

Harris County, Texas **COMPREHENSIVE ANNUAL FINANCIAL REPORT**

For the Fiscal Year Ended
February 29, 2016

Barbara J. Schott, CPA
County Auditor



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 29, 2016

Prepared By:
Barbara J. Schott, C.P.A.
County Auditor
1001 Preston, Suite 800
Houston, Texas 77002

**HARRIS COUNTY FLOOD CONTROL DISTRICT
A COMPONENT UNIT OF HARRIS COUNTY, TEXAS
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED FEBRUARY 29, 2016
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.....	42
5. Capital Assets.....	43
6. Long-Term Liabilities.....	43
7. Retirement Plan.....	46
8. Other Post Employment Benefits.....	51
9. Commitments and Contingent Liabilities.....	55
10. Risk Management.....	56
11. Fund Balances.....	56
12. Recent Accounting Pronouncements.....	57
Required Supplementary Information (Unaudited):	
Schedule of Revenues and Expenditures – Budget and Actual – Budgetary Basis – Operations and Maintenance (General) Fund.....	59
Notes to the Required Supplementary Information.....	60
Other Post Employment Benefits - Schedule of Funding Progress.....	61
Schedule of Changes in Net Pension Liability and Related Ratios.....	62
Texas County and District Retirement System - Schedule of Employer Contributions.....	63

**HARRIS COUNTY FLOOD CONTROL DISTRICT
A COMPONENT UNIT OF HARRIS COUNTY, TEXAS
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED FEBRUARY 29, 2016
TABLE OF CONTENTS**

	<u>PAGE</u>
Other Supplementary Information and Individual Fund Statements:	
Combining Statement of Fiduciary Net Position – Agency Funds.....	65
Statement of Changes in Fiduciary Assets and Liabilities – Agency Funds.....	66
Schedule of Revenues and Expenditures – Budget and Actual – Budgetary Basis – Debt Service Funds.....	67
Schedule of Revenues and Expenditures – Budget and Actual – Budgetary Basis – Capital Projects Funds.....	68

STATISTICAL SECTION
(Unaudited)

	<u>TABLE</u>	<u>PAGE</u>
Financial Trends:		
Net Position by Component – Last Ten Fiscal Years.....	1	70
Changes in Net Position – Last Ten Fiscal Years.....	2	71
Fund Balances, Governmental Funds – Last Ten Fiscal Years.....	3	72
Changes in Fund Balances, Governmental Funds – Last Ten Fiscal Years.....	4	73
Revenue Capacity:		
Assessed Value and Actual Value of Taxable Property – Last Ten Fiscal Years.....	5	74
Ad Valorem Tax Rates – Last Ten Fiscal Years.....	6	75
Property Tax Rates – All Direct and Overlapping Governments – Last Ten Fiscal Years.....	7	76
Principal Property Taxpayers.....	8	77
Property Tax Levies and Collections – Last Ten Fiscal Years.....	9	78
Debt Capacity:		
Ratio of Outstanding Debt by Type – Last Ten Fiscal Years.....	10	79
Estimated Direct and Overlapping Bonded Debt.....	11	80
Harris County’s Legal Debt Margin Information – Last Ten Fiscal Years.....	12	81
Demographic and Economic Information:		
Demographic and Economic Statistics – Last Ten Calendar Years.....	13	82
Principal Corporate Employers – Current Year and Nine Years Ago.....	14	83
Operating Information:		
Full-Time Equivalent County Employees by Function – Last Ten Fiscal Years.....	15	84
Capital Asset Statistics by Function/Program – Last Ten Fiscal Years.....	16	85
Operating Indicators by Function/Program – Last Ten Fiscal Years.....	17	86
Other Information:		
Services and Rates.....	18	87
General Fund Expenditures.....	19	89
Taxes Levied and Receivable.....	20	90
Long-Term Debt Service Requirements - By Years.....	21	91
Changes in Long-Term Debt.....	22	92
Comparative Schedule of Revenues and Expenditures – General And Debt Service Funds – Five Years Ended.....	23	93
Operating Funds Budget for the District’s Fiscal Year 2016-2017.....	24	94
Historical Tax Debt Outstanding.....	25	95
County Assessed Values and Tax Rates (Except Flood Control District).....	26	96
County Tax Levies and Collections (Except Flood Control District) – Last Ten Fiscal Years.....	27	97
County Tax Debt Outstanding.....	28	98

**HARRIS COUNTY FLOOD CONTROL DISTRICT
A COMPONENT UNIT OF HARRIS COUNTY, TEXAS
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED FEBRUARY 29, 2016
TABLE OF CONTENTS**

	<u>TABLE</u>	<u>PAGE</u>
County-Wide Ad Valorem Tax Debt Service Requirements	29	99
County-Wide Authorized but Unissued Bonds	30	100
Operating Funds Budget for the County’s Fiscal Year 2016-2017	31	101
County Capital Projects Funds Budgeting	32	102

PAGE

COMPLIANCE SECTION

Independent Auditors’ Report on Compliance for Each Major Program; Report on Internal Control Over Compliance		103
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>		105
Schedule of Expenditures of Federal and State Awards		107
Notes to the Schedule of Expenditures of Federal and State Awards		108
Schedule of Findings and Questioned Costs		109

**I
N
T
R
O
D
U
C
T
O
R
Y

S
E
C
T
I
O
N**

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



1001 Preston, Suite 800
Houston, Texas 77002-1817
(713) 755-6505

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

FAX (713) 755-8932
Help Line (713) 755-HELP

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

August 12, 2016

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 29, 2016. 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 29, 2016 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 4.54 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 flood damage reduction 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 2,995,100 payroll jobs in May 2016 with an unemployment rate of 4.8 percent.

The Houston Association of Realtors reported that the inventory of homes in May 2016 was 3.6 months' supply compared with 3.0 months in May 2015. During this same period, the average price of a single-family home declined to \$290,931, a 0.5 percent decrease.

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 2013, the Port was ranked first in the United States in the volume of foreign tonnage and was the largest container port on the Gulf of Mexico.

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 2015 with more than 55 million passengers, an increase of almost four percent over 2014.

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-four companies on the 2016 *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 34.

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 a strong balance sheet to maintain both financial stability and current high bond ratings;
- Budget Management does not expect to recommend issuing road or flood control bonds, approved by the voters in November 2015, during the 2016-2017 fiscal year; and
- Budget Management will work with the County Engineer to review the formulas used in the allocation of future mobility funds and road bond proceeds and recommend any changes for Court consideration.

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 2015 for the District per \$100 of taxable value are: \$0.02620 for maintenance and operations and \$0.00113 for debt service, for a total of \$0.02733.

District funds available for investment under the County's investment program as of February 29, 2016 totaled \$286.6 million with investment earnings of \$628,000 for the fiscal year. The average yield and maturity of such investments were .62% 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 2016 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 30 projects in 12 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, 2015. 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, 2015

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 29, 2016**

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

District Business Telephone Number: (713) 684-4000

Names and Addresses:	Term of Office (Elected or Appointed) <u>or Date Hired</u>	Fees <u>Feb 29, 2016</u>	Expense Reimbursements <u>Feb 29, 2016</u>	Title at <u>Year End</u>	Resident of <u>District</u>
Commissioners' Court acts as Board of Director for District					
Judge Ed Emmett 1001 Preston, Suite 911 Houston Texas 77002	(Elected) 01/15 - 12/18	N/A	N/A	County Judge	Yes
El Franco Lee Gene Locke 1001 Preston, 9th Fl Houston Texas 77002	Deceased 1/3/16 Appointed 1/22/16 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)

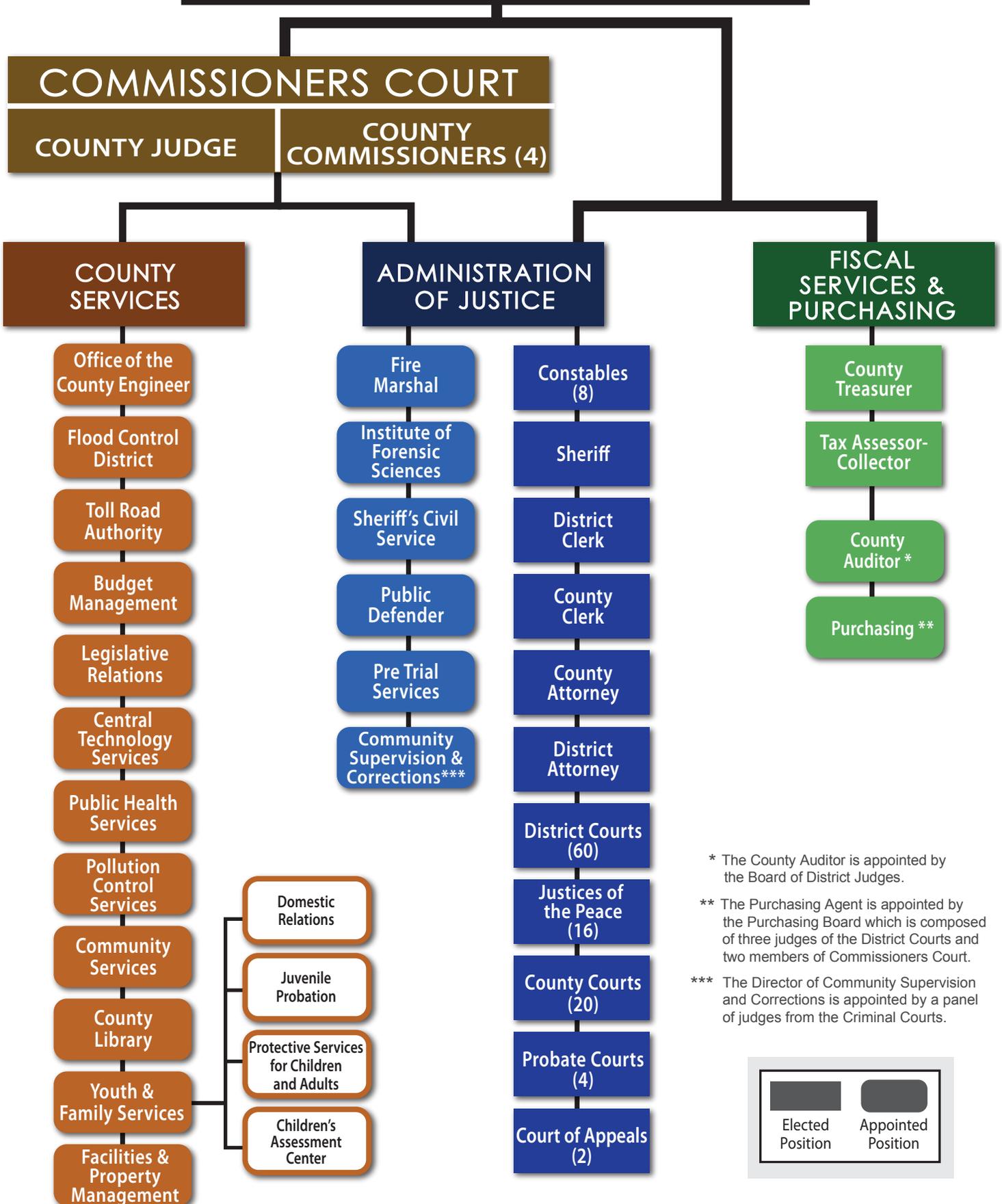
**HARRIS COUNTY FLOOD CONTROL DISTRICT
A COMPONENT UNIT OF HARRIS COUNTY, TEXAS
SCHEDULE OF BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
For The Year Ended February 29, 2016**

Names and Addresses:	Term of Office (Elected or Appointed) or Date Hired	Fees <u>Feb 29, 2016</u>	Expense Reimbursements <u>Feb 29, 2016</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	*	\$66,000	N/A	Independent Auditor	N/A

* Agreement between the Flood Control District and Deloitte & Touche LLP, for fiscal year 2015/2016 audit services.

Harris County Organization Chart

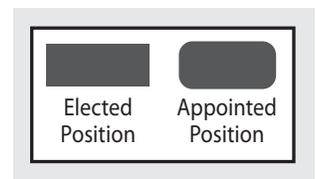
HARRIS COUNTY VOTERS



* 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.

*** The Director of Community Supervision and Corrections is appointed by a panel of judges from the Criminal Courts.



**F
I
N
A
N
C
I
A
L

S
E
C
T
I
O
N**

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 29, 2016, 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 29, 2016, 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.

Emphasis of Matter

As discussed in Note 1 to the financial statements, in 2016 the District adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions*. Our opinion is not modified with respect to this matter.

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 Schedule of Changes in Net Pension Liability and Related Ratios, and the Texas County and District Retirement System Schedule of Employer Contributions on pages 59-64 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 Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance) 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, 2016 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 Touche LLP

August 12, 2016

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

This section of the Harris County Flood Control District's (the "District") financial statements presents management's discussion and analysis ("MD&A") of the financial activities of the District during the fiscal year ended February 29, 2016. 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 29, 2016 by \$1,824,733,369, an increase of \$41,890,297 after the restatement of net position due to the implementation of the new pension standard discussed in Note 1.
- Total net position is comprised of the following:
 - (1) Net investment in capital assets, of \$1,771,401,492 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 \$5,091,082 is restricted by constraints imposed from outside the District such as capital projects.
 - (3) Unrestricted net assets of \$48,240,795 represent the portion available to meet ongoing obligations to citizens and creditors.

Fund Level

- As of February 29, 2016, the District's governmental funds reported combined fund balances of \$279,144,174. This compares to the prior year combined fund balance of \$294,758,666 showing a decrease of \$15,614,492 during the current year. The current year total consists of combined nonspendable fund balance of \$719,004, restricted fund balance of \$200,803,460, assigned fund balance of \$8,420,086, and unassigned fund balance of \$69,201,624.
- At the end of the fiscal year, the total fund balance for the Operations and Maintenance (General) fund was \$78,307,836. The General fund had a nonspendable fund balance of \$581,552, restricted fund balance of \$104,574, assigned fund balance of \$8,420,086, and unassigned of \$69,201,624.
- The fund balance in the Debt Service fund of \$4,233,983 was restricted at the end of the fiscal year. This represents a decrease of \$9,193 from the prior year balance of \$4,243,176.
- The Capital Projects fund at fiscal year-end had a nonspendable fund balance of \$137,452 and a restricted fund balance of \$196,464,903 for a total Capital Projects fund balance of \$196,602,355 an increase from \$194,367,589 in the prior year.
- The District issues debt to finance an ongoing capital improvement program, and during fiscal year 2016 issued \$77,020,000 in refunding bonds. Note 6 to the financial statements, provides additional details

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

related to long-term debt. The debt service ad-valorem tax rate for the 2015 tax year for the District totaled \$0.00113 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 plus deferred outflows of resources and liabilities plus deferred inflows of resources, with the difference 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.

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

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

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

Notes to the Basic Financial Statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes can be found beginning on page 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, the Schedule of Changes in Net Pension Liability and Related Ratios, and the Schedule of Employer Contributions for Texas County and District Retirement System. Required supplementary information can be found beginning on page 59 of this report.

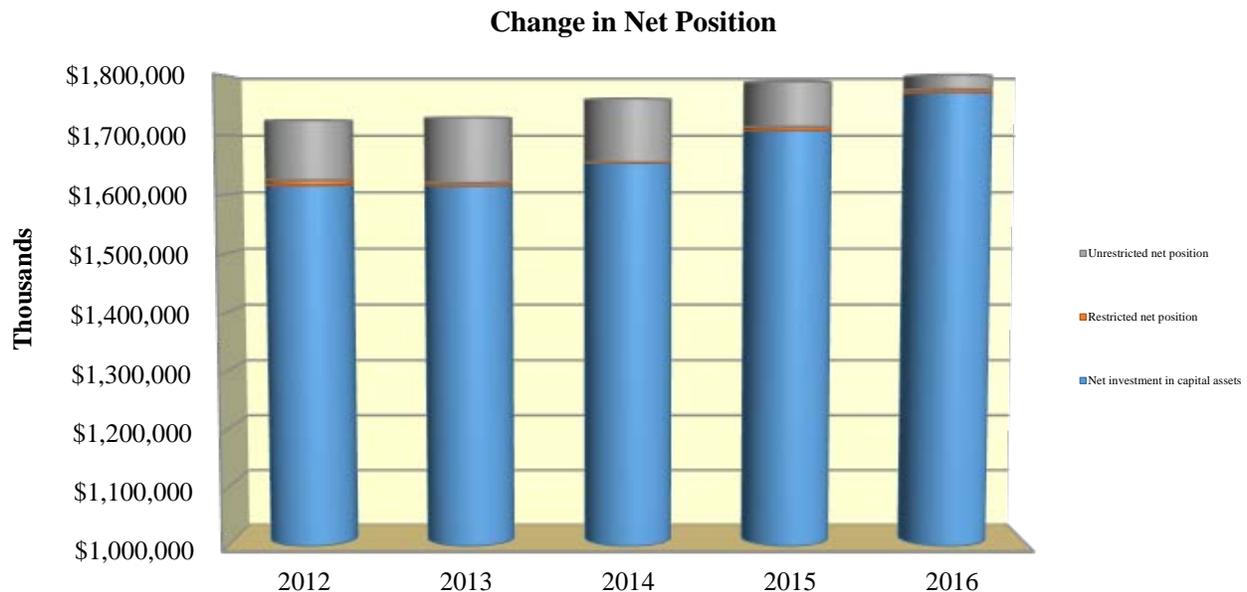
GOVERNMENT-WIDE FINANCIAL ANALYSIS

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 \$1,824,733,369 for fiscal year ended 2016 and \$1,789,426,923 for fiscal year ended 2015. Revenues exceeded expenses during the current year, increasing net position by \$41,890,297, after the net position has been adjusted for the pension liability and expense attributable to prior years based on the implementation of new GASB standards.

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

	Governmental Activities	
	February 29, 2016	February 28, 2015
Current and other assets	\$ 297,327	\$ 310,279
Capital assets	2,220,029	2,185,032
Total assets	<u>2,517,356</u>	<u>2,495,311</u>
Deferred outflows of resources	<u>28,018</u>	<u>21,955</u>
Current and other liabilities	27,394	23,672
Long-term liabilities	693,118	704,167
Total liabilities	<u>720,512</u>	<u>727,839</u>
Deferred inflows of resources	<u>129</u>	<u>-</u>
Net position:		
Net investment in capital assets	1,771,401	1,708,074
Restricted	5,091	6,196
Unrestricted	48,241	75,157
Total net position	<u>\$ 1,824,733</u>	<u>\$ 1,789,427</u>

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



The largest portion of the District's current fiscal year net position, \$1,771,401,492, 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 \$63,326,972 in the District's net position-net investment in capital assets, is comprised of \$34,997,047 increase in capital assets, a decrease of \$25,655,238 in debt related to capital assets and an increase in unspent proceeds of \$2,674,687.

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 \$5,091,082 for capital projects. Restricted net assets reflect an overall decrease of \$1,104,520.

The remaining balance of the District's current fiscal year net position, \$48,240,795 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 29, 2016	For the Year Ended February 28, 2015
Revenues:		
Program revenues:		
Charges for services	\$ 6,228	\$ 541
Operating grants and contributions	50,440	37,181
Capital grants and contributions	19,960	23,413
General revenues:		
Property taxes	101,256	90,653
Earnings on investments	628	3,491
Miscellaneous	1,296	1,243
Total revenues and other items	<u>179,808</u>	<u>156,522</u>
Expenses:		
Flood control	109,300	99,234
Tax administration	559	518
Interest on long-term debt	28,059	28,213
Total expenses and other items	<u>137,918</u>	<u>127,965</u>
Change in net position	<u>41,890</u>	<u>28,557</u>
Net position - beginning	1,789,427	1,760,870
Implementation of new standard (Note 1)	(6,584)	-
Net position - beginning as restated	<u>1,782,843</u>	<u>1,760,870</u>
Net position - ending	<u>\$ 1,824,733</u>	<u>\$ 1,789,427</u>

Revenues

For fiscal year ended February 29, 2016, revenues from governmental activities totaled \$179,808,551.

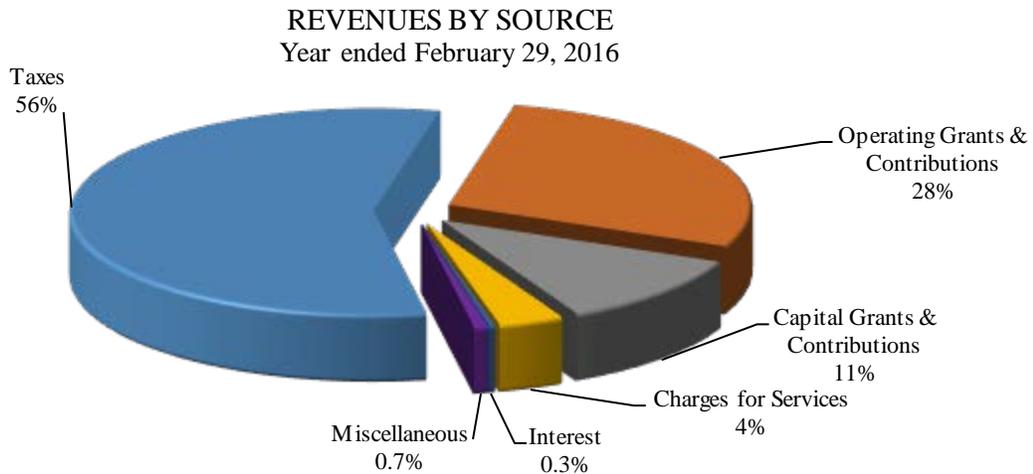
Property taxes of \$101,256,708 were the District's largest revenue source and comprised 56% of total revenues. The tax rate was \$.02733 per \$100 of assessed value for fiscal year 2016 and \$.02736 per \$100 of assessed value for fiscal year 2015. The taxable assessed value increased in fiscal year 2016 to \$379,561,447,000 from \$339,544,697,000 in fiscal year 2015.



**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 \$76,628,105 or 43% of total revenues. A major portion of program revenues are capital grants and contributions of \$19,959,918 (11%) and represent receipts/contributions 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 and other projects. A major portion of program revenues also consists of operating grants and contributions of \$50,440,077 (28%), associated with contributions by Harris County, which increased \$13,259,043 from the prior year. Another portion of program revenues is charges for services of \$6,228,110 or 4% 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 \$628,008 and miscellaneous income of \$1,295,730 (less than 1% of total revenues). Miscellaneous income is primarily comprised of collections for various fees.

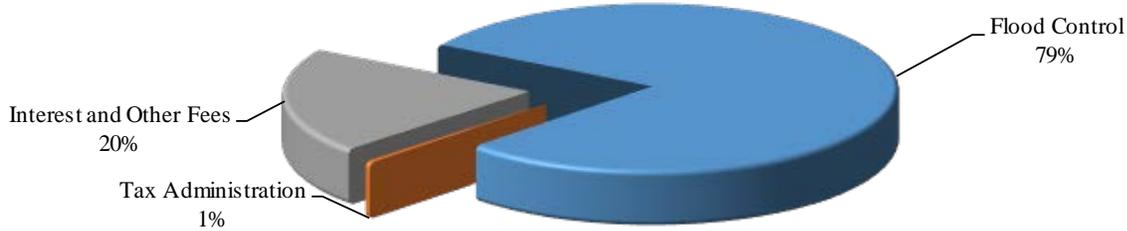


Expenses

For fiscal year ended February 29, 2016, expenses for governmental activities totaled \$137,918,254, compared to \$127,965,093 in the prior fiscal year. Flood control administration of \$109,299,552 is the District's largest function with 79% of total expenses. This was an increase of \$10,065,577 from the prior year due to regular operations of the District. Interest and other fees make up the second largest category of expenses with \$28,059,491 or 20% of the total, which is interest on long term debt. Tax administration, which represents the cost to collect taxes assessed on behalf of the District by the Harris County Tax Assessor is \$559,211 (less than 1% of total expenses) and has increased from \$518,346 last year.

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

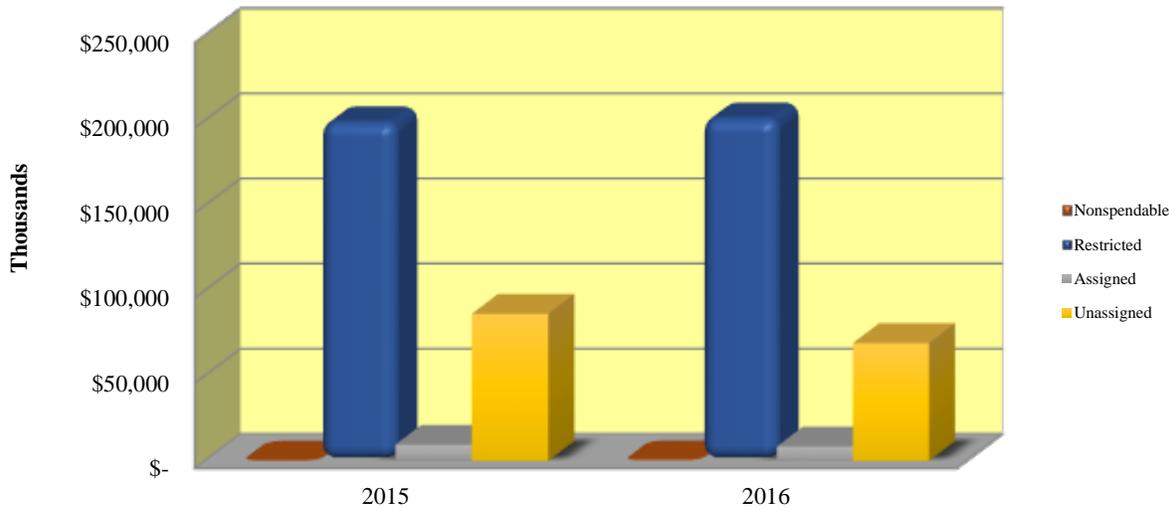
EXPENSES BY FUNCTION
Year ended February 29, 2016



FINANCIAL ANALYSIS OF MAJOR FUNDS

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

Governmental Fund Balances



At February 29, 2016, the District's governmental funds reported combined fund balances of \$279,144,174, of which \$719,004 is nonspendable, \$4,338,557 is restricted for debt service, \$196,464,903 is restricted for capital projects, and \$8,420,086 is assigned for encumbrances and petty cash. The remainder, \$69,201,624 is available to meet the District's current and future needs. The District's combined fund balances decreased \$15,614,492. 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 \$17,840,065. This was the result of the normal operations of the District and a \$60M transfer to the Capital Projects fund.

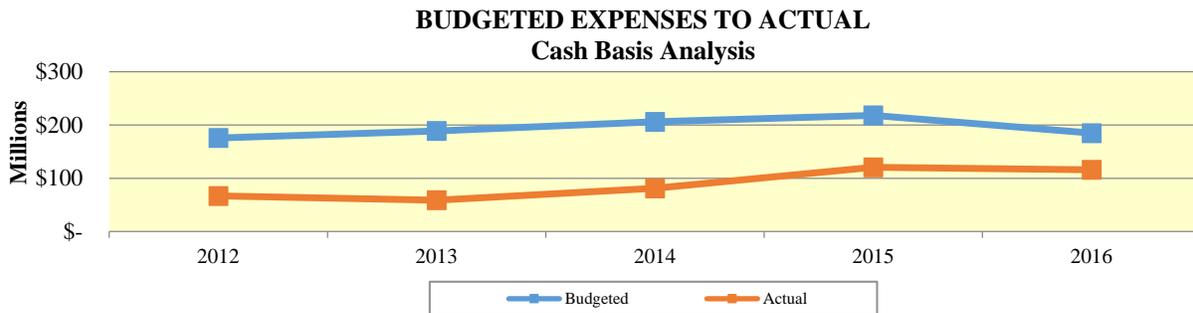
The Special Revenue Grants fund accounts for grants that have been awarded in the District's name. There is no fund balance in grant funds. However, the overall grant activity for the current fiscal year resulted in a \$6,029,712 increase in assets and liabilities over the previous fiscal year.

Fund balance in the Debt Service fund decreased by \$9,193, primarily as the result of regular operations. At February 29, 2016, this fund reported revenues of \$54,702,754. 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 \$2,234,766 primarily due to normal operations. 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 more than budgetary estimates by \$10,628,480. This is attributable to a higher cash and investment balance at the beginning of the year and greater tax collections during the year than anticipated. Actual expenditures were less than budgetary estimates by \$68,883,351. 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 \$79,511,831, thus eliminating the need to draw upon the existing fund balance on a cash basis.



CAPITAL ASSETS

The District's capital assets, net of accumulated depreciation for its governmental activities as of February 29, 2016, amounted to \$2,220,029,121. These capital assets include land, improvements, buildings, flood control infrastructure, equipment, and construction in progress, as shown in the following table. 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 29, 2016	February 28, 2015
Governmental Activities:		
Land	\$ 1,611,986,509	\$ 1,581,033,375
Construction in Progress	79,851,718	52,553,630
Intangible Assets - water rights	2,400,000	2,400,000
Land Improvements	641,531	641,531
Buildings	12,158,223	11,870,371
Equipment	11,248,118	11,470,409
Flood Control Projects	897,716,912	892,224,261
	<u>2,616,003,011</u>	<u>2,552,193,577</u>
Less Accumulated Depreciation	(395,973,890)	(367,161,503)
Totals	<u>\$ 2,220,029,121</u>	<u>\$ 2,185,032,074</u>

LONG-TERM LIABILITIES

At February 29, 2016, the District had total long-term liabilities outstanding of \$693,117,507. 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 (.18%) 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 29, 2016	February 28, 2015
		(restated, see Note 1)
Governmental Activities:		
Bonds Payable	\$ 665,095,495	\$ 692,599,388
Compensatory Time Payable	420,440	353,445
OPEB Obligations	12,109,976	10,795,871
Net Pension Liability	15,036,618	7,080,785
Pollution Remediation Obligations	454,978	418,537
Totals	<u>\$ 693,117,507</u>	<u>\$ 711,248,026</u>

See Note 7 and Note 8 to the financial statements for further information on the County's OPEB obligation and Net Pension Liability.

ECONOMIC FACTORS

The unemployment rate for Harris County for calendar year 2015 was 4.6%. This is an increase from the prior year rate of 4.0%. The state unemployment rate for calendar year 2015 was 4.2%. The number of people employed with the District decreased by 4 to 287 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 29, 2016

	Governmental Activities
ASSETS	
Cash and investments:	
Cash and cash equivalents	\$ 64,696,461
Investments	215,049,856
Receivables:	
Taxes, net	5,312,521
Accounts, net	3,299,003
Accrued interest	318,893
Other	3,283,469
Prepays and other assets	1,166,232
Restricted cash and cash equivalents	4,200,590
Capital assets:	
Land and construction in progress	1,691,838,227
Intangible assets	2,400,000
Other capital assets, net of depreciation	525,790,894
Total assets	2,517,356,146
 DEFERRED OUTFLOWS OF RESOURCES	
Deferred charge on refundings	19,727,590
Pension contributions after measurement date	424,243
Difference in projected and actual earnings on pension assets	6,981,050
Changes in pension assumptions	884,798
Total deferred outflows of resources	28,017,681
 LIABILITIES	
Vouchers payable	10,384,304
Accrued payroll and compensated absences	1,728,994
Retainage payable	2,775,150
Due to other units	13,441
Unearned revenue	856,470
Accrued interest	11,635,573
Long-term liabilities:	
Due within one year:	
Bonds payable	25,385,000
Compensated absences	256,468
Pollution remediation obligation	32,738
Due in more than one year:	
Bonds payable	639,710,495
Compensated absences	163,972
OPEB obligation	12,109,976
Net pension liability	15,036,618
Pollution remediation obligation	422,240
Total liabilities	720,511,439
 DEFERRED INFLOWS OF RESOURCES	
Difference in expected and actual pension experience	129,019
Total deferred outflows of resources	129,019
 NET POSITION	
Net investment in capital assets	1,771,401,492
Restricted for capital projects	5,091,082
Unrestricted	48,240,795
Total net position	\$ 1,824,733,369

See notes to the financial statements.

**HARRIS COUNTY FLOOD CONTROL DISTRICT
A COMPONENT UNIT OF HARRIS COUNTY, TEXAS
STATEMENT OF ACTIVITIES
For The Year Ended February 29, 2016**

<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>		
Governmental activities:					
Flood control administration	\$ 109,299,552	\$ 6,228,110	\$ 50,440,077	\$ 19,959,918	\$ (32,671,447)
Tax administration	559,211	-	-	-	(559,211)
Interest on long-term debt	28,059,491	-	-	-	(28,059,491)
Total governmental activities	<u>\$ 137,918,254</u>	<u>\$ 6,228,110</u>	<u>\$ 50,440,077</u>	<u>\$ 19,959,918</u>	<u>(61,290,149)</u>
General revenues:					
Taxes:					
Property taxes levied for general purposes					96,994,595
Property taxes levied for debt service					4,262,113
Earnings on investments					628,008
Miscellaneous					1,295,730
Total general revenues and other items					<u>103,180,446</u>
Change in net position					41,890,297
Net position - beginning (Restated, Note 1)					<u>1,782,843,072</u>
Net position - ending					<u>\$ 1,824,733,369</u>

See notes to the financial statements.

HARRIS COUNTY FLOOD CONTROL DISTRICT
A COMPONENT UNIT OF HARRIS COUNTY, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
February 29, 2016

	Operations and Maintenance (General)	Special Revenue Grants	Debt Service	Capital Projects	Total 2016
ASSETS					
Cash and investments:					
Cash and cash equivalents	\$ 13,447,217	\$ 11,329	\$ -	\$ 51,237,915	\$ 64,696,461
Investments	62,045,602	-	-	153,004,254	215,049,856
Receivables:					
Taxes, net	5,023,913	-	288,608	-	5,312,521
Accounts, net	21,710	3,277,293	-	-	3,299,003
Accrued interest	92,006	-	-	226,887	318,893
Other	30,171	3,251,961	1,337	-	3,283,469
Due from other funds	4,018,189	-	3,050	-	4,021,239
Prepays and other assets	581,552	447,228	-	137,452	1,166,232
Restricted cash and cash equivalents	104,574	-	4,096,016	-	4,200,590
Total assets	<u>\$ 85,364,934</u>	<u>\$ 6,987,811</u>	<u>\$ 4,389,011</u>	<u>\$ 204,606,508</u>	<u>\$ 301,348,264</u>
LIABILITIES					
Vouchers payable	\$ 2,855,695	\$ 2,834,604	\$ -	\$ 4,726,743	\$ 10,417,042
Accrued payroll and compensated absences	1,728,994	-	-	-	1,728,994
Retainage payable	222,242	135,018	-	2,417,890	2,775,150
Due to other funds	-	4,018,189	-	3,050	4,021,239
Due to other units	13,441	-	-	-	13,441
Unearned revenue	-	-	-	856,470	856,470
Total liabilities	<u>4,820,372</u>	<u>6,987,811</u>	<u>-</u>	<u>8,004,153</u>	<u>19,812,336</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue-property taxes	2,236,726	-	155,028	-	2,391,754
Total deferred inflows of resources	<u>2,236,726</u>	<u>-</u>	<u>155,028</u>	<u>-</u>	<u>2,391,754</u>
FUND BALANCES					
Nonspendable	581,552	-	-	137,452	719,004
Restricted	104,574	-	4,233,983	196,464,903	200,803,460
Assigned	8,420,086	-	-	-	8,420,086
Unassigned	69,201,624	-	-	-	69,201,624
Total fund balances	<u>78,307,836</u>	<u>-</u>	<u>4,233,983</u>	<u>196,602,355</u>	<u>279,144,174</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 85,364,934</u>	<u>\$ 6,987,811</u>	<u>\$ 4,389,011</u>	<u>\$ 204,606,508</u>	<u>\$ 301,348,264</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 29, 2016**

Total fund balances for governmental funds	\$	279,144,174
--	----	-------------

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	\$	1,611,986,509	
Construction in progress		79,851,718	
Intangible assets - water rights		2,400,000	
Land improvements, net of \$288,904 accumulated depreciation		352,627	
Flood control projects, net of \$384,083,599 accumulated depreciation		513,633,313	
Buildings, net of \$3,646,430 accumulated depreciation		8,511,793	
Equipment and vehicles, net of \$7,954,957 accumulated depreciation		<u>3,293,161</u>	
Total capital assets			2,220,029,121

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 and deferred inflows are reported in the statement of net position. Balances as of February 29, 2016 were:

Deferred charge on refundings		19,727,590	
Deferred outflow - Pension contributions after measurement date		424,243	
Deferred outflow - Difference in actual and projected earnings on pension assets		6,981,050	
Deferred outflow - Changes in assumptions		884,798	
Accrued interest on bonds		(11,635,573)	
Bonds payable		(665,095,495)	
Compensated absences		(420,440)	
OPEB obligation		(12,109,976)	
Net pension liability		(15,036,618)	
Pollution remediation obligation		(422,240)	
Deferred inflow - Difference in expected and actual pension experience		<u>(129,019)</u>	
			(676,831,680)

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.

		<u>2,391,754</u>
Total net position of governmental activities	\$	<u><u>1,824,733,369</u></u>

See notes to the financial statements.

**HARRIS COUNTY FLOOD CONTROL DISTRICT
A COMPONENT UNIT OF HARRIS COUNTY, TEXAS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For The Year Ended February 29, 2016**

	Operations and Maintenance (General)	Special Revenue Grants	Debt Service	Capital Projects	Total 2016
REVENUES					
Taxes	\$ 96,663,240	\$ -	\$ 4,259,646	\$ -	\$ 100,922,886
Intergovernmental	25,977	6,994,281	50,430,000	8,648,003	66,098,261
Lease revenue	325,659	-	-	-	325,659
Earnings on investments	-	-	5,372	622,636	628,008
Miscellaneous	438,426	-	7,736	6,752,019	7,198,181
Total revenues	<u>97,453,302</u>	<u>6,994,281</u>	<u>54,702,754</u>	<u>16,022,658</u>	<u>175,172,995</u>
EXPENDITURES					
Current operating:					
Flood control administration	54,097,209	233,125	-	1,929,223	56,259,557
Tax administration	559,211	-	-	-	559,211
Capital outlay	789,308	7,068,736	-	72,733,649	80,591,693
Debt service:					
Principal retirement	-	-	24,835,000	-	24,835,000
Bond issuance fees	251,657	-	323,483	-	575,140
Interest and fiscal charges	-	-	29,900,076	-	29,900,076
Total expenditures	<u>55,697,385</u>	<u>7,301,861</u>	<u>55,058,559</u>	<u>74,662,872</u>	<u>192,720,677</u>
Excess (deficiency) of revenues over (under) expenditures	<u>41,755,917</u>	<u>(307,580)</u>	<u>(355,805)</u>	<u>(58,640,214)</u>	<u>(17,547,682)</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	407,283	1,307,695	23,129	60,850,426	62,588,533
Transfers out	(60,003,265)	(1,000,115)	(257,594)	(1,327,559)	(62,588,533)
Refunding bonds issued	-	-	77,020,000	-	77,020,000
Premium on refunding bonds issued	-	-	11,929,650	-	11,929,650
Payment to escrow agent	-	-	(88,368,573)	-	(88,368,573)
Sale of capital assets	-	-	-	1,352,113	1,352,113
Total other financing sources (uses)	<u>(59,595,982)</u>	<u>307,580</u>	<u>346,612</u>	<u>60,874,980</u>	<u>1,933,190</u>
Net changes in fund balances	(17,840,065)	-	(9,193)	2,234,766	(15,614,492)
Fund balances, beginning	96,147,901	-	4,243,176	194,367,589	294,758,666
Fund balances, ending	<u>\$ 78,307,836</u>	<u>\$ -</u>	<u>\$ 4,233,983</u>	<u>\$ 196,602,355</u>	<u>\$ 279,144,174</u>

See notes to the financial statements.

**HARRIS COUNTY FLOOD CONTROL DISTRICT
A COMPONENT UNIT OF HARRIS COUNTY, TEXAS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
For The Year Ended February 29, 2016**

Net change in fund balances - total governmental funds \$ (15,614,492)

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 \$80,591,693 exceeded depreciation of \$29,568,345 in the current period. 51,023,348

Capital asset donations 6,537,899

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		\$ (77,020,000)	
Premium on refunding bonds		(11,929,650)	
Repayments:			
To paying agent for bond principal		24,835,000	
To refunding bond escrow agent		88,368,573	
Refunding interest expense		(538,737)	
Net adjustment		23,715,186	

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	(66,995)	
OPEB obligation	(1,314,105)	
Net pension liability	(291,695)	
Pollution remediation obligation	(11,628)	
Amortization of debt premium	3,838,818	
Amortization of advanced refunding difference	(2,277,304)	
Accrued interest on bonds	817,808	
Combined adjustment	694,899	

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. (1,902,343)

The net effect of disposals of capital assets is to decrease net position. (22,564,200)

Change in net position of governmental activities \$ 41,890,297

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 29, 2016**

	Total Agency
ASSETS	
Cash and cash equivalents	\$ 32,045
Investments	27,960
Accrued interest receivable	42
Total assets	\$ 60,047
 LIABILITIES	
Vouchers payable	\$ 34,304
Held for others	25,743
Total liabilities	\$ 60,047

See notes to the financial statements.

HARRIS COUNTY FLOOD CONTROL DISTRICT
A COMPONENT UNIT OF HARRIS COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
February 29, 2016

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 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. Net pension liability is reported as a line on the balance sheet for the first time and deferred inflows and outflows related to the pension are also reported. Pension expense for income statement purposes is calculated differently than it has been in the past and it may be more volatile year to year. Pension expense is the change in net pension liability from year to year, adjusted for the change in deferred inflows/outflows. Previous to 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 GASB 68. GASB 71 eliminated 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.

Implementation of GASB 68 and GASB 71 are reflected in the financial statements, notes to the financial statements, and required supplementary information. Also, with these implementations the beginning net position has been adjusted for the pension liability and pension expense attributable to prior years.

**HARRIS COUNTY FLOOD CONTROL DISTRICT
A COMPONENT UNIT OF HARRIS COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
February 29, 2016**

	Amount
Net position - beginning	\$ 1,789,426,923
Recording of net pension liability as of February 28, 2015	(7,080,785)
Deferral for pension contributions made after the measurement date	496,934
Net position - restated	\$ 1,782,843,072

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 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

HARRIS COUNTY FLOOD CONTROL DISTRICT
A COMPONENT UNIT OF HARRIS COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
February 29, 2016

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 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; 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.

**HARRIS COUNTY FLOOD CONTROL DISTRICT
A COMPONENT UNIT OF HARRIS COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
February 29, 2016**

- Public hearings are held on the proposed budget.
- Commissioners Court must adopt an annual operating budget by a majority vote of Commissioners Court before April 1. The adopted budget must be balanced; that is, available resources must be sufficient to support annual appropriations.
- Annual budgets are legally adopted for the General Fund, Debt Service Fund and Capital Projects Fund. Budgets for Special Revenue Grants are prepared on a grant award basis.
- The fund is the legal level of budgetary control. Commissioners Court approval is necessary to transfer appropriations between departments. Transfers may not increase the total budget.
- Commissioners Court may approve expenditures as an amendment to the 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

**HARRIS COUNTY FLOOD CONTROL DISTRICT
A COMPONENT UNIT OF HARRIS COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
February 29, 2016**

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, 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, pension contributions after measurement date, the differences in projected and actual earnings on pension assets, and changes in pension assumptions. 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. The pension contributions after measurement date are deferred and recognized in the following fiscal year. The differences in projected and actual earnings on pension assets are amortized over a closed five year period. Pension assumption changes are recognized over the average remaining service life for all members.

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 consist of differences in expected and actual pension experience, and unavailable revenue. Unavailable revenue is reported only on the governmental funds balance sheet. The governmental funds report unavailable revenues from two sources: property taxes and other. The differences in expected and actual pension experience are amortized over a closed six year period. 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.

**HARRIS COUNTY FLOOD CONTROL DISTRICT
A COMPONENT UNIT OF HARRIS COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
February 29, 2016**

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 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.

**HARRIS COUNTY FLOOD CONTROL DISTRICT
A COMPONENT UNIT OF HARRIS COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
February 29, 2016**

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.

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 worked hours in excess of 40 hours per week. Non-exempt employees may accrue up to 240 hours of compensatory time. Compensatory time in excess of the 240 hour maximum is paid at the regular rate of pay on the next pay period. Upon termination, non-exempt employees will be paid for any compensatory time balances.

Exempt employees earn compensatory time at a rate of one times their worked hours 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.

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.

HARRIS COUNTY FLOOD CONTROL DISTRICT
A COMPONENT UNIT OF HARRIS COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
February 29, 2016

The custodial credit risk for deposits is the risk that the District will not be able to recover deposits that are in the possession of an outside party. Deposits are exposed to custodial credit risk if they are not insured or collateralized. At February 29, 2016, the balance per various financial institutions was \$61,727,169. 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 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

**HARRIS COUNTY FLOOD CONTROL DISTRICT
A COMPONENT UNIT OF HARRIS COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
February 29, 2016**

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 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 Commissioners Court 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

HARRIS COUNTY FLOOD CONTROL DISTRICT
A COMPONENT UNIT OF HARRIS COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
February 29, 2016

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 29, 2016.

	Governmental Activities	Fiduciary Funds	Total
Cash and Cash Equivalents	\$ 64,696,461	\$ 32,045	\$ 64,728,506
Restricted Cash and Cash Equivalents	4,200,590	-	4,200,590
Investments	215,049,856	27,960	215,077,816
Total Cash & Investments	\$ 283,946,907	\$ 60,005	\$ 284,006,912

The table below indicates the fair value and maturity value of the District's investments as of February 29, 2016, 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>					
FHLMC	\$ 76,488,723	26.69%	\$ 76,450,000	0.498	AA+/Aaa
FNMA	20,999,970	7.33%	21,000,000	0.127	AA+/Aaa
<i>Total US Agency Notes</i>	<u>97,488,693</u>		<u>97,450,000</u>		
<i>Commercial Paper</i>					
MUFG - Disc. Commercial Paper	14,947,733	5.22%	15,000,000	0.027	A-1/P-1
TMCC-Disc. Commercial Paper	45,093,310	15.74%	45,200,000	0.052	A-1+/P-1
TMCP - Disc. Commercial Paper	29,930,435	10.45%	30,000,000	0.004	A-1+/P-1
UBSFIN - Disc. Commercial Paper	4,988,907	1.75%	5,000,000	0.008	A-1/P-1
<i>Total Commercial Paper</i>	<u>94,960,385</u>		<u>95,200,000</u>		
<i>Local Governments</i>					
Austin TX Wtr & Wstwr Sys Txbl	996,560	0.34%	1,000,000	0.004	AA/Aa2
Colorado St Housing & Fin Auth	6,063,120	2.11%	6,000,000	0.025	Aa2
Houston TX Cmnty Clg Rev Txbl	2,788,465	0.98%	2,790,000	0.001	AA-/Aa2
Hurst Eules Bedford TX ISD Txbl	981,960	0.35%	1,000,000	0.005	AAA/Aaa
McLennan Cnty TX Pub Fac Rev Txbl	816,345	0.28%	815,000	0.004	AA-
Milwaukee County Wisconsin Go	2,308,481	0.80%	2,305,000	0.014	AA/Aa2
Nassau Cnty NY	1,503,945	0.52%	1,500,000	0.004	AAA
Newark NJ TXBL Ref	2,782,548	0.98%	2,775,000	0.010	AA/A2
North Olmstead OH City Sch Dist	1,306,695	0.46%	1,300,000	0.008	AA-/Aa2
Saint Louis Cnty MO Spl Oblg Txbl	848,410	0.29%	850,000	0.005	AA
Univ of California CA Rev Txbl	739,697	0.26%	740,000	0.001	AA/Aa2
Univ of Kentucky Gnrl Rcpts	3,191,946	1.12%	3,190,000	0.034	AA/Aa2
<i>Total Local Governments</i>	<u>24,328,172</u>		<u>24,265,000</u>		

HARRIS COUNTY FLOOD CONTROL DISTRICT
A COMPONENT UNIT OF HARRIS COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
February 29, 2016

Security	Fair Value	Percentage of Portfolio	Maturity Amount	Weighted Avg Modified Duration (Years)	Credit Rating S&P/ Moody's
<i>Money Market Funds</i>					
Fidelity Instl Treasury	54,533,536	19.03%	54,533,536	N/A	AAAm
Fidelity Instl - Tax Exempt	7,124,498	2.49%	7,124,498	N/A	AAAm
Lone Star Investment Pool	8,046,748	2.81%	8,046,748	N/A	AAAm
<i>Total Money Market Funds</i>	<u>69,704,782</u>		<u>69,704,782</u>		
Total Investments	286,482,032	100.00%	<u>\$ 286,619,782</u>		
<i>Outstanding items</i>	(2,475,120)				
Total Cash & Investments	<u><u>\$ 284,006,912</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 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 29, 2016, 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 to investment quality by a nationally recognized investment rating firm as A or its equivalent. Money market mutual funds and public funds investment pools must be rated AAA 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

**HARRIS COUNTY FLOOD CONTROL DISTRICT
A COMPONENT UNIT OF HARRIS COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
February 29, 2016**

counterparty, the District may not be able to recover the value of its investments that are held by the counterparty. As of February 29, 2016, 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.

Fund Type	Investment Strategy	Maximum Maturity Per Policy (Years)	Maturity Amount	Average Remaining Years To Maturity
Pool/Special Revenue	Matching	5	216,915,000	1.02
Money Market Mutual Funds	N/A	N/A	69,704,782	N/A
			<u>\$ 286,619,782</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 2015 tax year, per \$100 of taxable valuation:

HARRIS COUNTY FLOOD CONTROL DISTRICT
A COMPONENT UNIT OF HARRIS COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
February 29, 2016

	Maintenance and Operations <u>(General)</u>	Debt <u>Service</u>	<u>Total</u>
Flood Control District	\$0.02620	\$0.00113	\$0.02733

Property tax receivables of \$5,312,521 as of February 29, 2016 are reported net of an allowance for uncollectible taxes of \$9,504,661.

4. INTERFUND BALANCES AND TRANSFERS

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

The interfund receivable and payable balances, as of February 29, 2016 are as follows:

Receivable:			
	General Fund	Debt Service	Total
Payable:			
Special Revenue Grants	\$ 4,018,189	\$ -	\$ 4,018,189
Capital Projects	-	3,050	3,050
TOTAL	\$ 4,018,189	\$ 3,050	\$ 4,021,239

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 29, 2016:

Transfers In:					
	General Fund	Special Revenue Grants	Debt Service	Capital Projects	Total
Transfers Out:					
General Fund	\$ -	\$ 3,265	\$ -	\$ 60,000,000	\$ 60,003,265
Special Revenue Grants	149,689	-	-	850,426	1,000,115
Debt Service Fund	257,594	-	-	-	257,594
Capital Projects	-	1,304,430	23,129	-	1,327,559
TOTAL	\$ 407,283	\$ 1,307,695	\$ 23,129	\$ 60,850,426	\$ 62,588,533

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 29, 2016

5. CAPITAL ASSETS

Capital assets transactions are summarized as follows:

	Balance				Balance
	March 1, 2015	Additions	Deletions	Transfers	February 29, 2016
Governmental Activities:					
Land	\$ 1,581,033,375	\$ 31,117,933	\$ (164,799)	\$ -	\$ 1,611,986,509
Construction in progress	52,553,630	55,475,325	(3,217,401)	(24,959,836)	79,851,718
Intangible Assets - water rights	2,400,000	-	-	-	2,400,000
Total capital assets not depreciated	<u>1,635,987,005</u>	<u>86,593,258</u>	<u>(3,382,200)</u>	<u>(24,959,836)</u>	<u>1,694,238,227</u>
Land improvements	641,531	-	-	-	641,531
Buildings	11,870,371	-	-	287,852	12,158,223
Equipment	11,470,409	536,334	(758,625)	-	11,248,118
Flood control projects	892,224,261	-	(19,179,333)	24,671,984	897,716,912
	<u>916,206,572</u>	<u>536,334</u>	<u>(19,937,958)</u>	<u>24,959,836</u>	<u>921,764,784</u>
Less accumulated depreciation for:					
Land Improvements	(257,092)	(31,812)	-	-	(288,904)
Buildings	(3,384,278)	(262,152)	-	-	(3,646,430)
Equipment	(7,521,961)	(1,188,954)	755,958	-	(7,954,957)
Flood control projects	(355,998,172)	(28,085,427)	-	-	(384,083,599)
	<u>(367,161,503)</u>	<u>(29,568,345)</u>	<u>755,958</u>	<u>-</u>	<u>(395,973,890)</u>
Total capital assets being depreciated, net	<u>549,045,069</u>	<u>(29,032,011)</u>	<u>(19,182,000)</u>	<u>24,959,836</u>	<u>525,790,894</u>
Governmental activities capital assets, net	<u>\$ 2,185,032,074</u>	<u>\$ 57,561,247</u>	<u>\$ (22,564,200)</u>	<u>\$ -</u>	<u>\$ 2,220,029,121</u>

Depreciation expense was charged to the Flood Control Administration function of the District for \$29,568,345.

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 and Special Obligation Bonds secured by a pledge and first lien on the County's payments to the District under Flood Control Projects Contracts. 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 2015-2016 were as follows:

HARRIS COUNTY FLOOD CONTROL DISTRICT
A COMPONENT UNIT OF HARRIS COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
February 29, 2016

	Outstanding March 1, 2015 (as restated)	Increase	Decrease	Outstanding February 29, 2016	Amount Due Within One Year
Governmental Activities:					
Refunding Series 2006A	\$ 33,250,000	\$ -	\$ (33,250,000)	\$ -	\$ -
Improvement Bonds Series 2007	51,200,000	-	(51,200,000)	-	-
Refunding Series 2008A	112,310,000	-	(6,520,000)	105,790,000	6,845,000
Refunding Series 2008C	104,475,000	-	(2,130,000)	102,345,000	2,200,000
Refunding Series 2010A	178,605,000	-	-	178,605,000	-
Refunding Series 2014	36,200,000	-	-	36,200,000	-
Refunding Series 2014A	58,225,000	-	-	58,225,000	-
Refunding Series 2014B	73,665,000	-	(16,185,000)	57,480,000	16,340,000
Refunding Series 2015A	-	46,875,000	-	46,875,000	-
Refunding Series 2015B	-	30,145,000	-	30,145,000	-
Total Bonds Payable - Principal	647,930,000	77,020,000	(109,285,000)	615,665,000	25,385,000
Unamortized Premium, Series 2006A	1,598,553	-	(1,598,553)	-	-
Unamortized Premium, Series 2007	1,856,540	-	(1,856,540)	-	-
Unamortized Premium, Series 2008A	6,882,376	-	(1,465,587)	5,416,789	-
Unamortized Discount, Series 2008C	(454,744)	-	29,943	(424,801)	-
Unamortized Premium, Series 2010A	16,295,524	-	(713,063)	15,582,461	-
Unamortized Premium, Series 2014	7,132,282	-	(533,331)	6,598,951	-
Unamortized Premium, Series 2014A	11,358,857	-	(814,760)	10,544,097	-
Unamortized Premium, Series 2015A	-	7,014,208	(130,610)	6,883,598	-
Unamortized Premium, Series 2015B	-	4,915,442	(86,042)	4,829,400	-
Total Bonds Payable	692,599,388	88,949,650	(116,453,543)	665,095,495	25,385,000
Compensatory Time Payable	353,445	296,734	(229,739)	420,440	256,468
OPEB Obligation	10,795,871	1,314,105	-	12,109,976	-
Net Pension Liability	7,080,785	7,955,833	-	15,036,618	-
Pollution Remediation Obligation	418,537	44,366	(7,925)	454,978	32,738
TOTAL	\$ 711,248,026	\$ 98,560,688	\$ (116,691,207)	\$ 693,117,507	\$ 25,674,206

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.

A. OUTSTANDING BONDED DEBT

	Original	Interest	Date Series		February 29,
	Issue Amount	Rates (%)	Issued	Matures	2016
Refunding Series 2008A	137,095,000	4.00-5.25	2008	2021	105,790,000
Refunding Series 2008C	158,100,000	3.00-5.125	2008	2024	102,345,000
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	57,480,000
Refunding Series 2015A	46,875,000	3.00-5.00	2015	2030	46,875,000
Refunding Series 2015B	30,145,000	3.00-5.00	2015	2030	30,145,000
TOTAL	\$ 724,455,000				\$ 615,665,000

**HARRIS COUNTY FLOOD CONTROL DISTRICT
A COMPONENT UNIT OF HARRIS COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
February 29, 2016**

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>
2017	\$ 25,385,000	\$ 28,385,332	\$ 53,770,332
2018	25,955,000	28,299,777	54,254,777
2019	26,705,000	27,624,431	54,329,431
2020	28,025,000	26,312,671	54,337,671
2021	29,495,000	24,841,358	54,336,358
2022-2026	171,435,000	100,564,132	271,999,132
2027-2031	187,685,000	55,534,000	243,219,000
2032-2036	60,620,000	24,478,500	85,098,500
2037-2041	60,360,000	7,728,750	68,088,750
	<u>\$ 615,665,000</u>	<u>\$ 323,768,951</u>	<u>\$ 939,433,951</u>

C. UNISSUED AUTHORIZED BONDS

Capital projects are funded primarily by the issuance of bonded debt. The Flood Control District has received voter approval for the issuance of bonds to maintain an ongoing capital improvement program. The following is the summary of authorized, issued and unissued bonds and commercial paper:

<u>Description</u>	<u>Year of Voter Authorization</u>	<u>Amount Authorized</u>	<u>Issued as of 2/29/2016</u>	<u>Authorized but Unissued as of 2/29/2016</u>
(amounts in millions)				
<u>Ad Valorem Tax Bonds</u>				
Flood	2015	64.0	-	64.0
Total Ad Valorem Tax Bonds		<u>\$ 64.0</u>	<u>\$ -</u>	<u>\$ 64.0</u>

D. REFUNDING/ISSUANCE OF DEBT

On November 17, 2015, the County issued \$46,875,000 of Flood Control District Improvement Refunding Bonds, Series 2015A to refund and defease a portion of the County's outstanding Flood Control District Improvement Refunding Bonds, Series 2007, and to pay the cost of such issuance. The annual interest rate is 3% to 5%. The issuance had a premium of \$7,014,208. The interest accrues semiannually and the bonds mature in 2030. The refunding resulted in a savings of \$9,776,868 due to a decrease in the cash flow requirements and had an economic gain of \$7,257,013.

On November 17, 2015, the County issued \$30,145,000 of Flood Control District Contract Tax Refunding Bonds, Series 2015B to refund and defease a portion of the County's outstanding Flood Control District Contract Tax Bonds, Series 2006A, and to pay the cost of such issuance. The annual interest rate is 3% to 5%. The issuance had a premium of \$4,915,442. The interest accrues semiannually and the bonds mature in 2030. The refunding resulted in a savings of \$7,039,164 due to a decrease in the cash flow requirements and had an economic gain of \$5,169,686.

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

**HARRIS COUNTY FLOOD CONTROL DISTRICT
A COMPONENT UNIT OF HARRIS COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
February 29, 2016**

costs. The Series F liquidity facility expired on August 1, 2015 and the program is now dormant. As of February 29, 2016, 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 2016. As of February 29, 2016 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

Harris County provides retirement, disability, and survivor 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”). This is accounted for as an agent multiple-employer defined benefit pension plan. The Board of Trustees of TCDRS is responsible for the administration of the statewide agent multiple-employer public employee retirement system. TCDRS in the aggregate issues a comprehensive annual financial report (“CAFR”) on a calendar year basis. The CAFR is available upon written request from the TCDRS Board of Trustees at P.O. Box 2034, Austin, Texas 78768-2034 or the website at www.TCDRS.org.

Harris County’s pension plan includes Flood Control and three other participating employers. Flood Control has reported its participation in the Harris County plan as a cost sharing employer. The Harris County plan is allocated to participating employers based upon contributions. Flood Control’s allocated share was 2.076%.

Benefits Provided

The plan provisions are adopted by Commissioners Court of the County, within the options available in the state statutes governing TCDRS (“TCDRS Act”). Members can retire at ages 60 and above with eight or more years of service, 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 of service but must leave their accumulated contributions in the plan to receive any employer-financed benefit. Members who withdraw their personal contributions in a lump sum are not entitled to any amounts contributed by the County.

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. By law, employee accounts earn 7% interest. 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. The County’s current match is 225%.

Employees Covered by Benefit Terms

At the measurement date, the following employees were covered by the benefit terms of the Harris County

**HARRIS COUNTY FLOOD CONTROL DISTRICT
A COMPONENT UNIT OF HARRIS COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
February 29, 2016**

plan:

	12/31/14	12/31/15
Inactive employees or beneficiaries current receiving benefits	7,061	7,469
Inactive employees entitled but not yet receiving benefits	7,351	7,885
Active employees	15,801	16,342
Total	30,213	31,696

Contributions

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 as of December 31, two years prior to the end of the fiscal year in which contributions are reported. The County contributed using an actuarially determined rate of 13.88% of covered payroll for the months of the calendar year in 2015, and 14.00% for the months of the calendar year in 2016.

The contribution rate payable by the employee members for 2015 and 2016 is 7% as adopted by Commissioners Court. The employee contribution rate and the employer contribution rate may be changed by Commissioners Court, within the options available in the TCDRS Act.

Actuarial Assumptions

For the County’s fiscal year ending February 29, 2016, the net pension liability was measured as of December 31, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

The total pension liability in the December 31, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0%
Salary Increases	3.5%
Investment rate of return	8.1%

The County has no automatic cost-of-living adjustments (“COLA”) and one is not considered to be substantively automatic under GASB 68. Therefore, no assumption for future cost-of-living adjustments is included in the GASB calculation or in the funding valuation. Each year, the County may elect an ad-hoc COLA for its retirees.

The annual salary increases rates assumed for individual members vary by length of service and by entry-age group. The annual rates consist of a general wage inflation component of 3.5% (made up of 3.0% inflation and 0.5% productivity increase assumptions) and a merit, promotion, and longevity component that on average approximates 1.4% per year for a career employee.

Mortality rates for depositing members were based on the RP-2000 Active Employee Mortality Table for males and females as appropriate, with adjustments, with the projection scale AA. Service retirees, beneficiaries, and non-depositing members were based on RP-2000 Combined Mortality Table for males and females as appropriate, with adjustments with the projection scale AA. Disabled retirees were based on RP-2000 Disabled Mortality Table for males and females as appropriate, with adjustments, with the projection scale AA.

**HARRIS COUNTY FLOOD CONTROL DISTRICT
A COMPONENT UNIT OF HARRIS COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
February 29, 2016**

The actuarial cost method was Entry Age Normal, as required by GASB 68. Straight-line amortization over Expected Working Life with a 5 year smoothing period, and a non-asymptotic recognition method with no corridor were utilized in the actuarial calculations.

The actuarial assumptions used in the December 31, 2015 valuation were based on the results of an actuarial experience study for the period January 1, 2009 – December 31, 2012, except where required to be different by GASB 68. Updated mortality assumptions were adopted in 2015.

The long-term expected rate of return on TCDRS assets is determined by adding expected inflation to expected long-term real returns, and reflecting expected volatility and correlation. The numbers shown are based on January 2016 information for a 7-10 year time horizon and are re-assessed at a minimum of every four years, and is set based on a 30-year time horizon; the most recent analysis was performed in 2013. The following target asset allocation was adopted by the TCDRS board in April 2016. The geometric real rate of return is net of inflation, assumed at 1.6%.

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Geometric Real Rate of Return</u>
US Equities	14.50%	5.45%
Private Equity	14.00%	8.45%
Global Equities	1.50%	5.75%
International Equities - Developed	10.00%	5.45%
International Equities - Emerging	8.00%	6.45%
Investment-Grade Bonds	3.00%	1.00%
High-Yield Bonds	3.00%	5.10%
Opportunistic Credit	2.00%	5.09%
Direct Lending	5.00%	6.40%
Distressed Debt	3.00%	8.10%
REIT Equities	3.00%	4.00%
Master Limited Partnerships (MLPs)	3.00%	6.80%
Private Real Estate Partnerships	5.00%	6.90%
Hedge Funds	25.00%	5.25%
	<u>100.00%</u>	

Discount Rate

The discount rate used to measure the total pension liability was 8.1%. Using the alternative method, the projected fiduciary net position is determined to be sufficient compared to projected benefit payments based on the funding requirements under the County’s funding policy and the legal requirements under the TCDRS Act.

1. TCDRS has a funding policy where the unfunded actuarial accrued liability (“UAAL”) shall be amortized as a level percent of pay over 20-year layered periods.
2. Under the TCDRS Act, the County is legally required to make the contribution specified in the funding policy.
3. The County’s assets are projected to exceed its accrued liabilities in 20 years or less. When this point is reached, the employer is still required to contribute at least the normal cost.
4. Any increased cost due to the adoption of a COLA is required to be funded over a period of 15 years, if applicable.

HARRIS COUNTY FLOOD CONTROL DISTRICT
A COMPONENT UNIT OF HARRIS COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
February 29, 2016

Since the projected fiduciary net position is projected to be sufficient to pay projected benefit payments in all future years, the discount rate for purposes of calculating the total pension liability and net pension liability of the employer is equal to the long-term assumed rate of return on investments.

Changes in Net Pension Liability (amounts in thousands):

	Increase (Decrease)		
	Total Pension Liability	Fiduciary Net Position	Net Pension Liability/(Asset)
	(a)	(b)	(a) - (b)
Balances as of December 31, 2014	\$ 5,113,052	\$ 4,781,059	\$ 331,993
Changes for the year:			
Service cost	131,567		131,567
Interest on total pension liability	411,525		411,525
Effect of plan changes	(28,883)		(28,883)
Effect of economic/demographic gains or loss	(7,458)		(7,458)
Effect of assumptions changes or inputs	51,149		51,149
Refund of contributions	(10,223)	(10,223)	-
Benefit payments	(209,877)	(209,877)	-
Administrative expenses		(3,419)	3,419
Member contributions		66,878	(66,878)
Net investment income		(30,646)	30,646
Employer contributions		132,346	(132,346)
Other		363	(363)
Balances as of December 31, 2015	<u>\$ 5,450,852</u>	<u>\$ 4,726,481</u>	<u>\$ 724,371</u>

The net pension liability allocated to Flood Control at February 28, 2015 and February 29, 2016 was \$7,080,785 and \$15,036,618, respectively and employer contributions for the same period were \$2,277,899 and \$2,747,256, respectively.

Sensitivity Analysis. The following presents the net pension liability of the County, calculated using the discount rate of 8.1%, as well as what the County's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (7.1%) or 1-percentage-point higher (9.1%) than the current rate (amounts in thousands):

	Current		
	1% Decrease	Discount Rate	1% Increase
	7.10%	8.10%	9.10%
Total pension liability	\$ 6,167,834	\$ 5,450,852	\$ 4,852,783
Fiduciary net position	4,726,481	4,726,481	4,726,481
Net pension liability	<u>\$ 1,441,353</u>	<u>\$ 724,371</u>	<u>\$ 126,302</u>

Pension Plan Fiduciary Net Position. Detailed information about the pension plan's fiduciary net position is available in the separately issued TCDRS financial report.

Pension Expense and Deferred Inflows/Outflows of Resources Related to Pensions

For the measurement period ending December 31, 2015, the County recognized pension expense of

**HARRIS COUNTY FLOOD CONTROL DISTRICT
A COMPONENT UNIT OF HARRIS COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
February 29, 2016**

\$152,011,091, Flood Control's share was \$3,123,937, as of February 29, 2016; the County reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources (amounts in thousands):

	Deferred Inflows of Resources	Deferred Outflows of Resources
Differences between expected and actual experience	\$ 6,215	\$ -
Changes of assumptions	-	42,624
Net difference between projected and actual earnings	-	336,304
Contributions made subsequent to the measurement date	-	20,403
	\$ 6,215	\$ 399,331

Flood Control's Allocation:

	Deferred Inflows of Resources	Deferred Outflows of Resources
Differences between expected and actual experience	\$ 129	\$ -
Changes of assumptions	-	885
Net difference between projected and actual earnings	-	6,981
Contributions made subsequent to the measurement date	-	424
	\$ 129	\$ 8,290

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pension, other than contributions subsequent to the measurement date, will be recognized in pension expense for the Harris County plan as follows:

Year ended December 31:	
2016	\$ 91,357,656
2017	91,357,656
2018	91,357,656
2019	91,357,656
2020	7,281,749

Payable to the Pension Plan

At February 29, 2016, the County reported a payable of \$15,318,305 for the outstanding amount of contributions to the pension plan.

The above information includes four participating employers to the agent multiple employer defined benefit pension plan. One of the employers, Community Supervision ("CS") is not considered a department or a component unit of the County. The net pension liability for CS at February 28, 2015 and February 29, 2016 is \$13,604,321 and \$27,678,584, respectively.

The deferred inflows and outflows reported for CS at February 29, 2016 were (amounts in thousands):

**HARRIS COUNTY FLOOD CONTROL DISTRICT
A COMPONENT UNIT OF HARRIS COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
February 29, 2016**

	Deferred Inflows of Resources	Deferred Outflows of Resources
Differences between expected and actual experience	\$ 237	\$ -
Changes of assumptions	-	1,629
Net difference between projected and actual earnings	-	12,850
Contributions made subsequent to the measurement date	-	670
	\$ 237	\$ 15,149

For the measurement period ended December 31, 2015, CS recognized pension expense of \$5,808,422.

The RSI following the notes to the financial statements contains: the schedule of changes in the County's net pension liability and related ratios, and the schedule of County contributions.

8. OTHER POST EMPLOYMENT BENEFITS

THE PLAN:

Plan Description

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

Membership in the plan at March 1, 2015, the date of the latest actuarial valuation, consists of the following:

Retirees and beneficiaries receiving benefits	4,594
Active plan members	14,599
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:

HARRIS COUNTY FLOOD CONTROL DISTRICT
A COMPONENT UNIT OF HARRIS COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
February 29, 2016

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 (or Medicare eligible) with a minimum of 10 years of non-forfeited Harris County/TCDRS service to receive 100% of the 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 (or Medicare eligible) with a minimum of 15 years of non-forfeited Harris County/TCDRS service to receive any County contributions for retiree or dependent coverage.

Effective March 1, 2012:

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

The Plan rates are set annually by Commissioner's Court based on the combination of premiums and costs of the self-funded portion of the plan. The Plan is funded on a pay-as-you-go basis. For the year ended February 29, 2016, plan members or beneficiaries receiving benefits contributed \$10.19 million, or approximately 20.7 percent of total benefits paid during the year. Participating employers contributed \$39.01 million. The total contributions for the year ended February 29, 2016 were \$49.19 million. Total contributions included actual medical claims paid, premiums for other insurance and administrative costs calculated through an annual rate calculation.

**HARRIS COUNTY FLOOD CONTROL DISTRICT
A COMPONENT UNIT OF HARRIS COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
February 29, 2016**

THE EMPLOYER:

Annual OPEB Cost

For 2016, the County's annual OPEB cost (expense) was \$108,983,297 (including Flood Control of \$3,210,002) for the post employment healthcare plan. The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the fiscal year ended February 29, 2016 were as follows:

Annual Required Contribution	\$ 118,146,628
Add interest on Net OPEB Obligation	18,486,759
Less adjustment to Annual Required Contribution	<u>(27,650,090)</u>
Annual OPEB Cost	108,983,297
Less Contributions made	<u>(39,006,959)</u>
Change in Net OPEB Obligation	69,976,338
Net OPEB Obligation, beginning of the year	<u>492,980,243</u>
Net OPEB Obligation, end of the year	<u><u>\$ 562,956,581</u></u>

Trend Information:

Fiscal Year Ended	Annual OPEB Cost	Employer Contribution	Percentage of Annual OPEB Cost Contributed	Net Ending OPEB Obligation
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
2/29/2016	108,983,297	39,006,959	36%	562,956,581

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 \$982,079 and \$0 respectively for fiscal year 2015 and the net OPEB obligation for Emergency 911 and Community Supervision is \$1,149,819 and \$0 respectively at February 29, 2016. Flood Control's portion of the net OPEB obligation above is \$10,795,871 for fiscal year 2015 and \$12,109,976 at February 29, 2016.

Funded Status and Funding Progress. The funded status of the plan as of March 1, 2015 (most recent actuarial valuation) was as follows:

	All Participants	Flood Control Portion
Unfunded actuarial accrued liability (UAAL)	\$ 1,311,021,556	\$ 43,989,295
Funded ratio (actuarial value of plan assets/AAL)	0%	0%
Covered Payroll (active plan members)	\$ 961,963,878	\$ 19,402,552
UAAL as a percentage of covered payroll	136%	227%

The "All Participants" column in the above table includes UAAL of \$1,819,165 for Emergency 911 and UAAL of \$10,973,012 for Community Supervision.

**HARRIS COUNTY FLOOD CONTROL DISTRICT
A COMPONENT UNIT OF HARRIS COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
February 29, 2016**

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, 2015, actuarial valuation, a 3.75% discount rate was used. The medical trend rates of 6% for 2015 graded down to an ultimate rate of 5% by 2020 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 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.

HARRIS COUNTY FLOOD CONTROL DISTRICT
A COMPONENT UNIT OF HARRIS COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
February 29, 2016

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 \$454,978. 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 29, 2016. Additional costs, if any, are not expected to have a material effect on the financial condition of the District.

LITIGATION

The District is involved in lawsuits and other claims in the ordinary course of operations. Although the outcome of such lawsuits and other claims is not presently determinable, the resolution of these matters is not expected to have a material effect on the financial condition of the District. There are some civil cases that have resulted in settlements, consent decrees, or are expected to have a financial impact on the District in subsequent fiscal years.

CONSTRUCTION COMMITMENTS

The District has commitments under various contracts in connection with the construction of flood control facilities, buildings, and projects of \$31,938,650.

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,

**HARRIS COUNTY FLOOD CONTROL DISTRICT
A COMPONENT UNIT OF HARRIS COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
February 29, 2016**

committed or assigned fund balance on the governmental funds balance sheet. As of February 29, 2016, the encumbrance balances for the governmental funds are reported as follows:

	Restricted	Assigned	Total
General Fund	\$ -	\$ 8,419,486	\$ 8,419,486
Capital Projects	31,938,650	-	31,938,650
	<u>\$ 31,938,650</u>	<u>\$ 8,419,486</u>	<u>\$ 40,358,136</u>

10. RISK MANAGEMENT

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

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

The County has excess insurance coverage for 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 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 29, 2016:

**HARRIS COUNTY FLOOD CONTROL DISTRICT
A COMPONENT UNIT OF HARRIS COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
February 29, 2016**

	Operations and Maintenance (General)	Debt Service	Capital Projects	Total
Fund Balances:				
Nonspendable:				
Prepays	\$ 581,552	\$ -	\$ 137,452	\$ 719,004
Total nonspendable	<u>581,552</u>	<u>-</u>	<u>137,452</u>	<u>719,004</u>
Restricted for:				
Debt service	104,574	4,233,983	-	4,338,557
Capital projects	-	-	196,464,903	196,464,903
Total restricted	<u>104,574</u>	<u>4,233,983</u>	<u>196,464,903</u>	<u>200,803,460</u>
Assigned to:				
Flood control maintenance	8,419,486	-	-	8,419,486
Imprest cash	600	-	-	600
Total assigned	<u>8,420,086</u>	<u>-</u>	<u>-</u>	<u>8,420,086</u>
Unassigned	<u>69,201,624</u>	<u>-</u>	<u>-</u>	<u>69,201,624</u>
Total fund balances	<u>\$ 78,307,836</u>	<u>\$ 4,233,983</u>	<u>\$ 196,602,355</u>	<u>\$ 279,144,174</u>

12. RECENT ACCOUNTING PRONOUNCEMENTS

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

HARRIS COUNTY FLOOD CONTROL DISTRICT
A COMPONENT UNIT OF HARRIS COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
February 29, 2016

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.

GASB Statement 77, *Tax Abatement Disclosures* (“GASB 77”), has the objective to provide essential information about tax abatement programs to assist financial statement users to better assess: 1) sources and uses of financial resources; 2) compliance with finance related legal or contractual requirements; and 3) financial position and economic conditions. GASB 77 will be implemented by the District in fiscal year 2017 and the impact has not yet been determined.

GASB Statement 78, *Pensions Provided Through Certain Multiple-Employer Defined Benefit Pension Plans* (“GASB 78”), amends the scope of GASB 68 to exclude pensions provided to employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan that (1) is not a state or local governmental pension plan, (2) is also used to provide defined benefit pensions employees of employers that are not state or local governmental employers, and (3) has no predominant state or local governmental employer. This Statement establishes requirements for recognition and measurement of pension expense, expenditures, and liabilities; note disclosures; and required supplementary information for pensions that have the characteristics described above. GASB 78 will be implemented by the District in fiscal year 2017 and the impact has not yet been determined.

GASB Statement 79, *Certain External Investment Pools and Pool Participants* (“GASB 79”), addresses accounting and financial reporting for certain external investment pools and pool participants. Specifically, it establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. This Statement establishes additional note disclosure requirements for qualifying external investment pools that measure all of their investments at amortized cost for financial reporting purposes and for governments that participate in those pools. GASB 79 will be implemented by the District in fiscal year 2017 and the impact has not yet been determined.

GASB Statement 80, *Blending Requirements for Certain Component Units*, clarifies the financial statement presentation requirements for certain component units which are incorporated as not-for-profit entities. GASB 80 will be implemented by the District in fiscal year 2017 and the impact has not yet been determined.

GASB Statement 81, *Irrevocable Split-Interest Agreements*, establishes recognition and measurement requirements for irrevocable split-interest agreements. GASB 81 will be implemented by the District in fiscal year 2017 and the impact has not yet been determined.

GASB Statement 82, *Pension Issues*, addresses certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 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*. Specifically, this Statement addresses issues regarding the presentation of payroll-related measures in required supplementary information, deviations from the guidance of the Actuarial Standards Board, and the classification of payments made by employers to satisfy employee (plan member) contribution requirements. GASB 82 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 29, 2016**

	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	\$ 92,353,520	\$ 92,353,520	\$ 97,072,763	\$ 4,719,243
FC Series F Commercial Paper	98,598	98,598	98,605	7
Total Beginning Cash and Investments	<u>92,452,118</u>	<u>92,452,118</u>	<u>97,171,368</u>	<u>4,719,250</u>
Interest:				
Flood Control General	450,600	450,600	372,892	(77,708)
FC Series F Commercial Paper	2	2	24	22
Improvement Refunding Bond 2015A - COI	-	-	5	5
Contract Tax Bond 2015B - COI	-	-	3	3
Total Interest	<u>450,602</u>	<u>450,602</u>	<u>372,924</u>	<u>(77,678)</u>
Taxes:				
Flood Control General	90,689,374	90,689,374	96,588,983	5,899,609
Intergovernmental:				
Flood Control General	7,400	7,400	15,900	8,500
Miscellaneous:				
Flood Control General	435,220	435,220	502,593	67,373
Other - Lease Revenue:				
Flood Control General	474,000	474,000	325,659	(148,341)
Other Transfers In:				
Flood Control General	-	-	159,767	159,767
Improvement Refunding Bond 2015A - COI	-	154,344	154,344	-
Contract Tax Bond 2015B - COI	-	103,249	103,249	-
Total Other Transfers In	<u>-</u>	<u>257,593</u>	<u>417,360</u>	<u>159,767</u>
Total Revenue and Other Financing Sources	<u>184,508,714</u>	<u>184,766,307</u>	<u>195,394,787</u>	<u>10,628,480</u>
EXPENDITURES AND OTHER FINANCING USES				
Flood Control General	184,410,114	184,410,114	115,631,300	68,778,814
FC Series F Commercial Paper	98,600	98,600	-	98,600
Improvement Refunding Bond 2015A - COI	-	154,344	150,188	4,156
Contract Tax Bond 2015B - COI	-	103,249	101,468	1,781
Total Expenditures and Other Financing Uses	<u>184,508,714</u>	<u>184,766,307</u>	<u>115,882,956</u>	<u>68,883,351</u>
Net changes in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 79,511,831</u>	<u>\$ 79,511,831</u>

See notes to required supplementary information.

**HARRIS COUNTY FLOOD CONTROL DISTRICT
A COMPONENT UNIT OF HARRIS COUNTY, TEXAS
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
February 29, 2016**

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	\$ 195,394,787
Beginning Cash and Investments	(97,171,368)
Accrued in 2015, received in 2016	(3,087,078)
Accrued in 2016, to be received in 2017	2,724,244
Revenues and other financing sources on modified accrual (GAAP) basis	97,860,585
EXPENDITURES AND OTHER FINANCING USES	
Cash (budgetary) basis	115,882,956
Incurred during 2015, paid in 2016	(1,513,604)
Incurred during 2016, payable in 2017	1,331,298
Expenditures and other financing uses on modified accrual (GAAP) basis	115,700,650
Net changes in Fund Balance	\$ (17,840,065)

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

**HARRIS COUNTY FLOOD CONTROL DISTRICT
A COMPONENT UNIT OF HARRIS COUNTY, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION
OTHER POST EMPLOYMENT BENEFITS
SCHEDULE OF FUNDING PROGRESS
February 29, 2016**

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)
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%
2016	3/1/2015	-	1,311,021,556	1,311,021,556	0%	961,963,878	136.3%

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 \$1,819,165 and \$10,973,012 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)
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%
2016	3/1/2015	-	43,989,295	43,989,295	0%	19,402,552	226.7%

**A COMPONENT UNIT OF HARRIS COUNTY, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
LAST TEN FISCAL YEARS
(Amounts in thousands)**

	<u>Year Ended December 31, 2015</u>
TOTAL PENSION LIABILITY	
Service cost	\$ 131,567
Interest on total pension liability	411,525
Effect of plan changes	(28,883)
Effect of assumption changes or inputs	51,149
Effect of economic/demographic gains	(7,458)
Benefit payments/refunds of contributions	(220,100)
Net change in total pension liability	<u>\$ 337,800</u>
Total pension liability, beginning	5,113,052
Total pension liability, ending (a)	<u>\$ 5,450,852</u>
FIDUCIARY NET POSITION	
Employer contributions	\$ 132,346
Member contributions	66,878
Investment income net of investment expenses	(30,646)
Benefit payments/refunds of contributions	(220,100)
Administrative expenses	(3,419)
Other	363
Net change in fiduciary net position	<u>(54,578)</u>
Fiduciary net position, beginning	4,781,059
Fiduciary net position, ending (b)	<u>\$ 4,726,481</u>
Net pension liability, ending = (a) - (b)	<u>\$ 724,371</u>
Fiduciary net position as a % of total pension liability	86.71%
Pension covered payroll	\$ 953,501
Net pension liability as a % of covered payroll	75.97%
 Note: The County implemented GASB 68 in fiscal year 2016. Information prior to fiscal year 2016 is not available, ten years of data will accumulate over time.	
 Flood Control's Portion:	
Allocated share	2.076%
Employer contributon	\$ 2,747,256
Net pension liability, ending	\$ 15,036,618

**HARRIS COUNTY FLOOD CONTROL DISTRICT
A COMPONENT UNIT OF HARRIS COUNTY, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION
TEXAS COUNTY AND DISTRICT RETIREMENT SYSTEM
SCHEDULE OF EMPLOYER CONTRIBUTIONS
February 29, 2016**

Year Ending December 31	Actuarially Determined Contribution (1)	Actual Employer Contribution (1)	Contribution Deficiency (Excess)	Pensionable Covered Payroll (2)	Actual Contribution as a % of Covered Payroll
2006	\$ 66,938,058	\$ 66,938,058	\$ -	\$682,345,135	9.8%
2007	78,835,454	78,835,454	-	755,852,867	10.4%
2008	80,968,198	80,968,198	-	839,919,068	9.6%
2009	85,977,877	85,977,877	-	882,729,740	9.7%
2010	96,038,173	96,038,173	-	849,143,883	11.3%
2011	77,988,234	77,988,234	-	794,141,978	9.8%
2012	83,215,181	83,215,181	-	779,898,383	10.7%
2013	92,818,576	92,818,576	-	800,850,524	11.6%
2014	106,802,688	106,802,688	-	859,233,866	12.4%
2015	132,345,738	132,345,738	-	953,501,308	13.9%

(1) TCDRS calculated actuarially determined contributions on a calendar year basis. GASB Statement No. 68 indicates the employer should report employer contribution amounts on a fiscal year basis.

(2) Payroll is calculated based on contributions as reported to TCDRS.

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

Year Ending December 31	Actuarially Determined Contribution	Actual Employer Contribution	Contribution Deficiency (Excess)	Pensionable Covered Payroll	Actual Contribution as a % of Covered Payroll
2013	\$ 2,029,611	\$ 2,029,611	\$ -	\$ 17,511,736	11.6%
2014	2,277,899	2,277,899	-	18,325,958	12.4%
2015	2,747,256	2,747,256	-	19,792,355	13.9%

Additional years for the Flood Control District will be added as they become available.

Notes to Schedule

Valuation date: Actuarially determined contribution rates are calculated as of December 31, two years prior to the end of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age
Amortization method	Level percentage of payroll, closed
Remaining amortization period	14.2 years (based on contribution rate calculated in 12/31/2015 valuation)
Asset valuation method	5-year smoothed market
Inflation	3.0%

**HARRIS COUNTY FLOOD CONTROL DISTRICT
A COMPONENT UNIT OF HARRIS COUNTY, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION
TEXAS COUNTY AND DISTRICT RETIREMENT SYSTEM
SCHEDULE OF EMPLOYER CONTRIBUTIONS
February 29, 2016**

Salary increases	Varies by age and service. 4.9% average over career including inflation.
Investment rate of return	8.00%, net of investment expenses, including inflation
Retirement age	Members who are eligible for service retirement are assumed to commence receiving benefit payments based on age. The average age at service retirement for recent retirees is 61.
Mortality	In the 2015 actuarial valuation, assumed life expectancies were adjusted as a result of adopting a new projection scale (110% of the MP-2014 Ultimate Scale) for 2014 and later. Previously Scale AA had been used. The base table is the RP-2000 table projected with Scale AA to 2014.
Changes in plan provisions reflected in the schedule	Effective with the 2015 calendar year, employer contributions reflect that the member contribution rate was increased to 7%.

**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 29, 2016

	Corps. of Engineers Escrow	Payroll Fund	Total Agency
ASSETS			
Cash and cash equivalents	\$ 25,743	\$ 6,302	\$ 32,045
Investments	-	27,960	27,960
Accrued interest receivable	-	42	42
Total assets	<u>\$ 25,743</u>	<u>\$ 34,304</u>	<u>\$ 60,047</u>
LIABILITIES			
Vouchers payable	\$ -	\$ 34,304	\$ 34,304
Held for others	25,743	-	25,743
Total liabilities	<u>\$ 25,743</u>	<u>\$ 34,304</u>	<u>\$ 60,047</u>

HARRIS COUNTY FLOOD CONTROL DISTRICT
A COMPONENT UNIT OF HARRIS COUNTY, TEXAS
STATEMENT OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
For The Year Ended February 29, 2016

	<u>Balance March 1, 2015</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance February 29, 2016</u>
Corps. of Engineers Escrow				
ASSETS				
Cash and cash equivalents	\$ 25,735	\$ 11	\$ 3	\$ 25,743
Total Assets	<u>\$ 25,735</u>	<u>\$ 11</u>	<u>\$ 3</u>	<u>\$ 25,743</u>
LIABILITIES				
Held for others	\$ 25,735	\$ 11	\$ 3	\$ 25,743
Total Liabilities	<u>\$ 25,735</u>	<u>\$ 11</u>	<u>\$ 3</u>	<u>\$ 25,743</u>
Payroll Fund				
ASSETS				
Cash and cash equivalents	\$ -	\$ 54,171,161	\$ 54,164,859	\$ 6,302
Investments	27,673	27,960	27,673	27,960
Other receivables	25	215	240	-
Accrued interest	39	42	39	42
Total Assets	<u>\$ 27,737</u>	<u>\$ 54,199,378</u>	<u>\$ 54,192,811</u>	<u>\$ 34,304</u>
LIABILITIES				
Vouchers payable	\$ 27,737	\$ 41,817,975	\$ 41,811,408	\$ 34,304
Total Liabilities	<u>\$ 27,737</u>	<u>\$ 41,817,975</u>	<u>\$ 41,811,408</u>	<u>\$ 34,304</u>
Total Agency Funds				
ASSETS				
Cash and cash equivalents	\$ 25,735	\$ 54,171,172	\$ 54,164,862	\$ 32,045
Investments	27,673	27,960	27,673	27,960
Other receivables	25	215	240	-
Accrued interest	39	42	39	42
Total Assets	<u>\$ 53,472</u>	<u>\$ 54,199,389</u>	<u>\$ 54,192,814</u>	<u>\$ 60,047</u>
LIABILITIES				
Vouchers payable	\$ 27,737	\$ 41,817,975	\$ 41,811,408	\$ 34,304
Held for others	25,735	11	3	25,743
Total Liabilities	<u>\$ 53,472</u>	<u>\$ 41,817,986</u>	<u>\$ 41,811,411</u>	<u>\$ 60,047</u>

**HARRIS COUNTY FLOOD CONTROL DISTRICT
A COMPONENT UNIT OF HARRIS COUNTY, TEXAS
SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL - BUDGETARY BASIS
DEBT SERVICE FUND
For The Year Ended February 29, 2016**

	DEBT SERVICE FUND			Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
REVENUES AND OTHER FINANCING SOURCES				
Beginning Cash and Investments	\$ 5,299,441	\$ 5,299,441	\$ 4,099,337	\$ (1,200,104)
Revenues and Transfers In:				
Taxes	4,112,420	4,112,420	4,266,712	154,292
Interest	5,592	5,592	5,371	(221)
Miscellaneous	10,645	10,645	7,893	(2,752)
Other	50,461,076	227,779,299	227,814,708	35,409
Total Revenues and Transfers In	<u>54,589,733</u>	<u>231,907,956</u>	<u>232,094,684</u>	<u>186,728</u>
Total Available Resources	59,889,174	237,207,397	236,194,021	(1,013,376)
EXPENDITURES AND OTHER FINANCING USES				
Flood Control Contract Refunding 2006A	1,666,697	36,497,281	36,494,780	2,501
Flood Control Improvement Bonds 2007	4,614,902	58,152,891	56,043,650	2,109,241
Flood Control Contract Refunding 2010A	10,172,595	10,172,595	8,930,250	1,242,345
Flood Control Improvement Refunding Bond 2014	3,548,933	3,548,933	1,810,000	1,738,933
Flood Control Contract Tax Bond 2014A	2,916,008	2,916,008	2,911,250	4,758
Flood Control Contract Tax Bond 2014B	17,293,764	17,293,764	17,289,157	4,607
Flood Control Improvement Refunding Bond 2015A	-	53,889,208	53,889,208	-
Flood Control Contract Tax Bond 2015B	-	35,060,442	35,060,442	-
Flood Control Contract Refunding 2008A	12,367,886	12,367,886	12,364,900	2,986
Flood Control Contract Refunding 2008C	7,308,389	7,308,389	7,303,019	5,370
Total Expenditures and Other Financing Uses	<u>59,889,174</u>	<u>237,207,397</u>	<u>232,096,656</u>	<u>5,110,741</u>
Net changes in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,097,365</u>	<u>\$ 4,097,365</u>

**HARRIS COUNTY FLOOD CONTROL DISTRICT
A COMPONENT UNIT OF HARRIS COUNTY, TEXAS
SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL - BUDGETARY BASIS
CAPITAL PROJECTS FUND
For The Year Ended February 29, 2016**

	CAPITAL PROJECTS FUND			Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
REVENUES AND OTHER FINANCING SOURCES				
Beginning Cash and Investments	\$ 265,903,983	\$ 205,903,983	\$ 199,718,287	\$ (6,185,696)
Revenues and Transfers In:				
Interest	-	1,333,621	1,333,621	-
Miscellaneous	-	2,831,570	8,104,258	5,272,688
Intergovernmental	-	6,311,558	6,411,837	100,279
Other Transfers In	-	60,000,000	60,850,426	850,426
Total Revenues and Transfers In	-	70,476,749	76,700,142	6,223,393
Total Available Resources	265,903,983	276,380,732	276,418,429	37,697
EXPENDITURES AND OTHER FINANCING USES				
Regional Flood Control Projects	9,929,203	10,683,344	7,680,147	3,003,197
Flood Control Capital Projects	167,684,765	237,378,236	55,927,513	181,450,723
FC Bonds 2004A-Construction	6,881,755	6,891,392	3,561,191	3,330,201
FC Improvement Bonds 2007	12,480,490	12,493,982	6,662,139	5,831,843
Commercial Paper - Flood Control	68,927,770	7,953,197	1,137,556	6,815,641
Total Expenditures and Other Financing Uses	265,903,983	275,400,151	74,968,546	200,431,605
Net changes in Fund Balance	\$ -	\$ 980,581	\$ 201,449,883	\$ 200,469,302

**S
T
A
T
I
S
T
I
C
A
L**

**S
E
C
T
I
O
N**

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									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016*
Governmental activities:										
Net investment in capital assets	\$ 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	\$ 1,771,401
Restricted for:										
Debt service	11,095	5,804	2,580	-	-	-	-	-	-	-
Capital projects	7,906	7,996	1,178	1,602	10,640	8,592	4,909	790	6,196	5,091
Unrestricted	68,738	74,876	83,768	88,261	87,114	100,203	109,232	106,564	75,157	48,241
Total governmental activities net position	<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>	<u>\$ 1,824,733</u>

*GASB Statement 68, Accounting and Financial Reporting for Pensions, was implemented during FY 2016. Refer to footnote 1.

**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									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
EXPENSES										
Governmental activities:										
Flood Control	\$ 84,383	\$ 94,515	\$ 98,955	\$ 108,331	\$ 99,780	\$ 92,832	\$ 98,792	\$ 93,621	\$ 99,234	\$ 109,300
Tax Administration	490	548	664	699	650	647	610	631	518	559
Interest and Fiscal Charges	20,802	28,784	25,555	26,312	28,892	32,919	31,928	31,381	28,213	28,059
Total governmental activities expenses	<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>	<u>\$ 137,918</u>
PROGRAM REVENUES										
Governmental activities:										
Charges for services:										
Flood Control	\$ 849	\$ 410	\$ 551	\$ 314	\$ 751	\$ 451	\$ 724	\$ 392	\$ 541	\$ 6,228
Operating grants and contributions	19,913	22,645	24,251	25,751	31,033	37,064	36,978	36,983	37,181	50,440
Capital grants and contributions	43,581	30,399	39,983	29,528	66,334	62,201	17,663	39,393	23,413	19,960
Total governmental activities program revenues	<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>	<u>\$ 76,628</u>
NET (EXPENSE)/REVENUE										
Total governmental activities net expense	<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>	<u>\$ (61,290)</u>
GENERAL REVENUES AND OTHER CHANGES IN NET POSITION										
Governmental activities:										
Taxes:										
Property taxes levied for general purposes	\$ 60,787	\$ 69,632	\$ 73,148	\$ 76,122	\$ 68,758	\$ 74,317	\$ 69,389	\$ 77,515	\$ 86,726	\$ 96,994
Property taxes levied for debt services	11,704	9,248	9,088	4,850	4,987	2,404	7,946	6,315	3,927	4,262
Earnings on investments	8,952	13,679	6,475	3,767	1,493	2,653	1,913	440	3,491	628
Miscellaneous	341	1,504	3,199	1,395	2,505	1,414	1,714	526	1,243	1,296
Gain on sale of capital assets	-	1,201	37	-	-	-	-	-	-	-
Loss on sale of capital assets	(220)	-	-	-	-	-	-	-	-	-
Total governmental activities	<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>	<u>103,180</u>
CHANGE IN NET POSITION										
Governmental activities	<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>	<u>\$ 41,890</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>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>	<u>2016</u>
General Fund:										
Reserved	\$ 25,709	\$ 25,799	\$ 25,708	\$ 27,443	\$ 25,718	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	49,784	55,702	67,646	68,467	78,344	-	-	-	-	-
Nonspendable	-	-	-	-	-	322	269	121	155	581
Restricted	-	-	-	-	-	99	99	99	99	105
Assigned	-	-	-	-	-	26,649	20,713	18,494	9,477	8,420
Unassigned	-	-	-	-	-	85,890	104,464	106,145	86,417	69,202
Total general fund	<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>	<u>\$ 78,308</u>
All Other Governmental Funds:										
Reserved	\$ 61,185	\$ 74,031	\$ 55,570	\$ 42,910	\$ 43,750	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved, reported in:										
Capital project funds	136,630	103,961	104,562	86,219	141,210	-	-	-	-	-
Nonspendable	-	-	-	-	-	816	-	305	127	137
Restricted	-	-	-	-	-	181,723	133,216	154,133	198,484	200,699
Total all other governmental funds	<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>	<u>\$ 200,836</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>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>	<u>2016</u>
REVENUES										
Taxes	\$ 71,775	\$ 77,069	\$ 82,908	\$ 80,486	\$ 76,642	\$ 74,764	\$ 77,740	\$ 84,916	\$ 91,070	\$ 100,923
Intergovernmental	22,195	18,233	55,714	45,786	60,631	85,746	49,822	75,684	55,831	66,098
Lease revenue	189	192	171	178	200	281	306	249	432	326
Earnings on investments	8,952	13,679	6,475	3,767	1,493	2,653	1,914	440	3,491	628
Miscellaneous	1,001	1,722	3,590	1,488	2,227	1,548	1,950	668	1,351	7,198
Total revenues	<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>	<u>175,173</u>
EXPENDITURES										
Flood Control	66,721	71,590	71,046	74,465	75,145	66,495	79,249	63,595	60,274	56,260
Tax Administration	490	548	664	699	650	647	609	631	518	559
Capital Outlay	92,162	57,209	77,386	69,533	52,720	45,592	43,413	37,207	32,584	80,592
Debt Service:										
Bond issuance fees	1,583	-	3,164	-	1,594	-	-	-	1,157	575
Interest and fiscal charges	20,848	34,465	25,847	30,190	28,900	35,815	34,030	33,493	30,662	29,900
Principal	17,070	8,755	12,554	11,573	10,269	10,109	11,455	11,805	13,025	24,835
	<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>	<u>192,721</u>
Excess of revenues over (under) expenditures	(94,762)	(61,672)	(41,803)	(54,755)	(28,085)	6,334	(37,024)	15,226	13,955	(17,548)
OTHER FINANCING SOURCES (USES)										
Transfer in (out) from/to Harris County	16,408	18,384	-	-	-	-	-	-	-	-
Transfer in	105,517	9,003	9,181	9,912	205,835	11,278	2,544	26,638	61,723	62,589
Transfer out	(105,517)	(9,003)	(9,181)	(9,912)	(205,835)	(11,278)	(2,544)	(26,638)	(61,723)	(62,589)
Bonds issued	89,600	-	-	-	-	-	-	-	-	-
Refunding bonds issued	94,185	-	451,465	-	181,885	-	-	-	170,355	77,020
Premium on bonds issued	11,584	-	19,332	-	19,723	-	-	-	19,475	11,930
Discount on bonds issued	-	-	(764)	-	-	-	-	-	-	-
Commercial paper issued	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)	(88,369)
Sale of capital assets	246	1,613	63	308	895	142	288	5,310	334	1,352
Total other financing sources (uses)	<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>	<u>1,933</u>
Net change in fund balances	<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>	<u>\$ (15,615)</u>
Debt service as a percentage of noncapital expenditures	35.5%	37.5%	33.9%	35.7%	33.6%	40.6%	36.3%	41.4%	41.4%	48.8%

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
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
2016	425,362,576	74,247,450	120,048,579	379,561,447	0.02733

(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	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Flood Control District -										
Maintenance	\$ 0.02733	\$ 0.02754	\$ 0.02754	\$ 0.02754	\$ 0.02727	\$ 0.02727	\$ 0.02522	\$ 0.02620	\$ 0.02620	\$ 0.02620
Debt Service	0.00508	0.00352	0.00332	0.00168	0.00196	0.00082	0.00287	0.00207	0.00116	0.00113
Total - Flood Control	\$ 0.03241	\$ 0.03106	\$ 0.03086	\$ 0.02922	\$ 0.02923	\$ 0.02809	\$ 0.02809	\$ 0.02827	\$ 0.02736	\$ 0.02733

Source: Harris County Auditor.

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	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
County-Wide Taxing Jurisdiction:										
Harris County	\$ 0.4024	\$ 0.3924	\$ 0.3892	\$ 0.3922	\$ 0.3881	\$ 0.3912	\$ 0.4002	\$ 0.4146	\$ 0.4173	\$ 0.4192
Harris County Flood Control District	0.0324	0.0311	0.0309	0.0292	0.0292	0.0281	0.0281	0.0283	0.0274	0.0273
Port of Houston Authority	0.0130	0.0144	0.0177	0.0164	0.0205	0.0185	0.0195	0.0171	0.0153	0.0134
Harris County Hospital District	0.1922	0.1922	0.1922	0.1922	0.1922	0.1922	0.1822	0.1700	0.1700	0.1700
Total	<u>\$ 0.6400</u>	<u>\$ 0.6301</u>	<u>\$ 0.6300</u>							
Cities:										
Baytown	0.7370	0.7370	0.7870	0.7870	0.7870	0.8220	0.8220	0.8220	0.8220	0.8220
Bellaire	0.4400	0.4400	0.3775	0.3759	0.3999	0.3999	0.3999	0.3999	0.3936	0.3936
Deer Park	0.7200	0.7200	0.7050	0.7050	0.7050	0.7050	0.7200	0.7200	0.7200	0.7200
Houston	0.6475	0.6450	0.6438	0.6388	0.6388	0.6388	0.6388	0.6388	0.6311	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	0.6088	0.6088	0.6300	0.6300	0.6160	0.6160	0.5970	0.5970	0.5970	0.5735
Missouri City	0.4945	0.4993	0.5172	0.5284	0.5284	0.5284	0.5448	0.5738	0.5650	0.5447
Pasadena	0.5670	0.5670	0.5620	0.5620	0.5916	0.5916	0.5916	0.5916	0.5769	0.5754
Pearland	0.6527	0.6526	0.6526	0.6526	0.6651	0.6851	0.7051	0.7051	0.7121	0.7053
Seabrook	0.6210	0.6203	0.5884	0.5884	0.6268	0.6500	0.6652	0.6652	0.6400	0.6126
South Houston	0.6588	0.6770	0.6784	0.6732	0.6732	0.6732	0.7083	0.6699	0.6445	0.6995
Webster	0.2575	0.2489	0.2060	0.2325	0.2575	0.2853	0.2853	0.2696	0.2487	0.2345
West University Place	0.4020	0.3660	0.3590	0.3588	0.3741	0.3741	0.3741	0.3741	0.3618	0.3318
School Districts and Junior Colleges:										
Aldine	1.6040	1.2770	1.2920	1.3005	1.4305	1.3284	1.3284	1.3284	1.3059	1.2859
Alief	1.5900	1.5900	1.3400	1.3400	1.3400	1.3400	1.3200	1.2900	1.2800	1.2800
Clear Creek	1.6300	1.3200	1.3600	1.3600	1.2937	1.3600	1.3600	1.3600	1.4000	1.4000
Cypress-Fairbanks	1.8000	1.6450	1.3240	1.3500	1.4100	1.4300	1.4500	1.4500	1.4500	1.4400
Deer Park	1.6623	1.3177	1.3367	1.3667	1.3967	1.3967	1.5267	1.5567	1.5567	1.5567
Galena Park	1.7100	1.4309	1.4550	1.4784	1.5134	1.5134	1.5134	1.5134	1.5134	1.5134
Goose Creek	1.5956	1.3020	1.2821	1.2821	1.3021	1.3321	1.3321	1.3868	1.3868	1.4319
Houston	1.6200	1.1570	1.1567	1.1567	1.1567	1.1567	1.1567	1.1867	1.1967	1.1967
Humble	1.7700	1.3100	1.5200	1.5200	1.5200	1.5200	1.5200	1.5200	1.5200	1.5200
Katy	1.8150	1.5266	1.5266	1.5266	1.5266	1.5266	1.5266	1.5266	1.5266	1.5266
Klein	1.5800	1.2600	1.3100	1.3600	1.4100	1.4300	1.4400	1.4300	1.3900	1.4100
LaPorte	1.6350	1.3200	1.3250	1.3250	1.3250	1.3550	1.3300	1.3300	1.4500	1.4500
Lone Star College System*	0.1167	0.1144	0.1101	0.1101	0.1176	0.1210	0.1198	0.1160	0.1081	0.1079
Pasadena	1.6900	1.3500	1.3500	1.3500	1.3500	1.3500	1.3500	1.3500	1.3500	1.3500
Pearland	1.6622	1.4272	1.4194	1.4194	1.4194	1.4194	1.4194	1.4157	1.4157	1.4156
San Jacinto Junior College	0.1454	0.1454	0.1634	0.1708	0.1708	0.1763	0.1856	0.1856	0.1856	0.1758
Sheldon	1.6340	1.4300	1.4300	1.4300	1.4300	1.4300	1.4300	1.4300	1.4300	1.4100
Spring	1.7100	1.4400	1.4400	1.4600	1.4600	1.4600	1.5700	1.5700	1.5100	1.4700
Spring Branch	1.8100	1.2850	1.3825	1.3945	1.3945	1.3945	1.3945	1.3945	1.3945	1.3945
Tomball	1.5800	1.2750	1.3600	1.3600	1.3600	1.3600	1.3600	1.3600	1.3600	1.3400

* Name change in FY2009 from North Harris Montgomery Community College

Table 8

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

Taxpayers	2016			2007		
	2015 Taxable Valuations (a)	Rank	Percentage of Total 2015 Taxable Valuation (b)	2006 Taxable Valuations (a)	Rank	Percentage of Total 2006 Taxable Valuation (c)
Exxon Mobil Corporation	\$ 3,369,508	1	0.89%	\$ 4,602,425	1	2.04%
Centerpoint Energy, Inc.	2,706,997	2	0.71	2,631,941	3	1.17
Shell Oil Company	2,703,016	3	0.71	2,587,325	2	1.15
Chevron Chemical Company	2,207,658	4	0.58	1,160,997	5	0.52
Equistar Chemicals LP	1,465,851	5	0.39	1,189,311	6	0.53
Palmetto Transoceanic LLC	1,130,070	6	0.30	-		0.00
NOV Wilson LP	998,661	7	0.26	-		0.00
Walmart	904,217	8	0.24	634,476	11	0.28
United Airlines INC	795,237	9	0.21	-		0.00
Crescent HC Investors LP	792,215	10	0.21	957,102	8	0.42
Hewlett Packard	743,924	11	0.20	736,262	10	0.33
Lyondell Chemical	612,806	12	0.16	1,877,381	4	0.83
Valero Energy Corp	522,457	13	0.14	-		0.00
AMOCO Chemical Co.	517,017	14	0.14	-		0.00
HG Galleria I II III LP	508,215	15	0.13	-		0.00
Southwestern Bell Telephone	-		0.00	1,023,759	7	0.45
Hines Interests Ltd Partnership	-		0.00	815,157	9	0.36
Rohm & Haas Co.	-		0.00	558,171	12	0.25
Houston Pipeline Co LP	-		0.00	537,619	13	0.24
Anheuser Busch Inc.	-		0.00	470,566	14	0.21
Weingarten Realty	-		0.00	402,078	15	0.18
Total	\$ 19,977,849		5.27%	\$ 20,184,570		8.96%

Source: Harris County Appraisal District.

- (a) Amounts shown for these taxpayers do not include taxable valuations, which may be substantial, attributable to certain subsidiaries and affiliates which are not grouped on the tax rolls with the taxpayers shown.
- (b) Based on the District's total taxable value as of February 29, 2016.
- (c) Based on the District's total taxable value as of February 28, 2007.

Table 9

**HARRIS COUNTY FLOOD CONTROL DISTRICT
A COMPONENT UNIT OF 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
2007	\$ 70,782	\$ 71,462	\$ 62,680	88.6%	\$ 8,568	\$ 71,248	99.7%
2008	72,083	76,784	69,058	95.8	7,567	76,625	99.8
2009	84,057	83,769	74,344	88.4	9,183	83,527	99.7
2010	80,534	79,574	74,798	92.9	4,507	79,305	99.7
2011	77,374	76,762	72,089	93.2	4,419	76,508	99.7
2012	75,400	74,840	71,159	94.4	3,357	74,516	99.6
2013	78,616	77,963	74,486	94.7	3,082	77,568	99.5
2014	86,158	85,087	82,041	95.2	2,642	84,683	99.5
2015	92,695	91,680	88,298	95.3	2,624	90,922	99.2
2016	103,462	103,462	98,187	94.9	-	98,187	94.9

* 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			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	Total Government						
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	692,599	-	692,599	-	692,599	0.20%	0.27%	156	156
2016	665,095	-	665,095	-	665,095	0.18%	n/a	147	147

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

(a) See Table 5 for property value data.

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

Table 11

**HARRIS COUNTY FLOOD CONTROL DISTRICT
A COMPONENT UNIT OF HARRIS COUNTY, TEXAS
ESTIMATED DIRECT AND OVERLAPPING BONDED DEBT
February 29, 2016
(Unaudited)**

	Percentage Applicable To Name of Government	Net Debt (Thousands)
County-Wide Jurisdiction:		
Harris County (2/29/16)	100.00%	\$ 1,972,032
Harris County Flood Control District (2/29/16)	100.00	614,156
Port of Houston Authority (2/29/16)	100.00	674,269
Total County-Wide Direct Debt		<u>3,260,457</u>
Cities:		
Baytown (9/30/15)	94.47	\$ 119,120
Bellaire (9/30/15)	100.00	80,851
Bunker Hill Village (12/31/15)	100.00	12,809
Deer Park (9/30/15)	100.00	30,209
Houston (6/30/15)	99.30	3,118,375
Jersey Village (9/30/15)	100.00	23,366
La Porte (9/30/15)	100.00	16,455
Pasadena (9/30/15)	100.00	77,125
Pearland (9/30/15)	7.51	21,844
Seabrook (9/30/15)	100.00	21,495
Tomball (9/30/15)	100.00	26,788
Webster (10/01/15)	100.00	14,985
West University Place (12/31/15)	100.00	56,453
Other Cities (a)	100.00	58,451
Sub-Total Cities		<u>3,678,326</u>
School Districts and Junior Colleges:		
Aldine (6/30/15)	100.00	596,487
Alief (8/31/15)	100.00	154,133
Channelview (8/31/15)	100.00	203,908
Clear Creek (8/31/15)	68.14	929,577
Crosby (2/25/16)	100.00	139,719
Cypress-Fairbanks (6/30/15)	100.00	2,000,351
Deer Park (6/30/15)	100.00	233,470
Galena Park (8/31/15)	100.00	180,489
Goose Creek (6/30/15)	75.03	402,080
Houston Community College (8/31/15)	96.13	616,957
Houston (2/28/16)	100.00	2,272,861
Huffman (1/31/16)	100.00	41,416
Humble (6/30/15)	100.00	645,625
Katy (8/31/15)	58.45	784,507
Klein (8/31/15)	100.00	934,915
LaPorte (2/4/16)	99.99	492,527
Lee College (2/16/16)	75.03	36,701
Lone Star College System (8/31/15)	74.56	429,185
Pasadena (2/29/16)	100.00	663,183
San Jacinto Junior College (2/29/16)	99.99	273,790
Sheldon (8/14/15)	100.00	214,681
Spring (6/30/15)	100.00	795,796
Spring Branch (6/30/15)	100.00	744,496
Tomball (8/31/15)	93.37	389,510
Waller (1/31/16)	42.48	28,656
Other Schools (b)	100.00	16,248
Sub-Total School Districts and Junior Colleges		<u>14,221,268</u>
Utility Districts (c)	100.00	7,229,787
Total Overlapping Debt		<u>25,129,381</u>
Total Direct and Overlapping Debt (Estimated \$6,256 Per Capita) (d)		<u>\$ 28,389,838</u>

(a) Aggregate net debt of 15 cities, each of which had a net debt of less than \$10,000,000.

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

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

(d) Census Bureau population estimated at 4,538,028. Source: Bureau of the Census.

The net direct debt amounts above, except for that which related to Harris County and the Harris County Flood Control District, were, provided by each governmental unit. The percentage of debt applicable to the County was provided by MAC. Net Direct Debt is equal to the outstanding principal amount less sinking fund balances.

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	\$ 499,660,937
Assessed Value of Real Property	\$ 425,362,614
Debt Limit (25% of real property assessed value) (a)	106,340,654
Amount of Debt Applicable to Constitutional Debt Limit:	
Total Bonded Applicable Debt	1,144,036
Less: Debt Service Funds Cash	<u>(115,041)</u>
Total Net Debt Applicable to Limit	<u>1,028,995</u>
Legal Debt Margin, Bonds Issued Uner Article III, Section 52 of the Texas Constitution	<u><u>\$ 105,311,659</u></u>

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Debt Limit	\$ 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	\$ 106,340,654
Total Net Debt Applicable to Limit	<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>	<u>1,028,995</u>
Legal Debt Margin	<u><u>\$ 61,358,800</u></u>	<u><u>\$ 68,999,700</u></u>	<u><u>\$ 77,156,949</u></u>	<u><u>\$ 78,031,928</u></u>	<u><u>\$ 75,640,964</u></u>	<u><u>\$ 77,207,877</u></u>	<u><u>\$ 80,143,699</u></u>	<u><u>\$ 85,911,240</u></u>	<u><u>\$ 94,975,273</u></u>	<u><u>\$ 105,311,659</u></u>

Total Net Debt Applicable to the Limit as a percentage of Debt Limit	2.22%	1.87%	1.63%	1.52%	1.49%	1.48%	1.31%	1.15%	1.16%	0.97%
---	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------

(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 \$24,983,047 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 \$0.02733 per \$100 of taxable value, which includes \$0.00113 per \$100 of taxable value for debt service, was levied by the Flood Control District in tax year 2015.

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
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%	252,694,912	56,896
2015	4,538,028	4.6%	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	2015			2006		
	Employees	Rank	Percentage of Total County Employment	Employees	Rank	Percentage of Total County Employment
Memorial Hermann Health System	24,000	1	0.80%	12,561	3	0.50%
United Airlines	15,000	2	0.50%			
Houston Methodist	14,985	3	0.50%			
ExxonMobil Corporation	13,000	4	0.43%			
Kroger Company	12,000	5	0.40%			
Shell Oil Company	11,892	6	0.40%	11,621	4	0.46%
National Oilwell Varco	11,563	7	0.38%			
Schlumberger Limited	10,000	8	0.33%			
Chevron	9,000	9	0.30%			
Baylor College of Medicine	8,924	10	0.30%			
Adminstaff Inc.				19,851	1	0.79%
Walmart Stores Inc.				12,957	2	0.52%
Halliburton Companies				11,217	5	0.45%
Hewlett-Packard (former Compaq)				8,500	6	0.34%
Methodist Hospital System				7,969	7	0.32%
Continental Airlines				7,500	8	0.30%
JPMorgan Chase (former Texas Commerce Bank)				6,749	9	0.27%
ATT (former SBC & SWB Telephone)				6,000	10	0.24%
	130,364			104,925		

* Based on calendar year.

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

Note: Total County Employment for 2015 was an estimated 3,006,012 (based on prior year employment figures) and for 2006 was 2,508,458.

**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)**

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Administration of Justice	8,168	8,740	9,425	9,308	8,779	8,462	8,723	9,290	9,625	9,768
Parks	706	732	787	797	670	625	675	700	805	867
County Administration	2,871	3,024	3,339	3,161	3,032	2,901	2,957	3,021	3,166	3,280
Health and Human Services	1,604	1,706	1,796	1,718	1,467	1,385	1,326	1,334	1,369	1,432
Flood Control	333	325	354	374	335	308	290	300	291	287
Tax Administration	426	435	428	415	378	341	340	349	348	368
Roads and Bridges	779	807	856	914	597	561	536	550	448	451

Note: (1) As of February 29, 2016, it is estimated that approximately 3,087 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>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>
<u>Flood Control</u>										
Sites by Acreage (Incl. Easements and Fee Simple Ownership)										
Basins	13,192	14,866	15,361	15,467	15,724	16,081	16,107	16,298	16,342	16,385
Buyouts	776	825	845	880	931	958	1,016	1,034	1,040	1,043
Channels	20,753	20,799	20,832	20,858	20,935	21,117	21,143	21,236	21,286	21,429

Source: The Budget Office and Various County Departments

Table 17

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

<u>Function/Program</u>	Fiscal Years									
	<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>
<u>Flood Control</u>										
Developer Plans Approved- Watershed Mgt.	1,221	1,467	1,578	1,713	1,833	1,831	2,051	2,078	2,431	2,250
Citizen Services Requests	2,681	2,948	2,573	2,476	2,479	1,738	1,393	1,847	1,385	1,376

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 29, 2016
(Unaudited)**

1. Services Provided by the District:

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

2. Retail Service Providers: None

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

Gallons pumped into system: N/A
Gallons billed to customers: N/A

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

(Continued)

**HARRIS COUNTY FLOOD CONTROL DISTRICT
A COMPONENT UNIT OF HARRIS COUNTY, TEXAS
SERVICES AND RATES
For Fiscal Year Ended February 29, 2016
(Unaudited)**

5. Location of District:

County in which district is located: Harris County

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

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

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

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

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

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

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

Table 19

**HARRIS COUNTY FLOOD CONTROL DISTRICT
A COMPONENT UNIT OF HARRIS COUNTY, TEXAS
GENERAL FUND EXPENDITURES
For The Year Ended February 29, 2016
(Unaudited)**

Personnel Expenditures (including benefits)	\$ 26,767,897
Professional Fees and Contractual Services	24,364,435
Utilities	506,046
Repairs and Maintenance	1,028,977
Capital Outlay	789,308
Other Expenditures	<u>2,240,722</u>
TOTAL EXPENDITURES	<u><u>\$ 55,697,385</u></u>

Number of persons employed by the District: 287 Full-Time

Table 20

HARRIS COUNTY FLOOD CONTROL DISTRICT
A COMPONENT UNIT OF HARRIS COUNTY, TEXAS
TAXES LEVIED AND RECEIVABLE
For The Year Ended February 29, 2016
(Unaudited)

	Maintenance and Operations Taxes	Debt Service Taxes
Taxes receivable, beginning of year	\$ 7,500,929	\$ 841,495
2015 Original Tax Levy (adjusted thru 2/29/16)	99,184,499	4,277,805
Total to be accounted for	<u>106,685,428</u>	<u>5,119,300</u>
Tax collections:		
Current year	(92,019,694)	(3,969,138)
Prior years	(7,595,510)	(448,684)
Total collections	<u>(99,615,204)</u>	<u>(4,417,822)</u>
Taxes receivable, end of year	<u>\$ 7,070,224</u>	<u>\$ 701,478</u>

Taxes receivable, by years		
2005 and prior	515,311	324,984
2006	181,079	33,647
2007	185,808	23,742
2008	215,592	25,995
2009	249,062	15,195
2010	228,769	16,455
2011	249,067	7,492
2012	267,631	30,465
2013	374,419	29,572
2014	725,252	32,112
2015	3,878,234	161,819
Taxes receivable, end of year	<u>\$ 7,070,224</u>	<u>\$ 701,478</u>

Tax year	2015	2014	2013	2012
Property valuations: (amounts in thousands)				
Real property	\$ 425,362,576	\$ 395,193,725	\$ 358,644,209	\$ 334,997,328
Personal property	74,247,450	54,596,861	51,681,663	47,104,735
Less exemptions	(120,048,579)	(110,245,889)	(104,868,732)	(101,809,361)
Total property valuations	<u>\$ 379,561,447</u>	<u>\$ 339,544,697</u>	<u>\$ 305,457,140</u>	<u>\$ 280,292,702</u>
Tax rates per \$100 valuation:				
Maintenance and Operations tax rates (a)	\$ 0.02620	\$ 0.02620	\$ 0.02620	\$ 0.02522
Debt Service tax rates	0.00113	0.00116	0.00207	0.00287
Total tax rates per \$100 valuation	<u>\$ 0.02733</u>	<u>\$ 0.02736</u>	<u>\$ 0.02827</u>	<u>\$ 0.02809</u>
Original tax levy (b)	<u>\$ 103,734</u>	<u>\$ 92,899</u>	<u>\$ 86,353</u>	<u>\$ 78,734</u>
Percent of taxes collected to taxes levied (c)	<u>96.0%</u>	<u>95.3%</u>	<u>95.2%</u>	<u>94.7%</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 29, 2016**

Due During Fiscal Years Ending	Annual Requirements for All Series		
	Total Principal Due	Total Interest Due	Total Principal and Interest Due
2017	\$ 25,385,000	\$ 28,385,332	\$ 53,770,332
2018	25,955,000	28,299,777	54,254,777
2019	26,705,000	27,624,431	54,329,431
2020	28,025,000	26,312,671	54,337,671
2021	29,495,000	24,841,358	54,336,358
2022	30,980,000	23,359,508	54,339,508
2023	32,605,000	21,733,058	54,338,058
2024	34,235,000	20,102,808	54,337,808
2025	35,950,000	18,391,058	54,341,058
2026	37,665,000	16,977,700	54,642,700
2027	39,125,000	15,094,450	54,219,450
2028	40,025,000	13,138,200	53,163,200
2029	41,045,000	11,136,950	52,181,950
2030	40,100,000	9,084,700	49,184,700
2031	27,390,000	7,079,700	34,469,700
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>\$ 615,665,000</u>	<u>\$ 323,768,951</u>	<u>\$ 939,433,951</u>

**HARRIS COUNTY FLOOD CONTROL DISTRICT
A COMPONENT UNIT OF HARRIS COUNTY, TEXAS
CHANGES IN LONG-TERM DEBT
For The Year Ended February 29, 2016
(Unaudited)**

	Bond Issues										Total
	Series 2006A	Series 2007	Series 2008A	Series 2008C	Series 2010A	Series 2014	Series 2014A	Series 2014B	Series 2015A	Series 2015B	
Interest Rate	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	3.00-5.00%	3.00-5.00%	
Dates Interest Payable	04/01;10/01	04/01;10/01	04/01;10/01	04/01;10/01	04/01;10/01	04/01;10/01	04/01;10/01	04/01;10/01	04/01;10/01	04/01;10/01	
Maturity Dates	10/1/2031	10/1/2031	10/1/2021	10/1/2024	10/1/2039	10/1/2026	10/1/2029	10/1/2024	10/1/2030	10/1/2030	
Bonds Outstanding at March 1, 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
Bonds Sold During the Current Year: 2015-2016	-	-	-	-	-	-	-	-	46,875,000	30,145,000	77,020,000
Retirements During the Current Year: 2015-2016	33,250,000	51,200,000	6,520,000	2,130,000	-	-	-	16,185,000	-	-	109,285,000
Bonds Outstanding at February 29, 2016	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 105,790,000</u>	<u>\$ 102,345,000</u>	<u>\$ 178,605,000</u>	<u>\$ 36,200,000</u>	<u>\$ 58,225,000</u>	<u>\$ 57,480,000</u>	<u>\$ 46,875,000</u>	<u>\$ 30,145,000</u>	<u>\$ 615,665,000</u>
Interest Paid During the Current Year - 2015-2016	<u>\$ 1,662,500</u>	<u>\$ 2,464,000</u>	<u>\$ 5,844,900</u>	<u>\$ 5,173,019</u>	<u>\$ 8,930,250</u>	<u>\$ 1,810,000</u>	<u>\$ 2,911,250</u>	<u>\$ 1,104,157</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 29,900,076</u>

Paying Agent's	Name	City
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
Series 2015A	The Bank of New York	New York, New York
Series 2015B	The Bank of New York	New York, New York

Bond Authorization:	Tax Bonds
Amount Authorized By Voters	\$ 314,000,000
Amount Issued	250,000,000
Remaining To Be Issued	<u>\$ 64,000,000</u>

Debt Service Fund Cash and Investments balances as of February 29, 2016: \$ 4,096,016

Average Annual Debt Service Payment (Principal & Interest) for remaining term of all debt: \$ 39,143,081

HARRIS COUNTY FLOOD CONTROL DISTRICT
A COMPONENT UNIT OF HARRIS COUNTY, TEXAS
COMPARATIVE SCHEDULE OF REVENUE AND EXPENDITURES-GENERAL AND DEBT SERVICE FUNDS-FIVE YEARS ENDED
For The Year Ended February 29, 2016
(Unaudited)

	Amounts					Percent of Fund Total Revenues				
	2016	2015	2014	2013	2012	2016	2015	2014	2013	2012
General Fund:										
Revenues:										
Taxes	\$ 96,663,240	\$ 87,059,147	\$ 78,565,904	\$ 69,872,695	\$ 72,340,021	99.2%	96.7%	98.9%	97.5%	97.7%
Intergovernmental	25,977	328,005	60,000	85,000	126,600	0.0%	0.4%	0.1%	0.1%	0.2%
Lease Revenue	325,659	432,224	248,792	306,279	281,015	0.3%	0.5%	0.3%	0.4%	0.4%
Interest	-	1,477,940	65,291	871,719	913,925	0.0%	1.6%	0.1%	1.2%	1.2%
Miscellaneous	438,426	758,014	466,850	529,415	347,212	0.4%	0.8%	0.6%	0.7%	0.5%
Total Revenues	\$ 97,453,302	\$ 90,055,330	\$ 79,406,837	\$ 71,665,108	\$ 74,008,773	100.0%	100.0%	100.0%	100.0%	100.0%
Expenditures:										
Current Operating:										
Flood Control	\$ 54,097,209	\$ 55,448,443	\$ 54,149,124	\$ 58,166,708	\$ 58,352,777	55.5%	61.6%	68.2%	81.2%	78.8%
Tax Administration	559,211	518,346	631,147	609,506	647,319	0.6%	0.6%	0.8%	0.9%	0.9%
Capital Outlay	789,308	3,071,682	557,770	629,153	337,445	0.8%	3.4%	0.7%	0.9%	0.5%
Debt Service										
Bond issuance fees	251,657	532,641	-	-	-	0.3%	0.6%	0.0%	0.0%	0.0%
Interest and Fiscal Charges	-	-	-	-	-	0.0%	0.0%	0.0%	0.0%	0.0%
Total Expenditures	\$ 55,697,385	\$ 59,571,112	\$ 55,338,041	\$ 59,405,367	\$ 59,337,541	57.2%	66.2%	69.7%	82.9%	80.2%
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ 41,755,917	\$ 30,484,218	\$ 24,068,796	\$ 12,259,741	\$ 14,671,232	42.8%	33.8%	30.3%	17.1%	19.8%
Debt Service Fund:										
Revenues:										
Taxes	\$ 4,259,646	\$ 4,010,988	\$ 6,349,980	\$ 7,867,700	\$ 2,424,185	7.8%	9.8%	14.6%	17.5%	6.1%
Intergovernmental	50,430,000	36,889,101	36,982,800	36,978,500	37,052,500	92.2%	90.2%	85.3%	82.4%	93.8%
Interest	5,372	6,467	13,649	12,894	14,309	0.0%	0.0%	0.0%	0.0%	0.1%
Miscellaneous	7,736	11,488	6,881	9,048	21,686	0.0%	0.0%	0.0%	0.0%	0.1%
Total Revenues	\$ 54,702,754	\$ 40,918,044	\$ 43,353,310	\$ 44,868,142	\$ 39,512,680	100.0%	100.0%	100.0%	100.0%	100.0%
Expenditures:										
Debt Service										
Principal Retirement	\$ 24,835,000	\$ 13,025,000	\$ 11,805,000	\$ 11,455,000	\$ 10,109,024	45.4%	31.8%	27.2%	25.5%	25.6%
Bond issuance fees	323,483	624,664	-	-	-	0.6%	1.5%	0.0%	0.0%	0.0%
Interest and Fiscal Charges	29,900,076	30,661,617	33,492,912	34,030,288	35,814,458	54.7%	74.9%	77.3%	75.8%	90.6%
Total Expenditures	\$ 55,058,559	\$ 44,311,281	\$ 45,297,912	\$ 45,485,288	\$ 45,923,482	100.6%	108.2%	104.5%	101.4%	116.2%
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ (355,805)	\$ (3,393,237)	\$ (1,944,602)	\$ (617,146)	\$ (6,410,802)	-0.6%	-8.2%	-4.5%	-1.4%	-16.2%

**HARRIS COUNTY FLOOD CONTROL DISTRICT
A COMPONENT UNIT OF HARRIS COUNTY, TEXAS
OPERATING FUNDS BUDGET FOR THE DISTRICT'S FISCAL YEAR 2016-2017
(Unaudited)**

On February 09, 2016 the Commissioners Court adopted the budget for the District for the Fiscal Year 2017. The following is a summary the Fiscal Year 2017 budget for the District's Current Operating Fund:

Cash Balance as of March 1, 2016	\$ 79,697,986
Estimated Revenues:	
Ad Valorem Taxes	103,213,779
Other	<u>1,004,100</u>
Total Cash and Estimated Revenues	<u><u>\$ 183,915,865</u></u>
Appropriations:	
Current Operating Expenses	\$ 182,586,343
Capital Outlay	<u>1,329,522</u>
Total Appropriations	<u><u>\$ 183,915,865</u></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 2006-2007 through 2015-16.

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
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
2016	83,075	379,561,447	0.02	4,538,028	18

(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
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
2016	425,362,614	74,298,323	108,139,145	391,521,792	0.34547	0.07376	0.41923

(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
2007	\$ 887,598	\$ 903,512	\$ 793,835	89.4%	\$ 106,988	\$ 900,823	99.7%
2008	929,929	991,150	910,828	97.9	77,679	988,507	99.7
2009	1,089,141	1,085,421	981,807	90.1	100,577	1,082,384	99.7
2010	1,114,429	1,101,460	1,036,477	93.0	61,432	1,097,909	99.7
2011	1,058,623	1,050,226	987,684	93.3	59,285	1,046,969	99.7
2012	1,081,861	1,073,154	1,022,187	94.5	47,392	1,069,579	99.7
2013	1,160,905	1,150,379	1,100,588	94.8	45,536	1,146,124	99.6
2014	1,308,910	1,293,515	1,247,389	95.3	40,189	1,287,578	99.5
2015	1,459,066	1,443,477	1,390,628	95.3	41,289	1,431,917	99.2
2016	1,637,031	1,637,031	1,554,734	95.0	-	1,554,734	95.0

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

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

	<u>County's Total Outstanding Tax Debt (a)</u>
Limited Tax Debt	\$ 1,082,762,360
Unlimited Tax Debt	814,950,970
Flood Control	532,590,000
Toll Road Tax Bonds	<u>329,085,000</u>
Total	<u>\$ 2,759,388,330</u>
Less: Toll Road Tax Bonds	<u>(329,085,000)</u>
Total (Approximately 0.49% of 2015 Assessed Value)	<u><u>\$ 2,430,303,330</u></u>

(a) Excluding Flood Control District debt of \$83,075,000 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
2017	\$ 71,807	\$ 57,409	\$ 129,216	\$ 29,299	\$ 38,182	67,481	\$ 26,380	\$ 16,419	\$ 42,799	\$ 25,385	\$ 28,385	\$ 53,770	\$ 152,871	\$ 140,395	\$ 293,266
2018	73,706	54,318	128,024	36,417	38,525	74,942	26,610	15,128	41,738	25,955	28,300	54,255	162,688	136,271	298,959
2019	80,526	51,803	132,329	51,405	37,143	88,548	27,445	13,742	41,187	26,705	27,624	54,329	186,081	130,312	316,393
2020	75,006	48,741	123,747	47,250	34,584	81,834	28,345	12,278	40,623	28,025	26,313	54,338	178,626	121,916	300,542
2021	83,830	36,727	120,557	52,395	32,227	84,622	29,285	10,765	40,050	29,495	24,841	54,336	195,005	104,560	299,565
2022	91,810	32,820	124,630	35,595	29,654	65,249	19,445	9,486	28,931	30,980	23,360	54,340	177,830	95,320	273,150
2023	70,480	28,435	98,915	65,540	27,900	93,440	20,240	8,449	28,689	32,605	21,733	54,338	188,865	86,517	275,382
2024	54,661	36,827	91,488	67,495	24,724	92,219	20,700	7,385	28,085	34,235	20,103	54,338	177,091	89,039	266,130
2025	82,827	34,919	117,746	59,370	21,416	80,786	21,165	6,297	27,462	35,950	18,391	54,341	199,312	81,023	280,335
2026	46,194	31,301	77,495	50,025	18,534	68,559	12,070	5,430	17,500	37,665	16,978	54,643	145,954	72,243	218,197
2027	57,840	16,861	74,701	50,375	16,033	66,408	12,090	4,796	16,886	39,125	15,094	54,219	159,430	52,784	212,214
2028	58,970	13,946	72,916	50,740	13,514	64,254	12,115	4,161	16,276	40,025	13,138	53,163	161,850	44,759	206,609
2029	39,725	25,453	65,178	51,245	10,977	62,222	12,135	3,524	15,659	41,045	11,137	52,182	144,150	51,091	195,241
2030	30,400	9,238	39,638	41,355	8,415	49,770	12,160	2,886	15,046	40,100	9,085	49,185	124,015	29,624	153,639
2031	31,745	7,694	39,439	39,205	6,347	45,552	12,185	2,247	14,432	27,390	7,080	34,470	110,525	23,368	133,893
2032	33,155	6,116	39,271	39,790	4,374	44,164	12,210	1,607	13,817	10,970	6,049	17,019	96,125	18,146	114,271
2033	29,835	4,458	34,293	15,050	2,373	17,423	12,240	965	13,205	11,520	5,500	17,020	68,645	13,296	81,941
2034	8,430	3,512	11,942	15,805	1,620	17,425	12,265	322	12,587	12,095	4,925	17,020	48,595	10,379	58,974
2035	8,855	3,091	11,946	16,595	830	17,425	-	-	-	12,700	4,320	17,020	38,150	8,241	46,391
2036	9,295	2,648	11,943	-	-	-	-	-	-	13,335	3,685	17,020	22,630	6,333	28,963
2037	7,900	2,183	10,083	-	-	-	-	-	-	14,005	3,018	17,023	21,905	5,201	27,106
2038	8,295	1,788	10,083	-	-	-	-	-	-	14,705	2,318	17,023	23,000	4,106	27,106
2039	8,715	1,373	10,088	-	-	-	-	-	-	15,440	1,582	17,022	24,155	2,955	27,110
2040	9,150	938	10,088	-	-	-	-	-	-	16,210	810	17,020	25,360	1,748	27,108
2041	9,605	480	10,085	-	-	-	-	-	-	-	-	-	9,605	480	10,085
Total	\$ 1,082,762	\$ 513,079	\$ 1,595,841	\$ 814,951	\$ 367,372	\$ 1,182,323	\$ 329,085	\$ 125,887	\$ 454,972	\$ 615,665	\$ 323,769	\$ 939,434	\$ 2,842,463	\$ 1,330,107	\$ 4,172,570

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

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

As of February 29, 2016, the following County-wide ad valorem tax bonds authorized by the voters at elections held in September 1983, November 1999, November 2007, November 2013, and November 2015 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	87,000	
Forensic Lab	10,000	
Family Law Center	70,000	
Joint Processing Center	64,295	
Animal Shelter	24,000	
Total Limited Tax Bonds		\$ 288,295
Unlimited Tax:		
Road Bonds	760,780	
Total Unlimited Tax Bonds		760,780
Combination Unlimited Tax and Revenue:		
Toll Roads	15,148	
Total Unlimited Tax and Revenue Bonds		15,148
Harris County Flood Control District Limited Tax Bonds		64,000
Total Harris County Ad Valorem Tax Bonds		<u>1,128,223</u>
Total Authorized but Unissued Bonds		<u>\$1,128,223</u>

**HARRIS COUNTY FLOOD CONTROL DISTRICT
A COMPONENT UNIT OF HARRIS COUNTY, TEXAS
OPERATING FUNDS BUDGET FOR THE COUNTY'S FISCAL YEAR 2016-2017
(Unaudited)**

On February 09, 2016 the Commissioners Court adopted the budget for the County for the Fiscal Year 2016-2017. The Fiscal Year 2017 budget included appropriations for some capital projects, which are financed from current revenues. The following is a summary of the Fiscal Year 2016-2017 budget for the County's Current Operating Fund:

Cash Balance as of March 1, 2016	\$ 765,849,307
Estimated Revenues:	
Ad Valorem and Miscellaneous Taxes	1,405,710,837
Charges for Services	233,494,880
Fines and Forfeitures	20,573,477
Intergovernmental Revenues	45,010,682
Interest	1,187,645
Other	49,202,756
Total Cash and Estimated Revenues	<u>\$ 2,521,029,584</u>
Appropriations:	
Current Operating Expenses	\$ 2,479,754,914
Capital Outlay:	
Roads	2,632,531
Parks	35,637,139
Office/Courts	3,005,000
Total Appropriations	<u>\$ 2,521,029,584</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 29, 2016 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	\$ 112,347,501
Permanent Improvements	60,109,023
Flood Control	<u>204,242,169</u>
Total	<u>\$ 376,698,693</u>

**C
O
M
P
L
I
A
N
C
E**

**S
E
C
T
I
O
N**



Deloitte & Touche LLP
Suite 4500
1111 Bagby Street
Houston, TX 77002-2591
USA
Tel: +1 713-982-2000
Fax: +1 713-982-2001
www.deloitte.com

Independent Auditor's Report on Compliance for Each Major Federal Program; Report on Internal Control over Compliance

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") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended February 29, 2016. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's 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 the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Those standards and the Uniform Guidance 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 29, 2016.

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 the Uniform Guidance, 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Deloitte Touche LLP

August 12, 2016

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 29, 2016, 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, 2016.

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 was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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's Touche LLP

August 12, 2016

HARRIS COUNTY FLOOD CONTROL DISTRICT, TEXAS
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED FEBRUARY 29, 2016

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-2012-CA-0007	\$ 52,987	\$ -
7589	Cooperating Technical Partners	97.045	EMW-2013-CA-K00049-S01	31,275	-
7589	Cooperating Technical Partners	97.045	EMT-2013-CA-0004	8,960	-
7589	Cooperating Technical Partners	97.045	EMW-2014-CA-00202	49,743	-
7589	Cooperating Technical Partners	97.045	EMW-2014-CA-00203	149,630	-
7589	Cooperating Technical Partners	97.045	EMW-2015-CA-00059-S01	5,093	-
PASS THROUGH PROGRAMS, GOVERNORS DIVISION OF EMERGENCY MANAGEMENT:					
7984	FEMA - Hazard Mitigation Grant Project	97.039	FEMA-1791-DR-TX-233	607,887	-
7984	FEMA - Hazard Mitigation Grant Project	97.039	FEMA-1791-DR-TX-067	1,760,377	-
PASS THROUGH PROGRAMS, TEXAS WATER DEVELOPMENT BOARD:					
7073	FEMA - Severe Repetitive Loss - SRL 2011 APP 2	97.110	1200011407	221,910	-
7297	FEMA - Flood Mitigation Assistance Project Grant	97.029	1400011847	1,279,936	-
TOTAL U.S. DEPARTMENT OF HOMELAND SECURITY				4,167,798	-
<u>U.S. DEPARTMENT OF DEFENSE</u>					
PASS THROUGH PROGRAMS, ARMY CORPS OF ENGINEERS:					
3310	Brays Bayou Federal Project	12.000	NONE	8,134,683	-
TOTAL U.S. DEPARTMENT OF DEFENSE				8,134,683	-
TOTAL EXPENDITURES OF FEDERAL AWARDS				\$ 12,302,481	\$ -
<u>STATE GRANTS</u>					
<u>TEXAS WATER DEVELOPMENT BOARD</u>					
DIRECT PROGRAMS:					
7302	Flood Protection Planning Grant	N/A	1248321466	\$ 2,197	\$ -
TOTAL TEXAS WATER DEVELOPMENT BOARD				2,197	-
TOTAL EXPENDITURES OF STATE AWARDS				\$ 2,197	\$ -
TOTAL EXPENDITURES OF FEDERAL AND STATE AWARDS				\$ 12,304,678	\$ -

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 29, 2016**

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* and *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (2.CFR.200)*; as applicable. 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 29, 2016:

Federal expenditures per schedule	\$ 12,302,481	
State expenditures per schedule	2,197	
Subtotal	12,304,678	
Add:		
County funded portion of grants	1,253,729	
Less:		
Trial balance adjustments for modified accrual basis of accounting	1,878,137	
Grants - Brays Bayou expenditures	(8,134,683)	
Total	\$ 7,301,861	
Balance per financial report - Grants Special Revenue Fund	\$ 7,301,861	

**HARRIS COUNTY FLOOD CONTROL DISTRICT
A COMPONENT UNIT OF HARRIS COUNTY, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED FEBRUARY 29, 2016**

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? No.

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 OMB Uniform Guidance
§200.516(a)? No.

Identification of major programs:
FEMA - Flood Mitigation Assistance Project Grant 97.029
FEMA - Hazard Mitigation Grant Project 97.039

Dollar threshold used to distinguish between Type A and
Type B programs: \$750,000

Auditee qualified as a low-risk auditee? Yes.

II. FINANCIAL STATEMENT FINDINGS SECTION

None noted.

III. FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS SECTION

None noted.

**HARRIS COUNTY FLOOD CONTROL DISTRICT
A COMPONENT UNIT OF HARRIS COUNTY, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED FEBRUARY 29, 2016**

IV. STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS

Program	Finding/Noncompliance	Questioned Cost
----------------	------------------------------	----------------------------

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 29, 2016**

Program	Finding/Noncompliance	Questioned Cost
	<p><u>Status:</u> Harris County CTS has acknowledged 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 have 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.</p> <p><u>Management Contact:</u> Bruce High, Executive Director & CIO of Harris County Central Technology Services</p>	