

Barbara J. Schott, CPA
County Auditor

Harris County, Texas

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended February 28, 2015



A component Unit of Harris County, Texas

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

Comprehensive Annual Financial Report
For the Fiscal Year Ended
February 28, 2015

Prepared By:
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Houston, Texas 77002

**HARRIS COUNTY FLOOD CONTROL DISTRICT
A COMPONENT UNIT OF HARRIS COUNTY, TEXAS
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED FEBRUARY 28, 2015
TABLE OF CONTENTS**

	<u>PAGE</u>
<u>INTRODUCTORY SECTION (Unaudited)</u>	
County Auditors' Letter of Transmittal.....	1
Certificate of Achievement for Excellence in Financial Reporting.....	5
Schedule of Board Members, Key Personnel and Consultants.....	6
Organization Chart.....	8
<u>FINANCIAL SECTION</u>	
Independent Auditors' Report.....	9
Management's Discussion and Analysis (Unaudited).....	13
BASIC FINANCIAL STATEMENTS:	
Government-wide Financial Statements:	
Statement of Net Position.....	23
Statement of Activities.....	24
Fund Financial Statements:	
Balance Sheet – Governmental Funds.....	25
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position.....	26
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds.....	27
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance of Governmental Funds to the Statement of Activities.....	28
Statement of Fiduciary Net Position – Agency Funds.....	29
Notes to the Basic Financial Statements:	
1. Summary of Significant Accounting Policies.....	30
2. Deposits and Investments.....	36
3. Property Taxes.....	41
4. Interfund Balances and Transfers.....	41
5. Capital Assets.....	43
6. Long-Term Liabilities.....	43
7. Retirement Plan.....	46
8. Other Post Employment Benefits.....	48
9. Commitments and Contingent Liabilities.....	52
10. Risk Management.....	53
11. Fund Balances.....	54
12. Recent Accounting Pronouncements.....	54
Required Supplementary Information (Unaudited):	
Schedule of Revenues and Expenditures – Budget and Actual – Budgetary Basis – Operations and Maintenance (General) Fund.....	57
Notes to the Required Supplementary Information.....	58
Other Post Employment Benefits - Schedule of Funding Progress.....	59
Texas County and District Retirement System - Schedule of Funding Progress.....	60
Other Supplementary Information and Individual Fund Statements:	
Combining Statement of Fiduciary Net Position – Agency Funds.....	61
Statement of Changes in Fiduciary Assets and Liabilities – Agency Funds.....	62

**HARRIS COUNTY FLOOD CONTROL DISTRICT
A COMPONENT UNIT OF HARRIS COUNTY, TEXAS
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED FEBRUARY 28, 2015
TABLE OF CONTENTS**

	<u>PAGE</u>
Schedule of Revenues and Expenditures – Budget and Actual – Budgetary Basis – Debt Service Funds.....	63
Schedule of Revenues and Expenditures – Budget and Actual – Budgetary Basis – Capital Projects Funds.....	64

STATISTICAL SECTION
(Unaudited)

	<u>TABLE</u>	<u>PAGE</u>
Financial Trends:		
Net Position by Component – Last Ten Fiscal Years.....	1	66
Changes in Net Position – Last Ten Fiscal Years.....	2	67
Fund Balances, Governmental Funds – Last Ten Fiscal Years.....	3	68
Changes in Fund Balances, Governmental Funds – Last Ten Fiscal Years.....	4	69
Revenue Capacity:		
Assessed Value and Actual Value of Taxable Property – Last Ten Fiscal Years.....	5	70
Ad Valorem Tax Rates – Last Ten Fiscal Years.....	6	71
Property Tax Rates – All Direct and Overlapping Governments – Last Ten Fiscal Years.....	7	72
Principal Property Taxpayers.....	8	73
Property Tax Levies and Collections – Last Ten Fiscal Years.....	9	74
Debt Capacity:		
Ratio of Outstanding Debt by Type – Last Ten Fiscal Years.....	10	75
Estimated Direct and Overlapping Bonded Debt.....	11	76
Harris County’s Legal Debt Margin Information – Last Ten Fiscal Years.....	12	77
Demographic and Economic Information:		
Demographic and Economic Statistics – Last Ten Calendar Years.....	13	78
Principal Corporate Employers – Current Year and Nine Years Ago.....	14	79
Operating Information:		
Full-Time Equivalent County Employees by Function – Last Ten Fiscal Years.....	15	80
Capital Asset Statistics by Function/Program – Last Ten Fiscal Years.....	16	81
Operating Indicators by Function/Program – Last Ten Fiscal Years.....	17	82
Other Information:		
Services and Rates.....	18	83
General Fund Expenditures.....	19	85
Taxes Levied and Receivable.....	20	86
Long-Term Debt Service Requirements - By Years.....	21	87
Changes in Long-Term Debt.....	22	88
Comparative Schedule of Revenues and Expenditures – General And Debt Service Funds – Five Years Ended.....	23	89
Operating Funds Budget for the District’s Fiscal Year 2015-2016.....	24	90
Historical Tax Debt Outstanding.....	25	91
County Assessed Values and Tax Rates (Except Flood Control District).....	26	92
County Tax Levies and Collections (Except Flood Control District) – Last Ten Fiscal Years.....	27	93
County Tax Debt Outstanding.....	28	94
County-Wide Ad Valorem Tax Debt Service Requirements.....	29	95
County-Wide Authorized but Unissued Bonds.....	30	96
Operating Funds Budget for the County’s Fiscal Year 2015-2016.....	31	97
County Capital Projects Funds Budgeting.....	32	98

**HARRIS COUNTY FLOOD CONTROL DISTRICT
A COMPONENT UNIT OF HARRIS COUNTY, TEXAS
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED FEBRUARY 28, 2015
TABLE OF CONTENTS**

	<u>PAGE</u>
<u>COMPLIANCE SECTION</u>	
Independent Auditors' Report on Compliance for Each Major Program; Report on Internal Control Over Compliance; and Report on the Schedule of Expenditures of Federal Awards Required by OMB Circular A-133	99
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	101
Schedule of Expenditures of Federal and State Awards.....	103
Notes to the Schedule of Expenditures of Federal and State Awards.....	104
Schedule of Findings and Questioned Costs.....	105

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Mike Post, C.P.A.
Chief Assistant County Auditor
Accounting Division

Mark Ledman, C.P.A., M.P.A.
Chief Assistant County Auditor
Audit Division



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

August 12, 2015

Honorable District Judges of Harris County, Honorable Members of the Harris County Commissioners Court, and Citizens of Harris County, Texas

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, 2015. This report is submitted in accordance with Section 114.025 of the Texas Local Government Code and was prepared by the staff of the County Auditor's Office.

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

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

The District's financial statements were audited by Deloitte & Touche LLP, an independent audit firm. The goal of the independent audit was to provide reasonable assurance that the financial statements of the District for fiscal year ended February 28, 2015 are free of material misstatement. The independent auditor concluded based upon the audit that there was a reasonable basis for rendering an unmodified opinion that the District's financial statements are fairly presented in conformity with GAAP in all material respects. The independent auditor's report is presented as the first component of the financial section of this report.

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

PROFILE OF THE DISTRICT

History, Geographic Location, and Population

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

The District's area of jurisdictional authority is Harris County. Harris County is located in the Gulf Coast region of Texas approximately 50 miles from the Gulf of Mexico and covers over 1,700 square miles with over 4.44 million residents.

District Structure and Services

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

Budget Process

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

INFORMATION USEFUL IN ASSESSING ECONOMIC CONDITION

Local Economy

The Houston – Woodlands – Sugar Land Metropolitan Statistical Area (“Houston MSA”), the fifth largest metropolitan area in the United States, had nearly 2.9 million payroll jobs in September of 2014, with more than the job counts of 36 U.S. States.

The Houston Association of Realtors reported that the inventory of homes in May 2015 was 3.1 months' supply compared with 2.8 months in May 2014. During this same period, the average price of a single-family home grew to \$292,040, a 4.5 percent increase.

Catalysts for growth in Harris County, the Port of Houston and the Houston Ship Channel are vibrant components of the regional economy. The Port of Houston is a 25-mile-long complex of diversified public and private facilities along the Houston Ship Channel. In 2011, the Port was ranked first in the United States in the volume of foreign tonnage and second in the United States in total tonnage.

In addition to the County's moderate climate and diverse economic base, it offers a modern and efficient infrastructure for people working and doing business in the County. This includes local government that encourages business development, high capacity freeways, major rail lines, and state of the art telecommunication services. The Houston Airport System experienced its highest-ever passenger volume in 2014 with approximately 53.2 million passengers, with both Bush International and Hobby Airports

recording record high passenger volume.

As of the 2010 U.S. Census, Harris County had a population of 4.1 million, making it the most populous county in Texas and the third most populous county in the United States, ranking behind Los Angeles County, California and Cook County, Illinois. Twenty-six companies on the 2015 *Fortune 500* list are headquartered in the Houston – Woodlands – Sugar Land Metropolitan Statistical Area. Only two metropolitan statistical areas have more *Fortune 500* headquarters: New York with 68 and Chicago with 32.

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

Financial Policies and Long-Term Financial Planning

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

- The County will continue to focus on building reserves to maintain financial stability, maintain current high bond ratings;
- Budget Management will continue to work with the Sheriff and Constables offices on a plan to provide additional step increases to longer term enforcement officers; and
- Budget Management will develop a long-term strategy which emphasizes total cost of ownership and paying for assets over their expected useful lives.

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 2014 for the District per \$100 of taxable value are: \$0.02620 for maintenance and operations and \$0.00116 for debt service, for a total of \$0.02736.

District funds available for investment under the County's investment program as of February 28, 2015 totaled \$301.8 million with investment earnings of \$3.5 million for the fiscal year. The average yield and maturity of such investments were .54% and 2 years.

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

The County provides retirement and disability for all the District's employees (excluding temporary) through a nontraditional defined benefit pension plan in the statewide Texas County and District Retirement System ("TCDRS"). The County has elected the annually determined contribution rate (ADCR) plan provisions of the TCDRS Act. The plan is funded by monthly contributions from both employee members and the employer based on the covered payroll of employee members. Under the TCDRS Act, the County's contribution rate is actuarially determined annually. The contribution rate payable by the employee members for fiscal year 2015 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 plans for 29 projects in 11 watersheds costing approximately \$60 million. Planned projects are designed to reduce flood risks within the County.

AWARDS AND ACKNOWLEDGMENTS

The Government Finance Officers Association of the United States and Canada (“GFOA”) awarded a Certificate of Achievement for Excellence in Financial Reporting to the District for its Comprehensive Annual Financial Report (“CAFR”) for the fiscal year ended February 28, 2014. The Certificate of Achievement is a prestigious national award, recognizing conformance with the highest standards for preparation of state and local government financial reports.

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

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

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

REQUEST FOR INFORMATION

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

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



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**Harris County Flood Control District
Texas**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

February 28, 2014

Executive Director/CEO

**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, 2015**

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) or Date Hired	Fees Feb 28, 2015	Expense Reimbursements Feb 28, 2015	Title at Year End	Resident of District
Commissioners' Court acts as Board of Director for District					
Judge Ed Emmett 1001 Preston, Suite 911 Houston Texas 77002	(Elected) 01/15 - 12/18	N/A	N/A	County Judge	Yes
El Franco Lee 1001 Preston, 9th Fl Houston Texas 77002	(Elected) 01/13 - 12/16	N/A	N/A	Commissioner	Yes
Jack Morman 1001 Preston, 9th Fl Houston Texas 77002	(Elected) 01/15 - 12/18	N/A	N/A	Commissioner	Yes
Steve Radack 1001 Preston, 9th Fl Houston Texas 77002	(Elected) 01/13 - 12/16	N/A	N/A	Commissioner	Yes
R. Jack Cagle 1001 Preston, 9th Fl Houston Texas 77002	(Elected) 01/15 - 12/18	N/A	N/A	Commissioner	Yes
Key Personnel:					
Michael D. Talbott P.E. 9900 NW Fwy Houston, Texas 77092	(Appointed) 02/21/15	N/A	N/A	Executive Director/ HC Flood Control District Employee	Yes

(Continued)

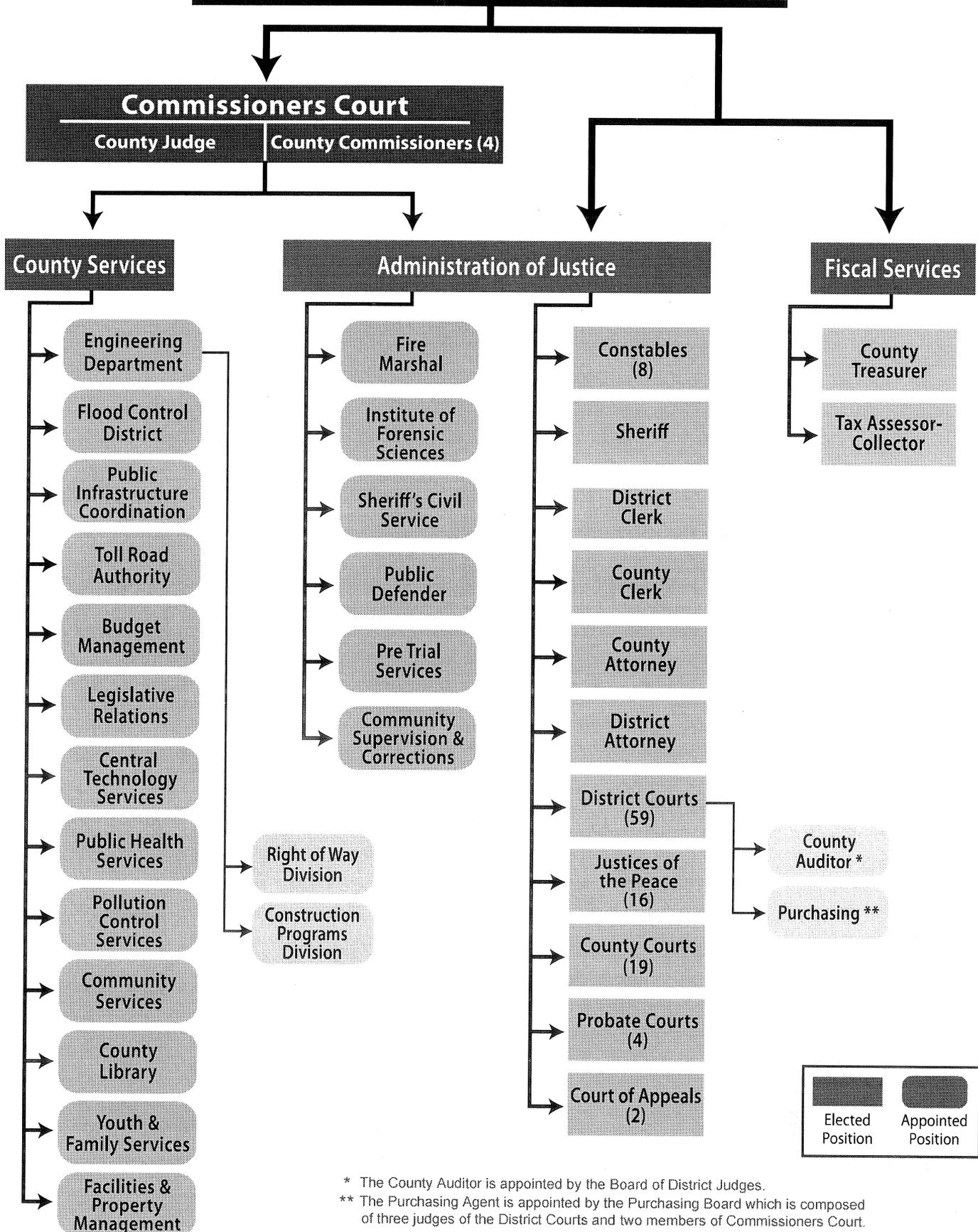
**HARRIS COUNTY FLOOD CONTROL DISTRICT
A COMPONENT UNIT OF HARRIS COUNTY, TEXAS
SCHEDULE OF BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
For The Year Ended February 28, 2015**

Names and Addresses:	Term of Office (Elected or Appointed) or Date Hired	Fees <u>Feb 28, 2015</u>	Expense Reimbursements <u>Feb 28, 2015</u>	Title at Year End	Resident of District
Vince Ryan 1019 Congress 15th Fl Houston Texas 77002	(Elected) 01/13 - 12/16	N/A	N/A	County Attorney	Yes
Mike Sullivan 1001 Preston, 1st Fl Houston Texas 77002	(Elected) 01/15-12/16	N/A	N/A	Tax Assessor-Collector and Voter Registrar	Yes
William J. Jackson 1001 Preston, Rm 630 Houston, Texas 77002	(Appointed) 03/13/12	N/A	N/A	Executive Director of Budget Management County Employee	Yes
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	03/01/14- 2/28/2015*	\$69,900	N/A	Independent Auditor	N/A

* Agreement between the Flood Control District and Deloitte & Touche LLP, for fiscal year 2014/2015 audit services.

HARRIS COUNTY ORGANIZATION CHART

HARRIS COUNTY VOTERS



* The County Auditor is appointed by the Board of District Judges.
 ** The Purchasing Agent is appointed by the Purchasing Board which is composed of three judges of the District Courts and two members of Commissioners Court.

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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Harris County Flood Control District (the "District"), a component unit of Harris County, Texas, as of and for the year ended February 28, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District, as of February 28, 2015, and the respective changes in financial position

thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 13-22, Schedule of Revenues and Expenditures - Budget and Actual Budgetary Basis – Operations and Maintenance (General) Fund, and the Other Post Employment Benefits – Schedule of Funding Progress, and the Texas County and District Retirement System – Schedule of Funding Progress on pages 57-60 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The Other Supplementary Information and Individual Fund Statements; Schedule of Expenditures of Federal and State Awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and the State of Texas *Uniform Grant Management Standards* and the Introductory and Statistical Sections are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Other Supplementary Information and Individual Fund Statements and the Schedule of Expenditures of Federal and State Awards, is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Other Supplementary Information and Individual Fund Statements and the Schedule of Expenditures of Federal and State Awards, are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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 do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 12, 2015 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Deloitte's Tsuda LLP

August 12, 2015

***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, 2015. 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 position) at February 28, 2015 by \$1,789,426,923, an increase of \$28,557,268 from the previous year when assets exceeded liabilities by \$1,760,869,655.
- Total net position is comprised of the following:
 - (1) Net investment in capital assets, of \$1,708,074,520 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 position of \$6,195,602 is restricted by constraints imposed from outside the District such as capital projects.
 - (3) Unrestricted net assets of \$75,156,801 represent the portion available to meet ongoing obligations to citizens and creditors.

Fund Level

- As of February 28, 2015, the District's governmental funds reported combined fund balances of \$294,758,666. This compares to the prior year combined fund balance of \$279,297,800 showing an increase of \$15,460,866 during the current year. The current year total consists of combined nonspendable fund balance of \$281,664, restricted fund balance of \$198,582,944, assigned fund balance of \$9,477,466, and unassigned fund balance of \$86,416,592.
- At the end of the fiscal year, the total fund balance for the Operations and Maintenance (General) fund was \$96,147,901. The General fund had a nonspendable fund balance of \$155,238, restricted fund balance of \$98,605, assigned fund balance of \$9,477,466, and unassigned of \$86,416,592.
- The fund balance in the Debt Service fund of \$4,243,176 was restricted at the end of the fiscal year. This represents a decrease of \$2,729,734 from the prior year balance of \$6,972,910, primarily from a \$2,338,992 decrease in taxes.
- The Capital Projects fund at fiscal year-end had a nonspendable fund balance of \$126,426 and a restricted fund balance of \$194,241,163 for a total Capital Projects fund balance of \$194,367,589 an increase from \$147,465,408 in the prior year.
- The District issues debt to finance an ongoing capital improvement program, but during fiscal year 2015, no debt was issued. Note 6 to the financial statements, provides additional details related to long-term

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

debt. The debt service ad-valorem tax rate for the 2014 tax year for the District totaled \$0.00116 per \$100 valuation.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

The statement of net position presents information on all District assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position 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 position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods.

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

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

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

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

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

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

statement of revenues, expenditures and changes in fund balances for each of the funds – Operations and Maintenance (General), Special Revenue Grants, Debt Service, and Capital Projects.

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

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

Required Supplementary Information is presented concerning the District's Operations and Maintenance (General) Fund budgetary schedule. The District adopts an annual budget for this fund. A budgetary comparison schedule, which includes the original and final amended budgets and actual figures, has been provided to demonstrate compliance with these budgets. Also presented in this section are the Schedule of Funding Progress for Other Post-Employment Benefits and the Schedule of Funding Progress for Texas County and District Retirement System. Required supplementary information can be found beginning on page 57 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

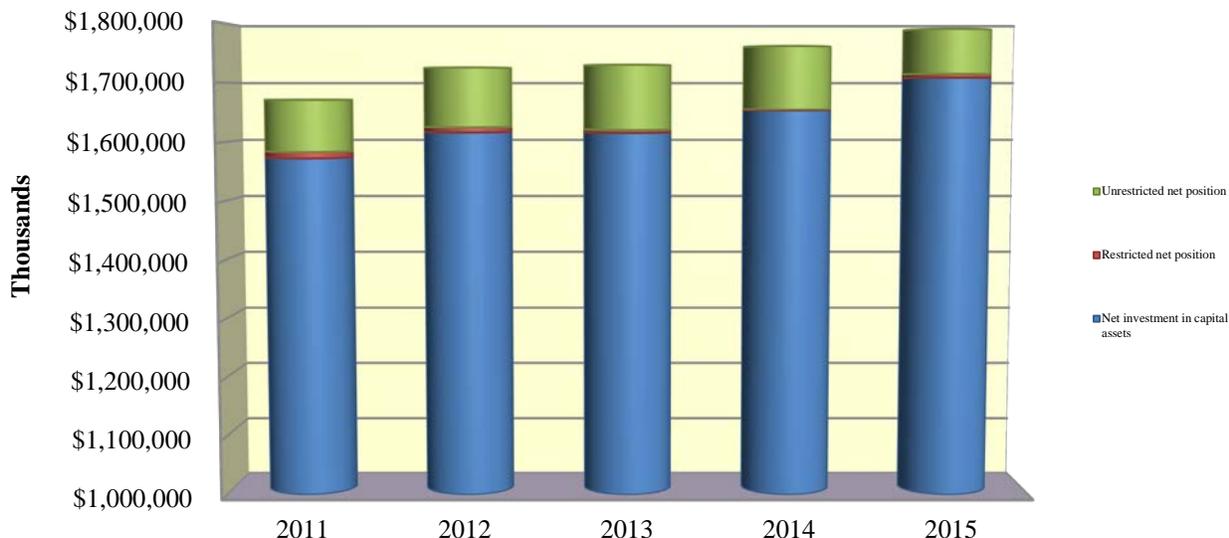
As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$1,789,426,923 for fiscal year ended 2015 and \$1,760,869,655 for fiscal year ended 2014. Revenues exceeded expenses during the current year, increasing net position by \$28,557,268.

**Condensed Statement of Net Position
(amounts in thousands)**

	Governmental Activities	
	February 28, 2015	February 28, 2014
Current and other assets	\$ 310,279	\$ 292,787
Capital assets	2,185,032	2,188,101
Total assets	<u>2,495,311</u>	<u>2,480,888</u>
Deferred outflows of resources	<u>21,955</u>	<u>9,025</u>
Current and other liabilities	23,672	24,729
Long-term liabilities	704,167	704,314
Total liabilities	<u>727,839</u>	<u>729,043</u>
Net position:		
Net investment in capital assets	1,708,074	1,653,516
Restricted	6,196	790
Unrestricted	75,157	106,564
Total net position	<u>\$ 1,789,427</u>	<u>\$ 1,760,870</u>

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

Change in Net Position



The largest portion of the District's current fiscal year net position, \$1,708,074,520, 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 net 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 \$54,558,580 in the District's net position-net investment in capital assets, is comprised of \$3,069,071 decrease in capital assets with an offsetting decrease of \$12,883,357 in debt related to capital assets and an increase in unspent proceeds of \$44,744,294.

The District's current fiscal year net position includes resources that are subject to external restrictions on how they may be used. Restricted net position totaled \$6,195,602 for capital projects. Restricted net assets reflect an overall increase of \$5,405,689.

The remaining balance of the District's current fiscal year net position, \$75,156,801 represents unrestricted net position, 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 position for its separate governmental activities.

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

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

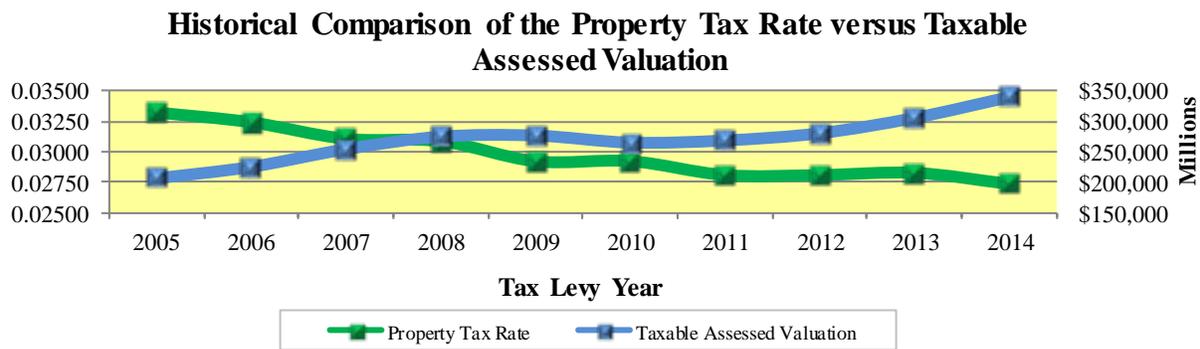
**Condensed Statement of Activities
(amounts in thousands)**

	Governmental Activities	
	For the Year Ended February 28, 2015	For the Year Ended February 28, 2014
Revenues:		
Program revenues:		
Charges for services	\$ 541	\$ 392
Operating grants and contributions	37,181	36,983
Capital grants and contributions	23,413	39,393
General revenues:		
Property taxes	90,653	83,830
Earnings on investments	3,491	440
Miscellaneous	1,243	526
Total revenues and other items	<u>156,522</u>	<u>161,564</u>
Expenses:		
Flood control	99,234	93,621
Tax administration	518	631
Interest on long-term debt	28,213	31,381
Total expenses and other items	<u>127,965</u>	<u>125,633</u>
Change in net position	28,557	35,931
Net position - beginning	1,760,870	1,724,939
Net position - ending	<u>\$ 1,789,427</u>	<u>\$ 1,760,870</u>

Revenues

For fiscal year ended February 28, 2015, revenues from governmental activities totaled \$156,522,361.

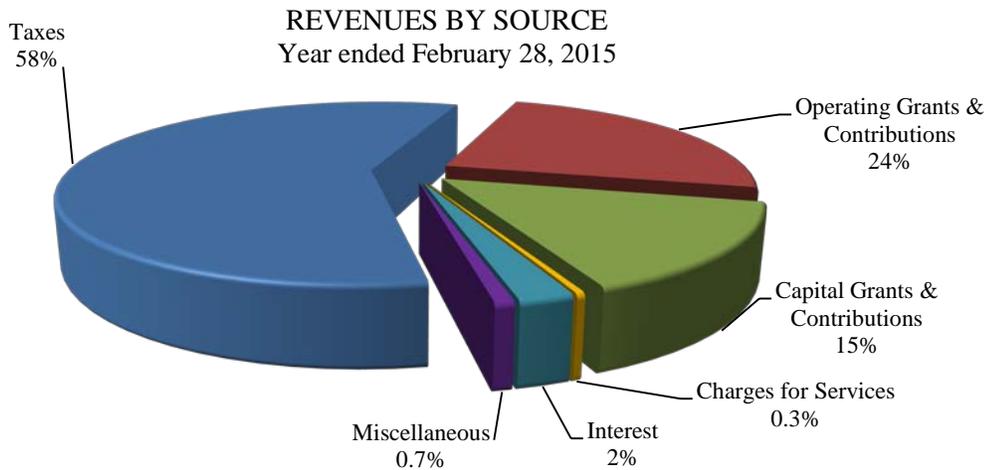
Property taxes of \$90,653,645 were the District's largest revenue source and comprised 58% of total revenues. The tax rate was \$.02736 per \$100 of assessed value for fiscal year 2015 and \$.02827 per \$100 of assessed value for fiscal year 2014. The taxable assessed value increased in fiscal year 2015 to \$339,544,697,000 from \$305,457,140,000 in fiscal year 2014.



**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 \$61,134,568 or 39% of total revenues. A major portion of program revenues are capital grants and contributions of \$23,412,993 (15%) and represent receipts primarily from the Army Corps of Engineers (Corps). This category is primarily due to contributions from the Corps for work done on the Brays Bayou project. A major portion of program revenues also consists of operating grants and contributions of \$37,181,034 (24%), associated with contributions by Harris County, which increased \$198,234 from the prior year. Another portion of program revenues is charges for services of \$540,541 (less than 1% of total revenues), which are primarily from impact fees on development.

General revenues are revenues that cannot be assigned to a specific function. They consist of property taxes (discussed previously), unrestricted investment or interest earnings of \$3,490,835 (2% of total revenues), miscellaneous income of \$1,243,313 (less than 1% of total revenues). Miscellaneous income is primarily comprised of collections for various fees.

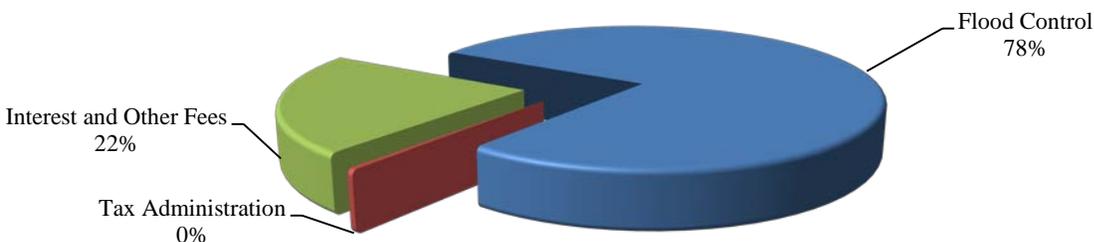


Expenses

For fiscal year ended February 28, 2015, expenses for governmental activities totaled \$127,965,093, compared to \$125,632,822 in the prior fiscal year. Flood control administration of \$99,233,975 is the District's largest function with 78% of total expenses. This was an increase of \$5,613,254 from the prior year due to regular operations of the District. Interest and other fees make up the second largest category of expenses with \$28,212,772 or 22% of the total, which is interest on long term debt. Tax administration, which represents the cost to collect taxes assessed on behalf of the District by the Harris County Tax Assessor is \$518,346 (less than 1% of total expenses) and has decreased from \$631,147 last year.

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

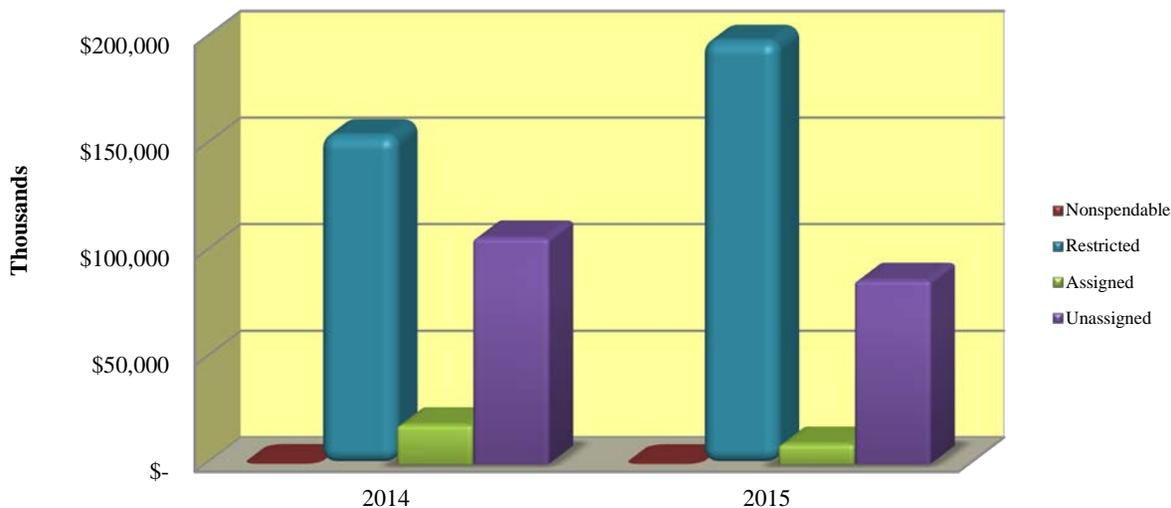
EXPENSES BY FUNCTION
Year ended February 28, 2015



FINANCIAL ANALYSIS OF MAJOR FUNDS

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

Governmental Fund Balances



At February 28, 2015, the District's governmental funds reported combined fund balances of \$294,758,666, of which \$281,664 is nonspendable, \$4,341,781 is restricted for debt service, \$194,241,163 is restricted for capital projects, and \$9,477,466 is assigned for encumbrances and petty cash. The remainder, \$86,416,592 is available to meet the District's current and future needs. The District's combined fund balances increased \$15,460,866. The reasons for this change are explained below by individual fund.

The Operating and Maintenance (General) fund is the operating fund of the District. Fund balance in the

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

General Fund decreased by \$28,711,581. This was primarily the result of an increase in transfers out.

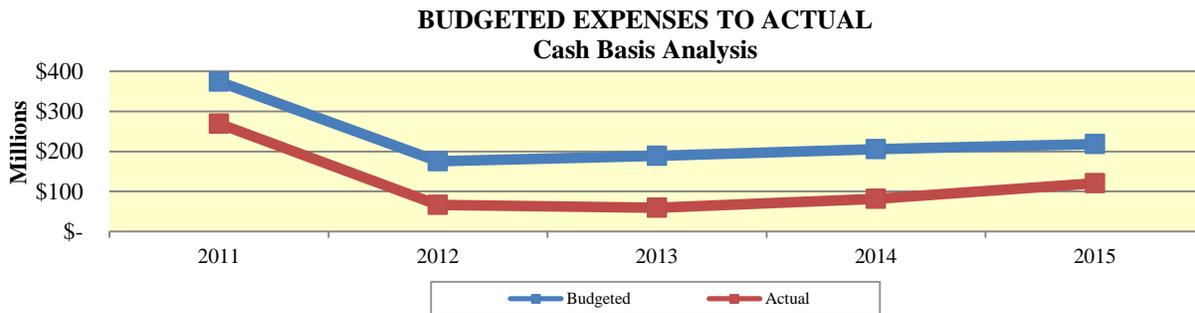
The Special Revenue Grants fund accounts for grants that have been awarded in the District's name. There is no fund balance in grant funds. However, the overall grant activity for the current fiscal year resulted in a \$2,811,774 decrease in assets and liabilities over the previous fiscal year.

Fund balance in the Debt Service fund decreased by \$2,729,734, primarily as the result of a decrease in total revenues. At February 28, 2015, this fund reported revenues of \$40,918,044. The majority of these revenues were from property taxes. See Note 3 to the financial statements for additional information on property taxes.

The fund balance in the Capital Projects fund increased by \$46,902,181, primarily due to a \$60M transfer from the General fund. 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

During the year actual revenues were less than budgetary estimates by \$368,329. This is attributable to less interest income received than anticipated. Actual expenditures were less than budgetary estimates by \$97,614,962. This is primarily due to fewer expenditures than anticipated in the general operating flood control account. The net effect of over-realization of revenues and over-realization of appropriations resulted in a positive variance of \$97,246,633, 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, 2015, amounted to \$2,185,032,074. 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, 2015	February 28, 2014
Governmental Activities:		
Land	\$ 1,581,033,375	\$ 1,577,295,623
Construction in Progress	52,553,630	62,900,342
Intangible Assets - water rights	2,400,000	2,400,000
Land Improvements	641,531	641,531
Buildings	11,870,371	11,870,371
Equipment	11,470,409	9,780,084
Flood Control Projects	892,224,261	862,738,394
	<u>2,552,193,577</u>	<u>2,527,626,345</u>
Less Accumulated Depreciation	(367,161,503)	(339,525,200)
Totals	<u>\$ 2,185,032,074</u>	<u>\$ 2,188,101,145</u>

LONG-TERM LIABILITIES

At February 28, 2015, the District had total long-term liabilities outstanding of \$704,167,242. Refer to Note 6 to the financial statements for further information on the District's long term liabilities. District officials, citizens, and investors will find the ratio of net bonded debt to assessed valuation (.19%) and the amount of bonded debt per capita (\$146,000) as useful indicators of the District's debt position; this information is shown in the statistical section of this report.

	Balance	Balance
	February 28, 2015	February 28, 2014
Governmental Activities:		
Bonds Payable	\$ 692,599,388	\$ 692,708,062
Compensatory Time Payable	353,445	354,469
Judgments Payable	-	1,100,000
OPEB Obligations	10,795,871	9,685,875
Pollution Remediation Obligations	418,537	465,237
Totals	<u>\$ 704,167,241</u>	<u>\$ 704,313,643</u>

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

ECONOMIC FACTORS

The unemployment rate for Harris County for calendar year 2014 was 4.0%. This is a favorable decrease from the prior year rate of 5.5%. The state unemployment rate for calendar year 2014 was 4.1%. The number of people employed with the District decreased by 9 to 291 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 POSITION
February 28, 2015

	Governmental Activities
ASSETS	
Cash and investments:	
Cash and cash equivalents	\$ 66,387,996
Investments	230,581,487
Receivables:	
Taxes, net	4,911,506
Accounts, net	2,506,442
Accrued interest	327,386
Other	968,192
Prepays and other assets	398,549
Restricted cash and cash equivalents	2,027,754
Restricted investments	2,170,189
Capital assets:	
Land and construction in progress	1,633,587,005
Intangible assets	2,400,000
Other capital assets, net of depreciation	549,045,069
Total assets	2,495,311,575
 DEFERRED OUTFLOWS OF RESOURCES	
Deferred charge on refundings	21,954,783
Total deferred outflows of resources	21,954,783
 LIABILITIES	
Vouchers payable	6,491,178
Accrued payroll and compensated absences	1,486,042
Retainage payable	3,153,688
Due to other units	13,138
Unearned revenue	74,767
Accrued interest	12,453,381
Long-term liabilities:	
Due within one year:	
Bonds payable	24,835,000
Compensated absences	229,739
Pollution remediation obligation	7,925
Due in more than one year:	
Bonds payable	667,764,388
Compensated absences	123,706
OPEB obligation	10,795,871
Pollution remediation obligation	410,612
Total liabilities	727,839,435
 NET POSITION	
Net investment in capital assets	1,708,074,520
Restricted for capital projects	6,195,602
Unrestricted	75,156,801
Total net position	\$ 1,789,426,923

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, 2015**

<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 Position</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>		<u>Governmental Activities</u>
Governmental activities:					
Flood control administration	\$ 99,233,975	\$ 540,541	\$ 37,181,034	\$ 23,412,993	\$ (38,099,407)
Tax administration	518,346	-	-	-	(518,346)
Interest on long-term debt	28,212,772	-	-	-	(28,212,772)
Total governmental activities	<u>\$ 127,965,093</u>	<u>\$ 540,541</u>	<u>\$ 37,181,034</u>	<u>\$ 23,412,993</u>	<u>(66,830,525)</u>
General revenues:					
Taxes:					
Property taxes levied for general purposes					86,726,162
Property taxes levied for debt service					3,927,483
Earnings on investments					3,490,835
Miscellaneous					1,243,313
Total general revenues and other items					<u>95,387,793</u>
Change in net position					28,557,268
Net position - beginning					1,760,869,655
Net position - ending					<u>\$ 1,789,426,923</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, 2015

	Operations and Maintenance (General)	Special Revenue Grants	Debt Service	Capital Projects	Total 2015
ASSETS					
Cash and investments:					
Cash and cash equivalents	\$ 13,791,317	\$ 233	\$ -	\$ 52,596,446	\$ 66,387,996
Investments	82,714,254	-	-	147,867,233	230,581,487
Receivables:					
Taxes, net	4,618,300	-	293,206	-	4,911,506
Accounts, net	-	270,277	-	2,236,165	2,506,442
Accrued interest	117,440	-	-	209,946	327,386
Other	456,569	510,004	1,494	125	968,192
Due from other funds	958,099	60,700	1,699	-	1,020,498
Prepays and other assets	155,238	116,885	-	126,426	398,549
Restricted cash and cash equivalents	98,605	-	1,929,149	-	2,027,754
Restricted investments	-	-	2,170,189	-	2,170,189
Total assets	<u>\$ 102,909,822</u>	<u>\$ 958,099</u>	<u>\$ 4,395,737</u>	<u>\$ 203,036,341</u>	<u>\$ 311,299,999</u>
LIABILITIES					
Vouchers payable	\$ 2,876,163	\$ -	\$ -	\$ 3,622,940	\$ 6,499,103
Accrued payroll and compensated absences	1,486,042	-	-	-	1,486,042
Retainage payable	481,207	-	-	2,672,481	3,153,688
Due to other funds	-	958,099	-	62,399	1,020,498
Due to other units	13,138	-	-	-	13,138
Unearned revenue	-	-	-	74,767	74,767
Total liabilities	<u>4,856,550</u>	<u>958,099</u>	<u>-</u>	<u>6,432,587</u>	<u>12,247,236</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue-property taxes	1,905,371	-	152,561	-	2,057,932
Unavailable revenue-other	-	-	-	2,236,165	2,236,165
Total deferred inflows of resources	<u>1,905,371</u>	<u>-</u>	<u>152,561</u>	<u>2,236,165</u>	<u>4,294,097</u>
FUND BALANCES					
Nonspendable	155,238	-	-	126,426	281,664
Restricted	98,605	-	4,243,176	194,241,163	198,582,944
Assigned	9,477,466	-	-	-	9,477,466
Unassigned	86,416,592	-	-	-	86,416,592
Total fund balances	<u>96,147,901</u>	<u>-</u>	<u>4,243,176</u>	<u>194,367,589</u>	<u>294,758,666</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 102,909,822</u>	<u>\$ 958,099</u>	<u>\$ 4,395,737</u>	<u>\$ 203,036,341</u>	<u>\$ 311,299,999</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 POSITION
February 28, 2015

Total fund balances for governmental funds \$ 294,758,666

Total net assets reported for governmental activities in the statement of net position 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	\$ 1,581,033,375	
Construction in progress	52,553,630	
Intangible assets - water rights	2,400,000	
Land improvements, net of \$257,092 accumulated depreciation	384,439	
Flood control projects, net of \$355,998,172 accumulated depreciation	536,226,089	
Buildings, net of \$3,384,278 accumulated depreciation	8,486,093	
Equipment and vehicles, net of \$7,521,961 accumulated depreciation	<u>3,948,448</u>	
Total capital assets		2,185,032,074

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

Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities - both current and long-term - and deferred outflows are reported in the statement of net position.

Balances as of February 28, 2015 were:

Deferred charge on refundings	21,954,783	
Accrued interest on bonds	(12,453,381)	
Bonds payable	(692,599,388)	
Compensated absences	(353,445)	
OPEB obligation	(10,795,871)	
Pollution remediation obligation	<u>(410,612)</u>	
		(694,657,914)

Some of the District's assets are not available to pay for the current period's expenditures and, therefore, are reported as unavailable revenue in the funds.

Total net position of governmental activities \$ 1,789,426,923

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, 2015

	Operations and Maintenance (General)	Special Revenue Grants	Debt Service	Capital Projects	Total 2015
REVENUES					
Taxes	\$ 87,059,147	\$ -	\$ 4,010,988	\$ -	\$ 91,070,135
Intergovernmental	328,005	881,237	36,889,101	17,732,333	55,830,676
Lease revenue	432,224	-	-	-	432,224
Earnings on investments	1,477,940	-	6,467	2,006,428	3,490,835
Miscellaneous	758,014	10	11,488	582,118	1,351,630
Total revenues	<u>90,055,330</u>	<u>881,247</u>	<u>40,918,044</u>	<u>20,320,879</u>	<u>152,175,500</u>
EXPENDITURES					
Current operating:					
Flood control administration	55,448,443	490,180	-	4,335,810	60,274,433
Tax administration	518,346	-	-	-	518,346
Capital outlay	3,071,682	1,232,116	-	28,280,293	32,584,091
Debt service:					
Principal retirement	-	-	13,025,000	-	13,025,000
Bond issuance fees	532,641	-	624,664	-	1,157,305
Interest and fiscal charges	-	-	30,661,617	-	30,661,617
Total expenditures	<u>59,571,112</u>	<u>1,722,296</u>	<u>44,311,281</u>	<u>32,616,103</u>	<u>138,220,792</u>
Excess (deficiency) of revenues over (under) expenditures	<u>30,484,218</u>	<u>(841,049)</u>	<u>(3,393,237)</u>	<u>(12,295,224)</u>	<u>13,954,708</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	645,199	995,912	31,897	60,050,000	61,723,008
Transfers out	(60,007,705)	(154,863)	(540,336)	(1,020,104)	(61,723,008)
Refunding bonds issued	-	-	170,355,000	-	170,355,000
Premium on refunding bonds issued	-	-	19,474,872	-	19,474,872
Payment to escrow agent	-	-	(188,657,930)	-	(188,657,930)
Sale of capital assets	166,707	-	-	167,509	334,216
Total other financing sources (uses)	<u>(59,195,799)</u>	<u>841,049</u>	<u>663,503</u>	<u>59,197,405</u>	<u>1,506,158</u>
Net changes in fund balances	(28,711,581)	-	(2,729,734)	46,902,181	15,460,866
Fund balances, beginning	124,859,482	-	6,972,910	147,465,408	279,297,800
Fund balances, ending	<u>\$ 96,147,901</u>	<u>\$ -</u>	<u>\$ 4,243,176</u>	<u>\$ 194,367,589</u>	<u>\$ 294,758,666</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, 2015**

Net change in fund balances - total governmental funds \$ 15,460,866

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 \$32,584,091 exceeded depreciation of \$28,957,063 in the current period. 3,627,028

Capital asset donations 2,527,186

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

Debt issued:		
Refunding bonds	\$(170,355,000)	
Premium on refunding bonds	(19,474,872)	
Repayments:		
To paying agent for bond principal	13,025,000	
To refunding bond escrow agent	188,657,930	
Refunding interest expense	(289,253)	
Net adjustment	11,563,805	11,563,805

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

Compensated absences	1,024	
Judgments payable	1,100,000	
OPEB obligation	(1,109,996)	
Pollution remediation obligation	52,867	
Amortization of debt premium	3,465,821	
Amortization of advanced refunding difference	(1,990,697)	
Accrued interest on bonds	1,262,974	
Combined adjustment	2,781,993	2,781,993

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. 1,819,675

The net effect of disposals of capital assets is to decrease net position. (9,223,285)

Change in net position of governmental activities \$ 28,557,268

See notes to the financial statements.

**HARRIS COUNTY FLOOD CONTROL DISTRICT
A COMPONENT UNIT OF HARRIS COUNTY, TEXAS
STATEMENT OF FIDUCIARY NET POSITION
AGENCY FUNDS
February 28, 2015**

	Total Agency
ASSETS	
Cash and cash equivalents	\$ 25,735
Investments	27,673
Other receivables, net	25
Accrued interest receivable	39
Total assets	\$ 53,472
 LIABILITIES	
Vouchers payable	\$ 27,737
Held for others	25,735
Total liabilities	\$ 53,472

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, 2015

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* and GASB Statement 61, *The Financial Reporting Entity: Omnibus-an amendment of GASB Statements No. 14 and No. 34*.

B. IMPLEMENTATION OF NEW STANDARDS

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

GASB Statement 67, *Financial Reporting for Pension Plans* ("GASB 67"), replaces the requirements of Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans* and Statement No. 50, *Pension Disclosures*, as they relate to pension plans that are administered through trusts or similar arrangements meeting certain criteria. GASB 67 enhances note disclosures and RSI for both defined benefit and defined contribution plans. The plan, Texas County and District Retirement System, implemented GASB 67.

GASB Statement 69, *Government Combinations and Disposals of Government Operations* ("GASB 69"), establishes accounting and financial reporting standards related to government combinations and disposals of government operations. Implementation of GASB 69 did not have an impact on the District's financial disclosures.

GASB Statement 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees* ("GASB 70"), provides guidance to improve accounting and reporting by state and local governments that extend and receive nonexchange financial guarantees. Implementation of GASB 70 did not have an impact on the District's financial disclosures.

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

Government-wide Statements

Government wide financial statements consist of the Statement of Net Position 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

HARRIS COUNTY FLOOD CONTROL DISTRICT
A COMPONENT UNIT OF HARRIS COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
February 28, 2015

reports only governmental activities, which normally are supported by taxes and intergovernmental revenues.

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

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

Fund-level Statements

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

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

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

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

**HARRIS COUNTY FLOOD CONTROL DISTRICT
A COMPONENT UNIT OF HARRIS COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
February 28, 2015**

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. Revenues consist of intergovernmental revenues. Intergovernmental revenues are from the various granting agencies, including: the United States Department of Homeland Security; Governor's Division of Emergency Management; Texas Water Development Board; Texas Department of Housing and Community Affairs; and the Army Corps of Engineers.

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

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

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

D. BUDGETS

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

- Departmental annual budget requests are submitted by the Department or Agency Head to the County Budget Officer during the third quarter of the fiscal year for the upcoming fiscal year to begin March 1.
- The County Auditor must prepare an estimate of available resources for the upcoming fiscal year.
- The County Budget Officer prepares the proposed annual operating budget to be presented to Commissioners Court for their consideration. The budget represents the financial plan for the new fiscal year.
- Public hearings are held on the proposed budget.
- Commissioners Court must adopt an annual operating budget by a majority vote of Commissioners Court before April 1. The adopted budget must be balanced; that is, available resources must be sufficient to support annual appropriations.
- Annual budgets are legally adopted for the General Fund, Debt Service Fund and Capital Projects Fund. Budgets for Special Revenue Grants are prepared on a grant award basis.
- The fund is the legal level of budgetary control. Commissioners Court approval is necessary to

**HARRIS COUNTY FLOOD CONTROL DISTRICT
A COMPONENT UNIT OF HARRIS COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
February 28, 2015**

transfer appropriations between departments. Transfers may not increase the total budget.

- Commissioners Court may approve expenditures as an amendment to the original budget only in the case of grave public necessity to meet an unusual and unforeseen condition that could not have been included in the original budget through the use of reasonably diligent thought and attention.
- 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 that fiscal year. On certification, the court shall adopt a special budget for the limited purpose of spending the grant or aid money for its intended purpose.
- The County Auditor shall certify to the Commissioners Court the receipt of all revenue from intergovernmental contracts that are available for disbursement in a fiscal year, but not included in the budget for that fiscal year. On certification, the court shall adopt a special budget for the limited purpose of spending the revenue from intergovernmental contracts for its intended purpose.
- The County Auditor shall certify to the Commissioners Court the receipt of revenue from a new source not anticipated before the adoption of the budget and not included in the budget for that fiscal year. On certification, the court may adopt a special budget for the limited purpose of spending the revenue for general purposes or for any of its intended purposes.
- Appropriations lapse at year-end for all funds except Special Revenue Grants and Capital Project Funds.
- Budgets are prepared on a cash basis (budget basis) which differs from a GAAP basis.

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

E. DEPOSITS AND INVESTMENTS

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

F. INTERFUND TRANSACTIONS

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

G. PREPAIDS AND OTHER ASSETS

Certain payments to vendors reflect costs applicable to future accounting periods and are reported as prepaid items in both the government-wide and fund level financial statements. The cost of prepaid items is recorded as expenditures when consumed rather than purchased.

H. DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

In addition to assets, the statement of net position will sometimes reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources,

**HARRIS COUNTY FLOOD CONTROL DISTRICT
A COMPONENT UNIT OF HARRIS COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
February 28, 2015**

represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred outflows consist of deferred charge on refundings reported in the government-wide statement on net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded debt or refunding debt.

In addition to liabilities, the statement of net position will sometimes reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Deferred inflows of resources consist of unavailable revenue which is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from two sources: property taxes and other. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

I. CAPITAL ASSETS

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

Capital assets of the District are defined as assets with individual costs of \$5,000 or more and estimated useful lives in excess of one year. Exceptions to the \$5,000 capitalization threshold are as follows: it is the County's policy to capitalize all land other than easements; easements, greater than \$100,000 are capitalized. Purchased software greater than \$100,000 is capitalized and internally developed software greater than \$1,000,000 is capitalized. The threshold for capitalizing buildings and building improvements is \$100,000. The capitalization threshold for infrastructure ranges from \$25,000 to \$250,000, depending on the type of infrastructure asset. The intangible assets held by the District are in perpetuity intangible assets, meaning there is no determinable useful life and therefore are not depreciated. All purchased capital assets are stated at historical cost or estimated historical cost if actual cost is not available. Donated fixed assets are stated at their estimated fair value on the date donated.

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

<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

J. NET POSITION AND FUND BALANCES

NET POSITION CLASSIFICATIONS

Net position in the government-wide financial statements are classified in three categories: 1) Net investment in capital assets, 2) Restricted net position, and 3) Unrestricted net position. Net position is

HARRIS COUNTY FLOOD CONTROL DISTRICT
A COMPONENT UNIT OF HARRIS COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
February 28, 2015

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 position is restricted for capital projects.

FUND BALANCE CLASSIFICATIONS

Under GASB 54, fund balances are required to be reported according to the following classifications:

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

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

Committed – Amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority. The District's highest level of decision-making authority resides with the Commissioners' Court. The constraints imposed by the formal action of the Commissioners' Court remain binding unless removed or changed in the same manner employed to previously commit those resources. To establish, modify, or rescind a fund balance commitment requires an order adopted by Commissioners' Court.

Assigned – Amounts that are constrained by the District's intent to be used for a specific purpose, but that do not meet the criteria to be restricted or committed. The County Budget Officer, by virtue of Commissioners' Court ordered appointment to that office and as a normal function of that office, has the authority to assign fund balance to particular purposes. Assignments made by the County Budget Officer can occur during the budget process or throughout the year in the normal course of business. Commissioners' Court, at their discretion, may make assignments of fund balance or direct other County officials to do so. Constraints imposed on the use of the assigned amounts can be removed with no formal action.

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

The District applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

K. COMPENSATED ABSENCES

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

HARRIS COUNTY FLOOD CONTROL DISTRICT
A COMPONENT UNIT OF HARRIS COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
February 28, 2015

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 720 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. The compensatory time for the non-exempt employee is earned at time and a half. 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.

L. USE OF ESTIMATES

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

2. DEPOSITS AND INVESTMENTS

Deposits: Chapter 2257 of the Texas Government Code is known as the Public Funds Collateral Act. This act provides guidelines for the amount of collateral that is required to secure the deposit of public funds. Federal Depository Insurance Corporation (FDIC) is available for funds deposited at a financial institution up to a maximum of \$250,000 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, 2015, the balance per various financial institutions was \$50,331,844. The District's deposits are not exposed to custodial credit risk since all deposits are covered by FDIC insurance or an irrevocable standby letter of credit with the Federal Home Loan Bank of Dallas, in accordance with the Public Funds Collateral Act.

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

The District follows the guidelines established by the Harris County Investment policy. The Harris County Investment policy is reviewed and approved at least 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

HARRIS COUNTY FLOOD CONTROL DISTRICT
A COMPONENT UNIT OF HARRIS COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
February 28, 2015

strategies for fund groups that address each group's investment options and describes the priorities for suitable investments.

AUTHORIZED INVESTMENTS

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

1. Direct obligations of the United States, its agencies and instrumentalities.
2. Other obligations, the principal and interest of which are unconditionally guaranteed, insured, or backed by the full faith and credit of the State of Texas the United States, or any obligation fully guaranteed or fully insured by the FDIC.
3. Direct obligations of the State of Texas or its agencies provided the agency has the same debt rating as the State of Texas.
4. Obligations of states, agencies, counties, cities, and other political subdivisions located in the United States, rated not less than A, or its equivalent, by a nationally recognized investment rating firm.
5. Fully insured or collateralized certificates of deposit/share certificates issued by state and national banks, or a savings bank, a state or federal credit union (having its main or branch office in Texas) guaranteed or insured by the FDIC or its successor; and secured by obligations in number 1 above. In addition to the County's authority to invest funds in certificates of deposit and shares certificates as stated above, made in accordance with the following conditions is an authorized investment under Texas Gov't. Code Section 2256.010(b): (1) the funds are invested by the County through a clearing broker registered with the Securities and Exchange Commission (SEC) and operating pursuant to SEC rule 15c3-3 (17 C.F.R. Section 240.15c3-3) with its main office or branch office in Texas and selected from a list adopted by the County as required by Section 2256.025; or a depository institution that has its main office or a branch office in this state and that is selected by the County; (2) the broker or the depository institution selected by the County arranges for the deposit of the funds in certificates of deposit in one or more federally insured depository institutions, wherever located, for the account of the County; (3) the full amount of the principal and accrued interest of each of the certificates of deposit is insured by the United States or an instrumentality of the United States; (4) the broker or depository institution selected by the County acts as custodian for the County with respect to the certificates of deposit issued for the account of the County.
6. Fully collateralized repurchase agreements (provided the County has on file), a signed Master Repurchase Agreement detailing eligible collateral, collateralization ratios, standards for collateral custody and control, collateral valuation, and conditions for agreement termination. The repurchase agreement must have a defined termination date and be secured by obligations in number 1 above. It is required that the securities purchased as part of the repurchase agreement must be assigned to the County, held in the County's name, and deposited at the time the investment is made with the County's custodian or with a third-party approved by the County. Securities purchased as part of a repurchase agreement shall be marked-to-market no less than weekly. All repurchase agreements must be conducted through a primary government securities dealer as defined by the Federal Reserve or a financial institution doing business in Texas. Maturities shall be limited to 90 days. The 90-day limit may be exceeded in the case of the flexible repurchase agreements ("flex repos") provided the investment type is specifically authorized within individual bond ordinances and final maturity does

**HARRIS COUNTY FLOOD CONTROL DISTRICT
A COMPONENT UNIT OF HARRIS COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
February 28, 2015**

not exceed the anticipated spending schedule of bond proceeds.

7. Securities lending programs if the loan is fully collateralized, including accrued income, by securities described in Texas Gov't. Code Section 2256.009, by irrevocable bank letters of credit issued by a bank under the laws of the United States or any other state, continuously rated not less than A by at least one nationally recognized investment rating firm, or by cash invested in accordance with the Investment Act. Securities held as collateral must be pledged to the investing entity, held in the investing entity's name, and deposited at the time the investment is made. A loan must be placed through a primary government securities dealer or a financial institution doing business in Texas. A loan must allow for termination at any time and must have a term of one year or less.
8. Commercial paper with a stated maturity of 270 days or less from the date of issuance, rated A-1 or P-1 or an equivalent rating by at least two nationally recognized agencies, and not under review for possible downgrade at the time of purchase.
9. Local government investment pools with a dollar weighted average maturity of 60 days or less, approved through resolution of County Commissioners to provide services to the County, continuously rated no lower than AAA or equivalent by at least one nationally recognized rating service. The County may not invest an amount that exceeds 10 percent of the total assets of any one local government investment pool. On a monthly basis, the Investment Officer shall review a list of securities held in the portfolio of any pool in which County funds are being held. To be eligible to receive funds from and invest funds on behalf of the County an investment pool must furnish to the Investment Officer or other authorized representative an offering circular or other similar disclosure instrument that contains information required by Tex. Gov't. Code, Sec. 2256.016. Investments will be made in a local government investment pool only after a thorough investigation of the pool and review by the Finance Committee.
10. A Securities and Exchange Commission (SEC) registered, no load money market mutual fund which has a dollar weighted average stated maturity of 60 days or less and whose investment objectives includes the maintenance of a stable net asset value of \$1 for each share. Furthermore, it must be rated not less than AAA or equivalent by at least one nationally recognized rating service and the County must be provided with a prospectus and other information required by the SEC Act of 1934 or the Investment Company Act of 1940. The County may not invest an amount that exceeds 10 percent of the total assets of any one fund. Investments will be made in a money market mutual fund only after a thorough investigation of the fund and review by the Finance Committee.

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, 2015.

	Governmental Activities	Fiduciary Funds	Total
Cash and Cash Equivalents	\$ 66,387,996	\$ 25,735	\$ 66,413,731
Restricted Cash and Cash Equivalents	2,027,754	-	2,027,754
Investments	230,581,487	27,673	230,609,160
Restricted Investments	2,170,189	-	2,170,189
Total Cash & Investments	\$ 301,167,426	\$ 53,408	\$ 301,220,834

HARRIS COUNTY FLOOD CONTROL DISTRICT
A COMPONENT UNIT OF HARRIS COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
February 28, 2015

The table below indicates the fair value and maturity value of the District's investments as of February 28, 2015, 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>					
FFCB	\$ 15,988,160	5.30%	\$ 16,000,000	0.181	AA+/Aaa
FHLB	12,998,180	4.31%	13,000,000	0.059	AA+/Aaa
FHLMC	50,214,904	16.67%	50,450,000	0.379	AA+/Aaa
FNMA	50,750,330	16.85%	51,000,000	0.394	AA+/Aaa
<i>Total US Agency Notes</i>	<u>129,951,574</u>		<u>130,450,000</u>		
<i>Commercial Paper</i>					
GECC	868,353	0.29%	870,000	0.002	A-1+/P-1
TCCI	999,927	0.34%	1,000,000	0.000	A-1+/P-1
TMCC	28,582,422	9.48%	28,600,000	0.026	A-1+/P-1
TMCP - Disc. Commercial Paper	717,780	0.24%	719,000	0.001	A-1+/P-1
UBSF - Disc. Commercial Paper	51,875,234	17.22%	51,961,000	0.077	A-1/P-1
<i>Total Commercial Paper</i>	<u>83,043,716</u>		<u>83,150,000</u>		
<i>Local Governments</i>					
Colorado St Housing & Fin Auth	6,102,060	2.02%	6,000,000	0.041	Aa2
Conroe TX Industrial Dev Corp	251,773	0.09%	250,000	0.000	AA/A1
Houston TX Cmnty Clg Rev Txbl	2,784,197	0.93%	2,790,000	0.010	AA-/Aa2
Mclennan Cnty TX Pub Fac Rev Txbl	819,238	0.27%	815,000	0.006	AA-
Mil Cnty Wis Go	2,289,556	0.76%	2,305,000	0.021	AA/Aa2
Nassua Cnty NY	1,508,265	0.50%	1,500,000	0.008	AAA
Newark NJ TXBL Ref	2,788,653	0.93%	2,775,000	0.019	AA/A2
NJ St Econ Dev Auth Revenue	2,500,000	0.82%	2,500,000	0.000	A-/A2
Univ of California Ca Rev Txbl	740,318	0.25%	740,000	0.003	AA/Aa2
<i>Total Local Governments</i>	<u>19,784,060</u>		<u>19,675,000</u>		
<i>Money Market Funds</i>					
Fidelity Instl Treasury	41,730,988	13.85%	41,730,988	N/A	AAAm/Aaa
Fidelity Instl - Tax Exempt	8,516,723	2.83%	8,516,723	N/A	AAAm/Aaa
Lone Star Investment Pool	18,224,600	6.05%	18,224,600	N/A	AAAm/Aaa
<i>Total Money Market Funds</i>	<u>68,472,311</u>		<u>68,472,311</u>		
Total Investments	301,251,661	100.00%	\$ 301,747,311		
<i>Outstanding items</i>	(30,827)				
Total Cash/Equivalents & Investments	<u><u>\$ 301,220,834</u></u>				

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

HARRIS COUNTY FLOOD CONTROL DISTRICT
A COMPONENT UNIT OF HARRIS COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
February 28, 2015

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 50% of the portfolio, excluding those investments held for construction/capital projects, special revenue, and flood control may be invested beyond three years. Additionally at least 15% of the portfolio, with the previous exceptions, is invested in overnight instruments or in marketable securities which can be sold to raise cash within one day's notice. Overall, the average maturity of the portfolio, with the previous exceptions, shall not exceed three years. As of February 28, 2015, 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 25% of the overall portfolio may be invested in time deposits, including certificates of deposit, of a single issuer. Concentration by issuer for other investment instruments is not specifically addressed in the investment policy. However, the policy does specify that acceptable investment instruments must have high quality credit ratings and, consequently, risk is minimal.

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

Custodial Credit Risk: Investments are exposed to custodial credit risk if the investments are uninsured, are not registered in the District's name and are held by the counterparty. In the event of the failure of the counterparty, the District may not be able to recover the value of its investments that are held by the counterparty. As of February 28, 2015, all of the District's investments are held in the District's name.

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

FUND INVESTMENT CONSIDERATIONS

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

**HARRIS COUNTY FLOOD CONTROL DISTRICT
A COMPONENT UNIT OF HARRIS COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
February 28, 2015**

Fund Type	Investment Strategy	Maximum Maturity Per Policy (Years)	Maturity Amount	Average Remaining Years To Maturity
Debt Service Funds	Matching	3	\$ 3,950,000	0.34
Pool/Special Revenue	Matching	5	229,325,000	1.39
Money Market Mutual Funds	N/A	N/A	68,472,311	N/A
			<u>\$ 301,747,311</u>	

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

3. PROPERTY TAXES

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

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 and operations 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 and operations 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 2014 tax year, per \$100 of taxable valuation:

	Maintenance and Operations (General)	Debt Service	Total
Flood Control District	\$0.02620	\$0.00116	\$0.02736

Property tax receivables of \$4,911,506 as of February 28, 2015 are reported net of an allowance for uncollectible taxes of \$10,028,281.

4. INTERFUND BALANCES AND TRANSFERS

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

The interfund receivable and payable balances, as of February 28, 2015 are as follows:

**HARRIS COUNTY FLOOD CONTROL DISTRICT
A COMPONENT UNIT OF HARRIS COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
February 28, 2015**

	Receivable:			
	General Fund	Special Revenue Grants	Debt Service	Total
Payable:				
Special Revenue Grants	\$ 958,099	\$ -	\$ -	\$ 958,099
Capital Projects	-	60,700	1,699	62,399
TOTAL	\$ 958,099	\$ 60,700	\$ 1,699	\$ 1,020,498

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

The following is a summary of the District's transfers for the year ended February 28, 2015:

	Transfers In:				
	General Fund	Special Revenue Grants	Debt Service	Capital Projects	Total
Transfers Out:					
General Fund	\$ -	\$ -	\$ 7,705	\$ 60,000,000	\$ 60,007,705
Special Revenue Grants	104,863	-	-	50,000	154,863
Debt Service Fund	540,336	-	-	-	540,336
Capital Projects	-	995,912	24,192	-	1,020,104
TOTAL	\$ 645,199	\$ 995,912	\$ 31,897	\$ 60,050,000	\$ 61,723,008

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

HARRIS COUNTY FLOOD CONTROL DISTRICT
A COMPONENT UNIT OF HARRIS COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
February 28, 2015

5. CAPITAL ASSETS

Capital assets transactions are summarized as follows:

	Balance				Balance
	March 1, 2014	Additions	Deletions	Transfers	February 28, 2015
Governmental Activities:					
Land	\$ 1,577,295,623	\$ 4,091,656	\$ (435,150)	\$ 81,246	\$ 1,581,033,375
Construction in progress	62,900,342	28,120,960	(844,463)	(37,623,209)	52,553,630
Intangible Assets - water rights	2,400,000	-	-	-	2,400,000
Total capital assets not depreciated	<u>1,642,595,965</u>	<u>32,212,616</u>	<u>(1,279,613)</u>	<u>(37,541,963)</u>	<u>1,635,987,005</u>
Land improvements	641,531	-	-	-	641,531
Buildings	11,870,371	-	-	-	11,870,371
Equipment	9,780,084	2,898,661	(1,336,750)	128,414	11,470,409
Flood control projects	862,738,394	-	(7,927,682)	37,413,549	892,224,261
	<u>885,030,380</u>	<u>2,898,661</u>	<u>(9,264,432)</u>	<u>37,541,963</u>	<u>916,206,572</u>
Less accumulated depreciation for:					
Land Improvements	(225,276)	(31,816)	-	-	(257,092)
Buildings	(3,122,133)	(262,145)	-	-	(3,384,278)
Equipment	(7,815,959)	(1,026,762)	1,320,760	-	(7,521,961)
Flood control projects	(328,361,832)	(27,636,340)	-	-	(355,998,172)
	<u>(339,525,200)</u>	<u>(28,957,063)</u>	<u>1,320,760</u>	<u>-</u>	<u>(367,161,503)</u>
Total capital assets being depreciated, net	<u>545,505,180</u>	<u>(26,058,402)</u>	<u>(7,943,672)</u>	<u>37,541,963</u>	<u>549,045,069</u>
Governmental activities capital assets, net	<u>\$ 2,188,101,145</u>	<u>\$ 6,154,214</u>	<u>\$ (9,223,285)</u>	<u>\$ -</u>	<u>\$ 2,185,032,074</u>

Depreciation expense was charged to the Flood Control Administration function of the District for \$28,957,063.

6. LONG-TERM LIABILITIES

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

The changes in the District's Governmental Long-Term Liabilities for fiscal year 2014-2015 were as follows:

HARRIS COUNTY FLOOD CONTROL DISTRICT
A COMPONENT UNIT OF HARRIS COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
February 28, 2015

	Balance Outstanding March 1, 2014			Balance Outstanding February 28, 2015		Amount Due Within One Year
		Increase	Decrease			
Governmental Activities:						
Refunding Series 2002	\$ 1,045,000	\$ -	\$ (1,045,000)	\$ -	\$ -	-
Refunding Series 2003A	2,290,000	-	(2,290,000)	-	-	-
Refunding Series 2004A	6,485,000	-	(6,485,000)	-	-	-
Refunding Series 2006A	94,185,000	-	(60,935,000)	33,250,000	-	-
Improvement Bonds Series 2007	89,600,000	-	(38,400,000)	51,200,000	-	-
Refunding Series 2008A	134,190,000	-	(21,880,000)	112,310,000	6,520,000	-
Refunding Series 2008C	147,150,000	-	(42,675,000)	104,475,000	2,130,000	-
Refunding Series 2010A	181,885,000	-	(3,280,000)	178,605,000	-	-
Refunding Series 2014	-	36,590,000	(390,000)	36,200,000	-	-
Refunding Series 2014 A	-	60,100,000	(1,875,000)	58,225,000	-	-
Refunding Series 2014 B	-	73,665,000	-	73,665,000	16,185,000	-
Total Bonds Payable - Principal	656,830,000	170,355,000	(179,255,000)	647,930,000	24,835,000	-
Unamortized Premium, Series 2002	4,982	-	(4,982)	-	-	-
Unamortized Discount, Series 2003A	(3,464)	-	3,464	-	-	-
Unamortized Premium, Series 2004A	45,473	-	(45,473)	-	-	-
Unamortized Premium, Series 2006A	4,732,023	-	(3,133,470)	1,598,553	-	-
Unamortized Premium, Series 2007	4,102,778	-	(2,246,238)	1,856,540	-	-
Unamortized Premium, Series 2008A	10,208,292	-	(3,325,916)	6,882,376	-	-
Unamortized Discount, Series 2008C	(645,654)	-	190,910	(454,744)	-	-
Unamortized Premium, Series 2010A	17,433,632	-	(1,138,108)	16,295,524	-	-
Unamortized Premium, Series 2014	-	7,520,834	(388,552)	7,132,282	-	-
Unamortized Premium, Series 2014 A	-	11,954,038	(595,181)	11,358,857	-	-
Total Bonds Payable	692,708,062	189,829,872	(189,938,546)	692,599,388	24,835,000	-
Compensatory Time Payable	354,469	215,202	(216,226)	353,445	229,739	-
Judgments Payable	1,100,000	-	(1,100,000)	-	-	-
OPEB Obligation	9,685,875	1,109,996	-	10,795,871	-	-
Pollution Remediation Obligation	465,237	-	(46,700)	418,537	7,925	-
TOTAL	<u>\$ 704,313,643</u>	<u>\$ 191,155,070</u>	<u>\$ (191,301,472)</u>	<u>\$ 704,167,241</u>	<u>\$ 25,072,664</u>	<u>-</u>

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

**HARRIS COUNTY FLOOD CONTROL DISTRICT
A COMPONENT UNIT OF HARRIS COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
February 28, 2015**

A. OUTSTANDING BONDED DEBT

	Original Issue Amount	Interest Rates (%)	Date Series		February 28, 2015
			Issued	Matures	
Refunding Series 2006A	94,185,000	5.00	2006	2031	\$ 33,250,000
Improvement Series 2007	89,600,000	4.75-5.00	2007	2031	51,200,000
Refunding Series 2008A	137,095,000	4.00-5.25	2008	2021	112,310,000
Refunding Series 2008C	158,100,000	3.00-5.125	2008	2024	104,475,000
Refunding Series 2010A	181,885,000	5.00	2010	2039	178,605,000
Refunding Series 2014	36,590,000	2.00-5.00	2014	2026	36,200,000
Refunding Series 2014A	60,100,000	1.00-5.00	2014	2029	58,225,000
Refunding Series 2014B	73,665,000	0.25-3.211	2014	2024	73,665,000
TOTAL	\$ 831,220,000				\$ 647,930,000

B. DEBT SERVICE REQUIREMENTS

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

<u>Fiscal year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 24,835,000	\$ 29,900,076	\$ 54,735,076
2017	25,385,000	29,448,413	54,833,413
2018	25,955,000	28,914,077	54,869,077
2019	26,705,000	28,238,731	54,943,731
2020	28,025,000	26,926,971	54,951,971
2021-2025	163,265,000	111,499,290	274,764,290
2026-2030	203,190,000	68,391,750	271,581,750
2031-2035	76,875,000	28,322,250	105,197,250
2036-2040	73,695,000	11,413,500	85,108,500
	\$ 647,930,000	\$ 363,055,058	\$ 1,010,985,058

C. UNISSUED AUTHORIZED BONDS

As of February 28, 2015, the District has issued all voter authorized property tax bonds.

D. REFUNDING/ISSUANCE OF DEBT

On June 4, 2014, the County issued \$36,590,000 of Flood Control District Improvement Refunding Bonds, Series 2014 to refund and defease a portion of the County's outstanding Flood Control District Improvement Refunding Bonds, Series 2003A and Series 2007, and to pay the cost of such issuance. The annual interest rate is 2% to 5%. The issuance had a premium of \$7,520,834. The interest accrues semiannually and the bonds mature in 2026. The refunding resulted in a savings of \$7,520,321 due to a decrease in the cash flow requirements and had an economic gain of \$4,509,072.

On June 4, 2014, the County issued \$60,100,000 of Flood Control District Contract Tax Refunding Bonds, Series 2014A to refund and defease a portion of the County's outstanding Flood Control District Contract Tax Refunding Bonds, Series 2006A and Series 2010A, and to pay the cost of such issuance. The annual interest rate is 1% to 5%. The issuance had a premium of \$11,954,038. The interest accrues semiannually and the bonds mature in 2029. The refunding resulted in a savings of \$11,498,375 due to a decrease in the cash flow requirements and had an economic gain of \$6,770,587.

On June 4, 2014, the County issued \$73,665,000 of Flood Control District Contract Tax Refunding Bonds, Taxable Series 2014B to refund and defease a portion of the County's outstanding Flood

**HARRIS COUNTY FLOOD CONTROL DISTRICT
A COMPONENT UNIT OF HARRIS COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
February 28, 2015**

Control District Contract Tax Refunding Bonds, Series 2008A and Series 2008C, and to pay the cost of such issuance. The annual interest rate is .25% to 3.211%. The interest accrues semiannually and the bonds mature in 2024. The refunding resulted in a savings of \$4,129,967 due to a decrease in the cash flow requirements and had an economic loss of \$80,087.

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. However, that authorization is currently limited to \$60,000,000, the amount of the Series F liquidity facility which expires August 1, 2015. The program is anticipated to go dormant after expiration. As of February 28, 2015, there is no outstanding Series F commercial paper, nor was there any Series F commercial paper activity during the year then ended.

F. SUBSEQUENT BOND ISSUANCES

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

G. ARBITRAGE REBATE LIABILITY

The Tax Reform Act of 1986 established regulations for the rebate to the federal government of arbitrage 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 2015. As of February 28, 2015 there were no estimated liabilities for arbitrage rebate on governmental debt. The Debt Service Funds have typically been used to liquidate arbitrage liabilities in previous years.

7. RETIREMENT PLAN

Plan Description

The District, a component unit of Harris County, provides retirement and disability benefits for all of its employees (excluding temporary) through a non-traditional defined benefit pension plan in the statewide Texas County and District Retirement System (“TCDRS”). The Board of Trustees of TCDS is responsible for the administration of the statewide agent multiple-employer public employee retirement system consisting of 677 non-traditional defined benefit pension plans. TCDS 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 TCDS enacted in 1991, effective January 1, 1992, the County selected a plan of benefits to provide in the future, while at the same time considering the level of the employer contribution rate required to adequately finance the plan. Effective January 1, 1995, the County adopted an annually determined contribution rate plan, for which the employer contribution rate is actuarially determined as a part of the annual actuarial valuation. The rate, applicable for a calendar year, consists of the normal cost contribution rate plus the rate required to amortize the unfunded actuarial liability over the remainder of the plan’s 20-year amortization period which began January 1, 1995 using the entry age actuarial cost method. Monthly contributions by the County are based on the covered payroll and the employer contribution rate in effect. The contribution rate for calendar year 2015 is 13.88%. The contribution rates for calendar years 2014 and 2013 were 12.43% and 11.59% respectively.

The plan provisions are adopted by the Commissioners Court of the County, within the options available in

HARRIS COUNTY FLOOD CONTROL DISTRICT
A COMPONENT UNIT OF HARRIS COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
February 28, 2015

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, when the sum of their age and years of service equals 75 or more, or if they become disabled. Members are vested after eight years but must leave their accumulated contributions in the plan to receive any employer-financed benefit. Members who withdraw their personal contributions in a lump sum are not entitled to any amounts contributed by the District.

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

Funding Policy

The County has elected the annually determined contribution rate (“ADCR”) plan provisions of the TCDRS Act. The plan is funded by monthly contributions from both employee members and the County based on the covered payroll of employee members. Under the TCDRS Act, the contribution rate of the County is actuarially determined annually. The County contributed using an actuarially determined rate of 12.43% for the months of the calendar year in 2014, and 13.88% for the months of the calendar year in 2015. The contribution rate payable by the employee members for 2014 and 2015 is the rate of 6% and 7%, respectively, as adopted by Commissioner’s Court. The employee contribution rate and the employer contribution rate may be changed by Commissioner’s Court, within the options available in the TCDRS Act.

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

Annual Pension Cost

For the County’s fiscal year ended February 28, 2015, the annual pension cost for the TCDRS plan for its employees, including the District, was \$106,315,610 and the actual contributions for the District were \$2,344,491. (This excludes actuarial contributions of \$4,395,348 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, 2012 and December 31, 2013, which were the basis for determining the contribution rates for calendar years 2014 and 2015. The December 31, 2014 actuarial valuation is the most recent valuation.

The assumptions at December 31, 2014 summarized below included (a) 8.0 percent investment rate of return (net of administrative expenses), and (b) projected salary increases of 4.9 percent. Both (a) and (b) included an inflation component of 3.0 percent. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period.

**HARRIS COUNTY FLOOD CONTROL DISTRICT
A COMPONENT UNIT OF HARRIS COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
February 28, 2015**

Actuarial Valuation Method			
Actuarial Valuation Date	12/31/12	12/31/13	12/31/14
Actuarial Cost Method	Entry Age	Entry Age	Entry Age
Amortization Method	Level percentage of payroll, closed	Level percentage of payroll, closed	Level percentage of payroll, closed
Amortization period in years	20	20	20
Asset Valuation Method	SAF: 10-yr smoothed value ESF: Fund value	SAF: 5-yr smoothed value ESF: Fund value	SAF: 5-yr smoothed value ESF: Fund value
Actuarial Assumption			
Investment return (1)	8.0 %	8.0 %	8.0 %
Projected Salary Increases (1)	5.4 %	4.9 %	4.9 %
Inflation	3.5 %	3.0 %	3.0 %
Cost of Living Adjustments	0.0 %	0.0 %	0.0 %
(1) Includes inflation at the stated rate.			

Harris County Trend Information				
Accounting Year Ending	Total Annual Pension Cost	Flood Control Portion	Percentage of APC Contributed	Net Pension Obligation
2/28/15	\$ 106,315,610	\$2,344,491	100%	\$ -
2/28/14	94,478,802	2,147,122	100%	-
2/28/13	80,833,553	1,936,374	100%	-

Schedule of Funding (including Community Supervision)	
Actuarial Valuation Date	12/31/14
Actuarial Value of Assets	\$3,264,826,444
Actuarial Accrued Liability (AAL)	\$3,782,197,854
Unfunded Actuarial Accrued Liability (UAAL)	\$ 517,371,410
Funded Ratio	86.32%
Annual Covered Payroll (Actuarial)	\$ 859,233,866
UAAL as Percentage of Covered Payroll	60.21%

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.

HARRIS COUNTY FLOOD CONTROL DISTRICT
A COMPONENT UNIT OF HARRIS COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
February 28, 2015

Membership in the plan at March 1, 2013, the date of the latest actuarial valuation, consists of the following:

Retirees and beneficiaries receiving benefits	4,253
Active plan members	13,422
Number of participating employers	5

Summary of Significant Accounting Policies

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

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 non-forfeited Harris County/TCDRS service equal to 80 or at least age 65 with a minimum of 10 years of non-forfeited Harris County/TCDRS service to receive 100% County contributions for retiree coverage and 50% for dependent coverage.

Employees Hired on or After March 1, 2007:

A combination of age plus a minimum of 20 years of non-forfeited Harris County/TCDRS service equal to 80 or at least age 65 with a minimum of 15 years of non-forfeited Harris County/TCDRS service to receive

**HARRIS COUNTY FLOOD CONTROL DISTRICT
A COMPONENT UNIT OF HARRIS COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
February 28, 2015**

any County contributions for retiree or dependent coverage.

Effective March 1, 2012:

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

The Plan rates are set annually by Commissioner's Court based on the combination of premiums and costs of the self-funded portion of the plan. The Plan is funded on a pay-as-you-go basis. For the year ended February 28, 2015, plan members or beneficiaries receiving benefits contributed \$9.75 million, or approximately 19.8 percent of total benefits paid during the year. Participating employers contributed \$39.54 million. The total contributions for the year ended February 28, 2015 were \$49.29 million. Total contributions included actual medical claims paid, premiums for other insurance and administrative costs calculated through an annual rate calculation.

THE EMPLOYER:

Annual OPEB Cost

For 2015, the County's annual OPEB cost (expense) was \$101,776,459 (including Flood Control of \$3,118,427) 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, 2015 were as follows:

Annual Required Contribution		\$ 109,456,719
Add interest on Net OPEB Obligation		17,229,877
Less adjustment to Annual Required Contribution		<u>(24,910,137)</u>
Annual OPEB Cost		101,776,459
Less Contributions made		<u>(39,543,124)</u>
Change in Net OPEB Obligation		62,233,335
Net OPEB Obligation, beginning of the year		<u>430,746,908</u>
Net OPEB Obligation, end of the year		<u><u>\$ 492,980,243</u></u>

Trend Information:

Fiscal Year Ended	Annual OPEB Cost	Employer Contribution	Percentage of Annual OPEB Cost Contributed	Net Ending OPEB Obligation
2/29/2013	\$ 91,773,629	\$ 38,172,557	42%	\$ 361,204,066
2/28/2014	103,016,414	33,473,572	32%	430,746,908
2/28/2015	101,776,459	39,543,124	39%	492,820,243

The above tables include information for the 5 participating employers to the agent multiple-employer defined benefit post employment healthcare plan that the County administers. Two of the employers, Emergency 911 and Community Supervision, are not considered departments or component units of the County. The net OPEB obligation for Emergency 911 and Community Supervision is \$854,515 and \$0

**HARRIS COUNTY FLOOD CONTROL DISTRICT
A COMPONENT UNIT OF HARRIS COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
February 28, 2015**

respectively for fiscal year 2014 and the net OPEB obligation for Emergency 911 and Community Supervision is \$982,079 and \$0 respectively at February 28, 2015. Flood Control's portion of the net OPEB obligation above is \$9,685,875 for fiscal year 2014 and \$10,795,871 at February 28, 2015.

Funded Status and Funding Progress. The funded status of the plan as of March 1, 2013 (most recent actuarial valuation) was as follows:

	<u>All Participants</u>	<u>Flood Control Portion</u>
Unfunded actuarial accrued liability (UAAL)	\$ 1,189,670,446	\$ 42,120,241
Funded ratio (actuarial value of plan assets/AAL)	0%	0%
Covered Payroll (active plan members)	\$ 900,961,148	\$ 18,397,413
UAAL as a percentage of covered payroll	132%	229%

The "All Participants" column in the above table includes UAAL of \$1,586,416 for Emergency 911 and UAAL of \$13,136,729 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, 2013, actuarial valuation, a 4% discount rate was used. The medical trend rates of 7% for 2013 graded down to an ultimate rate of 5% by 2017 were used per the actuary's best estimate of expected long-term plan experience. The economic assumptions used in this valuation implicitly assume a general inflation level of approximately 2.5%.

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

Additional Disclosures

Texas Local Government Code, Chapter 175 requires counties to make available continued health benefits coverage under certain circumstances to retirees and their dependents beyond the end of an

HARRIS COUNTY FLOOD CONTROL DISTRICT
A COMPONENT UNIT OF HARRIS COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
February 28, 2015

individual's employment with the County ("Continuation Coverage") by permitting covered employees to purchase continued health benefits coverage in retirement. Texas law does not require counties to fund all or any portion of such coverage.

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

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

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

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

9. COMMITMENTS AND CONTINGENT LIABILITIES

LANDFILL POST-CLOSURE CARE COST

The District acquired land for a detention basin. When construction for the detention basin began several years ago, an unpermitted landfill was discovered. This landfill was capped per the requirements at the time. Currently, the District has no regulatory requirement to remediate this site. The District is conducting additional soil and groundwater sampling and once the sampling activities are completed any necessary actions will be identified. The costs for this landfill are included in the pollution remediation obligations.

POLLUTION REMEDIATION OBLIGATIONS

The District is subject to numerous Federal, State and Local environmental laws and regulations. GASB 49 established standards for the accounting and reporting of obligations incurred to address current or potential detrimental effects of existing pollution. The District recorded in the financial statements pollution remediation liabilities of \$418,537. This liability is partially attributable to land acquired by the District with known pollution which is expected to be remediated before the land can be used for its intended purpose. This portion of the liability was capitalized. The remainder of the liability was expensed. The liability was calculated based on historical expenditures and professional judgment. The liability is an estimate and is subject to revision because of price increases or reductions, changes in technology, changes in applicable laws or regulations, or other circumstances that could cause changes. Although some uncertainties associated with environmental assessment remain and certain costs are not quantifiable, management believes the current provision for such costs is adequate. There are no estimated recoveries reducing the liability as of February 28, 2015. Additional costs, if any, are not expected to have a material effect on the financial condition of the District.

**HARRIS COUNTY FLOOD CONTROL DISTRICT
A COMPONENT UNIT OF HARRIS COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
February 28, 2015**

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.

CONSTRUCTION COMMITMENTS

The District has commitments under various contracts in connection with the construction of flood control facilities, buildings, and projects of \$59,740,510.

ENCUMBRANCES

The District uses encumbrances to control expenditure commitments for the year. Encumbrances represent commitments related to executor contracts not yet performed and purchase orders not yet filled. Commitments for such expenditure of monies are encumbered to reserve portion of applicable appropriations. Depending on the source(s) of funding, encumbrances are reported as part of restricted, committed or assigned fund balance on the governmental funds balance sheet. As of February 28, 2015, the encumbrance balances for the governmental funds are reported as follows:

	Restricted	Assigned	Total
General Fund	\$ -	\$ 9,476,866	\$ 9,476,866
Capital Projects	59,740,510	-	59,740,510
	\$ 59,740,510	\$ 9,476,866	\$ 69,217,376

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 employer's liability. During the last three fiscal years, no claims paid exceeded the insurance coverage for the County. Through the County, the District provides medical, dental, vision, and basic life and disability insurance to eligible employees and retirees. The District pays the full cost of health benefits for eligible employees and 50% of the cost of dependent premiums. Disability insurance will pay up to 50% of an employee's salary for two years with an employee option to extend the benefits period to age 65 and increase the percentage to 60%.

The District's group insurance premiums, as well as employee payroll deductions for premiums for dependents and optional coverage, are paid into the County's Health Insurance Management Fund, which in

HARRIS COUNTY FLOOD CONTROL DISTRICT
A COMPONENT UNIT OF HARRIS COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
February 28, 2015

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. FUND BALANCES

Fund balances are presented in the following categories: nonspendable, restricted, committed, assigned, and unassigned as described in Note 1. The following is a detail of fund balances for all the major and nonmajor governmental funds at February 28, 2015:

	Operations and Maintenance (General)	Debt Service	Capital Projects	Total
Fund Balances:				
Nonspendable:				
Prepays	\$ 155,238	\$ -	\$ 126,426	\$ 281,664
Total nonspendable	<u>155,238</u>	<u>-</u>	<u>126,426</u>	<u>281,664</u>
Restricted for:				
Debt service	98,605	4,243,176	-	4,341,781
Capital projects	-	-	194,241,163	194,241,163
Total restricted	<u>98,605</u>	<u>4,243,176</u>	<u>194,241,163</u>	<u>198,582,944</u>
Assigned to:				
Flood control maintenance	9,476,866	-	-	9,476,866
Imprest cash	600	-	-	600
Total assigned	<u>9,477,466</u>	<u>-</u>	<u>-</u>	<u>9,477,466</u>
Unassigned	<u>86,416,592</u>	<u>-</u>	<u>-</u>	<u>86,416,592</u>
Total fund balances	<u>\$ 96,147,901</u>	<u>\$ 4,243,176</u>	<u>\$ 194,367,589</u>	<u>\$ 294,758,666</u>

12. RECENT ACCOUNTING PRONOUNCEMENTS

GASB Statement 68, *Accounting and Financial Reporting for Pensions* ("GASB 68"), replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers* and Statement No. 50, *Pension Disclosures*, as they relate to governments that provide pensions through pension plans administered as trusts or similar arrangements that meet certain criteria. GASB 68 will be implemented by the District in fiscal year 2016. Net pension liability will be reported as a line on the balance sheet for the first time and deferred inflows and outflows related to the pension will be reported. Pension expense for income statement purposes will be calculated differently than it has been in the past and it could be more volatile year to year. Pension expense will be the change in net pension liability from year to year,

HARRIS COUNTY FLOOD CONTROL DISTRICT
A COMPONENT UNIT OF HARRIS COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
February 28, 2015

adjusted for the change in deferred inflows/outflows. Previous GASB 68, pension expense was based on employer contributions.

GASB Statement 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date* (“GASB 71”), is an amendment to Statement No. 68, *Accounting and Financial Reporting for Pensions*. GASB 71 eliminates the source of a potential significant understatement of restated beginning net position and expense in the first year implementation of Statement 68 in accrual basis financial statements. GASB 71 will be implemented by the District in fiscal year 2016 and the impact has not yet been determined.

GASB Statement 72, *Fair Value Measurement and Application* (“GASB 72”), addresses accounting and financial reporting issues related to fair value measurements by providing guidance for determining a fair value measurement for financial reporting purposes and guidance for applying fair value to certain investments and disclosures related to all fair value measurements. GASB 72 will be implemented by the District in fiscal year 2017 and the impact has not yet been determined.

GASB Statement 73, *Accounting and Financial Reporting for Pensions and Related Assets that are not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68* (“GASB 73”), establishes requirements for defined benefit pensions that are not within the scope of Statement No. 68, *Accounting and Financial Reporting for Pensions*, as well as for the assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of Statement 68. It also amends certain provisions of Statement No. 67, *Financial Reporting for Pension Plans*, and Statement 68 for pension plans and pensions that are within their respective scopes. GASB 73 will be implemented by the District in fiscal year 2017 and the impact has not yet been determined.

GASB Statement 74, *Financial Reporting for Postemployment Benefit Plans Other than Pension Plans* (“GASB 74”), replaces GASB Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. GASB 74 addresses the financial reports of defined benefit OPEB plans that are administered through trusts that meet specified criteria. GASB 74 will be implemented by the District in fiscal year 2018 and the impact has not yet been determined.

GASB Statement 75, *Accounting and Financial Reporting for Postemployment Benefit Plans Other than Pension Plans* (“GASB 75”), replaces the requirements of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. GASB 75 requires governments to report a liability on the face of the financial statements for the OPEB that they provide. GASB 75 will be implemented by the District in fiscal year 2019 and the impact has not yet been determined.

GASB Statement 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments* (“GASB 76”), has the objective to identify – in the context of the current governmental financial reporting environment – the hierarchy of generally accepted accounting principles (“GAAP”). GASB 76 will be implemented by the District in fiscal year 2017 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, 2015**

	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	\$ 130,431,470	\$ 130,431,470	\$ 127,813,169	\$ (2,618,301)
FC Series F Commercial Paper	98,595	98,595	98,596	1
Total Beginning Cash and Investments	<u>130,530,065</u>	<u>130,530,065</u>	<u>127,911,765</u>	<u>(2,618,300)</u>
Interest:				
Flood Control General	782,678	782,678	673,770	(108,908)
FC Series F Commercial Paper	3	3	9	6
Improvement Ref Bond 2014 - COI	-	2	2	-
Contract Tax Bond 2014A - COI	-	3	3	-
Contract Tax Bond 2014B - COI	-	5	5	-
Total Interest	<u>782,681</u>	<u>782,691</u>	<u>673,789</u>	<u>(108,902)</u>
Taxes:				
Flood Control General	85,705,475	85,705,475	86,730,521	1,025,046
Intergovernmental:				
Flood Control General	-	-	194,638	194,638
Miscellaneous:				
Flood Control General	312,840	312,840	911,009	598,169
Other - Lease Revenue:				
Flood Control General	288,000	288,000	432,224	144,224
Other Transfers In:				
Flood Control General	-	-	396,796	396,796
Improvement Ref Bond 2014 - COI	-	128,457	128,457	-
Contract Tax Bond 2014A - COI	-	200,160	200,160	-
Contract Tax Bond 2014B - COI	-	211,719	211,719	-
Total Other Transfers In	<u>-</u>	<u>540,336</u>	<u>937,132</u>	<u>396,796</u>
Total Revenue and Other Financing Sources	<u>217,619,061</u>	<u>218,159,407</u>	<u>217,791,078</u>	<u>(368,329)</u>
EXPENDITURES AND OTHER FINANCING USES				
Flood Control General	217,520,463	217,520,463	120,004,099	97,516,364
FC Series F Commercial Paper	98,598	98,598	-	98,598
Improvement Ref Bond 2014 - COI	-	128,459	128,459	-
Contract Tax Bond 2014A - COI	-	200,163	200,163	-
Contract Tax Bond 2014B - COI	-	211,724	211,724	-
Total Expenditures and Other Financing Uses	<u>217,619,061</u>	<u>218,159,407</u>	<u>120,544,445</u>	<u>97,614,962</u>
Net changes in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 97,246,633</u>	<u>\$ 97,246,633</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, 2015**

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	\$ 217,791,078
Beginning Cash and Investments	(127,911,765)
Accrued in 2014, received in 2015	(2,099,155)
Accrued in 2015, to be received in 2016	3,087,078
Revenues and other financing sources on modified accrual (GAAP) basis	90,867,236
EXPENDITURES AND OTHER FINANCING USES	
Cash (budgetary) basis	120,544,445
Incurred during 2014, paid in 2015	(2,479,232)
Incurred during 2015, payable in 2016	1,513,604
Expenditures and other financing uses on modified accrual (GAAP) basis	119,578,817
Net changes in Fund Balance	\$ (28,711,581)

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

**HARRIS COUNTY FLOOD CONTROL DISTRICT
A COMPONENT UNIT OF HARRIS COUNTY, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION
OTHER POST EMPLOYMENT BENEFITS
SCHEDULE OF FUNDING PROGRESS
February 28, 2015**

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)
2013	3/1/2011	-	976,631,331	976,631,331	0%	727,014,798	134.3%
2014	3/1/2013	-	1,189,670,446	1,189,670,446	0%	776,162,676	153.3%
2015	3/1/2013	-	1,189,670,446	1,189,670,446	0%	900,961,148	132.0%

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 \$1,586,416 and \$13,136,729 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)
2013	3/1/2011	-	38,189,532	38,189,532	0%	17,149,475	222.7%
2014	3/1/2013	-	42,120,241	42,120,241	0%	17,979,083	234.3%
2015	3/1/2013	-	42,120,241	42,120,241	0%	18,397,413	228.9%

**HARRIS COUNTY FLOOD CONTROL DISTRICT
A COMPONENT UNIT OF HARRIS COUNTY, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION
TEXAS COUNTY AND DISTRICT RETIREMENT SYSTEM
SCHEDULE OF FUNDING PROGRESS
February 28, 2015**

Actuarial Valuation Date	12/31/12	12/31/13	12/31/14
Actuarial Value of Assets	\$2,900,822,171	\$3,066,967,671	\$3,264,826,444
Actuarial Accrued Liability (AAL)	\$3,415,552,240	\$3,600,574,458	\$3,782,197,854
Unfunded Actuarial Accrued Liability (UAAL)	\$ 514,730,069	\$ 533,606,787	\$ 517,371,410
Funded Ratio	84.93%	85.18%	86.32%
Annual Covered Payroll (Actuarial)	\$ 779,898,383	\$ 800,850,524	\$ 859,233,866
UAAL as Percentage of Covered Payroll	66.00%	66.63%	60.21%

**OTHER SUPPLEMENTARY INFORMATION
and
INDIVIDUAL FUND STATEMENTS**

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

AGENCY FUNDS

February 28, 2015

	Corps. of Engineers Escrow	Payroll Fund	Total Agency
ASSETS			
Cash and cash equivalents	\$ 25,735	\$ -	\$ 25,735
Investments	-	27,673	27,673
Other receivable, net	-	25	25
Accrued interest receivable	-	39	39
Total assets	<u>\$ 25,735</u>	<u>\$ 27,737</u>	<u>\$ 53,472</u>
LIABILITIES			
Vouchers payable	\$ -	\$ 27,737	\$ 27,737
Held for others	25,735	-	25,735
Total liabilities	<u>\$ 25,735</u>	<u>\$ 27,737</u>	<u>\$ 53,472</u>

HARRIS COUNTY FLOOD CONTROL DISTRICT
A COMPONENT UNIT OF HARRIS COUNTY, TEXAS
STATEMENT OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
For The Year Ended February 28, 2015

	<u>Balance</u> <u>March 1, 2014</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>February 28, 2015</u>
<u>Corps. of Engineers Escrow</u>				
ASSETS				
Cash and cash equivalents	\$ 25,733	\$ 3	\$ 1	\$ 25,735
Total Assets	<u>\$ 25,733</u>	<u>\$ 3</u>	<u>\$ 1</u>	<u>\$ 25,735</u>
LIABILITIES				
Held for others	\$ 25,733	\$ 3	\$ 1	\$ 25,735
Total Liabilities	<u>\$ 25,733</u>	<u>\$ 3</u>	<u>\$ 1</u>	<u>\$ 25,735</u>
<u>Payroll Fund</u>				
ASSETS				
Cash and cash equivalents	\$ 10,542	\$ 51,496,995	\$ 51,507,537	\$ -
Investments	21,220	27,673	21,220	27,673
Other receivables	-	25	-	25
Accrued interest	54	39	54	39
Total Assets	<u>\$ 31,816</u>	<u>\$ 51,524,732</u>	<u>\$ 51,528,811</u>	<u>\$ 27,737</u>
LIABILITIES				
Vouchers payable	\$ 31,816	\$ 39,660,239	\$ 39,664,318	\$ 27,737
Total Liabilities	<u>\$ 31,816</u>	<u>\$ 39,660,239</u>	<u>\$ 39,664,318</u>	<u>\$ 27,737</u>
<u>Total Agency Funds</u>				
ASSETS				
Cash and cash equivalents	\$ 36,275	\$ 51,496,998	\$ 51,507,538	\$ 25,735
Investments	21,220	27,673	21,220	27,673
Other receivables	-	25	-	25
Accrued interest	54	39	54	39
Total Assets	<u>\$ 57,549</u>	<u>\$ 51,524,735</u>	<u>\$ 51,528,812</u>	<u>\$ 53,472</u>
LIABILITIES				
Vouchers payable	\$ 31,816	\$ 39,660,239	\$ 39,664,318	\$ 27,737
Held for others	25,733	3	1	25,735
Total Liabilities	<u>\$ 57,549</u>	<u>\$ 39,660,242</u>	<u>\$ 39,664,319</u>	<u>\$ 53,472</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, 2015**

	DEBT SERVICE FUND			Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
REVENUES AND OTHER FINANCING SOURCES				
Beginning Cash and Investments	\$ 6,973,420	\$ 6,973,420	\$ 6,737,179	\$ (236,241)
Revenues and Transfers In:				
Taxes	6,860,803	6,860,803	4,073,295	(2,787,508)
Interest	33,867	33,867	6,468	(27,399)
Miscellaneous	5,500	5,500	12,775	7,275
Other	36,983,069	419,637,757	416,473,127	(3,164,630)
Total Revenues and Transfers In	<u>43,883,239</u>	<u>426,537,927</u>	<u>420,565,665</u>	<u>(5,972,262)</u>
Total Available Resources	<u>50,856,659</u>	<u>433,511,347</u>	<u>427,302,844</u>	<u>(6,208,503)</u>
EXPENDITURES AND OTHER FINANCING USES				
Flood Control Contract Refunding 2006A	4,709,358	72,649,654	71,126,171	1,523,483
Flood Control Refunding Series 1993A	2,274,962	2,274,962	1,145,364	1,129,598
Flood Control Refunding Series 2003	2,497,768	3,645,611	2,437,082	1,208,529
Flood Control Contract Refunding 2004A-D	6,875,586	6,875,586	6,815,584	60,002
Flood Control Improvement Bonds 2007	9,061,625	51,736,919	47,051,922	4,684,997
Flood Control Contract Refunding 2010A	9,094,446	12,753,155	12,670,959	82,196
Flood Control Improvement Refunding Bond 2014	-	45,091,619	45,088,803	2,816
Flood Control Contract Tax Bond 2014A	-	74,881,287	74,878,999	2,288
Flood Control Contract Tax Bond 2014B	-	74,023,852	74,022,014	1,838
Flood Control Contract Refunding 2008A	6,993,889	32,641,062	32,066,423	574,639
Flood Control Contract Refunding 2008C	9,349,025	56,937,640	55,928,484	1,009,156
Total Expenditures and Other Financing Uses	<u>50,856,659</u>	<u>433,511,347</u>	<u>423,231,805</u>	<u>10,279,542</u>
Net changes in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,071,039</u>	<u>\$ 4,071,039</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, 2015**

	CAPITAL PROJECTS FUND			Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
REVENUES AND OTHER FINANCING SOURCES				
Beginning Cash and Investments	\$ 215,984,920	\$ 214,401,433	\$ 152,540,467	\$ (61,860,966)
Revenues and Transfers In:				
Interest	-	805,210	805,210	-
Miscellaneous	-	458,778	824,269	365,491
Intergovernmental	-	16,597,534	19,968,499	3,370,965
Other Proceeds from Commerical Paper	60,000,000	60,000,000	-	(60,000,000)
Other Transfers In	-	-	60,050,000	60,050,000
Total Revenues and Transfers In	<u>60,000,000</u>	<u>77,861,522</u>	<u>81,647,978</u>	<u>3,786,456</u>
Total Available Resources	<u>275,984,920</u>	<u>292,262,955</u>	<u>234,188,445</u>	<u>(58,074,510)</u>
EXPENDITURES AND OTHER FINANCING USES				
Regional Flood Control Projects	10,736,760	10,845,057	1,596,443	9,248,614
Flood Control Capital Projects	164,228,786	181,954,791	19,223,307	162,731,484
FC Bonds 2004A-Construction	7,729,097	7,737,033	868,886	6,868,147
FC Improvement Bonds 2007	17,891,910	17,908,166	4,853,357	13,054,809
Commercial Paper - Flood Control	75,398,367	73,817,908	5,920,556	67,897,352
Total Expenditures and Other Financing Uses	<u>275,984,920</u>	<u>292,262,955</u>	<u>32,462,549</u>	<u>259,800,406</u>
Net changes in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 201,725,896</u>	<u>\$ 201,725,896</u>

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

Listed below are the areas covered in the statistical section:

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

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

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

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

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

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

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

	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Governmental activities:										
Net investment in capital assets	\$ 1,431,526	\$ 1,473,837	\$ 1,497,771	\$ 1,530,479	\$ 1,534,527	\$ 1,573,175	\$ 1,616,240	\$ 1,610,798	\$ 1,653,516	\$ 1,708,074
Restricted for:										
Debt service	10,360	11,095	5,804	2,580	-	-	-	-	-	-
Capital projects	12,269	7,906	7,996	1,178	1,602	10,640	8,592	4,909	790	6,196
Unrestricted	67,189	68,738	74,876	83,768	88,261	87,114	100,203	109,232	106,564	75,157
Total governmental activities net position	<u>\$ 1,521,344</u>	<u>\$ 1,561,576</u>	<u>\$ 1,586,447</u>	<u>\$ 1,618,005</u>	<u>\$ 1,624,390</u>	<u>\$ 1,670,929</u>	<u>\$ 1,725,035</u>	<u>\$ 1,724,939</u>	<u>\$ 1,760,870</u>	<u>\$ 1,789,427</u>

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

	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
EXPENSES										
Governmental activities:										
Flood Control	\$ 84,205	\$ 84,383	\$ 94,515	\$ 98,955	\$ 108,331	\$ 99,780	\$ 92,832	\$ 98,792	\$ 93,621	\$ 99,234
Tax Administration	441	490	548	664	699	650	647	610	631	518
Interest and Fiscal Charges	19,435	20,802	28,784	25,555	26,312	28,892	32,919	31,928	31,381	28,213
Total governmental activities expenses	<u>\$ 104,081</u>	<u>\$ 105,675</u>	<u>\$ 123,847</u>	<u>\$ 125,174</u>	<u>\$ 135,342</u>	<u>\$ 129,322</u>	<u>\$ 126,398</u>	<u>\$ 131,330</u>	<u>\$ 125,633</u>	<u>\$ 127,965</u>
PROGRAM REVENUES										
Governmental activities:										
Charges for services:										
Flood Control	\$ 1,008	\$ 849	\$ 410	\$ 551	\$ 314	\$ 751	\$ 451	\$ 724	\$ 392	\$ 541
Operating grants and contributions	22,734	19,913	22,645	24,251	25,751	31,033	37,064	36,978	36,983	37,181
Capital grants and contributions	47,310	43,581	30,399	39,983	29,528	66,334	62,201	17,663	39,393	23,413
Total governmental activities program revenues	<u>\$ 71,052</u>	<u>\$ 64,343</u>	<u>\$ 53,454</u>	<u>\$ 64,785</u>	<u>\$ 55,593</u>	<u>\$ 98,118</u>	<u>\$ 99,716</u>	<u>\$ 55,365</u>	<u>\$ 76,768</u>	<u>\$ 61,135</u>
NET (EXPENSE)/REVENUE										
Total governmental activities net expense	<u>\$ (33,029)</u>	<u>\$ (41,332)</u>	<u>\$ (70,393)</u>	<u>\$ (60,389)</u>	<u>\$ (79,749)</u>	<u>\$ (31,204)</u>	<u>\$ (26,682)</u>	<u>\$ (75,965)</u>	<u>\$ (48,865)</u>	<u>\$ (66,830)</u>
GENERAL REVENUES AND OTHER CHANGES IN NET POSITION										
Governmental activities:										
Taxes:										
Property taxes levied for general purposes	\$ 54,161	\$ 60,787	\$ 69,632	\$ 73,148	\$ 76,122	\$ 68,758	\$ 74,317	\$ 69,389	\$ 77,515	\$ 86,726
Property taxes levied for debt services	11,900	11,704	9,248	9,088	4,850	4,987	2,404	7,946	6,315	3,927
Earnings on investments	6,207	8,952	13,679	6,475	3,767	1,493	2,653	1,913	440	3,491
Miscellaneous	904	341	1,504	3,199	1,395	2,505	1,414	1,714	526	1,243
Gain on sale of capital assets	534	-	1,201	37	-	-	-	-	-	-
Loss on sale of capital assets	-	(220)	-	-	-	-	-	-	-	-
Total governmental activities	<u>73,706</u>	<u>81,564</u>	<u>95,264</u>	<u>91,947</u>	<u>86,134</u>	<u>77,743</u>	<u>80,788</u>	<u>80,962</u>	<u>84,796</u>	<u>95,387</u>
CHANGE IN NET POSITION										
Governmental activities	<u>\$ 40,677</u>	<u>\$ 40,232</u>	<u>\$ 24,871</u>	<u>\$ 31,558</u>	<u>\$ 6,385</u>	<u>\$ 46,539</u>	<u>\$ 54,106</u>	<u>\$ 4,997</u>	<u>\$ 35,931</u>	<u>\$ 28,557</u>

Table 3

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

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
General Fund:										
Reserved	\$ 25,145	\$ 25,709	\$ 25,799	\$ 25,708	\$ 27,443	\$ 25,718	\$ -	\$ -	\$ -	\$ -
Unreserved	52,150	49,784	55,702	67,646	68,467	78,344	-	-	-	-
Nonspendable	-	-	-	-	-	-	322	269	121	155
Restricted	-	-	-	-	-	-	99	99	99	99
Assigned	-	-	-	-	-	-	26,649	20,713	18,494	9,477
Unassigned	-	-	-	-	-	-	85,890	104,464	106,145	86,417
Total general fund	<u>\$ 77,295</u>	<u>\$ 75,493</u>	<u>\$ 81,501</u>	<u>\$ 93,354</u>	<u>\$ 95,910</u>	<u>\$ 104,062</u>	<u>\$ 112,960</u>	<u>\$ 125,545</u>	<u>\$ 124,859</u>	<u>\$ 96,148</u>
All Other Governmental Funds:										
Reserved	\$ 75,464	\$ 61,185	\$ 74,031	\$ 55,570	\$ 42,910	\$ 43,750	\$ -	\$ -	\$ -	\$ -
Unreserved, reported in:										
Capital project funds	57,419	136,630	103,961	104,562	86,219	141,210	-	-	-	-
Nonspendable	-	-	-	-	-	-	816	-	305	127
Restricted	-	-	-	-	-	-	181,723	133,216	154,133	198,484
Total all other governmental funds	<u>\$ 132,883</u>	<u>\$ 197,815</u>	<u>\$ 177,992</u>	<u>\$ 160,132</u>	<u>\$ 129,129</u>	<u>\$ 184,960</u>	<u>\$ 182,539</u>	<u>\$ 133,216</u>	<u>\$ 154,438</u>	<u>\$ 198,611</u>

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

Table 4

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

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
REVENUES										
Taxes	\$ 67,690	\$ 71,775	\$ 77,069	\$ 82,908	\$ 80,486	\$ 76,642	\$ 74,764	\$ 77,740	\$ 84,916	\$ 91,070
Intergovernmental	25,167	22,195	18,233	55,714	45,786	60,631	85,746	49,822	75,684	55,831
Lease revenue	136	189	192	171	178	200	281	306	249	432
Earnings on investments	6,187	8,952	13,679	6,475	3,767	1,493	2,653	1,914	440	3,491
Miscellaneous	1,796	1,001	1,722	3,590	1,488	2,227	1,548	1,950	668	1,351
Total revenues	<u>100,976</u>	<u>104,112</u>	<u>110,895</u>	<u>148,858</u>	<u>131,705</u>	<u>141,193</u>	<u>164,992</u>	<u>131,732</u>	<u>161,957</u>	<u>152,175</u>
EXPENDITURES										
Flood Control	58,761	66,721	71,590	71,046	74,465	75,145	66,495	79,249	63,595	60,274
Tax Administration	441	490	548	664	699	650	647	609	631	518
Capital Outlay	67,990	92,162	57,209	77,386	69,533	52,720	45,592	43,413	37,207	32,584
Debt Service:										
Bond issuance fees	-	1,583	-	3,164	-	1,594	-	-	-	1,157
Interest and fiscal charges	20,486	20,848	34,465	25,847	30,190	28,900	35,815	34,030	33,493	30,662
Principal	18,975	17,070	8,755	12,554	11,573	10,269	10,109	11,455	11,805	13,025
	<u>166,653</u>	<u>198,874</u>	<u>172,567</u>	<u>190,661</u>	<u>186,460</u>	<u>169,278</u>	<u>158,658</u>	<u>168,756</u>	<u>146,731</u>	<u>138,220</u>
Excess of revenues over (under) expenditures	(65,677)	(94,762)	(61,672)	(41,803)	(54,755)	(28,085)	6,334	(37,024)	15,226	13,955
OTHER FINANCING SOURCES (USES)										
Transfer in (out) from/to Harris County	10,925	16,408	18,384	-	-	-	-	-	-	-
Transfer in	208	105,517	9,003	9,181	9,912	205,835	11,278	2,544	26,638	61,723
Transfer out	(208)	(105,517)	(9,003)	(9,181)	(9,912)	(205,835)	(11,278)	(2,544)	(26,638)	(61,723)
Bonds issued	-	89,600	-	-	-	-	-	-	-	-
Refunding bonds issued	-	94,185	-	451,465	-	181,885	-	-	-	170,355
Premium on bonds issued	-	11,584	-	19,332	-	19,723	-	-	-	19,475
Discount on bonds issued	-	-	-	(764)	-	-	-	-	-	-
Commercial paper issued	51,845	45,520	27,860	32,630	26,000	89,565	-	-	-	-
Payment to defease commercial paper	-	(99,650)	-	-	-	(200,000)	-	-	-	-
Payment to refunding bond escrow agent	-	-	-	(466,930)	-	-	-	-	-	(188,658)
Sale of capital assets	579	246	1,613	63	308	895	142	288	5,310	334
Total other financing sources (uses)	<u>63,349</u>	<u>157,893</u>	<u>47,857</u>	<u>35,796</u>	<u>26,308</u>	<u>92,068</u>	<u>142</u>	<u>288</u>	<u>5,310</u>	<u>1,506</u>
Net change in fund balances	<u>\$ (2,328)</u>	<u>\$ 63,131</u>	<u>\$ (13,815)</u>	<u>\$ (6,007)</u>	<u>\$ (28,447)</u>	<u>\$ 63,983</u>	<u>\$ 6,476</u>	<u>\$ (36,736)</u>	<u>\$ 20,536</u>	<u>\$ 15,461</u>
Debt service as a percentage of noncapital expenditures	40.0%	35.5%	37.5%	33.9%	35.7%	33.6%	40.6%	36.3%	41.4%	41.4%

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
2006	\$ 230,050,598	\$ 37,276,435	\$ 61,017,743	\$ 206,309,290 (c)	0.03322
2007	250,997,888	40,345,611	66,142,090	225,201,409 (c)	0.03241
2008	281,251,230	46,086,287	73,150,566	254,186,951	0.03106
2009	321,147,405	43,010,048	89,424,111	274,733,342	0.03086
2010	325,453,516	45,496,068	94,414,243	276,535,341	0.02922
2011	315,200,613	43,537,642	93,805,049	264,933,206	0.02923
2012	321,629,707	43,346,546	96,453,218	268,523,035	0.02809
2013	334,997,328	47,104,735	101,809,361	280,292,702	0.02809
2014	358,644,209	51,681,663	104,868,732	305,457,140	0.02827
2015	395,193,725	54,596,861	110,245,889	339,544,697	0.02736

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

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

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

Source: Harris County Appraisal District.

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

Table 6

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

Purpose	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Flood Control District -										
Maintenance	\$ 0.02733	\$ 0.02733	\$ 0.02754	\$ 0.02754	\$ 0.02754	\$ 0.02727	\$ 0.02727	\$ 0.02522	\$ 0.02620	\$ 0.02620
Debt Service	0.00589	0.00508	0.00352	0.00332	0.00168	0.00196	0.00082	0.00287	0.00207	0.00116
Total - Flood Control	\$ 0.03322	\$ 0.03241	\$ 0.03106	\$ 0.03086	\$ 0.02922	\$ 0.02923	\$ 0.02809	\$ 0.02809	\$ 0.02827	\$ 0.02736

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	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
County-Wide Taxing Jurisdiction:										
Harris County	\$ 0.3999	\$ 0.4024	\$ 0.3924	\$ 0.3892	\$ 0.3922	\$ 0.3881	\$ 0.3912	\$ 0.4002	\$ 0.4146	\$ 0.4173
Harris County Flood Control District	0.0332	0.0324	0.0311	0.0309	0.0292	0.0292	0.0281	0.0281	0.0283	0.0274
Port of Houston Authority	0.0147	0.0130	0.0144	0.0177	0.0164	0.0205	0.0185	0.0195	0.0171	0.0153
Harris County Hospital District	0.1922	0.1922	0.1922	0.1922	0.1922	0.1922	0.1922	0.1822	0.1700	0.1700
Total	<u>\$ 0.6400</u>	<u>\$ 0.6400</u>	<u>\$ 0.6301</u>	<u>\$ 0.6300</u>						
Cities:										
Baytown	0.7370	0.7370	0.7370	0.7870	0.7870	0.7870	0.8220	0.8220	0.8220	0.8220
Bellaire	0.4700	0.4400	0.4400	0.3775	0.3759	0.3999	0.3999	0.3999	0.3999	0.3936
Deer Park	0.7200	0.7200	0.7200	0.7050	0.7050	0.7050	0.7050	0.7200	0.7200	0.7200
Houston	0.6500	0.6475	0.6450	0.6438	0.6388	0.6388	0.6388	0.6388	0.6388	0.6311
LaPorte	0.7100	0.7100	0.7100	0.7100	0.7100	0.7100	0.7100	0.7100	0.7100	0.7100
League City	0.6275	0.6088	0.6088	0.6300	0.6300	0.6160	0.6160	0.5970	0.5970	0.5970
Missouri City	0.4980	0.4945	0.4993	0.5172	0.5284	0.5284	0.5284	0.5448	0.5738	0.5650
Pasadena	0.5670	0.5670	0.5670	0.5620	0.5620	0.5916	0.5916	0.5916	0.5916	0.5769
Pearland	0.6744	0.6527	0.6526	0.6526	0.6526	0.6651	0.6851	0.7051	0.7051	0.7121
Seabrook	0.6307	0.6210	0.6203	0.5884	0.5884	0.6268	0.6500	0.6652	0.6652	0.6400
South Houston	0.6863	0.6588	0.6770	0.6784	0.6732	0.6732	0.6732	0.7083	0.6699	0.6445
Webster	0.2575	0.2575	0.2489	0.2060	0.2325	0.2575	0.2853	0.2853	0.2696	0.2487
West University Place	0.4300	0.4020	0.3660	0.3590	0.3588	0.3741	0.3741	0.3741	0.3741	0.3618
School Districts and Junior Colleges:										
Aldine	1.7090	1.6040	1.2770	1.2920	1.3005	1.4305	1.3284	1.3284	1.3284	1.3059
Alief	1.7200	1.5900	1.5900	1.3400	1.3400	1.3400	1.3400	1.3200	1.2900	1.2800
Clear Creek	1.7750	1.6300	1.3200	1.3600	1.3600	1.2937	1.3600	1.3600	1.3600	1.4000
Cypress-Fairbanks	1.8000	1.8000	1.6450	1.3240	1.3500	1.4100	1.4300	1.4500	1.4500	1.4500
Deer Park	1.8055	1.6623	1.3177	1.3367	1.3667	1.3967	1.3967	1.5267	1.5567	1.5567
Galena Park	1.8150	1.7100	1.4309	1.4550	1.4784	1.5134	1.5134	1.5134	1.5134	1.5134
Goose Creek	1.7275	1.5956	1.3020	1.2821	1.2821	1.3021	1.3321	1.3321	1.3868	1.3868
Houston	1.7275	1.6200	1.1570	1.1567	1.1567	1.1567	1.1567	1.1567	1.1867	1.1967
Humble	1.7700	1.7700	1.3100	1.5200	1.5200	1.5200	1.5200	1.5200	1.5200	1.5200
Katy	2.0000	1.8150	1.5266	1.5266	1.5266	1.5266	1.5266	1.5266	1.5266	1.5266
Klein	1.7000	1.5800	1.2600	1.3100	1.3600	1.4100	1.4300	1.4400	1.4300	1.3900
LaPorte	1.7335	1.6350	1.3200	1.3250	1.3250	1.3250	1.3550	1.3300	1.3300	1.4500
North Forest**	1.7125	1.7125	1.2367	1.3143	1.3500	1.3500	1.4693	1.4432	N/A	N/A
Lone Star College System*	0.1207	0.1167	0.1144	0.1101	0.1101	0.1176	0.1210	0.1198	0.1160	0.1081
Pasadena	1.8050	1.6900	1.3500	1.3500	1.3500	1.3500	1.3500	1.3500	1.3500	1.3500
Pearland	1.7922	1.6622	1.4272	1.4194	1.4194	1.4194	1.4194	1.4194	1.4157	1.4157
San Jacinto Junior College	0.1391	0.1454	0.1454	0.1634	0.1708	0.1708	0.1763	0.1856	0.1856	0.1856
Sheldon	1.7500	1.6340	1.4300	1.4300	1.4300	1.4300	1.4300	1.4300	1.4300	1.4300
Spring	1.9500	1.7100	1.4400	1.4400	1.4600	1.4600	1.4600	1.5700	1.5700	1.5100
Spring Branch	1.8100	1.8100	1.2850	1.3825	1.3945	1.3945	1.3945	1.3945	1.3945	1.3945
Tomball	1.7100	1.5800	1.2750	1.3600	1.3600	1.3600	1.3600	1.3600	1.3600	1.3600

* Name change in FY2009 from North Harris Montgomery Community College

**Houston ISD annexed North Forest effective July 1, 2013.

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	2015			2006		
	2014 Taxable Valuations (a)	Rank	Percentage of Total 2014 Taxable Valuation (b)	2005 Taxable Valuations (a)	Rank	Percentage of Total 2005 Taxable Valuation (c)
Exxon Mobil Corporation	\$ 3,190,218	1	0.94%	\$ 3,157,665	1	1.53%
Centerpoint Energy, Inc.	2,780,025	2	0.82	2,604,445	2	1.26
Shell Oil Company	2,372,359	3	0.70	1,945,346	3	0.94
Chevron Chemical Company	2,004,198	4	0.59	935,750	8	0.45
Lyondell Chemical	1,720,824	5	0.51	1,292,657	4	0.63
Equistar Chemicals LP	1,074,763	6	0.32	1,055,374	6	0.51
Walmart	875,506	7	0.26	-		0.00
Hewlett Packard	855,261	8	0.25	592,359	10	0.29
NOV Wilson LP	829,255	9	0.24	-		0.00
Crescent HC Investors LP	776,216	10	0.23	966,916	7	0.47
United Airlines INC	652,102	11	0.19	-		0.00
Busycon Properties Inc	536,990	12	0.16	-		0.00
Palmetto Transoceanic LLC	534,722	13	0.16	-		0.00
Southwestern Bell Telephone	517,939	14	0.15	1,058,278	5	0.51
AMOCO Chemical Co.	510,305	15	0.15	-		0.00
Hines Interests Ltd Partnership	-		0.00	854,380	9	0.41
Rohm & Haas Co.	-		0.00	499,167	11	0.24
Anheuser Busch Inc.	-		0.00	473,966	12	0.23
Trizecahn	-		0.00	415,503	13	0.20
Calpine	-		0.00	405,130	14	0.20
Oxy Vinlys LP	-		0.00	399,223	15	0.19
Total	\$ 19,230,683		5.66%	\$ 16,656,159		8.07%

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, 2015.
- (c) Based on the District's total taxable value as of January 29, 2006.

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
2006	\$ 64,981	\$ 67,093	\$ 60,008	92.3%	\$ 6,835	\$ 66,843	99.6%
2007	70,782	71,467	62,680	88.6	8,555	71,235	99.7
2008	72,083	76,789	69,058	95.8	7,545	76,603	99.8
2009	84,057	83,779	74,344	88.4	9,152	83,496	99.7
2010	80,534	79,590	74,798	92.9	4,455	79,253	99.6
2011	77,374	76,745	72,089	93.2	4,341	76,430	99.6
2012	75,400	74,828	71,159	94.4	3,265	74,424	99.5
2013	78,616	77,965	74,486	94.7	2,948	77,434	99.3
2014	86,158	85,630	82,041	95.2	2,861	84,902	99.1
2015	92,695	92,695	88,298	95.3	-	88,298	95.3

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

Table 10

**HARRIS COUNTY FLOOD CONTROL DISTRICT
A COMPONENT UNIT OF HARRIS COUNTY, TEXAS
RATIO OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS
(Unaudited)
(amounts in thousands)**

Fiscal Year	Governmental Activities		Total Government	Less: Restricted for Debt Payments	Total Net General Bonded Debt	Percentage of Actual Taxable Value of Property (a)	Percentage of Personal Income (b)	Debt Per Capita (b)	Net Debt Per Capita (b)
	General Bonded Debt	Commercial Paper							
2006	403,967	78,425	482,392	10,360	472,032	0.23%	0.31%	131	128
2007	581,971	23,945	605,916	11,095	594,821	0.27%	0.34%	156	153
2008	564,278	51,805	616,083	5,803	610,280	0.24%	0.32%	157	155
2009	553,794	84,435	638,229	2,580	635,649	0.23%	0.34%	160	160
2010	536,720	110,435	647,155	-	647,155	0.23%	0.33%	159	159
2011	723,784	-	723,784	-	723,784	0.27%	0.39%	177	177
2012	710,700	-	710,700	-	710,700	0.26%	0.35%	170	170
2013	697,367	-	697,367	-	697,367	0.25%	0.31%	164	164
2014	692,708	-	692,708	-	692,708	0.23%	0.30%	160	160
2015	647,930	-	647,930	-	647,930	0.19%	n/a	146	146

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, 2015
(Unaudited)**

	Percentage Applicable To Name of Government	Net Debt (Thousands)
County-Wide Jurisdiction:		
Harris County (2/28/15)	100.00%	\$ 1,974,972
Harris County Flood Control District (2/28/15)	100.00	593,361
Port of Houston Authority (12/31/14)	100.00	702,379
Total County-Wide Direct Debt		<u>3,270,712</u>
Cities:		
Baytown (9/30/14)	94.47	\$ 114,370
Bellaire (9/30/14)	100.00	77,047
Bunker Hill Village (12/31/14)	100.00	13,361
Deer Park (9/30/14)	100.00	25,072
Friendswood (9/30/14)	20.52	15,086
Houston (6/30/14)	99.30	3,297,094
Jersey Village (9/30/14)	100.00	16,775
La Porte (9/30/14)	100.00	20,341
League City (9/30/14)	2.00	90,026
Missouri City (7/1/14)	4.21	56,472
Pasadena (9/30/14)	100.00	77,302
Pearland (2/28/15)	7.51	289,028
Seabrook (9/30/14)	100.00	14,911
Tomball (9/30/14)	100.00	29,179
Webster (10/01/14)	100.00	16,576
West University Place (12/31/14)	100.00	58,868
Woodlands (12/31/14)	100.00	42,624
Other Cities (a)	100.00	45,362
Sub-Total Cities		<u>4,299,494</u>
School Districts and Junior Colleges:		
Aldine (6/30/14)	100.00	555,786
Alief (8/31/14)	100.00	165,979
Chanelview (8/31/14)	100.00	216,041
Clear Creek (8/31/14)	68.14	1,322,840
Crosby (8/31/14)	100.00	120,609
Cypress-Fairbanks (6/30/14)	100.00	1,793,339
Deer Park (6/30/14)	100.00	249,041
Galena Park (8/31/14)	100.00	194,000
Goose Creek (6/30/14)	75.03	434,638
Houston Community College (6/30/15)	96.13	721,808
Houston (2/28/15)	100.00	2,477,114
Humble (6/30/14)	100.00	571,279
Katy (8/31/14)	58.45	1,209,384
Klein (8/31/14)	100.00	731,468
LaPorte (6/30/14)	99.99	420,808
Lee College (2/28/15)	75.03	80,392
Lone Star College System (8/31/14)	74.56	456,797
New Caney (4/17/2015)	1.93	270,149
Pasadena (8/31/14)	100.00	594,947
Pearland (8/31/14)	2.20	313,892
San Jacinto Junior College (2/28/15)	99.99	286,737
Sheldon (8/31/14)	100.00	143,089
Spring (6/30/14)	100.00	851,134
Spring Branch (6/30/14)	100.00	750,603
Tomball (8/31/14)	93.18	380,459
Waller (2/6/15)	42.48	114,246
Other Schools (b)	100.00	14,210
Sub-Total School Districts and Junior Colleges		<u>15,440,789</u>
Utility Districts (c)	100.00	4,490,316
Total Overlapping Debt		<u>24,230,599</u>
Total Direct and Overlapping Debt (Estimated \$6,192 Per Capita) (d)		<u>\$ 27,501,311</u>

(a) Aggregate net debt of 11 cities, each of which had a net debt of less than \$10,000,000.

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

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

(d) Census Bureau population estimated at 4,441,370. Source: Bureau of the Census.

Sources: Outstanding debt provided by each governmental unit.

Note: Overlapping governments are those that coincide, at least in part, with geographic boundaries of the County.

This table estimates the portion of the outstanding debt of those overlapping governments that is borne by the property taxpayers of Harris County. This process recognizes that, when considering the County's ability to issue and repay long-term debt, the entire burden borne by the taxpayers should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for the debt, of each overlapping government.

**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 2015

Assessed Value of All Taxable Property		\$ 449,838,586
Assessed Value of Real Property		<u>\$ 384,362,133</u>
Debt Limit (25% of real property assessed value) (a)		96,090,533
Amount of Debt Applicable to Constitutional Debt Limit:		
Total Bonded Applicable Debt	1,247,449	
Less: Debt Service Funds Cash	<u>(132,189)</u>	
Total Net Debt Applicable to Limit		<u>1,115,260</u>
Legal Debt Margin, Bonds Issued Uner Article III, Section 52 of the Texas Constitution		<u><u>\$ 94,975,273</u></u>

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Debt Limit	\$ 57,512,650	\$ 62,749,472	\$ 70,312,808	\$ 78,435,050	\$ 79,237,355	\$ 76,784,802	\$ 78,368,988	\$ 81,206,807	\$ 86,906,680	\$ 96,090,533
Total Net Debt Applicable to Limit	<u>1,152,955</u>	<u>1,390,672</u>	<u>1,313,108</u>	<u>1,278,101</u>	<u>1,205,427</u>	<u>1,143,838</u>	<u>1,161,111</u>	<u>1,063,108</u>	<u>995,440</u>	<u>1,115,260</u>
Legal Debt Margin	<u>\$ 56,359,695</u>	<u>\$ 61,358,800</u>	<u>\$ 68,999,700</u>	<u>\$ 77,156,949</u>	<u>\$ 78,031,928</u>	<u>\$ 75,640,964</u>	<u>\$ 77,207,877</u>	<u>\$ 80,143,699</u>	<u>\$ 85,911,240</u>	<u>\$ 94,975,273</u>
Total Net Debt Applicable to the Limit as a percentage of Debt Limit	2.00%	2.22%	1.87%	1.63%	1.52%	1.49%	1.48%	1.31%	1.15%	1.16%

(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 \$22,491,929 compared to applicable bonds outstanding at February 28, 2014 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 \$0.02827 per \$100 of taxable value, which includes \$0.00207 per \$100 of taxable value for debt service, was levied by the Flood Control District in tax year 2013.

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
2005	3,693,050	5.4%	156,920,733	42,491
2006	3,886,207	4.0%	178,160,838	45,844
2007	3,935,855	4.2%	194,177,877	49,336
2008	3,984,349	5.5%	190,226,395	47,743
2009	4,070,989	8.1%	196,779,227	48,337
2010	4,092,459	8.3%	183,899,347	44,936
2011	4,178,574	7.2%	204,593,445	48,963
2012	4,253,700	6.0%	224,617,980	52,805
2013	4,336,853	5.5%	230,462,963	53,141
2014	4,441,370	4.0%	n/a	n/a

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

Table 14

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

Employer	2014			2005		
	Employees	Rank	Percentage of Total County Employment	Employees	Rank	Percentage of Total County Employment
Memorial Hermann Health System	19,500	1	0.66%			
United Airlines	17,000	2	0.57%			0.00%
ExxonMobil Corporation	13,191	3	0.44%			0.00%
Houston Methodist	13,000	4 (tie)	0.44%			
Shell Oil Company	13,000	4 (tie)	0.44%	11,674	2	0.48%
Kroger Company	12,000	5	0.40%			0.00%
National Oilwell Varco	10,000	6 (tie)	0.34%			
Schlumberger Limited	10,000	6 (tie)	0.34%			
BP America Inc	9,537	7	0.32%			
Baylor College of Medicine	9,232	8	0.31%			0.00%
Chevron	9,000	9	0.30%			
ARAMARK Corporation	8,500	10	0.29%			
Halliburton Companies (former Brown & Root/Dresser)				11,965	1	0.50%
Continental Airlines				9,500	3	0.39%
HP (former Compaq)				8,500	4	0.35%
Pappas Restaurants, Inc.				8,000	5	0.33%
SBC (former Southwestern Bell Telephone)				6,343	6	0.26%
Centerpoint (former Houston Industries)				5,531	7	0.23%
HCA Gulf Coast (former Columbia HCA Gulf Coast)				5,008	8	0.21%
Conoco Phillips				4,521	9	0.19%
Baker Hughes				4,500	10	0.19%
	143,960			75,542		

* Based on calendar year.

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

Note: Total County Employment for 2014 was an estimated 2,972,910 (based on prior year employment figures) and for 2005 was 2,412,284.

**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)**

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Administration of Justice	8,380 (a)	8,168	8,740	9,425	9,308	8,779	8,462	8,723	9,290	9,625
Parks	715	706	732	787	797	670	625	675	700	805
County Administration	2,726	2,871	3,024	3,339	3,161	3,032	2,901	2,957	3,021	3,166
Health and Human Services	1,613	1,604	1,706	1,796	1,718	1,467	1,385	1,326	1,334	1,369
Flood Control	312	333	325	354	374	335	308	290	300	291
Tax Administration	428	426	435	428	415	378	341	340	349	348
Roads and Bridges	782	779	807	856	914	597	561	536	550	448

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

Note: (1) As of February 28, 2015, it is estimated that approximately 2,862 of the County's employees were members of various labor organizations, some of which are unions affiliated with the AFL-CIO. The County does not maintain collective bargaining agreements with any unions.
(2) This schedule represents the number of County employees at the end of each fiscal year.

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

<u>Function/Program</u>	Fiscal Years									
	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
<u>Flood Control</u>										
Sites by Acreage (Incl. Easements and Fee Simple Ownership)										
Basins	12,309	13,192	14,866	15,361	15,467	15,724	16,081	16,107	16,298	16,342
Buyouts	763	776	825	845	880	931	958	1,016	1,034	1,040
Channels	20,704	20,753	20,799	20,832	20,858	20,935	21,117	21,143	21,236	21,286

Source: The Budget Office and Various County Departments

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

<u>Function/Program</u>	Fiscal Years									
	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
<u>Flood Control</u>										
Developer Plans Approved- Watershed Mgt.	1,114	1,221	1,467	1,578	1,713	1,833	1,831	2,051	2,078	2,431
Citizen Services Requests	2,393	2,681	2,948	2,573	2,476	2,479	1,738	1,393	1,847	1,385

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, 2015
(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, 2015
(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, 2015
(Unaudited)**

Personnel Expenditures (including benefits)	\$ 25,316,794
Professional Fees and Contractual Services	28,485,209
Utilities	524,315
Repairs and Maintenance	646,065
Capital Outlay	3,071,682
Other Expenditures	<u>1,527,047</u>
TOTAL EXPENDITURES	<u><u>\$ 59,571,112</u></u>

Number of persons employed by the District: 291 Full-Time

**HARRIS COUNTY FLOOD CONTROL DISTRICT
A COMPONENT UNIT OF HARRIS COUNTY, TEXAS
TAXES LEVIED AND RECEIVABLE
For The Year Ended February 28, 2015
(Unaudited)**

	Maintenance and Operations Taxes	Debt Service Taxes
Taxes receivable, beginning of year	\$ 7,223,257	\$ 1,121,830
2014 Original Tax Levy (adjusted thru 2/28/15)	88,764,719	3,930,041
Total to be accounted for	<u>95,987,976</u>	<u>5,051,871</u>
Tax collections:		
Current year	(82,158,036)	(3,637,741)
Prior years	(6,329,011)	(572,635)
Total collections	<u>(88,487,047)</u>	<u>(4,210,376)</u>
Taxes receivable, end of year	<u>\$ 7,500,929</u>	<u>\$ 841,495</u>

Taxes receivable, by years		
2004 and prior	566,990	384,733
2005	202,623	43,667
2006	196,891	36,586
2007	209,894	26,820
2008	252,196	30,408
2009	312,845	19,086
2010	285,868	20,561
2011	325,904	9,803
2012	390,619	44,466
2013	674,642	53,284
2014	4,082,457	172,081
Taxes receivable, end of year	<u>\$ 7,500,929</u>	<u>\$ 841,495</u>

Tax year	2014	2013	2012	2011
Property valuations: (amounts in thousands)				
Real property	\$ 395,193,725	\$ 358,644,209	\$ 334,997,328	\$ 321,629,707
Personal property	54,596,861	51,681,663	47,104,735	43,346,546
Less exemptions	(110,245,889)	(104,868,732)	(101,809,361)	(96,453,218)
Total property valuations	<u>\$ 339,544,697</u>	<u>\$ 305,457,140</u>	<u>\$ 280,292,702</u>	<u>\$ 268,523,035</u>
Tax rates per \$100 valuation:				
Maintenance and Operations tax rates (a)	\$ 0.02620	\$ 0.02620	\$ 0.02522	\$ 0.02727
Debt Service tax rates	0.00116	0.00207	0.00287	0.00082
Total tax rates per \$100 valuation	<u>\$ 0.02736</u>	<u>\$ 0.02827</u>	<u>\$ 0.02809</u>	<u>\$ 0.02809</u>
Original tax levy (b)	<u>\$ 92,899</u>	<u>\$ 86,353</u>	<u>\$ 78,734</u>	<u>\$ 75,428</u>
Percent of taxes collected to taxes levied (c)	<u>95.3%</u>	<u>95.2%</u>	<u>94.7%</u>	<u>94.4%</u>

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

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

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

Note: This schedule is prepared on a cash basis and does not include accruals for subsequent collections.

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, 2015**

Due During Fiscal Years Ending	Annual Requirements for All Series		
	Total Principal Due	Total Interest Due	Total Principal and Interest Due
2016	\$ 24,835,000	\$ 29,900,076	\$ 54,735,076
2017	25,385,000	29,448,413	54,833,413
2018	25,955,000	28,914,077	54,869,077
2019	26,705,000	28,238,731	54,943,731
2020	28,025,000	26,926,971	54,951,971
2021	29,495,000	25,455,658	54,950,658
2022	30,980,000	23,973,808	54,953,808
2023	32,605,000	22,347,358	54,952,358
2024	34,235,000	20,717,108	54,952,108
2025	35,950,000	19,005,358	54,955,358
2026	37,665,000	17,592,000	55,257,000
2027	39,125,000	15,708,750	54,833,750
2028	41,075,000	13,752,500	54,827,500
2029	43,100,000	11,730,750	54,830,750
2030	42,225,000	9,607,750	51,832,750
2031	29,590,000	7,528,500	37,118,500
2032	10,970,000	6,049,000	17,019,000
2033	11,520,000	5,500,500	17,020,500
2034	12,095,000	4,924,500	17,019,500
2035	12,700,000	4,319,750	17,019,750
2036	13,335,000	3,684,750	17,019,750
2037	14,005,000	3,018,000	17,023,000
2038	14,705,000	2,317,750	17,022,750
2039	15,440,000	1,582,500	17,022,500
2040	16,210,000	810,500	17,020,500
	<u>\$ 647,930,000</u>	<u>\$ 363,055,058</u>	<u>\$ 1,010,985,058</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, 2015
(Unaudited)**

	Bond Issues											Total
	Series 2002	Series 2003A	Series 2004A	Series 2006A	Series 2007	Series 2008A	Series 2008C	Series 2010A	Series 2014	Series 2014A	Series 2014B	
Interest Rate	3.00 - 5.50	3.00 - 6.00	3.00 - 5.25	5.00	4.75 - 5.00	4.00 - 5.25	3.00 - 5.125	5.00	2.00-5.00	1.00-5.00	.25-3.211	
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	04/01;10/01	04/01;10/01
Maturity Dates	10/1/2014	10/1/2015	10/1/2014	10/1/2031	10/1/2031	10/1/2021	10/1/2024	10/1/2039	10/1/2026	10/1/2029	10/1/2024	
Bonds Outstanding at March 1, 2014	\$ 1,045,000	\$ 2,290,000	\$ 6,485,000	\$ 94,185,000	\$ 89,600,000	\$ 134,190,000	\$ 147,150,000	\$ 181,885,000	\$ -	\$ -	\$ -	\$ 656,830,000
Bonds Sold During the Current Year: 2014-2015	-	-	-	-	-	-	-	-	36,590,000	60,100,000	73,665,000	170,355,000
Retirements During the Current Year: 2014-2015	1,045,000	2,290,000	6,485,000	60,935,000	38,400,000	21,880,000	42,675,000	3,280,000	390,000	1,875,000	-	179,255,000
Bonds Outstanding at February 28, 2015	\$ -	\$ -	\$ -	\$ 33,250,000	\$ 51,200,000	\$ 112,310,000	\$ 104,475,000	\$ 178,605,000	\$ 36,200,000	\$ 58,225,000	\$ 73,665,000	\$ 647,930,000
Interest Paid During the Current Year - 2014-2015	\$ 57,475	\$ 71,762	\$ 324,250	\$ 3,185,875	\$ 3,424,000	\$ 6,419,250	\$ 6,264,869	\$ 9,012,250	\$ 590,785	\$ 952,250	\$ 358,851	\$ 30,661,617

<u>Paying Agent's</u>	<u>Name</u>	<u>City</u>
Series 2002	JPMorgan Chase Bank	Dallas, Texas
Series 2003A	JPMorgan Chase Bank	Dallas, Texas
Series 2004A	JPMorgan Chase Bank	Dallas, Texas
Series 2006A	The Bank of New York	New York, New York
Series 2007	The Bank of New York	New York, New York
Series 2008A	The Bank of New York	New York, New York
Series 2008C	The Bank of New York	New York, New York
Series 2010A	The Bank of New York	New York, New York
Series 2014	The Bank of New York	New York, New York
Series 2014 A	The Bank of New York	New York, New York
Series 2014 B	The Bank of New York	New York, New York

<u>Bond Authorization:</u>	<u>Tax Bonds</u>
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, 2015: \$ 4,099,338

Average Annual Debt Service Payment (Principal & Interest) for remaining term of all debt: \$ 40,439,402

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, 2015
(Unaudited)

	Amounts					Percent of Fund Total Revenues				
	2015	2014	2013	2012	2011	2015	2014	2013	2012	2011
General Fund:										
Revenues:										
Taxes	\$ 87,059,147	\$ 78,565,904	\$ 69,872,695	\$ 72,340,021	\$ 71,369,211	96.7%	98.9%	97.5%	97.7%	92.6%
Intergovernmental	328,005	60,000	85,000	126,600	3,760,611	0.4%	0.1%	0.1%	0.2%	4.9%
Lease Revenue	432,224	248,792	306,279	281,015	199,498	0.5%	0.3%	0.4%	0.4%	0.3%
Interest	1,477,940	65,291	871,719	913,925	660,903	1.6%	0.1%	1.2%	1.2%	0.9%
Miscellaneous	758,014	466,850	529,415	347,212	1,049,141	0.8%	0.6%	0.7%	0.5%	1.3%
Total Revenues	\$ 90,055,330	\$ 79,406,837	\$ 71,665,108	\$ 74,008,773	\$ 77,039,364	100.0%	100.0%	100.0%	100.0%	100.0%
Expenditures:										
Current Operating:										
Flood Control	\$ 55,448,443	\$ 54,149,124	\$ 58,166,708	\$ 58,352,777	\$ 65,410,356	61.6%	68.2%	81.2%	78.8%	84.9%
Tax Administration	518,346	631,147	609,506	647,319	650,151	0.6%	0.8%	0.9%	0.9%	0.8%
Capital Outlay	3,071,682	557,770	629,153	337,445	1,015,215	3.4%	0.7%	0.9%	0.5%	1.3%
Debt Service										
Bond issuance fees	532,641	-	-	-	546,734	0.6%	0.0%	0.0%	0.0%	0.7%
Interest and Fiscal Charges	-	-	-	-	208,274	0.0%	0.0%	0.0%	0.0%	0.3%
Total Expenditures	\$ 59,571,112	\$ 55,338,041	\$ 59,405,367	\$ 59,337,541	\$ 67,830,730	66.2%	69.7%	82.9%	80.2%	88.0%
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ 30,484,218	\$ 24,068,796	\$ 12,259,741	\$ 14,671,232	\$ 9,208,634	33.8%	30.3%	17.1%	19.8%	12.0%
Debt Service Fund:										
Revenues:										
Taxes	\$ 4,010,988	\$ 6,349,980	\$ 7,867,700	\$ 2,424,185	\$ 5,272,810	9.8%	14.6%	17.5%	6.1%	16.0%
Intergovernmental	36,889,101	36,982,800	36,978,500	37,052,500	27,713,000	90.2%	85.3%	82.4%	93.8%	83.8%
Interest	6,467	13,649	12,894	14,309	21,682	0.0%	0.0%	0.0%	0.0%	0.1%
Miscellaneous	11,488	6,881	9,048	21,686	45,538	0.0%	0.0%	0.0%	0.1%	0.1%
Total Revenues	\$ 40,918,044	\$ 43,353,310	\$ 44,868,142	\$ 39,512,680	\$ 33,053,030	100.0%	100.0%	100.0%	100.0%	100.0%
Expenditures:										
Debt Service										
Principal Retirement	\$ 13,025,000	\$ 11,805,000	\$ 11,455,000	\$ 10,109,024	\$ 10,268,921	31.8%	27.2%	25.5%	25.6%	31.1%
Bond issuance fees	624,664	-	-	-	1,046,702	1.5%	0.0%	0.0%	0.0%	3.2%
Interest and Fiscal Charges	30,661,617	33,492,912	34,030,288	35,814,458	28,692,092	74.9%	77.3%	75.8%	90.6%	86.8%
Total Expenditures	\$ 44,311,281	\$ 45,297,912	\$ 45,485,288	\$ 45,923,482	\$ 40,007,715	108.2%	104.5%	101.4%	116.2%	121.1%
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ (3,393,237)	\$ (1,944,602)	\$ (617,146)	\$ (6,410,802)	\$ (6,954,685)	-8.2%	-4.5%	-1.4%	-16.2%	-21.1%

**HARRIS COUNTY FLOOD CONTROL DISTRICT
A COMPONENT UNIT OF HARRIS COUNTY, TEXAS
OPERATING FUNDS BUDGET FOR THE DISTRICT'S FISCAL YEAR 2015-2016
(Unaudited)**

On February 11, 2015 the Commissioners Court adopted the budget for the District for the Fiscal Year 2016. The following is a summary the Fiscal Year 2016 budget for the District's Current Operating Fund:

Cash Balance as of March 1, 2015	\$ 92,353,520
Estimated Revenues:	
Ad Valorem Taxes	90,689,374
Other	<u>1,367,220</u>
Total Cash and Estimated Revenues	<u>\$ 184,410,114</u>
Appropriations:	
Current Operating Expenses	\$ 183,839,423
Capital Outlay	<u>570,691</u>
Total Appropriations	<u>\$ 184,410,114</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 2004-2005 through 2014-15.

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
2006	\$ 38,860	\$ 206,309,290	0.02%	3,693,050	\$ 11
2007	115,925	225,201,409	0.05	3,886,207	30
2008	111,930	254,186,951	0.04	3,935,855	28
2009	108,981	274,733,342	0.04	3,984,349	27
2010	105,483	276,535,341	0.04	4,070,989	26
2011	102,539	264,933,206	0.04	4,092,459	25
2012	100,020	268,523,035	0.04	4,178,574	24
2013	96,470	280,292,702	0.03	4,253,700	23
2014	92,935	305,457,140	0.03	4,336,853	21
2015	87,400	339,544,697	0.03	4,441,370	20

(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
2006	\$230,050,598	\$ 37,313,520	\$ 61,017,743	\$ 206,346,375 (c)	0.34728	0.05258	0.39986
2007	250,997,888	40,381,452	66,142,090	225,237,250 (c)	0.34221	0.06018	0.40239
2008	281,251,230	46,122,092	73,150,566	254,222,756	0.33918	0.05321	0.39239
2009	313,740,198	50,453,455	82,016,388	282,177,265	0.33815	0.05108	0.38923
2010	316,949,419	54,044,038	85,902,801	285,090,656	0.33401	0.05823	0.39224
2011	307,139,208	51,636,041	85,743,093	273,032,156	0.33401	0.05404	0.38805
2012	313,475,950	51,539,733	88,299,285	276,716,398	0.33444	0.05673	0.39117
2013	324,827,229	57,313,966	91,639,208	290,501,987	0.33271	0.06750	0.40021
2014	347,626,720	62,743,816	93,848,695	316,521,841	0.34547	0.06908	0.41455
2015	384,362,133	65,476,453	99,412,873	350,425,713	0.34547	0.07184	0.41731

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

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

Source: Harris County Appraisal District.

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

Table 27

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

Fiscal Year	Taxes Levied for the Fiscal Year	Adjusted Levy as of End of Current Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years*	Total Collections to Date	
			Amount	Percentage of Levy		Amount	Percentage of Levy
2006	\$ 796,885	\$ 819,937	\$ 719,922	90.3%	\$ 97,072	\$ 816,994	99.6%
2007	887,598	903,572	793,835	89.4	106,815	900,650	99.7
2008	929,929	991,224	910,828	97.9	77,410	988,238	99.7
2009	1,089,141	1,085,539	981,807	90.1	100,178	1,081,985	99.7
2010	1,114,429	1,101,677	1,036,477	93.0	60,741	1,097,218	99.6
2011	1,058,623	1,049,987	987,684	93.3	58,233	1,045,917	99.6
2012	1,081,861	1,072,946	1,022,187	94.5	46,081	1,068,268	99.6
2013	1,160,905	1,150,300	1,100,588	94.8	43,501	1,144,089	99.5
2014	1,308,910	1,317,539	1,247,389	95.3	43,411	1,290,800	98.0
2015	1,459,066	1,459,066	1,390,628	95.3	-	1,390,628	95.3

* 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	\$ 957,909,147
Unlimited Tax Debt	877,678,713
Flood Control	560,530,000
Toll Road Tax Bonds	<u>369,770,000</u>
Total	\$ 2,765,887,860
Less: Toll Road Tax Bonds	<u>(369,770,000)</u>
Total (Approximately 0.53% of 2014 Assessed Value)	<u><u>\$ 2,396,117,860</u></u>

(a) Excluding Flood Control District debt of \$87,400,000 paid for by the District's ad valorem tax revenues. Amounts expressed at gross value, not considering unamortized premium or discount or accretion of capital appreciation bonds.

Table 29

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

Fiscal Year	Limited Tax Debt			Unlimited Tax Debt			Toll Road Unlimited Tax & Subordinate Lien Revenue Bonds			Flood Control (a)			Total County-Wide Tax Debt		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2016	\$ 60,982	\$ 49,472	\$ 110,454	\$ 31,263	\$ 42,080	73,343	\$ 40,685	\$ 17,832	\$ 58,517	\$ 24,835	\$ 29,900	\$ 54,735	\$ 157,765	\$ 139,284	\$ 297,049
2017	69,832	47,663	117,495	31,589	40,467	72,056	26,380	16,419	42,799	25,385	29,448	54,833	153,186	133,997	287,183
2018	67,021	45,251	112,272	36,417	39,359	75,776	26,610	15,128	41,738	25,955	28,914	54,869	156,003	128,652	284,655
2019	69,071	42,999	112,070	51,405	37,977	89,382	27,445	13,742	41,187	26,705	28,239	54,944	174,626	122,957	297,583
2020	62,981	40,510	103,491	47,250	35,418	82,668	28,345	12,278	40,623	28,025	26,927	54,952	166,601	115,133	281,734
2021	71,205	29,097	100,302	52,395	33,060	85,455	29,285	10,765	40,050	29,495	25,456	54,951	182,380	98,378	280,758
2022	92,415	25,823	118,238	35,595	30,488	66,083	19,445	9,486	28,931	30,980	23,974	54,954	178,435	89,771	268,206
2023	57,240	21,406	78,646	65,540	28,734	94,274	20,240	8,449	28,689	32,605	22,347	54,952	175,625	80,936	256,561
2024	49,176	30,460	79,636	67,495	25,558	93,053	20,700	7,385	28,085	34,235	20,717	54,952	171,606	84,120	255,726
2025	82,827	28,826	111,653	59,370	22,249	81,619	21,165	6,297	27,462	35,950	19,005	54,955	199,312	76,377	275,689
2026	41,109	25,208	66,317	53,770	19,368	73,138	12,070	5,430	17,500	37,665	17,592	55,257	144,614	67,598	212,212
2027	52,500	11,023	63,523	54,305	16,679	70,984	12,090	4,796	16,886	39,125	15,709	54,834	158,020	48,207	206,227
2028	53,375	8,375	61,750	54,870	13,964	68,834	12,115	4,161	16,276	41,075	13,753	54,828	161,435	40,253	201,688
2029	33,065	20,171	53,236	55,455	11,345	66,800	12,135	3,524	15,659	43,100	11,731	54,831	143,755	46,771	190,526
2030	23,410	4,290	27,700	45,650	8,698	54,348	12,160	2,886	15,046	42,225	9,608	51,833	123,445	25,482	148,927
2031	24,405	3,095	27,500	43,590	6,541	50,131	12,185	2,247	14,432	29,590	7,529	37,119	109,770	19,412	129,182
2032	25,485	1,848	27,333	44,270	4,473	48,743	12,210	1,607	13,817	10,970	6,049	17,019	92,935	13,977	106,912
2033	21,810	545	22,355	15,050	2,373	17,423	12,240	965	13,205	11,520	5,500	17,020	60,620	9,383	70,003
2034	-	-	-	15,805	1,620	17,425	12,265	322	12,587	12,095	4,925	17,020	40,165	6,867	47,032
2035	-	-	-	16,595	830	17,425	-	-	-	12,700	4,320	17,020	29,295	5,150	34,445
2036	-	-	-	-	-	-	-	-	-	13,335	3,685	17,020	13,335	3,685	17,020
2037	-	-	-	-	-	-	-	-	-	14,005	3,018	17,023	14,005	3,018	17,023
2038	-	-	-	-	-	-	-	-	-	14,705	2,318	17,023	14,705	2,318	17,023
2039	-	-	-	-	-	-	-	-	-	15,440	1,582	17,022	15,440	1,582	17,022
2040	-	-	-	-	-	-	-	-	-	16,210	810	17,020	16,210	810	17,020
Total	\$ 957,909	\$ 436,062	\$ 1,393,971	\$ 877,679	\$ 421,281	\$ 1,298,960	\$ 369,770	\$ 143,719	\$ 513,489	\$ 647,930	\$ 363,056	\$ 1,010,986	\$ 2,853,288	\$ 1,364,118	\$ 4,217,406

(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, 2015, the following County-wide ad valorem tax bonds authorized by the voters at elections held in September 1983, November 1999, November 2001, November 2007, and November 2013 remain unissued.

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

County Ad Valorem Tax Bonds

Limited Tax:		
Civil Justice Center	\$ 33,000	
Parks	43,800	
Forensic Lab	67,400	
Family Law Center	70,000	
Joint Processing Center	<u>67,600</u>	
Total Limited Tax Bonds		\$ 281,800
Unlimited Tax:		
Road Bonds	<u>60,780</u>	
Total Unlimited Tax Bonds		60,780
Combination Unlimited Tax and Revenue:		
Toll Roads	<u>15,148</u>	
Total Unlimited Tax and Revenue Bonds		15,148
Harris County Flood Control District Limited Tax Bonds		<u>-</u>
Total Harris County Ad Valorem Tax Bonds		<u>357,728</u>
Total Authorized but Unissued Bonds		<u><u>\$ 357,728</u></u>

**HARRIS COUNTY FLOOD CONTROL DISTRICT
A COMPONENT UNIT OF HARRIS COUNTY, TEXAS
OPERATING FUNDS BUDGET FOR THE COUNTY'S FISCAL YEAR 2015-2016
(Unaudited)**

On February 11, 2015 the Commissioners Court adopted the budget for the County for the Fiscal Year 2015-2016. The Fiscal Year 2016 budget included appropriations for some capital projects, which are financed from current revenues. The following is a summary of the Fiscal Year 2015-2016 budget for the County's Current Operating Fund:

Cash Balance as of March 1, 2014	\$ 549,848,561
Estimated Revenues:	
Ad Valorem and Miscellaneous Taxes	1,240,705,513
Charges for Services	235,126,021
Fines and Forfeitures	20,657,051
Intergovernmental Revenues	42,803,565
Interest	1,954,036
Other	48,506,075
Total Cash and Estimated Revenues	<u>\$ 2,139,600,822</u>
Appropriations:	
Current Operating Expenses	\$ 2,098,107,163
Capital Outlay:	
Roads	10,527,983
Parks	26,111,812
Office/Courts	4,853,864
Total Appropriations	<u>\$ 2,139,600,822</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, 2015 derived from the sale of bonds and other sources and the investment income (except investment income may be used for debt service) thereon, are designated to be spent over a period of several years for the following purposes:

Roads	\$ 134,216,297
Permanent Improvements	13,639,899
Flood Control	<u>200,463,679</u>
Total	<u>\$ 348,319,875</u>

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY OMB CIRCULAR A-133

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

Report on Compliance for Each Major Federal Program

We have audited Harris County Flood Control District's (the "District"), a component unit of Harris County, Texas, compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended February 28, 2015. The District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. 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 on compliance for each major federal program. However, our audit does not provide a legal determination of the District's compliance.

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended February 28, 2015.

Report on Internal Control Over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Deloitte's Touche LLP

August 12, 2015

Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

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

We have audited, in accordance with the 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, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Harris County Flood Control District (the "District"), a component unit of Harris County, Texas, as of and for the year ended February 28, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated August 12, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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 previously. However, we identified a certain deficiency in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs that we consider to be a significant deficiency in internal control over financial reporting [15-01].

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from 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*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Deloitte Touche LLP

August 12, 2015

HARRIS COUNTY FLOOD CONTROL DISTRICT, TEXAS
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED FEBRUARY 28, 2015

Fund No.	Federal Grantor / Pass-Through Agency Grantor / Program	CFDA Number	Grantor or Pass-through Grantor's Number	Federal Expenditures	Amount Provided to Subrecipients
<u>FEDERAL GRANTS</u>					
<u>U.S. DEPARTMENT OF HOMELAND SECURITY</u>					
DIRECT PROGRAMS:					
7589	Cooperating Technical Partners	97.045	EMT-2011-CA-0009	\$ 85,336	\$ -
7589	Cooperating Technical Partners	97.045	EMW-2013-CA-K00049-S01	71,111	-
7589	Cooperating Technical Partners	97.045	EMT-2013-CA-0004	87,508	-
PASS THROUGH PROGRAMS, GOVERNORS DIVISION OF EMERGENCY MANAGEMENT:					
7031	FEMA - Pre-Disaster Mitigation Competitive	97.047	PDM10-002	6,299	-
7119	FEMA - Hazard Mitigation Grant Project	97.039	FEMA-1606-DR-040	130,363	-
7119	FEMA - Hazard Mitigation Grant Project	97.039	FEMA-1709-DR-007	28,203	-
7984	FEMA - Hazard Mitigation Grant Project	97.039	FEMA-1791-DR-TX-067	183,114	-
7984	FEMA - Hazard Mitigation Grant Project	97.039	FEMA-1791-DR-TX-069	33,968	-
7984	FEMA - Hazard Mitigation Grant Project	97.039	FEMA-1791-DR-TX-233	9,032	-
7984	FEMA - Hazard Mitigation Grant Project	97.039	FEMA-1791-DR-TX-131	11,250	-
7984	FEMA - Hazard Mitigation Grant Project	97.039	FEMA-1791-DR-TX-138	45,217	-
PASS THROUGH PROGRAMS, TEXAS WATER DEVELOPMENT BOARD:					
7073	FEMA - Severe Repetitive Loss - SRL 2009	97.110	0900011040	16,981	-
7073	FEMA - Severe Repetitive Loss - SRL 2009 APP 2	97.110	1000011110	1,633	-
7073	FEMA - Severe Repetitive Loss - SRL 2009 APP 3	97.110	1100011190	1,659	-
7073	FEMA - Severe Repetitive Loss - SRL 2011 APP 1	97.110	1200011384	18,333	-
7073	FEMA - Severe Repetitive Loss - SRL 2011 APP 2	97.110	1200011407	171,464	-
7073	FEMA - Severe Repetitive Loss - SRL 2012 APP 1	97.110	1200011486	8,395	-
TOTAL U.S. DEPARTMENT OF HOMELAND SECURITY				909,866	-
<u>U.S. DEPARTMENT OF DEFENSE</u>					
PASS THROUGH PROGRAMS, ARMY CORPS OF ENGINEERS:					
3310	Brays Bayou Federal Project	12.000	NONE	25,854,022	-
TOTAL U.S. DEPARTMENT OF DEFENSE				25,854,022	-
TOTAL EXPENDITURES OF FEDERAL AWARDS				\$ 26,763,888	\$ -
<u>STATE GRANTS</u>					
<u>TEXAS WATER DEVELOPMENT BOARD</u>					
DIRECT PROGRAMS:					
7302	Flood Protection Planning Grant	N/A	1248321466	\$ 123,384	\$ -
TOTAL TEXAS WATER DEVELOPMENT BOARD				123,384	-
TOTAL EXPENDITURES OF STATE AWARDS				\$ 123,384	\$ -
TOTAL EXPENDITURES OF FEDERAL AND STATE AWARDS				\$ 26,887,272	\$ -

See notes to the schedule of expenditures of federal and state 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, 2015**

1. The accompanying schedule of expenditures of federal and state awards includes the federal grant activity and state grant activity of the District and is presented on the modified cash basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.
2. Reconciliation of the Schedule of Expenditures of Federal and State Awards to Grants Special Revenue Fund of the District's Financial Report for the year ended February 28, 2015:

Federal expenditures per schedule	\$ 26,763,888
State expenditures per schedule	123,384
Subtotal	26,887,272
Add:	
County funded portion of grants	310,031
Less:	
Trial balance adjustments for modified accrual basis of accounting	379,015
Grants - Brays Bayou expenditures	(25,854,022)
Total	\$ 1,722,296
Balance per financial report - Grants Special Revenue Fund	\$ 1,722,296

**HARRIS COUNTY FLOOD CONTROL DISTRICT
A COMPONENT UNIT OF HARRIS COUNTY, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED FEBRUARY 28, 2015**

I. SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: Unmodified.

Internal control over financial reporting:
Material weakness (es) identified? No.

Significant deficiency (ies) identified not
considered to be a material weakness? Yes.

Noncompliance material to financial
statements noted? No.

Federal Awards

Internal control over major programs:
Material weakness (es) identified? No.

Significant deficiency (ies) identified not
considered to be a material weakness? None reported.

Type of auditors' report issued on compliance
for major programs: Unmodified.

Any audit findings disclosed that are required to be reported
in accordance with Circular A-133 (section 510(a))? No.

Identification of major programs:
Brays Bayou Federal Project 12.000

Dollar threshold used to distinguish between Type A and
Type B programs: \$806,618

Auditee qualified as a low-risk auditee? Yes.

**HARRIS COUNTY FLOOD CONTROL DISTRICT
A COMPONENT UNIT OF HARRIS COUNTY, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED FEBRUARY 28, 2015**

II. FINANCIAL STATEMENT FINDINGS SECTION

Program	Finding/Noncompliance	Questioned Cost
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Finding 15-01 – Significant deficiency over general information technology controls related to financial reporting

Condition: During our review of general information technology controls at Harris County as they relate to the IFAS application, we noted the following:

- Password length, complexity, and expiration parameters were not configured in accordance with the Harris County Security policy, for several accounts on the UNIX server supporting the IFAS application.
- We identified 34 accounts granted inappropriate privileged access to the UNIX server supporting the IFAS application.
- Remote login to the built-in administrative account on the UNIX server supporting the IFAS application was enabled. As a result users with knowledge of the password to this account could log in directly without an audit trail.
- We identified 11 individuals who inappropriately had knowledge of the passwords to privileged accounts on the database supporting the IFAS application. Additionally, we noted there is no logging of the use of these privileged accounts.
- Controls around the removal of terminated employee’s accounts from the IFAS UNIX servers were deemed to be ineffective. Additionally, contractors and temporary employees are not setup with an expiration date and they are not subject to the employee termination process.
- Controls around the end user access review for the IFAS application were deemed to be ineffective.

We concluded that these findings to be a significant deficiency in aggregate as they relate to access security and the IFAS application.

Criteria: Management is responsible for establishing internal controls to ensure that financial statements are free of material misstatement.

Impact: Inappropriate access and security over passwords over general information technology could result in unauthorized entries to the financial statements or changes to IFAS and UNIX without the appropriate approvals.

**HARRIS COUNTY FLOOD CONTROL DISTRICT
A COMPONENT UNIT OF HARRIS COUNTY, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED FEBRUARY 28, 2015**

Program	Finding/Noncompliance	Questioned Cost
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Corrective Action Plan: Harris County CTS acknowledges the noted deficiencies and is committed to their remediation. We have responded to each finding with an action plan and in many cases already taken actions to address. In addition, we will conduct a formal review of IFAS application security controls and procedures by our information Security Officer to ensure adherence to Harris County policy and security best practices.

Estimated Completion Date: August 2015

Management Contact: Bruce High, Executive Director & CIO of Harris County Central Technology Services

III. FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS SECTION

None noted.

IV. STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS

None noted.