

**FORT BEND COUNTY
DRAINAGE DISTRICT**

**FORT BEND COUNTY, TEXAS
Financial Report**

September 30, 2011

FORT BEND COUNTY DRAINAGE DISTRICT
TABLE OF CONTENTS

	<u>Page(s)</u>
Independent Auditors' Report	1-2
Management's Discussion and Analysis	3-6
BASIC FINANCIAL STATEMENTS	
Government-wide Financial Statements:	
Statement of Net Assets	8
Statement of Activities	9
Fund Financial Statements:	
Balance Sheet – Governmental Fund	10
Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental Fund	11
Notes to Financial Statements	12-23
REQUIRED SUPPLEMENTARY INFORMATION	
Schedule of Revenues, Expenditures and Changes in Fund Balance Budget and Actual – General Fund-Budgetary Basis	26
Notes to Required Supplementary Information	27
Texas County and District Retirement System – Schedule of Funding Progress	28
TEXAS SUPPLEMENTARY INFORMATION	
General Fund Expenditures	30
Taxes Levied and Receivable	31
Comparative Schedule of Revenues and Expenditures - General Fund	32-33
Board Members, Key Personnel, and Consultants	34
Independent Auditors' Report on Internal Control over Financial Reporting	35

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Fort Bend County Drainage District
Fort Bend County, Texas

We have audited the accompanying financial statements of the governmental activities and each major fund of the Fort Bend County Drainage District, (the "District"), as of and for the year ended September 30, 2011, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and 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 of the Fort Bend County Drainage District as of September 30, 2011, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 6, the budgetary comparison information on page 26 and the Required Pension System Supplementary Information on page 28 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's financial statements taken as a whole. The Texas Supplementary Information (TSI) listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements

themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

DRAFT

Sugar Land, Texas
January 23, 2012

FORT BEND COUNTY DRAINAGE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Fort Bend County Drainage District (the "District"), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the year ended September 30, 2011.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements include three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The *Statement of Net Assets* presents information on all of the District's 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.

The *Statement of Activities* presents information showing how the District's 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 only result in cash flows in future fiscal periods.

The government-wide financial statements report on the function of the District that is principally supported by general revenues. The government-wide financial statements can be found on pages 8 and 9 of this report.

Fund Financial Statements

A *fund* is a grouping of related accounts that is 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 compliance with finance-related legal requirements. The District maintains a General Fund on the governmental fund Balance Sheet and the governmental fund Statement of Revenues, Expenditures and Changes in Fund Balance.

The General Fund is a governmental fund used to account for essentially the same function reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

FORT BEND COUNTY DRAINAGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS

Because the focus of the General Fund is narrower than that of the government-wide financial statements, it is useful to compare the information presented in the General Fund 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 financial decisions. Both the governmental fund Balance Sheet and the governmental fund Statement of Revenues, Expenditures and Changes in Fund Balance provide a reconciliation to facilitate this comparison between the governmental fund and *governmental activities*.

The basic governmental fund financial statements can be found on pages 10 and 11 of this report.

Notes to the Financial Statements

The notes to the 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 to the financial statements can be found immediately following the governmental fund financial statements in this report.

Government-Wide Financial Analysis

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 \$29,014,106 as of September 30, 2011. Below is a condensed schedule of net assets for the District as of September 30, 2011 and 2010:

	<u>2011</u>	<u>2010</u>
Current assets	\$ 6,086,098	\$ 6,944,108
Capital assets	28,788,696	25,981,831
Total Assets	<u>34,874,794</u>	<u>32,925,939</u>
Long-term liabilities	4,896,418	3,660,568
Other liabilities	964,270	1,107,105
Total Liabilities	<u>5,860,688</u>	<u>4,767,673</u>
Net Assets:		
Invested in capital assets, net of related debt	28,788,696	25,981,831
Unrestricted	225,410	2,176,435
Net Assets	<u>\$ 29,014,106</u>	<u>\$ 28,158,266</u>

The decrease in current assets of \$858,010 was due to an increase in capital expenses for the Big Creek and Oyster Creek projects. The increase in capital assets of \$2,806,865 was due to completed portions of the Big Creek and Oyster Creek projects for construction in progress. Liabilities increased \$1,093,015 primarily due to an increase in Other Post-Employment Benefits payable.

FORT BEND COUNTY DRAINAGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS

The following table is a condensed schedule of changes in net assets for the years ended September 30, 2011 and 2010:

	<u>2011</u>	<u>2010</u>
Program Revenues		
Capital contributions	\$ 1,514,535	\$ 1,445,828
General Revenues		
Property taxes	7,557,190	8,055,520
Earnings on investments	106,925	106,619
Miscellaneous	103,187	70,665
Total Revenues	<u>9,281,837</u>	<u>9,678,632</u>
Program Expenses		
Flood control-maintenance	8,425,997	10,174,115
Total Expenses	<u>8,425,997</u>	<u>10,174,115</u>
Change in Net Assets	855,840	(495,483)
Net Assets, Beginning	<u>28,158,266</u>	<u>28,653,749</u>
Net Assets, Ending	<u>\$ 29,014,106</u>	<u>\$ 28,158,266</u>

The District's revenues are mainly general revenues received from property taxes levied in the District. The District's revenues were sufficient to cover all expenses incurred during the year ended September 30, 2011, resulting in an \$855,840 increase to net assets. This increase is a change from the previous year's decrease by approximately \$1.35 million. The increase in net assets is attributed to the following: Decrease in property tax revenues of \$498,330 due to a reduction in the tax rate. Increase in miscellaneous revenue of \$32,522 due to an increase in auction proceeds. Increase in capital contributions of \$68,707 due to local revenue received to assist with capital projects. Decrease in flood control-maintenance expenses primarily due to a decrease in healthcare costs of approximately \$2.3 million.

Financial Analysis of the District's Fund

As of September 30, 2011, the District's governmental fund reported an ending fund balance of \$4,805,001. The District's main source of revenue is property taxes, which totaled approximately \$7.6 million for the year ended September 30, 2011. The District's ending fund balance decreased during the fiscal year by \$684,156 which is down by approximately \$1.55 million from the previous years' increase of \$869,185. This change was primarily due to a decrease in property tax revenues of approximately \$465,000, due to a reduction in the tax rate, and an increase in expenditures of approximately \$1.05 million due to an increase in capital outlay for the various capital projects and an increase in maintenance expenditures.

General Fund Budgetary Highlights

During fiscal year 2011, expenditures of approximately \$2.2 million, \$241,000, and \$37,000 were incurred in the Upper Oyster Creek (Ditch H), Big Creek, and Lower Oyster Creek projects respectively from the General Fund. Construction in progress through fiscal year 2011 total approximately \$7.6 million and \$2.1 million for the Upper Oyster Creek and Big Creek projects respectively. The unexpended balances as of September 30, 2011 for the Upper Oyster Creek, Big Creek, Lower Oyster Creek, Clear Creek, Stafford Run, and 2011 Drainage Projects are approximately \$1.1 million, \$1.1 million, \$1.4 million, \$1 million, \$100,000, and \$300,000 respectively.

FORT BEND COUNTY DRAINAGE DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS

Capital Assets

A summary of the District's capital assets at September 30, 2011 and 2010 follows:

	<u>Balance</u> <u>Sept. 30, 2011</u>	<u>Balance</u> <u>Sept. 30, 2010</u>
Non-Depreciable Capital Assets		
Land	\$ 173,536	\$ 173,536
Construction in progress	21,689,858	19,135,533
Other Capital Assets, Net		
Infrastructure-drainage improvements	2,233,020	2,265,525
Vehicles	294,368	211,850
Office furniture and equipment	8,529	18,139
Machinery and equipment	3,469,616	3,219,337
Buildings and facilities	919,769	957,911
Total Capital Assets	<u>\$ 28,788,696</u>	<u>\$ 25,981,831</u>

Construction in progress and infrastructure have been included within capital assets to represent the ongoing progress of Big Creek and Upper Oyster Creek as well as the infrastructure placed in service for Clear Creek, Lower Oyster Creek, Oyster Creek, and Big Creek (lower portion). The Big Creek and Upper Oyster Creek projects are ongoing.

Economic Factors and Next Year's Budget and Tax Rate

The County continues to enjoy growth in various demographic areas during this ongoing economic slowdown.

The population of the County is estimated at 606,786 in 2011 and is expected to grow by 4.44% annually through 2015. Total employment is estimated at 235,961 in 2011 and is expected to grow by 3.37% annually over the same period.

The number of households has increased to 195,264 in 2011 and is expected to grow to 230,330 by 2015. Mean household income for 2011 is \$129,337 and is estimated to rise to \$146,579 by 2015. Income per capita is currently at \$41,986 and is expected to grow to \$48,116 by 2015. Retail sales increased by 7.8% to \$6.19 billion in 2011 and are expected to grow to \$7.37 billion by 2015.

Drainage improvements continue to be a demand from the residents of Fort Bend County. The District is proceeding with several drainage projects that will enhance and compliment the County's flood control and drainage system.

Contacting the District's Management and Obtaining Financial Information

The financial report is designed to provide a general overview of the District's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Mark Vogler, Fort Bend County Drainage District, 1004 Blume Rd., P.O. Box 1028, Rosenberg, Texas 77471.

BASIC FINANCIAL STATEMENTS

FORT BEND COUNTY DRAINAGE DISTRICT
STATEMENT OF NET ASSETS
September 30, 2011

	Governmental Activities
	<u> </u>
Assets	
Cash and cash equivalents	\$ 5,653,576
Receivables:	
Taxes	355,127
Intergovernmental	6,013
Miscellaneous	5,197
Prepaid items	200
Due from Fort Bend Flood Control Water Supply Corporation	65,985
Capital assets, not subject to depreciation	21,863,394
Capital assets, net of accumulated depreciation	<u>6,925,302</u>
Total Assets	<u><u>34,874,794</u></u>
Liabilities	
Due to primary government	925,970
Long-term liabilities due within one year	38,300
Long-term liabilities due in more than one year	<u>4,896,418</u>
Total Liabilities	<u><u>5,860,688</u></u>
Net Assets	
Invested in capital assets, net of related debt	28,788,696
Unrestricted	<u>225,410</u>
Total Net Assets	<u><u>\$ 29,014,106</u></u>

The accompanying notes are an integral part of these financial statements.

FORT BEND COUNTY DRAINAGE DISTRICT
STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2011

	Governmental Activities
Program Expenses	
Flood control-maintenance	8,425,997
Total Program Expenses	<u>8,425,997</u>
Program Revenues	
Capital contributions	1,514,535
Total Program Revenues	<u>1,514,535</u>
General Revenues	
Property taxes	7,557,190
Earnings on investments	106,925
Miscellaneous	103,187
Total General Revenues	<u>7,767,302</u>
Increase in Net Assets	855,840
Net Assets, Beginning	<u>28,158,266</u>
Net Assets, Ending	<u><u>\$ 29,014,106</u></u>

The accompanying notes are an integral part of these financial statements.

FORT BEND COUNTY DRAINAGE DISTRICT
BALANCE SHEET
GOVERNMENTAL FUND
September 30, 2011

	General Fund
Assets	
Cash and cash equivalents	\$ 5,653,576
Property taxes receivable, net	355,127
Intergovernmental receivable	6,013
Miscellaneous receivable	5,197
Prepaid items	200
Due from Fort Bend Flood Control Water Supply Corporation	65,985
Total Assets	\$ 6,086,098
Liabilities and Fund Balance	
Liabilities	
Deferred revenue	\$ 355,127
Due to primary government	925,970
Total Liabilities	1,281,097
Fund Balance	
Nonspendable	200
Committed fund balance	5,018,571
Unassigned fund balance	(213,770)
Total Fund Balance	4,805,001
Total Liabilities and Fund Balance	\$ 6,086,098
Fund Balance - Governmental fund	\$ 4,805,001
Adjustments for the Statement of Net Assets:	
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental fund.	28,788,696
Other long-term assets (property taxes receivable) are not available to pay for current period expenditures and are therefore deferred in the governmental fund.	355,127
Long-term liabilities, including compensated absences, are not due and payable in the current period and, therefore, are not reported in the fund financial statements.	(4,934,718)
Net Assets of Governmental Activities	\$ 29,014,106

The accompanying notes are an integral part of these financial statements.

FORT BEND COUNTY DRAINAGE DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - GOVERNMENTAL FUND
For the Year Ended September 30, 2011

	<u>General Fund</u>
Revenues	
Property taxes	\$ 7,589,103
Earnings on investments	106,925
Miscellaneous	1,262,525
Total Revenues	<u>8,958,553</u>
Expenditures	
Current operating:	
Flood control-maintenance	6,484,649
Capital outlay	3,158,060
Total Expenditures	<u>9,642,709</u>
Net Change in Fund Balance	(684,156)
Fund Balance, Beginning	<u>5,489,157</u>
Fund Balance, Ending	<u>\$ 4,805,001</u>
Net changes in fund balance - governmental fund	\$ (684,156)
Adjustments for the Statement of Activities:	
 The governmental fund reports capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeded depreciation expense.	 2,510,266
 Capital assets constructed from bond proceeds of the Fort Bend Flood Control Water Supply Corporation maintained by the Drainage District.	 355,197
 A capital asset was transferred from the Drainage District to the Fort Bend County Road and Bridge fund. The net book value of this motor grader is only reported in the statement of activities, whereas in the government fund, the transfer does not affect current financial resources.	 (58,597)
 Revenues that do not provide current financial resources are not reported as revenues in the governmental funds. This adjustment reflects the net change on the accrual basis of accounting.	 (31,913)
 Long-term liabilities (compensated absences and other post-employment benefits) are not due and payable in the current period and, therefore, are not reported in the fund financial statements. This adjustment reflects the net change on the accrual basis of accounting.	 <u>(1,234,957)</u>
Change in Net Assets of Governmental Activities	<u>\$ 855,840</u>

The accompanying notes are an integral part of these financial statements.

FORT BEND COUNTY
DRAINAGE DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Fort Bend County Drainage District (the “District”) was established under Section 59 of Article XVI of the Constitution of Texas and includes all of the property within Fort Bend County. The District was created for the purpose of reclamation and drainage of its lands.

Considerations regarding the potential for inclusion of other entities, organizations or functions in the District’s financial reporting entity are based on criteria prescribed by generally accepted accounting principles. These same criteria are evaluated in considering whether the District is a part of any other governmental or other type of reporting entity. The overriding elements associated with prescribed criteria considered in determining whether the District’s financial reporting entity status is that of a primary government are whether it has a separately elected governing body; it is legally separate; and it is fiscally independent of other state and local governments.

Based on criteria prescribed by generally accepted accounting principles, the District is considered a component unit of Fort Bend County, Texas (the “County”). The primary criteria for the inclusion of the District in the County's reporting entity is that of financial accountability. The Commissioners Court, the elected governing body of the County, acts as the governing body of the District. As such, the County is financially accountable for the District and the District is considered a component unit of the County. These financial statements include all of the activities of the District.

Additionally, as required by generally accepted accounting principles, these financial statements have been prepared based on considerations regarding the potential for inclusion of other entities, organizations or functions as part of the District's financial reporting entity. Based on these considerations, no other entities, organizations or functions have been included in the District’s financial reporting entity.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e. the Statement of Net Assets and the Statement of Changes in Net Assets) report information about the District as a whole and include all activities of the District. The effect of interfund activity has been eliminated from the government-wide statements. All of the District’s activities are reported as governmental activities, which normally are supported by taxes and intergovernmental revenues.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

FORT BEND COUNTY
DRAINAGE DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recognized when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. With this measurement focus, all assets and all liabilities associated with the operations of these activities are included on the statement of net assets.

The governmental fund financial statements are presented on a *current financial resources measurement focus* and *modified accrual basis of accounting*. This is the manner in which these funds are normally budgeted. Revenues are recognized as soon as they are both measurable and available. Measurable means that the amount of the transaction can be determined and available means collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period.

Under modified accrual accounting, expenditures are recognized in the accounting period in which the liability is incurred, if measurable, except for interest on general long-term debt, which is recognized when due. Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements' governmental column, a reconciliation is presented which briefly explains the adjustments necessary to reconcile fund-based financial statements with the governmental column of the government-wide presentation.

In the fund financial statements, the accounts of the District are organized on a fund basis, 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 or expenses, as appropriate. Following is a description of the District fund:

General Fund

The General Fund is used to account for all revenues and expenditures, relating to general operations.

D. Cash and Cash Equivalents

The District's cash and cash equivalents consist of demand deposits and investment pools.

E. Capital Assets

Capital assets used in governmental fund types of the government are recorded as expenditures in the General Fund and as assets in the government-wide financial statements to the extent the District's capitalization threshold is met, currently \$5,000. All capital assets are valued at historical cost or estimated historical cost if actual cost was not available. Donated capital assets are valued at their estimated fair value on the date of donation.

FORT BEND COUNTY
DRAINAGE DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E Capital Assets (continued)

The Fort Bend County Drainage District (the “District”) was formed for the purpose of financing the construction of flood control and drainage projects. Once these projects are completed, any land purchased by the District as part of a project is conveyed to Fort Bend County, and not to the District. However, the District is responsible for maintaining these projects, once completed. For the majority of flood control projects, no land is purchased. The District simply obtains easements from the owners of the properties that the ditches or watersheds flow through. These easements represent an interest in the land owned by another that entitles the holder to a specific limited use or enjoyment (right to use the land). Therefore, easements are not required to be reported in the financial statements unless the entity paid for the easements. All easements, or land, that is purchased, are conveyed to the County and are properly recorded as capital assets in the County’s financial statements. Accordingly, the District’s management has determined that no easements, or land, are required to be reported in the District’s financial statements.

The costs of normal maintenance and repairs that do not add to the value of assets or materially extend assets' lives are charged to operations when incurred. Expenditures that materially change capacities or extend useful lives are capitalized. Upon sale or retirement of capital assets, the cost and related accumulated depreciation, if applicable, are eliminated from the respective accounts and any resulting gain or loss is included in the results of operations.

The District applies a half-year convention for depreciation on all assets. Therefore, one half of a year of depreciation is charged to operations the first and last year that an asset is in service. Depreciation has been provided for plant and equipment using the straight-line method over the following estimated useful life for the type of assets as follows:

<u>Asset Description</u>	<u>Estimated Useful Life</u>
Vehicles	5 to 7 years
Office furniture and equipment	5 to 7 years
Machinery and equipment	7 to 15 years
Buildings and facilities	10 to 39 years
Infrastructure-drainage improvements	20 to 40 years

F. Use of Estimates

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

FORT BEND COUNTY
DRAINAGE DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

G. Date of Managements' Review

In preparing the financial statements, the District has evaluated events and transactions for potential recognition or disclosure through January 23, 2012, the date that the financial statements were available to be issued.

NOTE 2 – DEPOSITS (CASH) AND INVESTMENTS

A. Authorization for Deposits and Investments

The Texas Public Funds Investment Act (PFIA), as prescribed in Chapter 2256 of the Texas Government Code, regulates deposits and investment transactions of the District.

In accordance with applicable statutes, the District has a depository contract with an area bank (depository) providing for interest rates to be earned on deposited funds and for banking charges the District incurs for banking services received. The District may place funds with the depository in interest and non-interest bearing accounts. State law provides that collateral pledged as security for bank deposits must have a market value of not less than the amount of the deposits and must consist of: (1) obligations of the United States or its agencies and instrumentalities; (2) direct obligations of the State of Texas or its agencies; (3) other obligations, the principal and interest on which are unconditionally guaranteed or insured by the State of Texas; and/or (4) obligations of states, agencies, counties, cities and other political subdivisions of any state having been rated as to investment quality by a nationally recognized investment rating firm and having received a rating of not less than "A" or its equivalent. District policy requires the collateralization level to be at least 110% of market value of principal.

Commissioners' Court has adopted a written investment policy regarding the investment of District funds as required by the Public Funds Investment Act (Chapter 2256, Texas Government Code). Investments made by the District are in compliance with the District's investment policy.

The District's investment policy is more restrictive than the PFIA requires. It is the District's policy to restrict its direct investments to obligations of the U.S. Government or U.S. Government Agencies, fully collateralized certificates of deposit, and local government investment pools. The maximum maturity allowed is three years from the date of purchase.

At September 30, 2011, the District reported deposits in the amount of \$5,609,080 and the bank balance was \$5,609,072. The District's collateral requirement, in accordance with its investment policy is 110%. Of the bank balance, the entire amount was covered by federal depository insurance or by collateral held by the County's agent in the County's name, which totaled \$5,609,072 as of September 30, 2011.

FORT BEND COUNTY
DRAINAGE DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE 2 – DEPOSITS (CASH) AND INVESTMENTS (continued)

B. Concentration of Credit Risk

It is the County’s policy to diversify its portfolio to eliminate the risk of loss resulting from a concentration of assets of a specific maturity (save and except zero duration funds), a specific issuer or a specific class of investments. To achieve this diversification, the County will limit investments in specific types of securities to the following percentages of the total portfolio:

<u>Investment Type</u>	<u>Maximum Investment %</u>
Repurchase Agreements	up to 35%
Certificates of Deposit	up to 50%
U.S. Treasury Bills/Notes	up to 100%
Other U.S. Government Securities	up to 80%
Authorized Local Government Investment Pools	up to 80%
No Load Money Market Mutual Funds	up to 50%
Bankers Acceptances	up to 15%

As of September 30, 2011, 99.2% of the District’s cash and cash equivalents are contained in demand deposit accounts.

C. Interest Rate Risk

Interest rate risk is the risk that changes in interest rates may adversely affect the value of the investments. The District monitors interest rate risk utilizing weighted average maturity analysis. In accordance with its investment policy, the District reduces its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio as a whole to no more than 3 years. At year-end, the District’s cash and investments balances and the weighted average maturity of these investments were as follows:

	<u>Fair Value</u>	<u>Weighted Average Maturity</u>
Demand Deposits	\$ 5,609,080	1
Investment Pools:		
Texas CLASS	43,159	30
Texas TERM	333	50
LOGIC	1,004	42
Total Fair Value	<u>\$ 5,653,576</u>	
Portfolio weighted average maturity (days)	<u>1</u>	

D. Credit Risk

The District’s investment policy does not require investments to hold certain credit ratings issued by nationally recognized statistical rating organizations. As of September 30, 2011, all of the District’s investments were rated “AAAm” by Standard and Poor’s.

FORT BEND COUNTY
DRAINAGE DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE 3 – RECEIVABLES

Receivables at September 30, 2011, consist primarily of property tax receivables of \$394,585, less an allowance for doubtful accounts of \$39,458.

A. Property Taxes

The District's tax year covers the period October 1 through September 30. The District's property taxes are levied annually in October on the basis of the Fort Bend County Appraisal District's assessed values as of January 1 of that calendar year. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. The District's property taxes are billed and collected by the County's Tax Assessor/Collector.

NOTE 4 – CAPITAL ASSETS

A summary of changes in capital assets for the year ended September 30, 2011, is as follows:

	Balance 10/1/2010	Increases	Decreases	Balance 09/30/11
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 173,536	\$	\$	\$ 173,536
Construction in progress	19,135,533	2,609,389	(55,065)	21,689,858
Total capital assets not depreciated	19,309,069	2,609,389	(55,065)	21,863,394
Other capital assets:				
Infrastructure-drainage improvements	2,539,150	55,065		2,594,214
Vehicles	1,111,902	148,008	(49,522)	1,210,388
Office furniture and equipment	123,218			123,218
Machinery and equipment	8,089,511	755,861	(707,755)	8,137,616
Buildings and facilities	1,640,101			1,640,101
Total other capital assets	13,503,881	958,933	(757,277)	13,705,537
Less accumulated depreciation for:				
Infrastructure-drainage improvements	(273,624)	(87,569)		(361,194)
Vehicles	(900,053)	(65,489)	49,522	(916,019)
Office furniture and equipment	(105,079)	(9,610)		(114,689)
Machinery and equipment	(4,870,173)	(446,984)	649,158	(4,668,000)
Buildings and facilities	(682,190)	(38,142)		(720,332)
Total accumulated depreciation	(6,831,120)	(647,794)	698,680	(6,780,234)
Other capital assets, net	6,672,762	311,139	(58,598)	6,925,302
Totals	\$ 25,981,831	\$ 2,920,528	\$ (113,662)	\$ 28,788,696

For the year ended September 30, 2011, \$647,794 of depreciation was charged to governmental activities.

**FORT BEND COUNTY
DRAINAGE DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 4 – CAPITAL ASSETS (continued)

Construction in progress at September 30, 2011, consisted of the following projects:

Project	Balance 10/01/10	Increases- Retainage Included	Decreases- Capitalizations	Balance 09/30/11	Commitments
Big Creek	\$ 1,865,132	\$ 241,123	\$	\$ 2,106,255	\$ 300,338
Big Creek FBFCWSC	11,948,861	64,522		12,013,383	300
Clear Creek					62,746
Lower Oyster Creek		37,089	(37,089)		
Oyster Creek FBFCWSC		17,975	(17,975)		
Upper Oyster Creek	5,321,540	2,248,680		7,570,220	
Totals	<u>\$ 19,135,533</u>	<u>\$ 2,609,389</u>	<u>\$ (55,065)</u>	<u>\$ 21,689,858</u>	<u>\$ 363,384</u>

The bulk of the construction in progress is funded by the Fort Bend Flood Control Water Supply Corporation's (the Corporation) debt.

NOTE 5 – LONG-TERM LIABILITIES

Long-term liabilities applicable to the District's governmental activities are not due and payable in the current period, and accordingly, are not reported as fund liabilities in the governmental fund.

A summary of long-term liability transactions of the District for the year ended September 30, 2011, is as follows:

	Balance 10/01/10	Additions	Retirements	Balance 09/30/11	Amounts Due Within One Year
Accrued compensated absences	\$ 156,776	\$ 166,276	\$ 169,850	\$ 153,202	\$ 38,300
Other post-employment benefits (OPEB) obligation	3,542,986	1,559,530	321,000	4,781,516	
Total Long-term Liabilities	<u>\$ 3,699,762</u>	<u>\$ 1,725,806</u>	<u>\$ 490,850</u>	<u>\$ 4,934,718</u>	<u>\$ 38,300</u>

NOTE 6 – EMPLOYEE RETIREMENT SYSTEM

A. Plan Description

The County provides retirement, disability, and death benefits for all of its full-time employees through a nontraditional 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 493 nontraditional 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 TCDRS Board of Trustees at P.O. Box 2034, Austin, Texas 78768-2034.

**FORT BEND COUNTY
DRAINAGE DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 6 – EMPLOYEE RETIREMENT SYSTEM (continued)

A. Plan Description (continued)

The plan provisions are adopted by the governing body of the employer, within the options available in the Texas state statutes governing TCDRS (TCDRS Act). Members can retire at ages 60 and above with eight or more years of service, 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 of service 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 their employer.

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 the governing body of the employer 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.

B. Contributions

The employer 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 contribution rate of the employer is actuarially determined annually. It was 10.65% for calendar year 2011. The contribution rate payable by the employee members is the rate of 7% as adopted by the governing body of the employer. The employee contribution rate and the employer contribution rate may be changed by the governing body of the employer within the options available in the TCDRS Act.

The County's total payroll in fiscal year 2011 was approximately \$108.1 million and the County's contributions were based on a payroll of approximately \$106.7 million. Contributions made by employees totaled \$7,471,431, and the County made contributions of \$11,418,711 during the fiscal year ended September 30, 2011.

Three year trend information for the Pension Plan is presented below:

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Annual Pension Cost (APC)	\$ 11,418,711	\$ 11,235,138	\$ 10,187,718
Percentage of APC Contributed	100%	100%	100%
Net Pension Obligation at the End of Period			

**FORT BEND COUNTY
DRAINAGE DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 6 – EMPLOYEE RETIREMENT SYSTEM (continued)

B. Contributions (continued)

For the year ended September 30, 2011, the pension cost for the TCDRS plan and the actual contributions made were \$11,418,711 for the County, (of which \$334,600 was attributable to the District). Because all contributions are made as required, no pension obligation existed at September 30, 2011.

<u>Actuarial Information</u>	<u>12/31/2010</u>
Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, closed
Amortization period	20 years
Asset valuation method	SAF: 10-year smoothed value ESF: Fund value
Assumptions:	
Investment return	8.0%
Projected salary increases	5.4%
Inflation	3.5%
Costs-of-living adjustments	0.0%

NOTE 7 – OTHER POST-EMPLOYMENT BENEFITS

In addition to providing pension benefits through the Texas County and District Retirement System, the County has opted to provide eligible retired employees with the following post-employment benefits:

- Eligible retirees receive the same healthcare benefits as current eligible County employees.
- Eligible retirees may purchase healthcare coverage for eligible dependents at the same subsidized cost to current eligible County employees.

The County is statutorily required to permit retiree participation in the health insurance program on a pooled non-differentiated basis. The County recognizes its share of the costs of providing these benefits when paid, on a “pay-as-you-go” basis. These payments are budgeted annually. At September 30, 2011, there were 41 retirees receiving benefits and approximately 74 active members not yet eligible to receive such benefits. Commencing in fiscal year 2008, the County implemented GASB Statement No. 45 “Accounting and Financial Reporting by Employers for Post-employment Benefits Other Than Pensions.” The County has performed actuarial valuations of its post-retirement benefit liability in 2008 and 2010.

FORT BEND COUNTY
DRAINAGE DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE 7 – OTHER POST-EMPLOYMENT BENEFITS (continued)

For fiscal year 2011, the District’s annual OPEB cost for the Plan was \$1,559,530. The District’s annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for the year ended September 30, 2011, were as follows:

	Fiscal Year Ending 9/30/11
Determination of Annual Required Contribution	
Normal Cost at Fiscal Year End	\$ 623,120
Amortization of Unfunded Actuarial Accrued Liability	991,702
Annual Required Contribution	<u>1,614,822</u>
Determination of Net OPEB Obligation	
Annual Required Contribution	1,614,822
Interest on prior year Net OPEB Obligation	141,719
Adjustment to ARC	<u>(197,011)</u>
Annual OPEB Cost	1,559,530
Less Assumed Contributions Made	<u>(321,000)</u>
Estimate Increase in Net OPEB Obligation	1,238,530
Net OPEB Obligation – Beginning of Year	<u>3,542,986</u>
Net OPEB Obligation – End of Year	<u><u>\$ 4,781,516</u></u>

The following table shows the annual OPEB cost and net OPEB obligation for the prior 4 years assuming the plan is not prefunded (4% discount):

Fiscal Year Ended	Discount Rate	Annual OPEB Cost	Percentage of OPEB Cost Contributed	Net OPEB Obligation
2008	4%	\$ 1,317,496	13.8%	\$ 1,135,752
2009	4%	\$ 1,299,772	9.7%	\$ 2,309,784
2010	4%	\$ 1,510,202	18.3%	\$ 3,542,986
2011	4%	\$ 1,559,530	20.6%	\$ 4,781,516

FORT BEND COUNTY
DRAINAGE DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE 8 – FUND BALANCES

As prescribed by GASB Statement No. 54, governmental funds report fund balance in classifications based primarily on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in the funds can be spent. As of September 30, 2011, fund balance for the government fund is made up of the following:

Nonspendable Fund Balance – includes amounts that are (a) not in spendable form, or (b) legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash, for example: inventories, prepaid amounts, and long-term notes receivable.

Restricted Fund Balance - includes amounts that can be spent only for the specific purposes stipulated by external resource providers, constitutionally or through enabling legislation. Restrictions may effectively be changed or lifted only with the consent of resource providers.

Committed Fund Balance – includes amounts that can only be used for the specific purposes determined by a formal action of the District’s highest level of decision-making authority, the District’s Board. Commitments may be changed or lifted only by the District taking the same formal action that imposed the constraint originally.

Assigned Fund Balance – comprises amounts intended to be used by the District for specific purposes that are neither restricted nor committed. *Intent* is expressed by (1) the District’s Board or (b) a body (for example: a budget or finance committee) or official to which the District’s Board has delegated the authority to assign amounts to be used for specific purposes.

Unassigned Fund Balance – is the residual classification for the General Fund and includes all amounts not contained in the other classifications. Unassigned amounts are technically available for any purpose.

GASB 54 requires disclosure of any formally adopted minimum fund balance policies. The District’s policy is to budget to maintain a minimum fund balance of 15% of the District’s general fund annual operating expenditures. If the actual fund balance drops below 15%, it shall be budgeted for recovery the following year. This policy is reviewed annually.

The fund balance for the District as of September 30, 2011, is nonspendable in the amount of \$200 for prepaid expenses, committed for capital projects in the amount of \$5,018,571, with the remaining deficit balance of \$213,770 classified as unassigned. The deficit unassigned fund balance was caused by the District’s operating and capital expenditures exceeding the operating revenues by \$684,156.

NOTE 9 – CONTINGENT LIABILITIES

The District is contingently liable for lawsuits and other claims arising in the ordinary course of its operations. The settlement of such contingencies under the budgetary process would not materially affect the financial position of the District at September 30, 2011.

FORT BEND COUNTY
DRAINAGE DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE 10 – RISK MANAGEMENT

The District is exposed to various risks related to torts: theft of, damage to and destruction of assets; errors and omissions; and natural disaster. The County's risk management program, which covers the District, encompasses various means of protecting the District against loss by obtaining property, casualty and liability coverage through commercial insurance carriers, self-insurance and from participation in a risk pool. The participation of the District in the risk pool is limited to the payment of premiums. Settled claims have not exceeded insurance coverage in any of the previous three fiscal years. There has not been any significant reduction in insurance coverage from that of the previous year.

NOTE 11 – FORT BEND FLOOD CONTROL WATER SUPPLY CORPORATION

Fort Bend Flood Control Water Supply Corporation (the "Corporation") was formed for the purpose of financing the construction of flood control projects. The Corporation issued \$20,325,000 of revenue bonds in 1989 and \$6,850,000 in 1995. In 1999, the Corporation issued refunding bonds in the amount of \$14,060,000 to refund the remaining portion of the 1989 revenue bonds. In addition, the Corporation issued \$11,650,000 of revenue bonds in 2001. These bonds are payable from impact fees assessed and collected by the District and taxes assessed and collected by the County. When the revenue bonds were issued on July 5, 1989, the District deposited all impact fees collected and \$1,100,000 of the District's available funds into the Corporation, less amounts previously spent on project costs, as defined. In 2011, the Corporation issued refunding bonds in the amount of \$9,675,000 to refund the remaining portion of the 2001 revenue bonds. When flood control projects and improvements are completed, any property acquired during the project is conveyed to and maintained by the District.

NOTE 12 – RESTATEMENT OF NET ASSETS

During the 2011 fiscal year, the County made adjustments to its capital asset records. As a result of these adjustments, the County has restated the beginning balances of vehicles and machinery and equipment. Net Assets beginning balance was not affected. The restatements were primarily due to improper classification of assets between categories.

(This page intentionally left blank)

REQUIRED SUPPLEMENTARY INFORMATION

FORT BEND COUNTY DRAINAGE DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE -BUDGET AND ACTUAL - GENERAL FUND-BUDGETARY BASIS
For the Year Ended September 30, 2011

	Original Budget	Budget as Amended	Actual Amounts Budgetary Basis	Variance from Amended Positive (Negative)
Revenues				
Property taxes	\$ 7,607,584	\$ 7,607,584	\$ 7,589,103	\$ (18,481)
Fees and fines	150,000	150,000		(150,000)
Earnings on investments	100,000	100,000	106,925	6,925
Miscellaneous	95,000	95,000	103,188	8,188
Total Revenues	<u>7,952,584</u>	<u>7,952,584</u>	<u>7,799,216</u>	<u>(153,368)</u>
Expenditures				
Salaries and personnel costs	4,991,894	4,954,613	4,813,064	141,550
Operating costs	2,026,447	2,044,728	1,668,332	376,396
Information technology costs	3,400	3,400	3,253	147
Capital acquisitions	798,000	817,000	784,623	32,377
Total Expenditures	<u>7,819,741</u>	<u>7,819,741</u>	<u>7,269,272</u>	<u>550,470</u>
Excess of Revenues Over Expenditures	<u>132,843</u>	<u>132,843</u>	<u>529,944</u>	<u>397,101</u>
Other Financing (Uses)				
Transfers (out)	<u>(320,720)</u>			
Total Other Financing (Uses)	<u>(320,720)</u>			
Net change in fund balance- budgetary basis	(187,877)	132,843	529,944	397,101
Net adjustment to reflect operations in accordance with GAAP			(1,214,100)	
Fund balance, Beginning	<u>5,489,157</u>	<u>5,489,157</u>	<u>5,489,157</u>	
Fund balance, Ending	<u>\$ 5,301,280</u>	<u>\$ 5,622,000</u>	<u>\$ 4,805,001</u>	<u>\$ 397,101</u>

FORT BEND COUNTY DRAINAGE DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

Budgets

The Board adopts an annual appropriations budget for the General Fund using the same basis of accounting as for financial reporting. All annual appropriations lapse at fiscal year-end. The County Budget Officer prepares the proposed budget, using revenue estimates furnished by the County Auditor and submits the data to the Board. The Board holds a public hearing on the budget. Before determining the final budget, the Board may increase or decrease the amounts requested by District management. In the final budget, appropriations for the General Fund cannot exceed the estimated available budgetary fund balance in such funds at October 1, plus the estimate of revenues for the ensuing year. During the year, the Board may increase budgeted revenues and expenditures for unexpected revenues or beginning fund balance in excess of budget estimates, provided the Board rules that a state of emergency exists. The District may transfer amounts among individual budget line items within major expenditure categories during the year, but the Board must approve any budget transfers between major expenditure categories. However, no such transfer may increase the overall total of the budget.

The General Fund includes a multi-year budget that is not confined to the fiscal year ending September 30. This multi-year budget is primarily used to account for capital projects. The funding for these multi-year budgets originates from a prior and/or current fiscal year budget allocation within the General Fund. These annual budgetary allocations are transferred to the multi-year budgets within the General Fund. The residual balances of these budgets are reconsidered by the Board annually during the budget process described in the preceding paragraph. The schedule below shows a reconciliation of the GAAP Basis activity in the General Fund for the fiscal year and multi-year budgetary basis to determine the actual net change in fund balance.

	Actual Amounts Budgetary Basis	Actual Multi-Year	Actual Amounts GAAP Basis
	<hr/>	<hr/>	<hr/>
General Fund			
Revenues	\$ 7,799,216	\$ 1,159,337	\$ 8,958,553
Expenditures	<hr/> 7,269,272	<hr/> 2,373,437	<hr/> 9,642,709
Net Changes in Fund Balance	529,944	(1,214,100)	(684,156)
Fund balance, Beginning			<hr/> 5,489,157
Fund balance, Ending			<hr/> <hr/> \$ 4,805,001

FORT BEND COUNTY DRAINAGE DISTRICT
TEXAS COUNTY AND DISTRICT RETIREMENT SYSTEM
SCHEDULE OF FUNDING PROGRESS

For the year ended September 30, 2011, the pension cost for the TCDRS plan and the actual contributions made were \$11,418,711 for the County, (of which \$334,600 was attributable to the District). Because all contributions are made as required, no pension obligation existed at September 30, 2011.

The annual required contributions were actuarially determined as a percent of the covered payroll of the participating employees, and were in compliance with the GASB Statement No. 27 parameters based on the actuarial valuation as of December 31, 2009, the basis for determining the contribution rate for calendar year 2011. The December 31, 2010 actuarial valuation is the most recent valuation.

<u>Actuarial valuation date</u>	<u>12/31/2008</u>	<u>12/31/2009</u>	<u>12/31/2010</u>
Actuarial value of assets	\$ 209,747,313	\$ 238,298,754	\$ 257,926,802
Actuarial accrued liability (AAL)	\$ 254,807,906	\$ 283,956,716	\$ 307,767,507
Unfunded/(Overfunded) actuarial accrued liability (UAAL or OAAL)	\$ 45,060,593	\$ 45,657,962	\$ 49,840,705
Funded ratio	82.32%	83.92%	83.81%
Annual covered payroll (actuarial)	\$ 92,096,921	\$ 104,983,019	\$ 106,041,139
UAAL or OAAL as % of covered payroll	48.93%	43.49%	47.00%

TEXAS SUPPLEMENTARY INFORMATION

Contents	<u>Page(s)</u>
TSI-1. Services and Rates	n/a
TSI-2. General Fund Expenditures	30
TSI-3. Temporary Investments	n/a
TSI-4. Taxes Levied and Receivable	31
TSI-5. Long-Term Debt Service Requirements by Years	n/a
TSI-6. Changes in Long-Term Bonded Debt	n/a
TSI-7. Comparative Schedule of Revenues and Expenditures - General Fund, Debt Service Fund, and Enterprise Fund (where applicable) - Five Years	32-33
TSI-8. Board Members, Key Personnel, and Consultants	34

FORT BEND COUNTY DRAINAGE DISTRICT
GENERAL FUND EXPENDITURES
For the Year Ended September 30, 2011

TSI-2

Salary and Personnel Costs:

Salaries and labor	\$ 3,148,711
Board pay	12,000
Payroll taxes	233,744
Retirement	334,600
Insurance	761,009
Insurance-retirees	323,000

Operating and Training Costs:

Fees	193,799
Travel	13,865
Rental	4,495
Office supplies	7,773
Operating supplies	782,210
Repairs and maintenance	131,468
Fuel	519,008
Property and equipment	15,714

Information Technology Costs

3,253

Capital Acquisition Costs

3,158,060

TOTAL EXPENDITURES

\$ 9,642,709

Number of employees employed by the District:

75

FORT BEND COUNTY DRAINAGE DISTRICT
TAXES LEVIED AND RECEIVABLE
September 30, 2011

TSI-4

	Maintenance Taxes
Taxes receivable - Beginning of Year	\$ 256,773
Adjustments	(3,323)
Adjusted receivable	253,449
2010 Tax Levy:	
Original tax levy	7,234,353
Adjustments and corrections	327,728
Adjusted 2010 tax levy	7,562,081
Total to be Accounted for	7,815,530
Tax Collections:	
Current year	7,492,873
Prior years	91,327
Total Collections	7,584,201
Taxes Receivable - End of Year	\$ 231,330
Taxes Receivable - By Years:	
2010	69,208
2009	\$ 37,095
2008	19,625
2007	17,929
2006	11,028
2005 and prior	76,446
Taxes Receivable - End of Year	\$ 231,330

Note: Taxes receivable above does not include penalty and interest receivable in the amount of \$163,255.

Assessed	2010	2009	2008	2007	2006
Property Valuations:					
Land	\$13,869,532,868	\$14,061,183,883	\$12,980,188,290	\$10,912,062,976	\$ 9,115,027,393
Improvements	31,830,319,819	32,164,064,734	32,099,266,663	27,838,358,305	24,668,791,713
Personal property	4,638,064,034	5,024,112,860	4,960,306,941	4,704,325,083	3,944,590,708
Less: exemptions	(13,427,949,974)	(13,461,071,437)	(11,983,077,633)	(9,973,416,215)	(8,704,237,784)
Total	\$36,909,966,747	\$37,788,290,040	\$38,056,684,261	\$33,481,330,149	\$29,024,172,030

Tax Rates Per \$100 Valuations	2010	2009	2008	2007	2006
Maintenance tax rates	\$ 0.01960	\$ 0.02076	\$ 0.01600	\$ 0.01800	\$ 0.02340
Total Tax Rate per \$100 Valuation	\$ 0.01960	\$ 0.02076	\$ 0.01600	\$ 0.01800	\$ 0.02340
Original Tax Levy	\$ 7,234,353	\$ 7,844,849	\$ 6,089,069	\$ 6,026,639	\$ 6,791,656

Percent of Taxes Collected to Taxes Levied	2010	2009	2008	2007	2006
	99.04%	99.53%	99.68%	99.70%	99.84%

Maximum Tax Rate Approved by Voters: \$ 0.25 on 6/25/49

FORT BEND COUNTY DRAINAGE DISTRICT
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES -
GENERAL FUND
Last Five Fiscal Years

	Amounts				
	2011	2010	2009	2008	2007
Revenues:					
Property taxes	\$ 7,589,103	\$ 8,054,060	\$ 6,017,628	\$ 6,035,486	\$ 6,775,642
Investment income	106,925	106,619	25,543	142,082	272,845
Intergovernmental revenues			12,431	47,700	
Miscellaneous	1,262,525	1,127,637	242,836	378,711	438,669
Total Revenues	<u>8,958,553</u>	<u>9,288,316</u>	<u>6,298,438</u>	<u>6,603,979</u>	<u>7,487,156</u>
Expenditures:					
Current	6,484,649	6,111,012	6,909,757	6,203,252	5,957,581
Capital outlay	3,158,060	2,483,333	842,813	906,294	313,954
Total Expenditures	<u>9,642,709</u>	<u>8,594,345</u>	<u>7,752,570</u>	<u>7,109,546</u>	<u>6,271,535</u>
Excess Revenues Over (Under) Expenditures	<u>\$ (684,156)</u>	<u>\$ 693,971</u>	<u>\$ (1,454,132)</u>	<u>\$ (505,567)</u>	<u>\$ 1,215,621</u>
Total Active Retail Water Connections	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
Total Active Retail Wastewater Connections	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>

Percent of Total Fund Revenues				
2011	2010	2009	2008	2007
84.7 %	86.7 %	95.5 %	91.4 %	90.5 %
1.2	1.2	0.4	2.2	3.6
		0.2	0.7	
<u>14.1</u>	<u>12.1</u>	<u>3.9</u>	<u>5.7</u>	<u>5.9</u>
<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>
72.4	65.8	109.7	93.9	79.6
<u>35.3</u>	<u>26.7</u>	<u>13.4</u>	<u>13.7</u>	<u>4.2</u>
<u>107.7 %</u>	<u>92.5 %</u>	<u>123.1 %</u>	<u>107.6 %</u>	<u>83.8 %</u>
<u>(7.7) %</u>	<u>7.5 %</u>	<u>(23.1) %</u>	<u>(7.6) %</u>	<u>16.2 %</u>

FORT BEND COUNTY DRAINAGE DISTRICT
BOARD MEMBERS, KEY PERSONNEL, AND CONSULTANTS
For the Year Ended September 30, 2011

TSI-8

Complete District Mailing Address: 1004 Blume Road, PO Box 1028, Rosenberg, TX 77471
 District Business Telephone Number: (281)342-2863
 Submission date of most recent District Registration Form
 (TWC Sections 36.054 and 49.054): 5/2/11
 Limit on Fees of Office that a Director may receive during a fiscal year: \$7,200
 (Set by Board Resolution - TWC Section 49.6000)

<u>Names:</u>	<u>Term of Office (Elected or Appointed) or Date Hired</u>	<u>Fees of Office Paid * 09/30/11</u>	<u>Expense Reimburse- ments 09/30/11</u>	<u>Title at Year End</u>
<u>Board Members:</u>				
Robert Hebert	(Elected) 1/11 - 12/14	\$ 2,400	\$	Chairman
Richard Morrison	(Elected) 1/09 - 12/12	2,400		Board Member
Grady Prestage	(Elected) 1/11 - 12/14	2,400		Board Member
Andy Meyers	(Elected) 1/09 - 12/12	2,400		Board Member
James Patterson	(Elected) 1/11 - 12/14	2,400		Board Member
<u>Key Administrative Personnel:</u>				
Mark Vogler	1/1/07	\$ 105,527	\$ 1,977	Drainage District Manager/ Chief Engineer
<u>Consultants:</u>				
Fox and Bubela		\$ 14,000		Property Acquisition Service
Brown & Gay Engineers		127,540		Engineer
Dodson & Associates		10,888		Engineer
Travis R. Cooper and Associates		12,500		Property Appraiser
Lawrence G. Dunbar, PE		12,500		Engineer
Strategic Presentations		3,480		Photography Services
Freese & Nichols, Inc.		212,200		Engineer
Carroll & Blackman, Inc.		23,671		Engineer
Fort Bend County Appraisal District		40,395		Tax Appraiser
Sandersen Knox & Company, LLP		12,500		Independent Auditor

* *Fees of Office* are the amounts actually paid to a Director during the District's fiscal year.

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

To the Board of Directors
Fort Bend County Drainage District
Fort Bend County, Texas

We have audited the financial statements of the governmental activities and each major fund of the Fort Bend County Drainage District, (the "District"), as of and for the year ended September 30, 2011, which collectively comprise the District's basic financial statements and have issued our report thereon dated January 23, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America.

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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

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

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

This report is intended solely for the information and use of management, the Board of Directors and the Texas Commission on Environmental Quality and is not intended to be and should not be used by anyone other than these specified parties.

DRAFT

Sugar Land, Texas
January 23, 2012

(This page intentionally left blank)