	904,512	793,835	89.4	101,885	895,720	99.0
2008	929,929	994,110	910,828	97.9	67,658	978,486	98.4
2009	1,089,141	1,089,141	981,807	90.1	-	981,807	90.1

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

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

	<u>County's Total Outstanding Tax Debt (a)</u>
Limited Tax Debt	\$ 1,148,276,629
Unlimited Tax Debt	746,974,593
Flood Control	421,175,000
Toll Road Tax Bonds	<u>665,570,000</u>
Total	\$ 2,981,996,222
Less: Toll Road Tax Bonds	<u>(665,570,000)</u>
Total (Approximately 0.64% of 2008 Assessed Value)	<u><u>\$ 2,316,426,222</u></u>

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

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

Fiscal Year	Limited Tax Debt			Unlimited Tax Debt			Toll Road Unlimited Tax & Subordinate Lien Revenue Bonds			Flood Control (a)			Total County-Wide Tax Debt		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2010	\$ 45,940	\$ 51,449	\$ 97,389	\$ 26,245	\$ 38,049	\$ 64,294	\$ 41,540	\$ 45,591	\$ 87,131	\$ 11,573	\$ 29,795	\$ 41,368	\$ 125,298	\$ 164,884	\$ 290,182
2011	46,940	51,507	98,447	34,630	34,229	68,859	43,285	43,122	86,407	10,269	28,692	38,961	135,124	157,550	292,674
2012	54,760	49,368	104,128	30,690	32,560	63,250	44,740	40,509	85,249	10,109	26,518	36,627	140,299	148,955	289,254
2013	61,675	45,332	107,007	28,005	31,026	59,031	47,000	37,983	84,983	11,455	24,936	36,391	148,135	139,277	287,412
2014	50,730	41,152	91,882	18,503	31,677	50,180	57,050	27,731	84,781	11,805	24,399	36,204	138,088	124,959	263,047
2015	52,657	39,147	91,804	19,933	28,861	48,794	62,295	20,637	82,932	10,760	23,838	34,598	145,645	112,483	258,128
2016	54,412	36,981	91,393	19,648	28,167	47,815	40,575	18,016	58,591	9,785	23,326	33,111	124,420	106,490	230,910
2017	57,227	34,828	92,055	18,989	27,466	46,455	26,380	16,419	42,799	9,045	22,866	31,911	111,641	101,579	213,220
2018	59,151	32,386	91,537	19,357	26,779	46,136	26,610	15,128	41,738	9,450	22,436	31,886	114,568	96,729	211,297
2019	52,996	29,826	82,822	32,040	26,057	58,097	27,445	13,742	41,187	24,245	21,964	46,209	136,726	91,589	228,315
2020	40,146	27,479	67,625	33,685	24,409	58,094	28,345	12,277	40,622	40,100	20,697	60,797	142,276	84,862	227,138
2021	50,520	25,533	76,053	35,410	22,686	58,096	29,285	10,765	40,050	40,655	18,610	59,265	155,870	77,594	233,464
2022	51,255	23,211	74,466	37,785	20,874	58,659	19,445	9,486	28,931	45,170	16,570	61,740	153,655	70,141	223,796
2023	53,605	20,858	74,463	39,670	18,981	58,651	20,240	8,449	28,689	45,290	14,203	59,493	158,805	62,491	221,296
2024	44,531	16,689	61,220	41,670	16,994	58,664	20,700	7,385	28,085	46,605	11,939	58,544	153,506	53,007	206,513
2025	87,822	16,651	104,473	43,755	14,911	58,666	21,165	6,297	27,462	10,055	9,609	19,664	162,797	47,468	210,265
2026	38,914	12,248	51,162	38,140	12,723	50,863	12,070	5,430	17,500	26,255	9,093	35,348	115,379	39,494	154,873
2027	52,700	10,134	62,834	38,140	10,816	48,956	12,090	4,796	16,886	26,255	7,780	34,035	129,185	33,526	162,711
2028	54,965	7,649	62,614	38,140	8,909	47,049	12,115	4,161	16,276	26,255	6,468	32,723	131,475	27,187	158,662
2029	39,140	5,377	44,517	38,135	7,127	45,262	12,135	3,524	15,659	26,255	5,187	31,442	115,665	21,215	136,880
2030	24,830	3,190	28,020	38,135	5,345	43,480	12,160	2,886	15,046	26,255	3,906	30,161	101,380	15,327	116,707
2031	25,530	2,271	27,801	38,135	3,564	41,699	12,185	2,247	14,432	26,255	2,625	28,880	102,105	10,707	112,812
2032	26,280	1,328	27,608	38,135	1,782	39,917	12,210	1,607	13,817	26,255	1,313	27,568	102,880	6,030	108,910
2033	21,550	360	21,910	-	-	-	12,240	965	13,205	-	-	-	33,790	1,325	35,115
2034	-	-	-	-	-	-	12,265	322	12,587	-	-	-	12,265	322	12,587
Total	\$ 1,148,276	\$ 584,954	\$ 1,733,230	\$ 746,975	\$ 473,992	\$ 1,220,967	\$ 665,570	\$ 359,475	\$ 1,025,045	\$ 530,156	\$ 376,770	\$ 906,926	\$ 3,090,977	\$ 1,795,191	\$ 4,886,168

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

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

As of February 28, 2009, the following County-wide ad valorem tax bonds authorized by the voters at elections held in September, 1983, November, 1987, November, 1989, November, 1993, November, 1997, and November, 2001 remain unissued.

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

The Schedule also shows Port of Houston Authority valorem tax bonds that were authorized by the voters at elections held in November, 1989, November, 1993, and November, 1997 but remain unissued. Harris County has no legal responsibility for repayment of these bonds.

<u>County Ad Valorem Tax Bonds</u>			
Limited Tax:			
Civil Justice Center	\$ 33,000		
Parks	95,000		
Forensic Lab	80,000		
Family Law Center	70,000		
Total Limited Tax Bonds		\$ 278,000	
Unlimited Tax:			
Road Bonds	247,193		
Total Unlimited Tax Bonds		247,193	
Combination Unlimited Tax and Revenue:			
Toll Roads	17,673		
Total Unlimited Tax and Revenue Bonds		17,673	
Harris County Flood Control District Limited Tax Bonds			-
Total Harris County Ad Valorem Tax Bonds		542,866	
<u>Port of Houston Authority Unlimited Tax Bonds</u>			
Port Improvements	250,000		
Deepening and Widening of Houston Ship Channel	-		
Total Port of Houston Authority Bonds		250,000	
Total Authorized but Unissued Bonds		\$ 792,866	

**HARRIS COUNTY FLOOD CONTROL DISTRICT
A COMPONENT UNIT OF HARRIS COUNTY, TEXAS
OPERATING FUNDS BUDGET FOR THE COUNTY'S FISCAL YEAR 2009-2010
(Unaudited)**

On March 10, 2009 the Commissioners Court adopted the budget for the County for the Fiscal Year 2009-2010. The Fiscal Year 2010 Budget included appropriations for some capital projects, which are financed from current revenues. The following is a summary of the Fiscal Year 2009-2010 Budget for the County's Current Operating Funds:

Cash Balance as of March 1, 2009	\$ 255,740,997
Estimated Revenues:	
Ad Valorem and Miscellaneous Taxes	919,651,749
Charges for Services	203,948,551
Fines and Forfeitures	21,088,367
Intergovernmental Revenues	36,813,265
Interest	4,847,910
Other	43,596,037
Total Cash and Estimated Revenues	<u><u>\$ 1,485,686,876</u></u>
Appropriations:	
Current Operating Expenses	\$ 1,370,380,652
Capital Outlay:	
Roads	83,412,335
Parks	31,783,259
Office/Courts	110,630
Total Appropriations	<u><u>\$ 1,485,686,876</u></u>

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

County Capital Projects Funds are used to construct roads, office and court buildings, jails, juvenile home facilities, parks and libraries. Cash and investments on hand in the Capital Projects Funds at February 28, 2009 derived from the sale of bonds and the investment income thereon, are designated to be spent over a period of several years for the following purposes:

Roads	\$ 228,492,739
Permanent Improvements	40,353,751
Flood Control	152,754,919
Reliant Park	<u>14,544,303</u>
Total	<u>\$ 436,145,712</u>



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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH
REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB
CIRCULAR A-133**

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

Compliance

We have audited the compliance of Harris County Flood Control District (the "District") with the types of compliance requirements described in the OMB Circular A-133 *Compliance Supplement* that are applicable to each of its major federal programs for the year ended February 28, 2009. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended February 28, 2009.

Internal Control Over Compliance

The management of the District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered

the District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the entity's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified a certain deficiency in internal control over compliance that we consider to be a significant deficiency which we also consider to be a material weakness.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 09-01 to be a significant deficiency.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. We consider the significant deficiency noted above to be a material weakness.

The District's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the District's response and, accordingly, we express no opinion on it.

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

Deloitte & Touche LLP

July 27, 2009



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

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

We have audited the financial statements of Harris County Flood Control District (the "District"), as of and for the year ended February 28, 2009, and have issued our report thereon dated July 27, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency, 09-01, described in the accompanying schedule of findings and questioned costs to be a material weakness.

Compliance and Other Matters

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

The District's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the District's response and, accordingly, we express no opinion on it.

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

Deloitte & Touche LLP

July 27, 2009

HARRIS COUNTY FLOOD CONTROL DISTRICT, TEXAS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED FEBRUARY 28, 2009

Fund No.	Federal Grantor / Pass-Through Agency Grantor / Program	CFDA Number	Grantor or Pass-through Grantor's Number	Federal Expenditures	Amount Provided to Subrecipients
<u>FEDERAL GRANTS</u>					
<u>U.S. DEPARTMENT OF HOMELAND SECURITY</u>					
PASS THROUGH PROGRAMS, GOVERNORS DIVISION OF EMERGENCY MANAGEMENT:					
7031	FEMA - Pre-Disaster Mitigation Competitive	97.017	EMT-2004-PC-0003-03-007	\$ 21,358	\$ -
7031	FEMA - Pre-Disaster Mitigation Competitive	97.017	PDM05-025	6,338	-
7031	FEMA - Pre-Disaster Mitigation Competitive	97.017	PDM05-029	31,969	-
7031	FEMA - Pre-Disaster Mitigation Competitive	97.017	PDM05-019	11,073	-
7031	FEMA - Pre-Disaster Mitigation Competitive	97.017	PDM05-020	231,224	-
7031	FEMA - Pre-Disaster Mitigation Competitive	97.017	PDM05-021	11,362	-
7031	FEMA - Pre-Disaster Mitigation Competitive	97.017	PDM07-016	2,369,186	-
7031	FEMA - Pre-Disaster Mitigation Competitive	97.017	PDM07-003	2,363,080	-
7119	FEMA - Hazard Mitigation Grant Project	97.039	FEMA-1606-DR-040	2,971,730	-
7293	FEMA - Hazard Mitigation Grant Project	97.039	FEMA-1439-DR-TX-02	8,155	-
7293	FEMA - Hazard Mitigation Grant Project	97.039	FEMA-1439-DR-TX-05	43,815	-
PASS THROUGH PROGRAMS, TEXAS WATER DEVELOPMENT BOARD:					
7292	FEMA - FMA 2007 - Flood Mitigation Assistance Program	97.029	0700010770	2,620,970	-
7073	FEMA - Severe Repetitive Loss - SRL 2008	97.110	0900010907	2,607,428	-
TOTAL U.S. DEPARTMENT OF HOMELAND SECURITY				13,297,688	-
<u>U.S. DEPARTMENT OF DEFENSE</u>					
PASS THROUGH PROGRAMS, ARMY CORPS OF ENGINEERS:					
3310	Brays Bayou Federal Project	12.000	NONE	8,906,608	-
TOTAL U.S. DEPARTMENT OF DEFENSE				8,906,608	-
TOTAL EXPENDITURES OF FEDERAL AWARDS				\$ 22,204,296	\$ -

See notes to the schedule of expenditures of federal awards.

**HARRIS COUNTY FLOOD CONTROL DISTRICT
A COMPONENT UNIT OF HARRIS COUNTY, TEXAS
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED FEBRUARY 28, 2009**

1. The accompanying schedule of expenditures of federal awards includes the federal grant activity of the District and is presented on the cash basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

2. Reconciliation of the Schedule of Expenditures of Federal Awards to Grants Special Revenue Fund of the District's Financial Report for the year ended February 28, 2009:

Federal expenditures per schedule	\$ 22,204,296	
Add:		
Trial balance adjustments for modified accrual basis of accounting	652,937	
County funded portion of grants	4,037,897	
Less:		
Grants - other fund types	(11,953,310)	
Total	<u>\$ 14,941,820</u>	
Balance per financial report - Grants Special Revenue Fund	<u>\$ 14,941,820</u>	

**HARRIS COUNTY FLOOD CONTROL DISTRICT
A COMPONENT UNIT OF HARRIS COUNTY, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED FEBRUARY 28, 2009**

I. SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued:	Unqualified.
Internal control over financial reporting: Material weakness (es) identified?	Yes.
Significant deficiency (ies) identified not considered to be a material weakness?	No.
Noncompliance material to financial statements noted?	No.

Federal Awards

Internal control over major programs: Material weakness (es) identified?	Yes.
Significant deficiency (ies) identified not considered to be a material weakness?	None reported.
Type of auditors' report issued on compliance for major programs:	Unqualified.
Any audit findings disclosed that are required to be reported in accordance with Circular A-133 (section 510(a))?	Yes.
Identification of major programs:	
Brays Bayou Federal Project	12.000
Severe Repetitive Loss-SRL 2008	97.110
Hazard Mitigation Grant Project	97.039
Dollar threshold used to distinguish between Type A and Type B programs:	\$666,128
Auditee qualified as a low-risk auditee?	No.

**HARRIS COUNTY FLOOD CONTROL DISTRICT
A COMPONENT UNIT OF HARRIS COUNTY, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED FEBRUARY 28, 2009**

II. FINANCIAL STATEMENT FINDINGS SECTION

Program	Finding/Noncompliance	Questioned Cost
	Finding 09-01 – Material Weakness in Internal Controls over Financial Reporting and Material Weakness in Internal Controls over Reporting Compliance Requirements	None
Severe Repetitive Loss – SRL 2008, CFDA: 97.110	<p><u>Condition:</u> Expenditures of the Severe Repetitive Loss (SRL) Grant Program and Hazard Mitigation Grant were overstated by approximately \$943,018 and \$400,032, respectively. Accounts payable was overstated by \$815,737 and prepaid assets were understated by \$527,313.</p>	
FEMA – Hazard Mitigation Grant, CFDA: 97.039	<p><u>Criteria:</u> Expenditures should only be reported for transactions occurring within the fiscal year. Allowable costs under the SRL program include the purchase of real estate, and expenditures should be recorded only when the title passes to the District upon closing of the real estate purchase.</p> <p><u>Cause:</u> Seven of 50 selections under audit represented properties which were included as expenditures and payables as of February 28, 2009. Title did not transfer to the District until March or April 2009. Therefore, such transactions should not have been recorded until fiscal year 2009-2010. Control procedures currently in place did not identify that these transactions had not been completed and should have been reversed as of fiscal year end.</p> <p>As a result of the error noted, a complete review of the expenditure detail for the SRL program was performed. A total of five properties, valued at \$815,737, appear to have been improperly included in expenditures and accounts payable in fiscal year 2008-2009. Further a total of four properties (one for SRL valued at \$127,281 and three for Hazard Mitigation valued at \$400,032), appear to have been improperly included in expenditures and improperly excluded from prepaid assets in fiscal year 2008-2009.</p> <p><u>Effect:</u> The Schedule of Expenditures of Federal Awards and accounts payable were overstated by \$815,737. The Schedule of Expenditures of Federal was overstated and prepaid assets were understated by \$527,313. The District recorded an entry to correct these errors.</p>	

**HARRIS COUNTY FLOOD CONTROL DISTRICT
A COMPONENT UNIT OF HARRIS COUNTY, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED FEBRUARY 28, 2009**

Program	Finding/Noncompliance	Questioned Cost
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Recommendation: The District should review the current process in place which identifies and records SRL expenditures and consider whether additional controls should be implemented to prevent future recording errors. It is recommended that the entity install a monitoring program which specifically identifies property transactions and the formal process of recording such items within the financial statements. Such program should include the following departments: Accounts Payable, Financial Accounting, Grant Accounting, Flood Control and Right of Way Division (from which to obtain property closing dates). Further note that a formal review by Financial Accounting should be conducted as a final check and balance of expenditures. Note that such review should be conducted by someone other than the individual who records such expenditures to the general ledger.

Corrective Action Plan of Management: The County is developing procedures for recording of land transactions under which all land transactions are coded to a pending account. The District will coordinate with County personnel to review on a monthly basis the closing dates of all land deals coded to this object code. County personnel will then prepare a reclassifying entry to move the closed transactions to land expenditures. At fiscal year end, this object code will be reviewed for outstanding check items that need to be reversed and any land transactions that may need to be reclassified.

Estimated Completion Date: 02/28/2010

County Contact Person: Carol Market, Director of Financial Accounting and Paul Wilden, Grants Accounting Manager

III. FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS SECTION

See Finding 09-01.

**HARRIS COUNTY FLOOD CONTROL DISTRICT
A COMPONENT UNIT OF HARRIS COUNTY, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED FEBRUARY 28, 2009**

IV. STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS

None noted.