Harris County, Texas

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended February 28, 2017

Michael Post, CPA, MBA
County Auditor

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

Comprehensive Annual Financial Report
For the Fiscal Year Ended
February 28, 2017

Prepared By:
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HARRIS COUNTY FLOOD CONTROL DISTRICT
A COMPONENT UNIT OF HARRIS COUNTY, TEXAS
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED FEBRUARY 28, 2017
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INTRODUCTORY SECTION

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MICHAEL POST, C.P.A., M.B.A.

HARRIS COUNTY AUDITOR

August 25, 2017

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 Comprehensive Annual Financial Report (CAFR) of Harris County Flood Control District (the "District"), a component unit of Harris County, Texas (the "County") for the fiscal year ended February 28, 2017. 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 CAFR for Harris County Flood Control District, a component unit of the County, includes all disclosures necessary to enable the reader to gain an understanding of the District's financial activities. The information and data contained herein are accurate in all material respects and are 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").

The CAFR consists of management's representations concerning the finances of the District and management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide reasonable basis for making these representations management of the District has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse, and to compile sufficient reliable information for the preparation of the District's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the District's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements are free from material misstatement.

The District's financial statements were audited by Deloitte & Touche LLP, an independent audit firm. The goal of the independent audit was to provide reasonable assurance that the financial statements of the District for fiscal year ended February 28, 2017, 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. Management's discussion and analysis (MD&A), which immediately follows the independent auditor's report, provides a narrative introduction, overview, and analysis of the basic financial statements. The MD&A complements this letter of transmittal and should be read in conjunction with it.

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

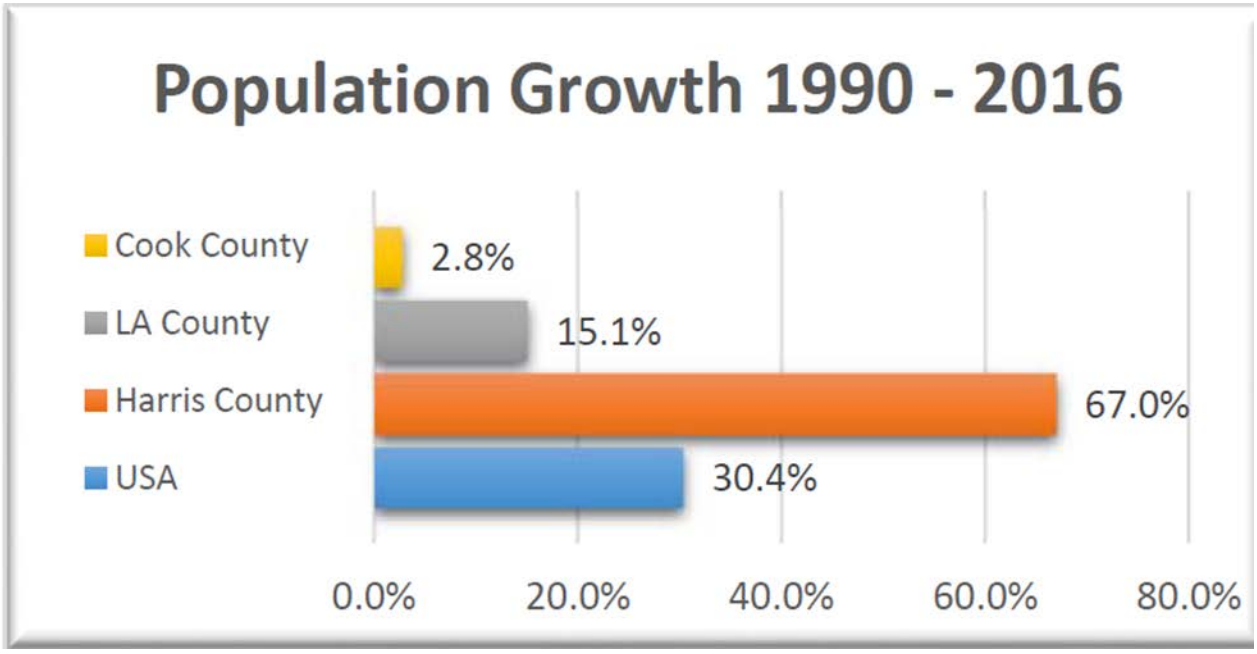
with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal and state awards. These reports are available in the compliance section of this report.

PROFILE OF THE DISTRICT

History, 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. Since its creation, the District has successfully partnered with the U.S. Army Corps of Engineers on many projects, and through the years, the District's partnerships and capabilities have expanded significantly and the District's roles and responsibilities have become much more complex.

The District's jurisdictional boundaries are set to coincide with Harris County, and include the City of Houston. The District also operates within the boundaries provided by nature, 22 primary watersheds that are either partially or totally within Harris County. Harris County has a land area greater than 1,700 square miles and is located in the upper Gulf Coast in Southeast Texas approximately 50 miles from the Gulf of Mexico. The County's population has grown to an estimated 4.6 million residents. Harris County continues to be the nation's third largest county in terms of population and one of the fastest growing counties with 67% growth since 1990. Over a 26-year period, Harris County's population has grown more than twice as fast as the nation's population.



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 accomplishes its mission by devising flood damage reduction plans, implementing the plans, and maintaining the infrastructure. The Flood Control District is headed by an Executive Director and a Director of Operations, and is organized into seven primary divisions to carry out its mission: Construction,

Engineering, Planning, Human Resources, Infrastructure, Office of Chief Engineer, and Support Services.

Budget Process

In accordance with Chapter 111 of the Texas 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. The County Auditor is responsible for the preparation of the annual estimate of available resources for the County (including the Flood Control District) to be used in the preparation of the annual budget. The County budget (and the Flood Control District budget) may not exceed the available resources of the County funds as determined by the County Auditor. After adoption of the budget by Commissioners Court, the County Auditor is responsible for ensuring the 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, for intergovernmental contracts, and for new source revenue not anticipated at budget adoption. Encumbrance accounting is utilized to ensure effective budgetary control and accountability.

INFORMATION USEFUL IN ASSESSING ECONOMIC CONDITION

Local Economy

Economic conditions have a direct impact on the County's revenues and demand for services. Harris County has experienced tremendous growth since the start of the 21st century with an expanding, diversified local economy that has outperformed most of the country. The energy business has played a large part in this growth, along with the relatively low cost of living, affordable housing, and an expanding transportation system.

The Houston region is designated as the Houston-Woodlands-Sugar Land Metropolitan Statistical Area (MSA), and comprises Harris County and eight other counties. The U.S. Bureau of Economic Analysis estimates metro Houston's Gross Domestic Product (GDP) at approximately $503.3 billion. If the MSA were an independent nation, its economy would rank 23rd largest in the world. Twenty-four companies on the 2016 Fortune 500 list are headquartered in Houston; only the New York and Chicago MSAs have a greater concentration. No single industry dominates Houston employment.

Oil prices fell below $70 per barrel starting in late 2014 and continue to remain at this lower level. The current price of West Texas Intermediate (WTI) crude oil as of March 2017 is approximately $49 per barrel, which is an increase from March 2016 per the U.S. Energy Information Administration.

The preliminary March 2017 unemployment rate (not seasonally adjusted) for the Houston MSA was 5.7% compared to the national average of 4.6%. The State's preliminary unemployment rate (not seasonally adjusted) for March 2017 was 5%. Both the Houston MSA and the State of Texas unemployment rates increased from their March 2016 levels of 4.9% and 4.5%, respectively.

The Houston-Galveston-Brazoria, Texas area had a Consumer Price Index (CPI) that was 2% lower than other large urban areas as calculated for February 2017 by the Bureau of Labor Statistics. The Houston area's lower CPI is due in part to a lower CPI for housing, fuel, and utilities than other large urban areas.

Houston has one the world's busiest ports and an excellent airport system that are integral components of the regional economy. The Port of Houston is the tenth largest port in the world. The Port of Houston includes the Houston ship channel, which connects the Houston area terminals and the Gulf of Mexico, and is the location of one of the world's largest petrochemical complexes. The Houston Airport System includes

three airports and has nonstop flights from Houston to 190 destinations and five continents. The airport system served 54.5 million passengers during 2016, of which 21% were international passengers.

Per the Multiple Listing Service of the Houston Association of Realtors, "the Houston real estate market enjoyed across-the-board gains in all statistical indictors during the month of March 2017, with single-family home sales, total property sales, total dollar volume and pricing all up versus March 2016." Total property sales increased 10.5% and total dollar volume of sales increased 15.7% during this time-period.

Financial Policies and Long-Term Financial Planning

Some of the County's financial policies are:

- The County will continue to focus on building a strong balance sheet to maintain both financial stability and current high bond ratings, as well as allocating resources to "be prepared" for flood, hurricanes, or similar unexpected events;

- It is likely that the County has sufficient resources to not issue any Tax Anticipation Notes during Fiscal Year 2017-2018;

- Budget Management will review the collection procedures, contracts, and balances for all components of the County's accounts receivable, including fines, fees, tolls, and notes receivable related to the County and the Harris County Toll Road Authority, the Harris County Sports Corporation, and the Harris County Sports Authority.

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 2016 for the District per $100 of taxable value are: $0.02745 for maintenance and operations and $0.00084 for debt service, for a total of $0.02829.

Key elements in maintaining the County's financial strength and high bond rating are the County's management of investments and debt (including the investments and debt of Harris County Flood Control District). The Harris County Investment Policy, including investment strategies, is reviewed and approved at least annually by Commissioners Court. Harris County has a debt structure that includes road, park, permanent improvement, and flood control repaid directly with property taxes. Additional information regarding the County's investment and debt management has been included in Note 2 of the notes to the District's financial statements, Deposits and Investments, and Note 6 of the notes to the District's financial statements, Long-Term Liabilities.

Risk management and self-insurance with stop-loss policies (as applicable) for medical, workers' compensation, and property continue to be effective. Various actuarial studies are periodically performed to aid in liability calculation, as well as financial planning. Additional information regarding the County's health insurance, workers' compensation, and other risk management plans has been included in Note 10 of the notes to the District's financial statements, Risk Management.

The County provides retirement for all of its employees (excluding temporary employees) through the County and District Retirement System (TCDRS). The County's net pension liability at February 28, 2017 was $718,606,511. The County currently provides a post-employment healthcare plan; the net ending obligation for this post-employment healthcare plan was $647,915,763 at February 28, 2017. Additional information regarding the County's retirement plan and post-employment healthcare plan is located in Notes 7 and 8 of the notes to the District's financial statements.

Major Initiatives

The District has a Fiscal Year 2017-2018 capital improvement budget of $60 million, which includes:

- $25 million in new infrastructure construction
- $14 million allocated for property acquisition needed for future projects
- $12 million in major infrastructure rehabilitation projects.

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 29, 2016. 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 seven 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 Auditor's Office and the professional services provided by our independent auditor, 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.

Michael Post, 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 29, 2016

Executive Director/CEO

HARRIS COUNTY FLOOD CONTROL DISTRICT
A COMPONENT UNIT OF HARRIS COUNTY, TEXAS
SCHEDULE OF BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
For The Year Ended February 28, 2017

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

District Business Telephone Number: (713) 684-4000

Names and Addresses:	Term of Office (Elected or Appointed) or Date Hired	Fees Feb 28, 2017	Expense Reimbursements Feb 28, 2017	Title at Year End	Resident of District
Commissioners' Court acts as Board of Director for District					
Judge Ed Emmett 1001 Preston, Suite 911 Houston Texas 77002	(Elected) 01/15- 12/18	N/A	N/A	County Judge	Yes
Gene Locke Rodney Ellis 1001 Preston, 9th Fl Houston Texas 77002	01/22/16-12/31/16 (Elected) 01/17-12/20	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) 01/17 - 12/20	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. Russ Poppe 9900 NW Fwy Houston, Texas 77092	01/16-08/16 (Appointed) 09/01/16	N/A	N/A	Executive Director/ HC Flood Control District Employee	Yes

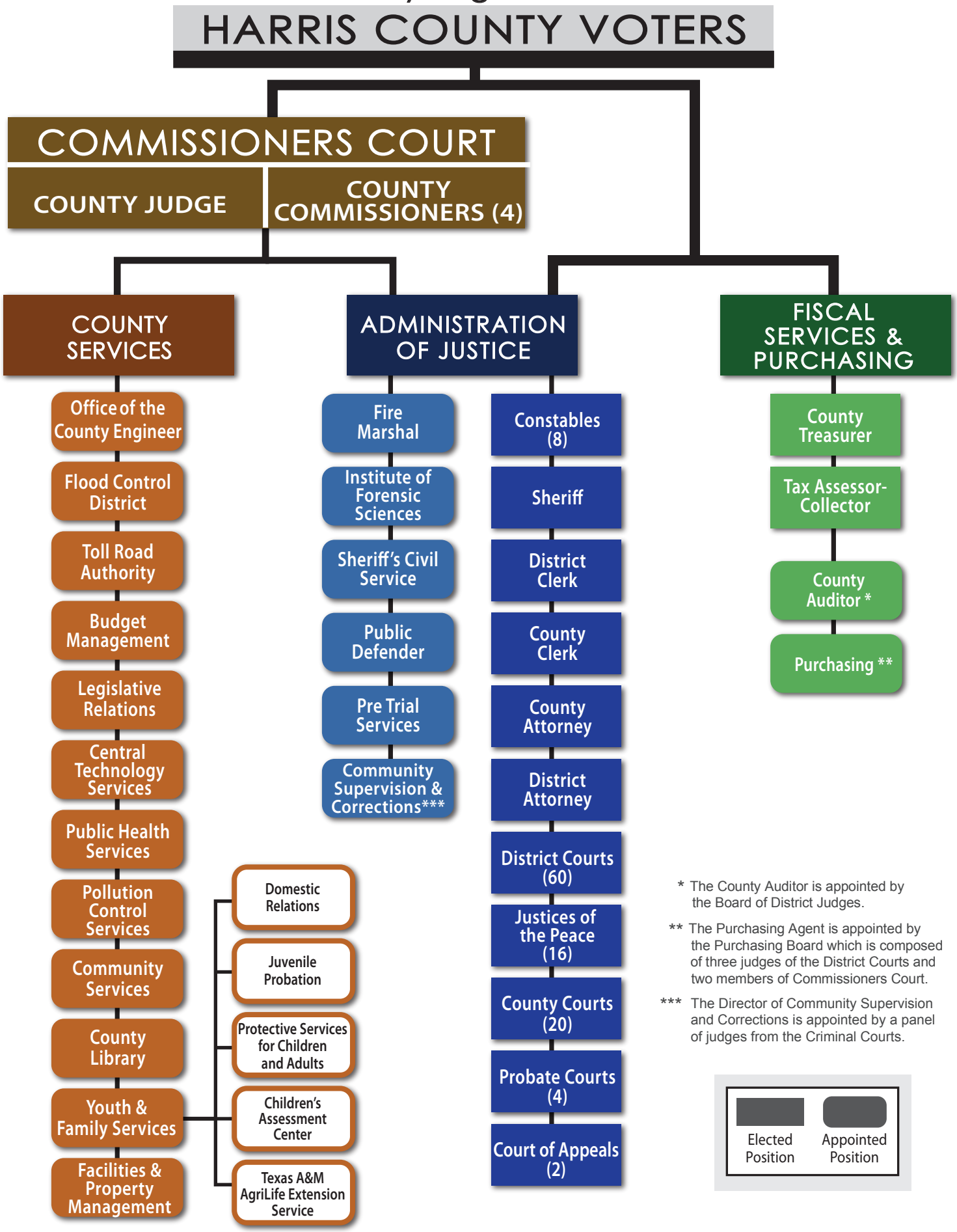
(Continued)

HARRIS COUNTY FLOOD CONTROL DISTRICT
A COMPONENT UNIT OF HARRIS COUNTY, TEXAS
SCHEDULE OF BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
For The Year Ended February 28, 2017

Names and Addresses:	Term of Office (Elected or Appointed) or Date Hired	Fees Feb 28, 2017	Expense Reimbursements Feb 28, 2017	Title at Year End	Resident of District
Vince Ryan 1019 Congress 15th Fl Houston Texas 77002	(Elected) 01/17 - 12/20	N/A	N/A	County Attorney	Yes
Mike Sullivan Ann Harris Bennett 1001 Preston, 1st Fl Houston Texas 77002	01/15-12/16 (Elected) 01/17-12/18	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 Michael Post 1001 Preston, 8th Fl Houston Texas 77002	03/03-02/17 (Appointed) 2/27/17	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 2016/2017 audit services.

Harris County Organization Chart



FINANCIAL SECTION

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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Harris County Flood Control District (the "District"), a component unit of Harris County, Texas, as of and for the year ended February 28, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District, as of February 28, 2017, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 13-22, Schedule of Revenues and Expenditures - Budget and Actual Budgetary Basis – Operations and Maintenance (General) Fund, and the Other Post Employment Benefits – Schedule of Funding Progress, and the Schedule of Changes in Net Pension Liability and Related Ratios, and the Texas County and District Retirement System - Schedule of Employer Contributions on pages 60-65 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 25, 2017 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 & Touche LLP

August 25, 2017

This section of the Harris County Flood Control District's (the "District") financial statements presents management's discussion and analysis ("MD&A") of the financial activities of the District during the fiscal year ended February 28, 2017. Please read it in conjunction with the District's basic financial statements following this section.

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

FINANCIAL HIGHLIGHTS

Government-wide

- The total government-wide assets of the District exceeded the liabilities (net position) at February 28, 2017 by $1,919,068,626, an increase of $94,335,257 from the previous year when assets exceeded liabilities by $1,824,733,369.

- Total net position is comprised of the following:
  (1) Net investment in capital assets, of $1,870,606,900 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 $19,087,782 is restricted by constraints imposed from outside the District such as capital projects.
  (3) Unrestricted net assets of $29,373,944 represent the portion available to meet ongoing obligations to citizens and creditors.

Fund Level

- As of February 28, 2017, the District's governmental funds reported combined fund balances of $289,383,522. This compares to the prior year combined fund balance of $279,144,174 showing an increase of $10,239,348 during the current year. The current year total consists of combined nonspendable fund balance of $2,526,287, restricted fund balance of $221,754,710, assigned fund balance of $14,600,919 and unassigned fund balance of $50,501,606.

- At the end of the fiscal year, the total fund balance for the Operations and Maintenance (General) fund was $65,424,967. The General fund had a nonspendable fund balance of $223,813, restricted fund balance of $98,629, assigned fund balance of $14,600,919, and unassigned of $50,501,606.

- The fund balance in the Debt Service fund of $4,141,199 was restricted at the end of the fiscal year. This represents a decrease of $92,784 from the prior year balance of $4,233,983.

- The Capital Projects fund at fiscal year-end had a nonspendable fund balance of $2,302,474 and a restricted fund balance of $217,514,882 for a total Capital Projects fund balance of $219,817,356 an increase from $196,602,355 in the prior year.

- The District issues debt to finance an ongoing capital improvement program, and during fiscal year 2017 did not issue any refunding bonds. Note 6 to the financial statements, provides additional

details related to long-term debt. The debt service ad-valorem tax rate for the 2017 tax year for the District totaled $0.00084 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.

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.

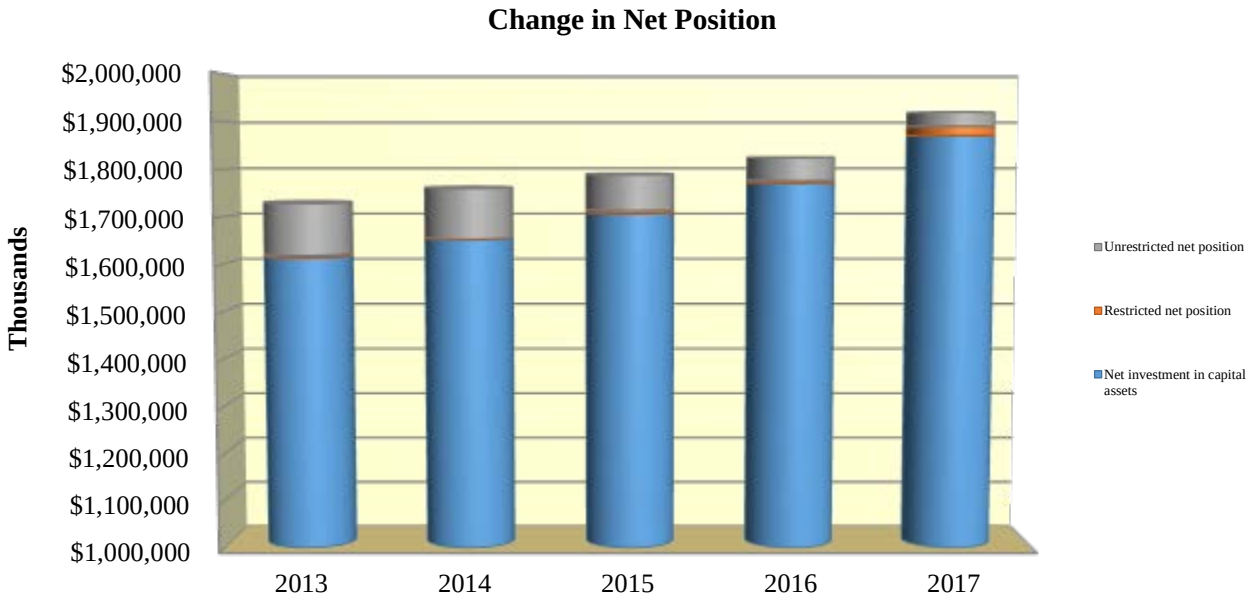
Required Supplementary Information is presented concerning the District's Operations and Maintenance (General) Fund budgetary schedule. The District adopts an annual budget for this fund. A budgetary comparison schedule, which includes the original and final amended budgets and actual figures, has been 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 60 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 $1,919,068,626 for fiscal year ended 2017 and $1,824,733,369 for fiscal year ended 2016. Revenues exceeded expenses during the current year, increasing net position by $94,335,257.

Condensed Statement of Net Position
(amounts in thousands)

	Governmental Activities	
	February 28, 2017	February 29, 2016
Current and other assets	$ 319,792	$ 297,327
Capital assets	2,271,958	2,220,029
Total assets	2,591,750	2,517,356
Defered outflows of resources	24,241	28,018
Current and other liabilities	31,317	27,394
Long-term liabilities	665,036	693,118
Total liabilities	696,353	720,512
Deferred inflows of resources	569	129
Net position:		
Net investment in capital assets	1,870,607	1,771,401
Restricted	19,088	5,091
Unrestricted	29,374	48,241
Total net position	$ 1,919,069	$ 1,824,733



The largest portion of the District's current fiscal year net position, $1,870,606,900 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 in the District's net position-net investment in capital assets is $99,205,408.

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 $19,087,782 for capital projects. Restricted net assets reflect an overall increase of $13,996,700.

The remaining balance of the District's current fiscal year net position, $29,373,944 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:

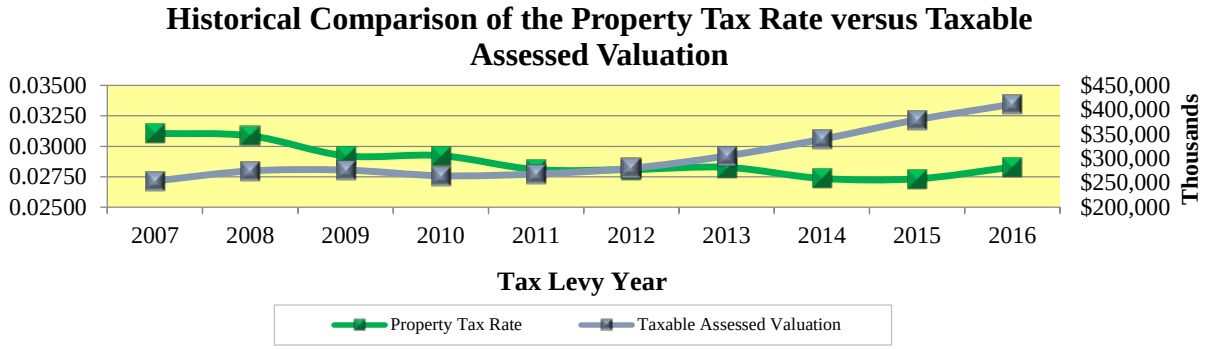
Condensed Statement of Activities
(amounts in thousands)

	Governmental Activities	
	For the Year Ended February 28, 2017	For the Year Ended February 29, 2016
Revenues:		
Program revenues:		
Charges for services	$ 687	$ 6,228
Operating grants and contributions	50,061	50,440
Capital grants and contributions	49,106	19,960
General revenues:		
Property taxes	114,277	101,256
Earnings on investments	1,818	628
Miscellaneous	10,403	1,296
Total revenues and other items	226,352	179,808
Expenses:		
Flood control	104,871	109,300
Tax administration	596	559
Interest on long-term debt	26,549	28,059
Total expenses and other items	132,016	137,918
Change in net position	94,336	41,890
Net position - beginning	1,824,733	1,789,427
Implementation of new standard	-	(6,584)
Net position - beginning, as restated	1,824,733	1,782,843
Net position - ending	$ 1,919,069	$ 1,824,733

Revenues

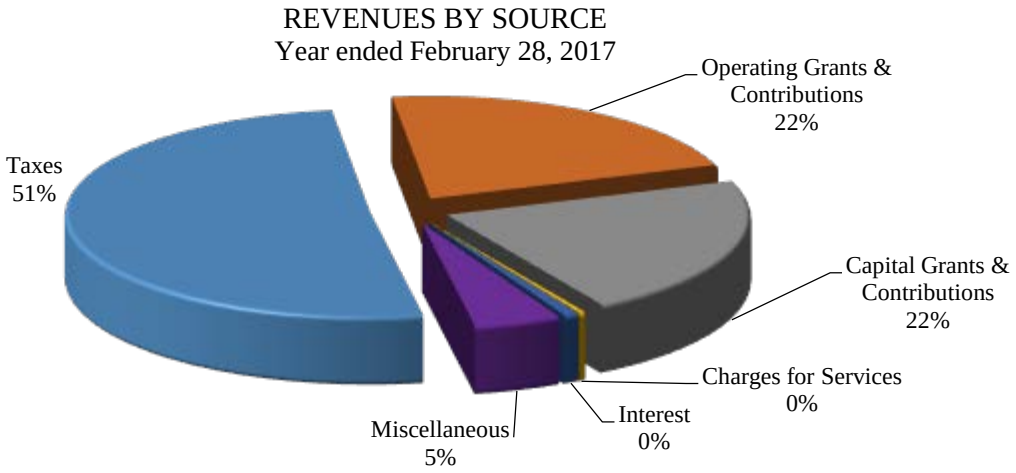
For fiscal year ended February 28, 2017, revenues from governmental activities totaled $226,351,524.

Property taxes of $114,277,026 were the District's largest revenue source and comprised 51% of total revenues. The tax rate was $.02829 per $100 of assessed value for fiscal year 2017 and $.02733 per $100 of assessed value for fiscal year 2016. The taxable assessed value increased in fiscal year 2017 to $411,244,560,000 from $379,561,447,000 in fiscal year 2016.



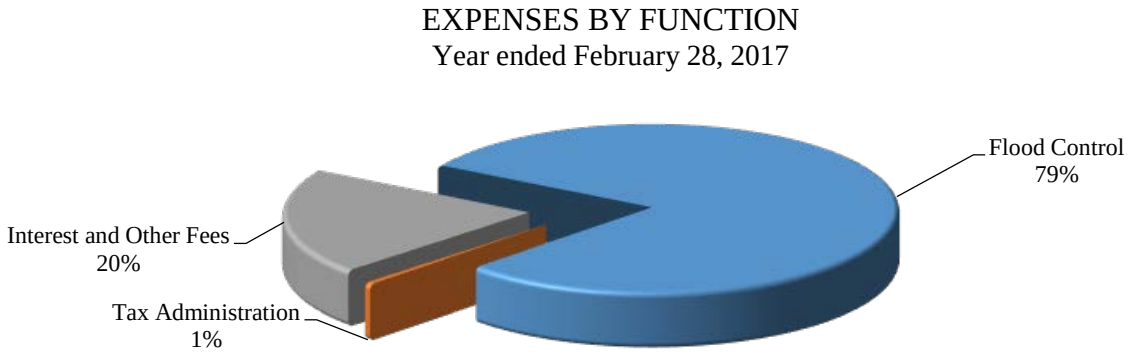
Program revenues are derived from the program itself and reduce the cost of the function to the District. Total program revenues were $99,853,597 or 44% of total revenues. A major portion of program revenues are capital grants and contributions of $49,105,697 (22%) and represent receipts/contributions 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 $50,060,617 (22%), associated with contributions by Harris County, which decreased $379,460 from the prior year. Another portion of program revenues is charges for services of $687,283 or less than 1% of total revenues, which are primarily from impact fees on development.

General revenues are revenues that cannot be assigned to a specific function. They consist of property taxes (discussed previously), unrestricted investment or interest earnings of $1,818,419 (less than 1% of total revenues) and miscellaneous income of $10,402,482 (5% of total revenues). Miscellaneous income is primarily comprised of collections for various fees.



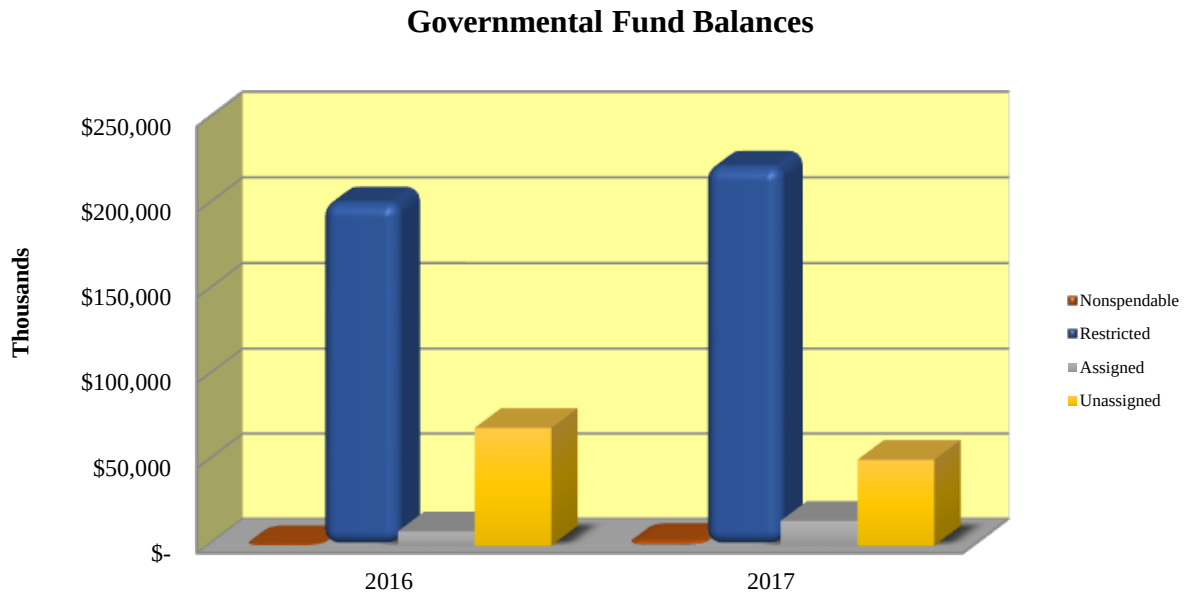
Expenses

For fiscal year ended February 28, 2017, expenses for governmental activities totaled $132,016,267, compared to $137,918,254 in the prior fiscal year. Flood control administration of $104,870,480 is the District's largest function with 79% of total expenses. This was a decrease of $4,429,072 from the prior year due to regular operations of the District. Interest and other fees make up the second largest category of expenses with $26,549,319 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 $596,468 (less than 1% of total expenses) and has increased from $37,257 last year.



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.



At February 28, 2017, the District's governmental funds reported combined fund balances of $289,383,522, of which $2,526,287 is nonspendable, $4,239,828 is restricted for debt service, $217,514,882 is restricted for capital projects, and $14,600,919 is assigned for encumbrances and petty cash. The remainder, $50,501,606 is available to meet the District's current and future needs. The District's combined fund balances increased $10,239,348. 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 General Fund decreased by $12,882,869. This was largely due to an increase in tax revenue offset to a lesser degree by operating expenditures. The General Fund also transferred $60M to the Capital Projects Fund.

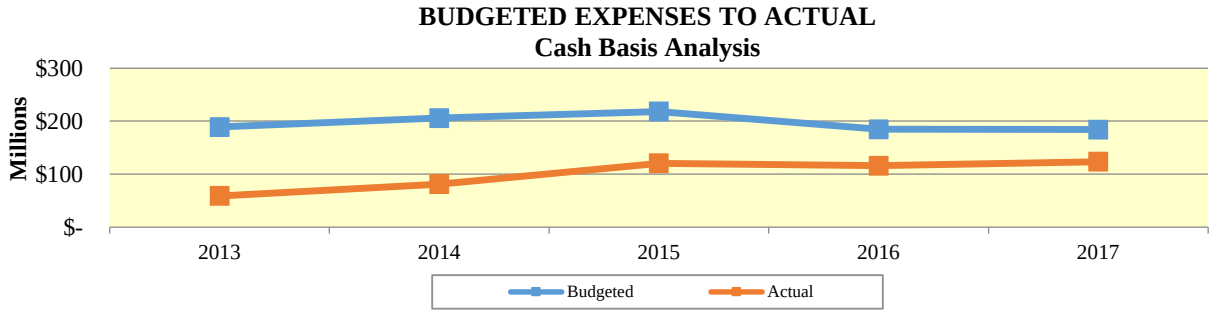
The Special Revenue Grants fund accounts for grants that have been awarded in the District's name. There is no fund balance in grant funds. However, the overall grant activity for the current fiscal year resulted in a $3,276,300 increase in assets and liabilities over the previous fiscal year.

Fund balance in the Debt Service fund decreased marginally by $92,784. At February 28, 2017, this fund reported revenues of $53,534,753. The majority of these revenues were from intergovernmental.

The fund balance in the Capital Projects fund increased by $23,215,001 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 $6,929,124. 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 $60,540,636. 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 $67,469,760, thus eliminating the need to draw upon the existing fund balance on a cash basis.



CAPITAL ASSETS

The District's capital assets, net of accumulated depreciation for its governmental activities as of February 28, 2017, amounted to $2,271,957,502. 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.

	Balance February 28, 2017	Balance February 29, 2016
Governmental Activities:		
Land	$ 1,630,189,648	$ 1,611,986,509
Construction in Progress	86,918,514	79,851,718
Intangible Assets - water rights	2,400,000	2,400,000
Land Improvements	641,531	641,531
Buildings	12,158,223	12,158,223
Equipment	12,002,500	11,248,118
Flood Control Projects	954,420,777	897,716,912
	2,698,731,193	2,616,003,011
Less Accumulated Depreciation	(426,773,691)	(395,973,890)
Totals	$ 2,271,957,502	$ 2,220,029,121

LONG-TERM LIABILITIES

At February 28, 2017, the District had total long-term liabilities outstanding of $665,036,344. 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 (.15%) and the amount of bonded debt per capita ($138,000) as useful indicators of the District's debt position; this information is shown in the statistical section of this report.

	Balance February 28, 2017	Balance February 29, 2016
Governmental Activities:		
Bonds Payable	$ 635,443,487	$ 665,095,495
Compensatory Time Payable	442,198	420,440
OPEB Obligations	13,646,397	12,109,976
Net Pension Liability	15,131,730	15,036,618
Pollution Remediation Obligations	372,532	454,978
Totals	$ 665,036,344	$ 693,117,507

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 2016 was 5.3%. This is an increase from the prior year rate of 4.6%. The state unemployment rate for calendar year 2016 was 4.5%. The number of people employed with the District increased by 6 to 293 during the year.

REQUEST FOR INFORMATION

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

BASIC FINANCIAL STATEMENTS

HARRIS COUNTY FLOOD CONTROL DISTRICT
A COMPONENT UNIT OF HARRIS COUNTY, TEXAS
STATEMENT OF NET POSITION
February 28, 2017

	Governmental Activities
ASSETS	
Cash and investments:	
Cash and cash equivalents	$ 15,283,036
Investments	273,140,405
Receivables:	
Taxes, net	6,185,959
Accounts	14,012,917
Accrued interest	333,246
Other	4,284,507
Prepaids and other assets	2,526,287
Restricted cash and cash equivalents	1,180,778
Restricted investments	2,845,138
Capital assets:	
Land and construction in progress	1,717,108,162
Intangible assets	2,400,000
Other capital assets, net of depreciation	552,449,340
Total assets	2,591,749,775
DEFERRED OUTFLOWS OF RESOURCES	
Deferred charge on refundings	17,447,879
Pension contributions after measurement date	436,866
Difference in projected and actual earnings on pension assets	5,660,743
Changes in pension assumptions	695,673
Total deferred outflows of resources	24,241,161
LIABILITIES	
Vouchers payable	12,735,017
Accrued payroll and compensated absences	1,873,671
Retainage payable	4,051,637
Due to other units	13,448
Unearned revenue	856,471
Accrued interest	11,786,857
Long-term liabilities:	
Due within one year:	
Bonds payable	25,955,000
Compensated absences	265,319
Due in more than one year:	
Bonds payable	609,488,487
Compensated absences	176,879
OPEB obligation	13,646,397
Net pension liability	15,131,730
Pollution remediation obligation	372,532
Total liabilities	696,353,445
DEFERRED INFLOWS OF RESOURCES	
Difference in expected and actual pension experience	568,865
Total deferred outflows of resources	568,865
NET POSITION	
Net investment in capital assets	1,870,606,900
Restricted for capital projects	19,087,782
Unrestricted	29,373,944
Total net position	$ 1,919,068,626

See notes to the financial statements.

HARRIS COUNTY FLOOD CONTROL DISTRICT
A COMPONENT UNIT OF HARRIS COUNTY, TEXAS
STATEMENT OF ACTIVITIES
For The Year Ended February 28, 2017

		Program Revenues			Net (Expense) Revenue and Changes in Net Position
Functions/Programs	**Expenses**	**Charges for Services**	**Operating Grants and Contributions**	**Capital Grants and Contributions**	**Governmental Activities**
Governmental activities:					
Flood control administration	$ 104,870,480	$ 687,283	$ 50,060,617	$ 49,105,697	$ (5,016,883)
Tax administration	596,468	-	-	-	(596,468)
Interest on long-term debt	26,549,319	-	-	-	(26,549,319)
Total governmental activities	$ 132,016,267	$ 687,283	$ 50,060,617	$ 49,105,697	(32,162,670)

General revenues:	
Taxes:	
Property taxes levied for general purposes	110,784,110
Property taxes levied for debt service	3,492,916
Earnings on investments	1,818,419
Miscellaneous	10,402,482
Total general revenues and other items	126,497,927
Change in net position	94,335,257
Net position - beginning	1,824,733,369
Net position - ending	$ 1,919,068,626

See notes to the financial statements.

HARRIS COUNTY FLOOD CONTROL DISTRICT
A COMPONENT UNIT OF HARRIS COUNTY, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
February 28, 2017

	Operations and Maintenance (General)	Special Revenue Grants	Debt Service	Capital Projects	Total 2017
ASSETS					
Cash and investments:					
Cash and cash equivalents	$ 1,762,039	$ -	$ -	$ 13,520,997	$ 15,283,036
Investments	57,442,614	-	-	215,697,791	273,140,405
Receivables:					
Taxes, net	5,921,310	-	264,649	-	6,185,959
Accounts, net	2,903	6,010,014	-	8,000,000	14,012,917
Accrued interest	70,083	-	-	263,163	333,246
Other	29,481	4,254,097	929	-	4,284,507
Due from other funds	7,839,407	-	-	-	7,839,407
Prepaids and other assets	223,813	-	-	2,302,474	2,526,287
Restricted cash and cash equivalents	-	-	1,180,778	-	1,180,778
Restricted investments	-	-	2,845,138	-	2,845,138
Total assets	$ 73,291,650	$ 10,264,111	$ 4,291,494	$ 239,784,425	$ 327,631,680
LIABILITIES					
Vouchers payable	$ 3,067,500	$ 1,145,372	$ -	$ 8,522,145	$ 12,735,017
Accrued payroll and compensated absences	1,873,671	-	-	-	1,873,671
Retainage payable	183,852	1,279,332	-	2,588,453	4,051,637
Due to other funds	-	7,839,407	-	-	7,839,407
Due to other units	13,448	-	-	-	13,448
Unearned revenue	-	-	-	856,471	856,471
Total liabilities	5,138,471	10,264,111	-	11,967,069	27,369,651
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue-property taxes	2,725,309	-	150,295	-	2,875,604
Unavailable revenue-other	2,903	-	-	8,000,000	8,002,903
Total deferred inflows of resources	2,728,212	-	150,295	8,000,000	10,878,507
FUND BALANCES					
Nonspendable	223,813	-	-	2,302,474	2,526,287
Restricted	98,629	-	4,141,199	217,514,882	221,754,710
Assigned	14,600,919	-	-	-	14,600,919
Unassigned	50,501,606	-	-	-	50,501,606
Total fund balances	65,424,967	-	4,141,199	219,817,356	289,383,522
Total liabilities, deferred inflows of resources, and fund balances	$ 73,291,650	$ 10,264,111	$ 4,291,494	$ 239,784,425	$ 327,631,680

See notes to the financial statements.

HARRIS COUNTY FLOOD CONTROL DISTRICT
A COMPONENT UNIT OF HARRIS COUNTY, TEXAS
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
February 28, 2017

Total fund balances for governmental funds		$ 289,383,522
Total net position 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	$ 1,630,189,648	
Construction in progress	86,918,514	
Intangible assets - water rights	2,400,000	
Land improvements, net of $320,715 accumulated depreciation	320,816	
Flood control projects, net of $413,799,897 accumulated depreciation	540,620,880	
Buildings, net of $3,914,968 accumulated depreciation	8,243,255	
Equipment and vehicles, net of $8,738,111 accumulated depreciation	3,264,389	
Total capital assets		2,271,957,502
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 28, 2017 were:		
Deferred charge on refundings	17,447,879	
Deferred outflow - Pension contributions after measurement date	436,866	
Deferred outflow - Difference in actual and projected earnings on pension assets	5,660,743	
Deferred outflow - Changes in assumptions	695,673	
Accrued interest on bonds	(11,786,857)	
Bonds payable	(635,443,487)	
Compensated absences	(442,198)	
OPEB obligation	(13,646,397)	
Net pension liability	(15,131,730)	
Pollution remediation obligation	(372,532)	
Deferred inflow - Difference in expected and actual pension experience	(568,865)	
		(653,150,905)
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.		10,878,507
Total net position of governmental activities		$ 1,919,068,626

See notes to the financial statements.

HARRIS COUNTY FLOOD CONTROL DISTRICT
A COMPONENT UNIT OF HARRIS COUNTY, TEXAS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For The Year Ended February 28, 2017

	Operations and Maintenance (General)	Special Revenue Grants	Debt Service	Capital Projects	Total 2017
REVENUES					
Taxes	$ 110,292,624	$ -	$ 3,497,649	$ -	$ 113,790,273
Intergovernmental	28,584	14,630,176	50,018,000	26,261,235	90,937,995
Lease revenue	213,888	-	-	-	213,888
Earnings on investments	405,737	-	14,252	1,398,430	1,818,419
Miscellaneous	463,739	-	4,852	10,407,286	10,875,877
Total revenues	111,404,572	14,630,176	53,534,753	38,066,951	217,636,452
EXPENDITURES					
Current operating:					
Flood control administration	62,779,175	310,057	-	5,822,781	68,912,013
Tax administration	596,468	-	-	-	596,468
Capital outlay	1,075,610	22,161,763	-	60,939,995	84,177,368
Debt service:					
Principal retirement	-	-	25,385,000	-	25,385,000
Interest and fiscal charges	-	-	28,385,332	-	28,385,332
Total expenditures	64,451,253	22,471,820	53,770,332	66,762,776	207,456,181
Excess (deficiency) of revenues over (under) expenditures	46,953,319	(7,841,644)	(235,579)	(28,695,825)	10,180,271
OTHER FINANCING SOURCES (USES)					
Transfers in	212,062	8,164,219	142,795	60,110,513	68,629,589
Transfers out	(60,107,327)	(322,575)	-	(8,199,687)	(68,629,589)
Sale of capital assets	59,077	-	-	-	59,077
Total other financing sources (uses)	(59,836,188)	7,841,644	142,795	51,910,826	59,077
Net changes in fund balances	(12,882,869)	-	(92,784)	23,215,001	10,239,348
Fund balances, beginning	78,307,836	-	4,233,983	196,602,355	279,144,174
Fund balances, ending	$ 65,424,967	$ -	$ 4,141,199	$ 219,817,356	$ 289,383,522

See notes to the financial statements.

HARRIS COUNTY FLOOD CONTROL DISTRICT
A COMPONENT UNIT OF HARRIS COUNTY, TEXAS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For The Year Ended February 28, 2017

Net change in fund balances - total governmental funds		$ 10,239,348
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 $84,177,368 exceeded depreciation of $31,255,574 in the current period.		52,922,193
Capital asset donations		228,319
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 Repayments:		
To paying agent for bond principal	$ 25,385,000	
Net adjustment		25,385,000
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	(21,758)	
OPEB obligation	(1,536,421)	
Net pension liability	(2,031,767)	
Pollution remediation obligation	49,708	
Amortization of debt premium	4,267,008	
Amortization of advanced refunding difference	(2,279,711)	
Accrued interest on bonds	(151,284)	
Combined adjustment		(1,704,225)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		8,486,753
The net effect of disposals of capital assets is to decrease net position.		(1,222,131)
Change in net position of governmental activities		$ 94,335,257

See notes to the financial statements.

HARRIS COUNTY FLOOD CONTROL DISTRICT
A COMPONENT UNIT OF HARRIS COUNTY, TEXAS
STATEMENT OF FIDUCIARY NET POSITION
AGENCY FUNDS
February 28, 2017

	Total Agency
ASSETS	
Cash and cash equivalents	$ 26,511
Investments	30,322
Accrued interest receivable	37
Total assets	$ 56,870
LIABILITIES	
Vouchers payable	$ 7
Accrued payroll and compensated absences	412
Held for others	56,451
Total liabilities	$ 56,870

See notes to the financial statements.

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 No. 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 No. 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 Statement 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 Nos. 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 Statement No. 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 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. Financial statement users need information about

certain limitations on a government's ability to raise resources. This includes limitations on revenue-raising capacity resulting from government programs that use tax abatements to induce behavior by individuals and entities that is beneficial to the government or its citizens.

GASB Statement No. 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 Statement No. 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 Statement No. 80, *Blending Requirements for Certain Component Units* ("GASB 80"), clarifies the financial statement presentation requirements for certain component units which are incorporated as not-for-profit entities.

GASB Statement No. 81, *Irrevocable Split-Interest Agreements* ("GASB 81"), establishes recognition and measurement requirements for irrevocable split-interest agreements.

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 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 the following:

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.

- 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 or amortized cost based upon quoted market prices, with the difference between the purchase price and market price being recorded as earnings on investments.

F. INTERFUND TRANSACTIONS

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

G. PREPAIDS AND OTHER ASSETS

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

H. DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

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

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:

Asset	Years
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.

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.

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. As of February 28, 2017, the balance per various financial institutions was $21,335,999. 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 Des Moines, 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 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 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 or amortized cost. The following is a summary of cash and investments held by the District at February 28, 2017.

	Governmental Activities	Fiduciary Funds	Total
Cash and Cash Equivalents	$ 15,283,036	$ 26,511	$ 15,309,547
Restricted Cash and Cash Equivalents	1,180,778	-	1,180,778
Investments	273,140,405	30,322	273,170,727
Restricted Investments	2,845,138	-	2,845,138
Total Cash & Investments	$ 292,449,357	$ 56,833	$ 292,506,190

The table below indicates the fair value and maturity value of the District's investments as of February 28, 2017, 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
US Agency Notes					
FHLB	$ 34,833,400	11.49%	$ 35,000,000	0.181	AA+/Aaa
FHLMC	92,817,130	30.61%	93,000,000	0.361	AA+/Aaa
FNMA	2,983,470	0.98%	3,000,000	0.012	AA+/Aaa
Total US Agency Notes	130,634,000		131,000,000		
Commercial Paper					
GECTSY - Disc. Commercial Paper	19,852,910	6.55%	20,000,000	0.039	A-1+/P-1
MUFG - Disc. Commercial Paper	2,121,329	0.70%	2,133,000	0.003	A-1/P-1
TMCC - Disc. Commercial Paper	68,561,049	22.61%	68,787,000	0.071	A-1+/P-1
Total Commercial Paper	90,535,288		90,920,000		
Local Governments					
Austin TX Wtr & Wstwtr Sys Txbl	999,720	0.32%	1,000,000	0.001	AA/Aa2
Colorado St Housing & Fin Auth	6,009,420	1.98%	6,000,000	0.004	Aa2
Hurst Euless Bedford TX ISD Txbl	994,940	0.33%	1,000,000	0.002	AAA/Aaa
McLennan Cnty TX Pub Fac Rev Txb	815,073	0.26%	815,000	0.001	AA-
Milwakee County Wisconsin Go	2,304,723	0.76%	2,305,000	0.006	AA/Aa2
New York St Env Facs Corp	1,284,473	0.42%	1,285,000	0.002	AAA/Aaa
Newark NJ TXBL Ref	2,774,945	0.92%	2,775,000	0.001	AA/A2
North Olmstead OH City Sch Dist	1,300,000	0.43%	1,300,000	0.003	AA-/Aa2
Saint Louis Cnty MO Spl Oblg Txbl	849,252	0.28%	850,000	0.002	AA
Tennessee St Txbl Ref Ser C	1,399,422	0.47%	1,405,000	0.007	AAA/Aaa
Univ of Kentucky Gnrl Rcpts	3,161,099	1.05%	3,190,000	0.021	AA/Aa2
Washington St Txbl - Ser 2014	1,997,860	0.66%	2,000,000	0.003	AA+/Aa1
Total Local Governments	23,890,927		23,925,000		
US Treasury Note					
US Treasury Note	31,954,880	10.54%	32,000,000	0.079	AAA/Aaa
Total US Treasury Notes	31,954,880		32,000,000		
Money Market Funds					
Fidelity Instl Treasury	21,335,998	7.03%	21,335,998	N/A	AAAm
Lone Star Investment Pool	4,879,364	1.61%	4,879,364	N/A	AAAm
Total Money Market Funds	26,215,362		26,215,362		
Total Investments	303,230,457	100.00%	$ 304,060,362		
Outstanding items	(10,724,267)				
Total Cash & Investments	$ 292,506,190				

Fair Value Measurements

The County categorizes its fair value measurements within the fair value hierarch established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level l inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 in puts are significant unobservable inputs.

As of February 28, 2017, the County has the recurring fair value measurements for U.S. Agency Notes, Commercial Paper, Local Governments and U.S. Treasury Notes totaling $277,015,095, all of which are valued using quoted prices for similar assets in active markets (Level 2 inputs). The Money Market Funds through External Investment Pools totaling $26,215,362 have been valued at amortized cost and fair value in accordance with GASB No. 79. For pools shown above, Lone Star and Fidelity have been valued at amortized cost.

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 28, 2017, 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 counterparty, the District may not be able to recover the value of its investments that are held by the counterparty. As of February 28, 2017, 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	277,845,000	0.57
Money Market Mutual Funds	N/A	N/A	26,215,362	N/A
			$ 304,060,362	

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 2016 tax year, per $100 of taxable valuation:

	Maintenance and Operations (General)	Debt Service	Total
Flood Control District	$0.02745	$0.00084	$0.02829

Property tax receivables of $6,185,959 as of February 28, 2017 are reported net of an allowance for uncollectible taxes of $8,842,482.

The District enters into property tax abatement agreements with local businesses under the state Property Redevelopment and Tax Abatement Act, Chapter 312, as well as its own guidelines and criteria, which is required under the Act. Under the Act, including its guidelines and criteria, the District may grant property tax abatements for economic projects under the program that provide an increase of at least $1,000,000 in property values and 25 jobs created/retained. Abatements granted are up to $1,000,000 per job created/retained for up to 50% abatement over a period of up to 10 years. In addition to job growth/retention, the District's guidelines and criteria focus on creating new wealth to the community rather than recirculating dollars within the community, and attracting industries that have demonstrated a commitment to protecting our environment—all without creating a substantial adverse effect on the competitive position of existing companies operating in the District. The agreement used for this purpose provides for termination of the agreement in the event its counterparty discontinues producing product as well as recapturing property taxes abated in that calendar year.

For the fiscal year ended February 28, 2017, the District abated property taxes totaling $15,975 under this program, which includes six entities—five of which were manufacturing facilities, which were granted exemptions that converted to property tax abatements ranging from $877 to $9,760 and totaling $14,575. One of the entities was a regional distribution facility, which was also granted an exemption that converted to a property tax abatement of $1,400.

4. INTERFUND BALANCES AND TRANSFERS

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

The interfund receivable and payable balances, as of February 28, 2017 are as follows:

	Receivable:	
	General Fund	**Total**
Payable:		
Special Revenue Grants	7,839,407	7,839,407
TOTAL	$ 7,839,407	$ 7,839,407

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

The following is a summary of the District's transfers for the year ended February 28, 2017:

	Transfers In:				
	General Fund	Special Revenue Grants	Debt Service	Capital Projects	Total
Transfers Out:					
General Fund	$ -	$ 2,654	$ 104,673	$ 60,000,000	$ 60,107,327
Special Revenue Grants	212,062	-	-	110,513	322,575
Capital Projects	-	8,161,565	38,122	-	8,199,687
TOTAL	$ 212,062	$ 8,164,219	$ 142,795	$ 60,110,513	$ 68,629,589

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.

5. CAPITAL ASSETS

Capital assets transactions are summarized as follows:

	Balance March 1, 2016	Additions	Deletions	Transfers	Balance February 28, 2017
Governmental Activities:					
Land	$ 1,611,986,509	$ 18,395,239	$ (192,100)	$ -	$ 1,630,189,648
Construction in progress	79,851,718	64,998,268	(150,503)	(57,780,969)	86,918,514
Intangible Assets - water rights	2,400,000	-	-	-	2,400,000
Total capital assets not depreciated	1,694,238,227	83,393,507	(342,603)	(57,780,969)	1,719,508,162
Land improvements	641,531	-	-	-	641,531
Buildings	12,158,223	-	-	-	12,158,223
Equipment	11,248,118	1,012,579	(258,197)	-	12,002,500
Flood control projects	897,716,912	-	(1,077,104)	57,780,969	954,420,777
	921,764,784	1,012,579	(1,335,301)	57,780,969	979,223,031
Less accumulated depreciation for:					
Land Improvements	(288,904)	(31,811)	-	-	(320,715)
Buildings	(3,646,430)	(268,538)	-	-	(3,914,968)
Equipment	(7,954,957)	(1,023,294)	240,140	-	(8,738,111)
Flood control projects	(384,083,599)	(29,931,931)	215,633	-	(413,799,897)
	(395,973,890)	(31,255,574)	455,773	-	(426,773,691)
Total capital assets being depreciated, net	525,790,894	(30,242,995)	(879,528)	57,780,969	552,449,340
Governmental activities capital assets, net	$ 2,220,029,121	$ 53,150,512	$ (1,222,131)	$ -	$ 2,271,957,502

Depreciation expense was charged to the Flood Control Administration function of the District for $31,255,574.

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 2016-2017 were as follows:

	Outstanding March 1, 2016	Increase	Decrease	Outstanding February 28, 2017	Amount Due Within One Year
Governmental Activities:					
Refunding Series 2008A	$ 105,790,000	$ -	$ (6,845,000)	$ 98,945,000	$ 7,185,000
Refunding Series 2008C	102,345,000	-	(2,200,000)	100,145,000	2,265,000
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	57,480,000	-	(16,340,000)	41,140,000	16,505,000
Refunding Series 2015A	46,875,000	-	-	46,875,000	-
Refunding Series 2015B	30,145,000	-	-	30,145,000	-
Total Bonds Payable - Principal	615,665,000	-	(25,385,000)	590,280,000	25,955,000
Unamortized Premium, Series 2008A	5,416,789	-	(1,396,741)	4,020,048	-
Unamortized Discount, Series 2008C	(424,801)	32,185	-	(392,616)	-
Unamortized Premium, Series 2010A	15,582,461	-	(742,197)	14,840,264	-
Unamortized Premium, Series 2014	6,598,951	-	(549,181)	6,049,770	-
Unamortized Premium, Series 2014A	10,544,097	-	(839,155)	9,704,942	-
Unamortized Premium, Series 2015A	6,883,598	-	(465,276)	6,418,322	-
Unamortized Premium, Series 2015B	4,829,400	-	(306,643)	4,522,757	-
Total Bonds Payable	665,095,495	32,185	(29,684,193)	635,443,487	25,955,000
Compensatory Time Payable	420,440	278,226	(256,468)	442,198	265,319
OPEB Obligation	12,109,976	1,536,421	-	13,646,397	-
Net Pension Liability	15,036,618	95,112	-	15,131,730	
Pollution Remediation Obligation	454,978	-	(82,446)	372,532	-
TOTAL	$ 693,117,507	$ 1,941,944	$ (30,023,107)	$ 665,036,344	$ 26,220,319

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 Issue Amount	Interest Rates (%)	Date Series Issued	Date Series Matures	February 28, 2017
Refunding Series 2008A	137,095,000	4.00-5.25	2008	2021	98,945,000
Refunding Series 2008C	158,100,000	3.00-5.125	2008	2024	100,145,000
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	41,140,000
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				$ 590,280,000

B. DEBT SERVICE REQUIREMENTS

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

Fiscal year	Principal	Interest	Total
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
2023-2027	179,580,000	92,299,074	271,879,074
2028-2032	159,530,000	46,488,550	206,018,550
2033-2037	63,655,000	21,447,500	85,102,500
2038-2042	46,355,000	4,710,750	51,065,750
	$ 590,280,000	$ 295,383,619	$ 885,663,619

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:

Description	Year of Voter Authorization	Amount Authorized	Issued as of 2/28/2017	Authorized but Unissued as of 2/28/2017
Ad Valorem Tax Bonds		(amounts in millions)		
Flood	2015	$ 64.0	-	$ 64.0
Total Ad Valorem Tax Bonds		$ 64.0	$ -	$ 64.0

D. REFUNDING/ISSUANCE OF DEBT

The District did not issue any debt in the current fiscal year.

E. COMMERCIAL PAPER

On August 21, 2001, Commissioners Court authorized a $200,000,000 commercial paper program designated as the Harris County Flood Control District Contract Tax Commercial Paper Notes, Series F

("Series F Notes") to fund projects identified in an agreement between the County and the Flood Control District ("Flood Contract") and refinance, refund, and renew the notes themselves and fund issuance costs. The Series F liquidity facility expired on August 1, 2015 and the program is now dormant. As of February 28, 2017, 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 2017. As of February 28, 2017 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 2.040%.

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 plan:

	12/31/15	12/31/16
Inactive employees or beneficiaries current receiving benefits	7,469	7,979
Inactive employees entitled but not yet receiving benefits	7,885	8,279
Active employees	16,342	16,772
Total	31,696	33,030

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 14.00% of covered payroll for the months of the calendar year in 2016, and 14.00% for the months of the calendar year in 2017.

The contribution rate payable by the employee members for 2016 and 2017 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 28, 2017, the net pension liability was measured as of December 31, 2016, 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, 2016 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 No. 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.

The actuarial cost method was Entry Age Normal, as required by GASB No. 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, 2016 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 No. 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 2017 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 2017. The geometric real rate of return is net of inflation, assumed at 2.0%.

Asset Class	Target Allocation	Geometric Real Rate of Return
US Equities	13.50%	4.70%
Private Equity	16.00%	7.70%
Global Equities	1.50%	5.00%
International Equities - Developed	10.00%	4.70%
International Equities - Emerging	7.00%	5.70%
Investment-Grade Bonds	3.00%	0.60%
High-Yield Bonds	3.00%	3.70%
Opportunistic Credit	2.00%	3.83%
Direct Lending	10.00%	8.15%
Distressed Debt	3.00%	6.70%
REIT Equities	2.00%	3.85%
Master Limited Partnerships (MLPs)	3.00%	5.60%
Private Real Estate Partnerships	6.00%	7.20%
Hedge Funds	20.00%	3.85%
	100.00%	

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.

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 (a)	Fiduciary Net Position (b)	Net Pension Liability/(Asset) (a) - (b)
Balances as of December 31, 2015	$ 5,450,852	$ 4,726,481	$ 724,371
Changes for the year:			
Service cost	149,334		149,334
Interest on total pension liability	437,989		437,989
Effect of economic/demographic gains or loss	(27,493)		(27,493)
Refund of contributions	(8,537)	(8,537)	-
Benefit payments	(229,683)	(229,683)	-
Administrative expenses	-	(3,799)	3,799
Member contributions	-	68,371	(68,371)
Net investment income	-	349,499	(349,499)
Employer contributions	-	136,391	(136,391)
Other	-	(7,962)	7,962
Balances as of December 31, 2016	$ 5,772,462	$ 5,030,761	$ 741,701

The net pension liability allocated to Flood Control at February 29, 2016 and February 28, 2017 was $15,036,618 and $15,131,730, respectively and employer contributions for the same period were $2,747,256 and $2,782,569, 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):

	1% Decrease 7.10%	Current Discount Rate 8.10%	1% Increase 9.10%
Total pension liability	$ 6,523,457	$ 5,772,462	$ 5,146,072
Fiduciary net position	5,030,762	5,030,762	5,030,762
Net pension liability	$ 1,492,695	$ 741,700	$ 115,310

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, 2016, the County recognized pension expense of $242,748,438, Flood Control's share was $4,899,969, as of February 28, 2017; 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 Reources	Deferred Outflows of Reources
Differences between expected and actual experience	$ 27,884	$ -
Changes of assumptions	-	34,099
Net difference between projected and actual earnings	-	277,468
Contributions made subsequent to the measurement date	-	21,813
	$ 27,884	$ 333,380

Flood Control's Allocation:	Deferred Inflows of Reources	Deferred Outflows of Reources
Differences between expected and actual experience	$ 569	$ -
Changes of assumptions	-	696
Net difference between projected and actual earnings	-	5,661
Contributions made subsequent to the measurement date	-	437
	$ 569	$ 6,794

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:	
2017	$ 93,085,471
2018	93,085,471
2019	93,085,471
2020	9,009,564
2021	(4,582,266)

Payable to the Pension Plan

At February 28, 2017, the County reported a payable of $16,211,191 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 29, 2016 and February 28, 2017 is $27,678,584 and $23,093,168, respectively.

The deferred inflows and outflows reported for CS at February 28, 2017 were (amounts in thousands):

	Deferred Inflows of Reources	Deferred Outflows of Reources
Differences between expected and actual experience	$ 868	$ -
Changes of assumptions	-	1,062
Net difference between projected and actual earnings	-	8,639
Contributions made subsequent to the measurement date	-	655
	$ 868	$ 10,356

For the measurement period ended December 31, 2016, CS recognized pension expense of $6,990,304.

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:

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 28, 2017, plan members or beneficiaries receiving benefits contributed $10.53 million, or approximately 20.2 percent of total benefits paid during the year. Participating employers contributed $41.68 million. The total contributions for the year ended February 28, 2017 were $52.2 million. Total contributions included actual medical claims paid, premiums for other insurance and administrative costs calculated through an annual rate calculation.

The latest actuarial valuation for the plan was performed as of March 1, 2015, which continued to be effective for the County's fiscal year ending February 28, 2017. In February 2017 the County made a change in the provisions of the plan to become effective March 1, 2017. Using the March 1, 2015 Valuation, its actuary updated the results, reflecting the impact of the change made in the plan's provisions. The updated UAAL increased from $1,311,021,556 to $1,332,343,309—an increase of 1.6%. It was rolled forward to $1,397,045,655 as of February 29, 2016. The impact on the Annual OPEB Cost was an increase of 8.2%, from $118,146,628 to $127,786,452 with the resulting Net OPEB Obligation increasing to $647,659,984. The County assessed the impact to be insignificant in determining whether to use the update as opposed to a new valuation. The results from the update are reflected in the County's financial statements and note disclosures.

THE EMPLOYER:

Annual OPEB Cost

For 2017, the County's annual OPEB cost (expense) was $126,379,573 (including Flood Control of $3,562,053) for the post employment healthcare plan. The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the fiscal year ended February 28, 2017 were as follows:

Annual Required Contribution	$ 127,785,934
Add interest on Net OPEB Obligation	21,110,872
Less adjustment to Annual Required Contribution	(22,517,233)
Annual OPEB Cost	126,379,573
Less Contributions made	(41,676,170)
Change in Net OPEB Obligation	84,703,403
Net OPEB Obligation, beginning of the year	562,956,581
Net OPEB Obligation, end of the year	$ 647,659,984

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%	492,980,243
2/29/2016	108,983,297	39,006,959	36%	562,956,581
2/28/2017	126,379,573	41,676,170	33%	647,659,984

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 $1,149,819 and $0 respectively for fiscal year 2016 and the net OPEB obligation for Emergency 911 and Community Supervision is $1,376,415 and $0 respectively at February 28, 2017. Flood Control's portion of the net OPEB obligation above is $12,109,976 for fiscal year 2016 and $13,646,397 at February 28, 2017.

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)	$ 1,332,343,309	$ 44,475,914
Funded ratio (actuarial value of plan assets/AAL)	0%	0%
Covered Payroll (active plan members)	$ 1,050,715,841	$ 19,883,219
UAAL as a percentage of covered payroll	127%	224%

The "All Participants" column in the above table includes UAAL of $1,932,762 for Emergency 911 and UAAL of $10,973,012 for Community Supervision.

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

Actuarial Methods and Assumptions

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

In the March 1, 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.

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 No. 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 $372,532. This liability is partially attributable to land acquired by the District with known pollution which is expected to be remediated before the land can be used for its intended purpose. This portion of the liability was capitalized. The remainder of the liability was expensed. The liability was calculated based on historical expenditures and professional judgment. The liability is an estimate and is subject to revision because of price increases or reductions, changes in technology, changes in applicable laws or regulations, or other circumstances that could cause changes. Although some uncertainties associated with environmental assessment remain and certain costs are not quantifiable, management believes the current provision for such costs is adequate. There are no estimated recoveries reducing the liability as of February 28, 2017. 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 $49,513,933.

ENCUMBRANCES

The District uses encumbrances to control expenditure commitments for the year. Encumbrances represent commitments related to executor contracts not yet performed and purchase orders not yet filled. Commitments for such expenditure of monies are encumbered to reserve portion of applicable appropriations. Depending on the source(s) of funding, encumbrances are reported as part of restricted, committed or assigned fund balance on the governmental funds balance sheet. As of February 28, 2017, the encumbrance balances for the governmental funds are reported as follows:

	Restricted	Assigned	Total
General Fund	$ -	$ 14,600,319	$ 14,600,319
Capital Projects	49,513,933	-	49,513,933
	$ 49,513,933	$ 14,600,319	$ 64,114,252

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 28, 2017:

	Operations and Maintenance (General)	Debt Service	Capital Projects	Total
Fund Balances:				
Nonspendable:				
Prepaids	$ 223,813	$ -	$ 2,302,474	$ 2,526,287
Total nonspendable	223,813	-	2,302,474	2,526,287
Restricted for:				
Debt service	98,629	4,141,199	-	4,239,828
Capital projects	-	-	217,514,882	217,514,882
Total restricted	98,629	4,141,199	217,514,882	221,754,710
Assigned to:				
Flood control maintenance	14,600,319	-	-	14,600,319
Imprest cash	600	-	-	600
Total assigned	14,600,919	-	-	14,600,919
Unassigned	50,501,606	-	-	50,501,606
Total fund balances	$ 65,424,967	$ 4,141,199	$ 219,817,356	$ 289,383,522

12. RECENT ACCOUNTING PRONOUNCEMENTS

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

GASB Statement No. 82, *Pension Issues* ("GASB 82"), 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 No. 68, and Amendments to Certain Provisions of GASB Statements Nos. 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 2018 and the impact has not yet been determined.

GASB Statement No.83, *Certain Asset Retirement Obligations* ("GASB 83"), addresses accounting and financial reporting for certain asset retirement obligations (AROs). This statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs. The Statement requires the measurement of an ARO to be based on the best estimate of the current value of outlays expected to be incurred; the current value of a government's AROs to be adjusted for the effects of general inflation or deflation at least annually; and the disclosure of information about the nature of a government's AROs, the methods and assumptions used for the estimates of the liabilities, and the estimated remaining useful life of the associated tangible capital assets. GASB 83 will be implemented by the District in fiscal year 2020 and the impact has not yet been determined.

GASB Statement No.84, *Fiduciary Activities* ("GASB 84"), establishes criteria for identifying fiduciary activities of all state and local governments. An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements. This Statement describes four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. This Statement also provides for recognition of a liability to the beneficiaries in a fiduciary fund when an event has occurred that compels the government to disburse fiduciary resources. GASB 84 will be implemented by the District in fiscal year 2020 and the impact has not yet been determined.

GASB Statement No.85, *Omnibus 2017* ("GASB 85"), addresses practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). GASB 85 will be implemented by the District in fiscal year 2019 and the impact has not yet been determined.

GASB Statement No.86, *Certain Debt Extinguishment Issues* ("GASB 86"); Statement No.7, Advance Refundings Resulting in Defeasance of Debt, requires that debt be considered defeased in substance when the debtor irrevocably places cash or other monetary assets acquired with refunding debt proceeds in a trust to be used solely for satisfying scheduled payments of both principal and interest of the defeased debt. GASB 86 will be implemented by the District in fiscal year 2019 and the impact has not yet been determined.

GASB Statement No.87, *Leases* ("GASB 87"), This Statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. GASB 87 will be implemented by the District in fiscal year 2021 and the impact has not yet been determined.

REQUIRED SUPPLEMENTARY INFORMATION
(Unaudited)

HARRIS COUNTY FLOOD CONTROL DISTRICT
A COMPONENT UNIT OF HARRIS COUNTY, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL - BUDGETARY BASIS
OPERATIONS AND MAINTENANCE (GENERAL) FUND
For The Year Ended February 28, 2017

	OPERATIONS AND MAINTENANCE (GENERAL) FUND			
	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES AND OTHER FINANCING SOURCES				
Beginning Cash and Investments:				
Flood Control General	$ 79,697,986	$ 79,697,986	$ 79,503,925	$ (194,061)
FC Series F Commercial Paper	98,631	98,631	98,629	(2)
Improvement Refunding Bond 2015A - COI	17,518	17,518	4,161	(13,357)
Contract Tax Bond 2015B - COI	3,518	3,518	1,784	(1,734)
Total Beginning Cash and Investments	79,817,653	79,817,653	79,608,499	(209,154)
Interest:				
Flood Control General	280,700	280,700	491,397	210,697
FC Series F Commercial Paper	-	92	92	-
Improvement Refunding Bond 2015A - COI	-	-	5	5
Contract Tax Bond 2015B - COI	-	-	2	2
Total Interest	280,700	280,792	491,496	210,704
Taxes:				
Flood Control General	103,213,779	103,213,779	109,883,809	6,670,030
Intergovernmental:				
Flood Control General	15,900	15,900	28,584	12,684
Miscellaneous:				
Flood Control General	397,500	397,500	464,429	66,929
Other - Lease Revenue:				
Flood Control General	310,000	310,000	216,792	(93,208)
Other-Gain on Sale				
Flood Control General	-	-	59,077	59,077
Other Transfers In:				
Flood Control General	-	-	212,062	212,062
Total Other Transfers In	-	-	212,062	212,062
Total Revenue and Other Financing Sources	184,035,532	184,035,624	190,964,748	6,929,124
EXPENDITURES AND OTHER FINANCING USES				
Flood Control General	183,915,865	183,915,865	123,390,314	60,525,551
FC Series F Commercial Paper	98,631	98,723	98,721	2
Improvement Refunding Bond 2015A - COI	17,518	17,518	4,166	13,352
Contract Tax Bond 2015B - COI	3,518	3,518	1,787	1,731
Total Expenditures and Other Financing Uses	184,035,532	184,035,624	123,494,988	60,540,636
Net changes in Fund Balance	$ -	$ -	$ 67,469,760	$ 67,469,760

See notes to required supplementary information.

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	$ 190,964,748
Beginning Cash and Investments	(79,608,499)
Accrued in 2016, received in 2017	(2,724,244)
Accrued in 2017, to be received in 2018	3,043,706
Revenues and other financing sources on modified accrual (GAAP) basis	111,675,711
EXPENDITURES AND OTHER FINANCING USES	
Cash (budgetary) basis	123,494,988
Incurred during 2016, paid in 2017	(1,331,298)
Incurred during 2017, payable in 2018	2,394,890
Expenditures and other financing uses on modified accrual (GAAP) basis	124,558,580
Net changes in Fund Balance	$ (12,882,869)

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

HARRIS COUNTY FLOOD CONTROL DISTRICT
A COMPONENT UNIT OF HARRIS COUNTY, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION
OTHER POST EMPLOYMENT BENEFITS
SCHEDULE OF FUNDING PROGRESS
February 28, 2017

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)
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%
2017	3/1/2015	-	1,332,343,309	1,332,343,309	0%	1,050,715,841	126.8%

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 $1,932,762 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)
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%
2017	3/1/2015	-	44,475,914	44,475,914	0%	19,883,219	223.7%

HARRIS COUNTY FLOOD CONTROL DISTRICT
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)

	Year Ended December 31	
	2015	2016
TOTAL PENSION LIABILITY		
Service cost	$ 131,567	$ 149,334
Interest on total pension liability	411,525	437,989
Effect of plan changes	(28,883)	-
Effect of assumption changes or inputs	51,149	-
Effect of economic/demographic gains	(7,458)	(27,493)
Benefit payments/refunds of contributions	(220,100)	(238,220)
Net change in total pension liability	337,800	$ 321,610
Total pension liability, beginning	5,113,052	5,450,852
Total pension liability, ending (a)	$ 5,450,852	$ 5,772,462
FIDUCIARY NET POSITION		
Employer contributions	$ 132,346	$ 136,391
Member contributions	66,878	68,371
Investment income net of investment expenses	(30,646)	349,499
Benefit payments/refunds of contributions	(220,100)	(238,220)
Administrative expenses	(3,419)	(3,799)
Other	363	(7,961)
Net change in fiduciary net position	(54,578)	304,281
Fiduciary net position, beginning	4,781,059	4,726,481
Fiduciary net position, ending (b)	$ 4,726,481	$ 5,030,762
Net pension liability, ending = (a) - (b)	$ 724,371	$ 741,700
Fiduciary net position as a % of total pension liability	86.71%	87.15%
Pension covered-employee payroll	$ 953,501	$ 974,217
Net pension liability as a % of covered-employee payroll	75.97%	76.13%
Flood Control's Portion:		
Allocated share	2.076%	2.040%
Employer contributon	$ 2,747,256	$ 2,782,569
Net pension liability, ending	$ 15,036,618	$ 15,131,730

Note: The County implemented GASB No. 68 in fiscal year 2016. Information prior to fiscal year 2016 is not available, ten years of data will accumulate over time.

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 28, 2017

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
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%
2016	132,006,399	136,390,929	(4,384,529)	974,216,968	14.0%

(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
2014	2,277,899	2,277,899	-	18,325,958	12.4%
2015	2,747,256	2,747,256	-	19,792,355	13.9%
2016	2,782,569	2,872,013	(89,444)	19,875,410	14.0%

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	14.5 years (based on contribution rate calculated in 12/31/2016 valuation)
Asset valuation method	5-year smoothed market
Inflation	3.0%
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%. No changes in plan provisions in 2016.

OTHER SUPPLEMENTARY INFORMATION
and
INDIVIDUAL FUND STATEMENTS

HARRIS COUNTY FLOOD CONTROL DISTRICT
A COMPONENT UNIT OF HARRIS COUNTY, TEXAS
COMBINING STATEMENT OF FIDUCIARY NET ASSETS
AGENCY FUNDS
February 28, 2017

	Corps. of Engineers Escrow	Payroll Fund	Total Agency
ASSETS			
Cash and cash equivalents	$ 25,793	$ 718	$ 26,511
Investments	-	30,322	30,322
Accrued interest receivable	-	37	37
Total assets	$ 25,793	$ 31,077	$ 56,870
LIABILITIES			
Vouchers payable	$ -	$ 7	$ 7
Accrued payroll and compensated absences	-	412	412
Held for others	25,793	30,658	56,451
Total liabilities	$ 25,793	$ 31,077	$ 56,870

HARRIS COUNTY FLOOD CONTROL DISTRICT
A COMPONENT UNIT OF HARRIS COUNTY, TEXAS
STATEMENT OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
For The Year Ended February 28, 2017

	Balance March 1, 2016	Additions	Deductions	Balance February 28, 2017
Corps. of Engineers Escrow				
ASSETS				
Cash and cash equivalents	$ 25,743	$ 75	$ 25	$ 25,793
Total Assets	$ 25,743	$ 75	$ 25	$ 25,793
LIABILITIES				
Held for others	$ 25,743	$ 75	$ 25	$ 25,793
Total Liabilities	$ 25,743	$ 75	$ 25	$ 25,793
Payroll Fund				
ASSETS				
Cash and cash equivalents	$ 6,302	$ 56,839,698	$ 56,845,282	$ 718
Investments	27,960	57,639	55,277	30,322
Accrued interest	42	70	75	37
Total Assets	$ 34,304	$ 56,897,407	$ 56,900,634	$ 31,077
LIABILITIES				
Vouchers payable	$ 3,020	$ 22,915	$ 25,928	$ 7
Accrued payroll and compensated absences	-	15,619,570	15,619,158	412
Held for others	31,284	$ 28,204,120	$ 28,204,746	30,658
Total Liabilities	$ 34,304	$ 43,846,605	$ 43,849,832	$ 31,077
Total Agency Funds				
ASSETS				
Cash and cash equivalents	$ 32,045	$ 56,839,773	$ 56,845,307	$ 26,511
Investments	27,960	57,639	55,277	30,322
Accrued interest	42	70	75	37
Total Assets	$ 60,047	$ 56,897,482	$ 56,900,659	$ 56,870
LIABILITIES				
Vouchers payable	$ 3,020	$ 22,915	$ 25,928	$ 7
Accrued payroll and compensated absences	-	$ 15,619,570	15,619,158	412
Held for others	57,027	28,204,195	28,204,771	56,451
Total Liabilities	$ 60,047	$ 43,846,680	$ 43,849,857	$ 56,870

HARRIS COUNTY FLOOD CONTROL DISTRICT
A COMPONENT UNIT OF HARRIS COUNTY, TEXAS
SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL - BUDGETARY BASIS
DEBT SERVICE FUND
For The Year Ended February 28, 2017

	DEBT SERVICE FUND			
	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES AND OTHER FINANCING SOURCES				
Beginning Cash and Investments	$ 4,174,141	$ 4,174,141	$ 4,096,016	$ (78,125)
Revenues and Transfers In:				
Taxes	4,564,313	4,564,313	3,516,875	(1,047,438)
Interest	4,100	4,100	5,260	1,160
Miscellaneous	6,220	6,220	14,252	8,032
Other	50,119,900	50,119,900	50,160,795	40,895
Total Revenues and Transfers In	54,694,533	54,694,533	53,697,182	(997,351)
Total Available Resources	58,868,674	58,868,674	57,793,198	(1,075,476)
EXPENDITURES AND OTHER FINANCING USES				
Flood Control Contract Refunding 2010A	8,931,880	8,931,880	8,930,250	1,630
Flood Control Improvement Refunding Bond 2014	3,726,151	3,726,151	1,810,000	1,916,151
Flood Control Contract Tax Bond 2014A	2,912,762	2,912,762	2,911,250	1,512
Flood Control Contract Tax Bond 2014B	17,405,151	17,405,151	17,403,694	1,457
Flood Control Improvement Refunding Bond 2015A	5,003,679	5,003,679	1,840,433	3,163,246
Flood Control Contract Tax Bond 2015B	1,224,685	1,224,685	1,222,986	1,699
Flood Control Contract Refunding 2008A	12,375,198	12,375,198	12,363,900	11,298
Flood Control Contract Refunding 2008C	7,289,168	7,289,168	7,287,819	1,349
Total Expenditures and Other Financing Uses	58,868,674	58,868,674	53,770,332	5,098,342
Net changes in Fund Balance	$ -	$ -	$ 4,022,866	$ 4,022,866

HARRIS COUNTY FLOOD CONTROL DISTRICT
A COMPONENT UNIT OF HARRIS COUNTY, TEXAS
SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL - BUDGETARY BASIS
CAPITAL PROJECTS FUND
For The Year Ended February 28, 2017

	CAPITAL PROJECTS FUND			
	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES AND OTHER FINANCING SOURCES				
Beginning Cash and Investments	$ 254,325,968	$ 260,951,098	$ 204,224,703	$ (56,726,395)
Revenues and Transfers In:				
Interest	-	1,592,725	1,592,729	4
Miscellaneous	-	10,280,367	10,407,287	126,920
Intergovernmental	-	26,261,235	34,261,235	8,000,000
Other Transfers In	-	-	60,110,513	60,110,513
Total Revenues and Transfers In	-	38,134,327	106,371,764	68,237,437
Total Available Resources	254,325,968	299,085,425	310,596,467	11,511,042
EXPENDITURES AND OTHER FINANCING USES				
Regional Flood Control Projects	8,299,968	8,154,530	1,039,452	7,115,078
Flood Control Capital Projects	230,001,214	275,667,433	65,550,784	210,116,649
FC Bonds 2004A-Construction	3,780,430	2,999,826	764,031	2,235,795
FC Improvement Bonds 2007	5,167,175	5,433,503	2,884,406	2,549,097
Commercial Paper - Flood Control	7,077,181	6,830,133	2,963,461	3,866,672
Total Expenditures and Other Financing Uses	254,325,968	299,085,425	73,202,134	225,883,291
Net changes in Fund Balance	$ -	$ -	$ 237,394,333	$ 237,394,333

STATISTICAL SECTION

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.

Table 1

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									
	2008	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**
Governmental activities:										
Net investment in capital assets	$ 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	$ 1,870,607
Restricted for:										
Debt service	5,804	2,580	-	-	-	-	-	-	-	-
Capital projects	7,996	1,178	1,602	10,640	8,592	4,909	790	6,196	5,091	19,088
Unrestricted	74,876	83,768	88,261	87,114	100,203	109,232	106,564	75,157	48,241	29,374
Total governmental activities net position	$ 1,586,447	$ 1,618,005	$ 1,624,390	$ 1,670,929	$ 1,725,035	$ 1,724,939	$ 1,760,870	$ 1,789,427	$ 1,824,733	$ 1,919,069

Table 2

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									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
EXPENSES										
Governmental activities:										
Flood Control	$ 94,515	$ 98,955	$ 108,331	$ 99,780	$ 92,832	$ 98,792	$ 93,621	$ 99,234	$ 109,300	$ 104,871
Tax Administration	548	664	699	650	647	610	631	518	559	596
Interest and Fiscal Charges	28,784	25,555	26,312	28,892	32,919	31,928	31,381	28,213	28,059	26,549
Total governmental activities expenses	$ 123,847	$ 125,174	$ 135,342	$ 129,322	$ 126,398	$ 131,330	$ 125,633	$ 127,965	$ 137,918	$ 132,016
PROGRAM REVENUES										
Governmental activities:										
Charges for services:										
Flood Control	$ 410	$ 551	$ 314	$ 751	$ 451	$ 724	$ 392	$ 541	$ 6,228	$ 687
Operating grants and contributions	22,645	24,251	25,751	31,033	37,064	36,978	36,983	37,181	50,440	50,061
Capital grants and contributions	30,399	39,983	29,528	66,334	62,201	17,663	39,393	23,413	19,960	49,106
Total governmental activities program revenues	$ 53,454	$ 64,785	$ 55,593	$ 98,118	$ 99,716	$ 55,365	$ 76,768	$ 61,135	$ 76,628	$ 99,854
NET (EXPENSE)/REVENUE										
Total governmental activities net expense	$ (70,393)	$ (60,389)	$ (79,749)	$ (31,204)	$ (26,682)	$ (75,965)	$ (48,865)	$ (66,830)	$ (61,290)	$ (32,162)
GENERAL REVENUES AND OTHER CHANGES IN NET POSITION										
Governmental activities:										
Taxes:										
Property taxes levied for general purposes	$ 69,632	$ 73,148	$ 76,122	$ 68,758	$ 74,317	$ 69,389	$ 77,515	$ 86,726	$ 96,994	$ 110,784
Property taxes levied for debt services	9,248	9,088	4,850	4,987	2,404	7,946	6,315	3,927	4,262	3,493
Earnings on investments	13,679	6,475	3,767	1,493	2,653	1,913	440	3,491	628	1,818
Miscellaneous	1,504	3,199	1,395	2,505	1,414	1,714	526	1,243	1,296	10,402
Gain on sale of capital assets	1,201	37	-	-	-	-	-	-	-	-
Total governmental activities	95,264	91,947	86,134	77,743	80,788	80,962	84,796	95,387	103,180	126,497
CHANGE IN NET POSITION										
Governmental activities	$ 24,871	$ 31,558	$ 6,385	$ 46,539	$ 54,106	$ 4,997	$ 35,931	$ 28,557	$ 41,890	$ 94,335

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)

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
General Fund:										
Reserved	$ 25,799	$ 25,708	$ 27,443	$ 25,718	$ -	$ -	$ -	$ -	$ -	$ -
Unreserved	55,702	67,646	68,467	78,344	-	-	-	-	-	-
Nonspendable	-	-	-	-	322	269	121	155	581	224
Restricted	-	-	-	-	99	99	99	99	105	99
Assigned	-	-	-	-	26,649	20,713	18,494	9,477	8,420	14,601
Unassigned	-	-	-	-	85,890	104,464	106,145	86,417	69,202	50,501
Total general fund	$ 81,501	$ 93,354	$ 95,910	$ 104,062	$ 112,960	$ 125,545	$ 124,859	$ 96,148	$ 78,308	$ 65,425
All Other Governmental Funds:										
Reserved	$ 74,031	$ 55,570	$ 42,910	$ 43,750	$ -	$ -	$ -	$ -	$ -	$ -
Unreserved, reported in:										
Capital project funds	103,961	104,562	86,219	141,210	-	-	-	-	-	-
Nonspendable	-	-	-	-	816	-	305	127	137	2,302
Restricted	-	-	-	-	181,723	133,216	154,133	198,484	200,699	221,656
Total all other governmental funds	$ 177,992	$ 160,132	$ 129,129	$ 184,960	$ 182,539	$ 133,216	$ 154,438	$ 198,611	$ 200,836	$ 223,958

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)

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
REVENUES										
Taxes	$ 77,069	$ 82,908	$ 80,486	$ 76,642	$ 74,764	$ 77,740	$ 84,916	$ 91,070	$ 100,923	$ 113,790
Intergovernmental	18,233	55,714	45,786	60,631	85,746	49,822	75,684	55,831	66,098	90,938
Lease revenue	192	171	178	200	281	306	249	432	326	214
Earnings on investments	13,679	6,475	3,767	1,493	2,653	1,914	440	3,491	628	1,818
Miscellaneous	1,722	3,590	1,488	2,227	1,548	1,950	668	1,351	7,198	10,876
Total revenues	110,895	148,858	131,705	141,193	164,992	131,732	161,957	152,175	175,173	217,636
EXPENDITURES										
Flood Control	71,590	71,046	74,465	75,145	66,495	79,249	63,595	60,274	56,260	68,912
Tax Administration	548	664	699	650	647	609	631	518	559	597
Capital Outlay	57,209	77,386	69,533	52,720	45,592	43,413	37,207	32,584	80,592	84,177
Debt Service:										
Bond issuance fees	-	3,164	-	1,594	-	-	-	1,157	575	-
Interest and fiscal charges	34,465	25,847	30,190	28,900	35,815	34,030	33,493	30,662	29,900	28,385
Principal	8,755	12,554	11,573	10,269	10,109	11,455	11,805	13,025	24,835	25,385
	172,567	190,661	186,460	169,278	158,658	168,756	146,731	138,220	192,721	207,456
Excess of revenues over (under) expenditures	(61,672)	(41,803)	(54,755)	(28,085)	6,334	(37,024)	15,226	13,955	(17,548)	10,180
OTHER FINANCING SOURCES (USES)										
Transfer in (out) from/to Harris County	18,384	-	-	-	-	-	-	-	-	-
Transfer in	9,003	9,181	9,912	205,835	11,278	2,544	26,638	61,723	62,589	68,630
Transfer out	(9,003)	(9,181)	(9,912)	(205,835)	(11,278)	(2,544)	(26,638)	(61,723)	(62,589)	(68,630)
Bonds issued	-	-	-	-	-	-	-	-	-	-
Refunding bonds issued	-	451,465	-	181,885	-	-	-	170,355	77,020	-
Premium on bonds issued	-	19,332	-	19,723	-	-	-	19,475	11,930	-
Discount on bonds issued	-	(764)	-	-	-	-	-	-	-	-
Commercial paper issued	27,860	32,630	26,000	89,565	-	-	-	-	-	-
Payment to defease commercial paper	-	-	-	(200,000)	-	-	-	-	-	-
Payment to refunding bond escrow agent	-	(466,930)	-	-	-	-	-	(188,658)	(88,369)	-
Sale of capital assets	1,613	63	308	895	142	288	5,310	334	1,352	59
Total other financing sources (uses)	47,857	35,796	26,308	92,068	142	288	5,310	1,506	1,933	59
Net change in fund balances	$ (13,815)	$ (6,007)	$ (28,447)	$ 63,983	$ 6,476	$ (36,736)	$ 20,536	$ 15,461	$ (15,615)	$ 10,239
Debt service as a percentage of noncapital expenditures	37.5%	33.9%	35.7%	33.6%	40.6%	36.3%	41.4%	41.4%	48.8%	43.6%

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
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
2017	465,759,857	71,320,820	125,836,117	411,244,560	0.02829

(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").

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	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Flood Control District -										
Maintenance	$ 0.02754	$ 0.02754	$ 0.02754	$ 0.02727	$ 0.02727	$ 0.02522	$ 0.02620	$ 0.02620	$ 0.02620	$ 0.02745
Debt Service	0.00352	0.00332	0.00168	0.00196	0.00082	0.00287	0.00207	0.00116	0.00113	0.00084
Total - Flood Control	$ 0.03106	$ 0.03086	$ 0.02922	$ 0.02923	$ 0.02809	$ 0.02809	$ 0.02827	$ 0.02736	$ 0.02733	$ 0.02829

Source: Harris County Auditor.

Table 7

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

Purpose	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
County-Wide Taxing Jurisdiction:										
Harris County	$ 0.3924	$ 0.3892	$ 0.3922	$ 0.3881	$ 0.3912	$ 0.4002	$ 0.4146	$ 0.4173	$ 0.4192	$ 0.4166
Harris County Flood Control District	0.0311	0.0309	0.0292	0.0292	0.0281	0.0281	0.0283	0.0274	0.0273	0.0283
Port of Houston Authority	0.0144	0.0177	0.0164	0.0205	0.0185	0.0195	0.0171	0.0153	0.0134	0.0133
Harris County Hospital District	0.1922	0.1922	0.1922	0.1922	0.1922	0.1822	0.1700	0.1700	0.1700	0.1718
Total	$ 0.6301	$ 0.6300	$ 0.6300	$ 0.6300	$ 0.6300	$ 0.6300	$ 0.6300	$ 0.6300	$ 0.6300	$ 0.6300
Cities:										
Baytown	0.7370	0.7870	0.7870	0.7870	0.8220	0.8220	0.8220	0.8220	0.8220	0.8220
Bellaire	0.4400	0.3775	0.3759	0.3999	0.3999	0.3999	0.3999	0.3936	0.3936	0.3805
Deer Park	0.7200	0.7050	0.7050	0.7050	0.7050	0.7200	0.7200	0.7200	0.7200	0.7200
Houston	0.6450	0.6438	0.6388	0.6388	0.6388	0.6388	0.6388	0.6311	0.6311	0.6011
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	0.6300	0.6300	0.6160	0.6160	0.5970	0.5970	0.5970	0.5735	0.5700
Missouri City	0.4993	0.5172	0.5284	0.5284	0.5284	0.5448	0.5738	0.5650	0.5447	0.5601
Pasadena	0.5670	0.5620	0.5620	0.5916	0.5916	0.5916	0.5916	0.5769	0.5754	0.5754
Pearland	0.6526	0.6526	0.6526	0.6651	0.6851	0.7051	0.7051	0.7121	0.7053	0.6812
Seabrook	0.6203	0.5884	0.5884	0.6268	0.6500	0.6652	0.6652	0.6400	0.6126	0.5652
South Houston	0.6770	0.6784	0.6732	0.6732	0.6732	0.7083	0.6699	0.6445	0.6995	0.6322
Webster	0.2489	0.2060	0.2325	0.2575	0.2853	0.2853	0.2696	0.2487	0.2345	0.2845
West University Place	0.3660	0.3590	0.3588	0.3741	0.3741	0.3741	0.3741	0.3618	0.3318	0.3168
School Districts and Junior Colleges:										
Aldine	1.2770	1.2920	1.3005	1.4305	1.3284	1.3284	1.3284	1.3059	1.2859	1.3234
Alief	1.5900	1.3400	1.3400	1.3400	1.3400	1.3200	1.2900	1.2800	1.2800	1.3050
Clear Creek	1.3200	1.3600	1.3600	1.2937	1.3600	1.3600	1.3600	1.4000	1.4000	1.4000
Cypress-Fairbanks	1.6450	1.3240	1.3500	1.4100	1.4300	1.4500	1.4500	1.4500	1.4400	1.4400
Deer Park	1.3177	1.3367	1.3667	1.3967	1.3967	1.5267	1.5567	1.5567	1.5567	1.5567
Galena Park	1.4309	1.4550	1.4784	1.5134	1.5134	1.5134	1.5134	1.5134	1.5134	1.5633
Goose Creek	1.3020	1.2821	1.2821	1.3021	1.3321	1.3321	1.3868	1.3868	1.4319	1.4319
Houston	1.1570	1.1567	1.1567	1.1567	1.1567	1.1567	1.1867	1.1967	1.1967	1.2067
Humble	1.3100	1.5200	1.5200	1.5200	1.5200	1.5200	1.5200	1.5200	1.5200	1.5200
Katy	1.5266	1.5266	1.5266	1.5266	1.5266	1.5266	1.5266	1.5266	1.5266	1.5166
Klein	1.2600	1.3100	1.3600	1.4100	1.4300	1.4400	1.4300	1.3900	1.4100	1.4300
LaPorte	1.3200	1.3250	1.3250	1.3250	1.3550	1.3300	1.3300	1.4500	1.4500	1.4200
Lone Star College System*	0.1144	0.1101	0.1101	0.1176	0.1210	0.1198	0.1160	0.1081	0.1079	0.1078
Pasadena	1.3500	1.3500	1.3500	1.3500	1.3500	1.3500	1.3500	1.3500	1.3500	1.3500
Pearland	1.4272	1.4194	1.4194	1.4194	1.4194	1.4194	1.4157	1.4157	1.4156	1.4156
San Jacinto Junior College	0.1454	0.1634	0.1708	0.1708	0.1763	0.1856	0.1856	0.1856	0.1758	0.1824
Sheldon	1.4300	1.4300	1.4300	1.4300	1.4300	1.4300	1.4300	1.4300	1.4100	1.4100
Spring	1.4400	1.4400	1.4600	1.4600	1.4600	1.5700	1.5700	1.5100	1.4700	1.4700
Spring Branch	1.2850	1.3825	1.3945	1.3945	1.3945	1.3945	1.3945	1.3945	1.3945	1.3945
Tomball	1.2750	1.3600	1.3600	1.3600	1.3600	1.3600	1.3600	1.3600	1.3400	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)

	2017			2008		
Taxpayers	2016 Taxable Valuations (a)	Rank	Percentage of Total 2016 Taxable Valuation (b)	2007 Taxable Valuations (a)	Rank	Percentage of Total 2007 Taxable Valuation (c)
Centerpoint Energy, Inc.	$ 3,298,689	1	0.80%	$ 2,526,174	3	0.99%
Exxon Mobil Corp	3,090,728	2	0.75	3,845,810	1	1.51
Chevron Chemical Company	2,417,947	3	0.59	1,296,919	6	0.51
Shell Oil Co	2,219,995	4	0.54	2,830,089	2	1.11
Equistar Chemicals LP	1,448,840	5	0.35	1,309,415	5	0.52
Palmetto Transoceanic LLC	1,289,093	6	0.31	-		0.00
Cousins Greenway	1,090,950	7	0.27	-		0.00
Crescent HC and 4HC Investors LLC	986,584	8	0.24	1,374,136	4	0.54
One Two and Three Allen CTR Co LLC	924,340	9	0.23	-		0.00
Walmart	877,125	10	0.21	675,896	12	0.27
Celanese LTD	736,644	11	0.18	-		0.00
HG Galleria I II III LP	687,115	12	0.17	-		0.00
Hewlett Packard	631,123	13	0.15	1,062,117	9	0.42
United Airlines Inc.	629,727	14	0.15	-		0.00
Kroger Co.	554,166	15	0.14	-		0.00
Houston Refining	-		0.00	1,174,204	7	0.46
Hines Interests Ltd Parnership	-		0.00	1,066,965	8	0.42
Southwestern Bell	-		0.00	1,022,144	10	0.40
Lyondell Chemical Co.	-		0.00	896,558	11	0.35
Rohm & Haas Co	-		0.00	594,154	13	0.23
Teachers Insurance	-		0.00	589,278	14	0.23
Nabors Drilling USA LP	-		0.00	507,727	15	0.20
Total	$ 20,883,066		5.08%	$ 20,771,586		8.16%

Source: Harris County Appraisal District.

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

(b) Based on the District's total taxable value as of February 28, 2017.

(c) Based on the District's total taxable value as of February 28, 2008.

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
2008	$ 72,083	$ 76,830	$ 69,058	95.8%	$ 7,584	$ 76,642	99.8%
2009	84,057	83,763	74,344	88.4	9,204	83,548	99.7
2010	80,534	79,562	74,798	92.9	4,552	79,350	99.7
2011	77,374	76,747	72,089	93.2	4,457	76,546	99.7
2012	75,400	74,780	71,159	94.4	3,410	74,569	99.7
2013	78,616	77,865	74,486	94.7	3,155	77,641	99.7
2014	86,158	84,986	82,041	95.2	2,683	84,724	99.7
2015	92,695	91,433	88,298	95.3	2,718	91,016	99.5
2016	103,462	102,642	98,187	94.9	3,600	101,787	99.2
2017	116,242	116,242	110,175	94.8	-	110,175	94.8

* 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)

	Governmental Activities								
Fiscal Year	General Bonded Debt	Commercial Paper	Total Government	Less: Restricted for Debt Payments	Total Net General Bonded Debt	Percentage of Actual Taxable Value of Property (a)	Percentage of Personal Income (b)	Debt Per Capita (b)	Net Debt Per Capita (b)
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%	0.27%	147	147
2017	635,444	-	635,444	-	635,444	0.15%	n/a	138	138

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

(a) See Table 5 for property value data.

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

Table 11

HARRIS COUNTY FLOOD CONTROL DISTRICT
A COMPONENT UNIT OF HARRIS COUNTY, TEXAS
ESTIMATED DIRECT AND OVERLAPPING BONDED DEBT
February 28, 2017
(Unaudited)

	Percentage Applicable To Name of Government	Net Debt (Thousands)
County-Wide Jurisdiction:		
Harris County (2/28/17)	100.00%	$ 1,840,494
Harris County Flood Control District (2/28/17)	100.00	532,513
Port of Houston Authority (2/28/17)	100.00	657,994
Total County-Wide Direct Debt		3,031,001
Cities:		
Baytown (9/30/16)	94.47	$ 84,516
Bellaire (9/30/16)	100.00	76,821
Bunker Hill Village (12/31/16)	100.00	10,767
Deer Park (9/30/16)	100.00	36,156
Houston (6/30/16)	99.30	3,221,822
Jersey Village (9/30/16)	100.00	21,760
La Porte (9/30/16)	100.00	19,633
Pasadena (9/30/16)	100.00	70,233
Pearland (9/30/16)	7.51	31,153
Seabrook (9/30/16)	100.00	20,300
Tomball (9/30/16)	100.00	43,500
Webster (9/30/16)	100.00	17,278
West University Place (2/28/17)	100.00	52,519
Other Cities (a)	100.00	51,647
Sub-Total Cities		3,758,105
School Districts and Junior Colleges:		
Aldine (6/30/16)	100.00	943,865
Alief (8/31/16)	100.00	195,362
Channelview (8/31/16)	100.00	203,442
Clear Creek (8/31/16)	68.14	842,490
Crosby (2/28/17)	100.00	138,241
Cypress-Fairbanks (6/30/16)	100.00	3,585,471
Deer Park (6/30/16)	100.00	219,100
Galena Park (8/31/16)	100.00	159,498
Goose Creek (6/30/16)	73.10	374,445
Houston Community College (12/31/16)	96.13	594,232
Houston (2/28/17)	100.00	2,562,603
Huffman (9/30/16)	100.00	46,620
Humble (6/30/16)	99.99	610,397
Katy (8/31/16)	58.45	902,643
Klein (8/31/16)	100.00	897,516
LaPorte (2/21/17)	99.99	499,939
Lee College (2/17/17)	75.03	35,662
Lone Star College System (8/31/16)	74.56	354,644
Pasadena (2/28/16)	100.00	644,504
San Jacinto Junior College (2/28/17)	99.99	422,030
Sheldon (8/31/16)	100.00	196,188
Spring (6/30/16)	100.00	712,889
Spring Branch (6/30/16)	100.00	697,775
Tomball (8/31/16)	92.85	374,420
Waller (2/20/17)	44.39	87,517
Other Schools (b)	100.00	21,097
Sub-Total School Districts and Junior Colleges		16,322,590
Utility Districts (c)	100.00	5,081,352
Total Overlapping Debt		25,162,047
Total Direct and Overlapping Debt (Estimated $6,142 Per Capita) (d)		$ 28,193,048

(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 4,589,928. 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.

Table 12

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 2017		
Assessed Value of All Taxable Property		$ 537,138,901
Assessed Value of Real Property		$ 465,761,511
Debt Limit (25% of real property assessed value) (a)		116,440,378
Amount of Debt Applicable to Constitutional Debt Limit:		
Total Bonded Applicable Debt	1,088,357	
Less: Debt Service Funds Cash	(120,482)	
Total Net Debt Applicable to Limit		967,875
Legal Debt Margin, Bonds Issued Uner Article III, Section 52 of the Texas Constitution		$ 115,472,503

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Debt Limit	$ 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	$ 116,440,378
Total Net Debt Applicable to Limit	1,313,108	1,278,101	1,205,427	1,143,838	1,161,111	1,063,108	995,440	1,115,260	1,028,995	967,875
Legal Debt Margin	$ 68,999,700	$ 77,156,949	$ 78,031,928	$ 75,640,964	$ 77,207,877	$ 80,143,699	$ 85,911,240	$ 94,975,273	$ 105,311,659	$ 115,472,503
Total Net Debt Applicable to the Limit as a percentage of Debt Limit	1.87%	1.63%	1.52%	1.49%	1.48%	1.31%	1.15%	1.16%	0.97%	0.83%

(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 $26,856,945 compared to applicable bonds outstanding at February 28, 2017 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 $0.02829 per $100 of taxable value, which includes $0.00084 per $100 of taxable value for debt service, was levied by the Flood Control District in tax year 2016.

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
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%	249,989,494	55,088
2016	4,589,928	5.3%	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)

	2016			2007		
Employer	Employees	Rank	Percentage of Total County Employment	Employees	Rank	Percentage of Total County Employment
Memorial Hermann Health System	24,000	1	0.78%	13,700	4	0.54%
The University of Texas MD Anderson Cancer Center	20,000	2	0.65%			
United Airlines	15,000	3	0.48%			
Houston Methodist	14,985	4	0.48%			
Exxon Mobil Corporation	13,000	5	0.42%	14,800	3	0.59%
UTMB Health	12,448	6	0.40%			
Kroger Company	12,000	7	0.39%			
Shell Oil Company	11,892	8	0.38%	12,000	5	0.48%
National Oilwell Varco	11,563	9	0.37%			
Schlumberger	10,000	10	0.32%			
Adminstaff Inc.				20,800	1	0.82%
Walmart Stores Inc.				16,500	2	0.65%
Methodist Hospital System				8,600	6	0.34%
Baker Hughes Inc.				8,000	7	0.32%
Baylor College of Medicine				7,200	8	0.29%
Chevron				7,000	9	0.28%
BP America				6,500	10	0.26%
	144,888			115,100		

* Based on calendar year.

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

Note: Total County Employment for 2016 was an estimated 3,095,420 (based on prior year employment figures) and for 2007 was 2,525,000

Table 15

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

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Administration of Justice	8,740	9,425	9,308	8,779	8,462	8,723	9,290	9,625	9,768	9,824
Parks	732	787	797	670	625	675	700	805	867	892
County Administration	3,024	3,339	3,161	3,032	2,901	2,957	3,021	3,166	3,280	3,406
Health and Human Services	1,706	1,796	1,718	1,467	1,385	1,326	1,334	1,369	1,432	1,450
Flood Control	325	354	374	335	308	290	300	291	287	293
Tax Administration	435	428	415	378	341	340	349	348	368	353
Roads and Bridges	807	856	914	597	561	536	550	448	451	563

Note: (1) As of February 28, 2017, it is estimated that approximately 3,153 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.

Table 16

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

	Fiscal Years									
Function/Program	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**
Flood Control										
Sites by Acreage (Incl. Easements and Fee Simple Ownership)										
Basins	14,866	15,361	15,467	15,724	16,081	16,107	16,298	16,342	16,385	16,516
Buyouts	825	845	880	931	958	1,016	1,034	1,040	1,043	1,046
Channels	20,799	20,832	20,858	20,935	21,117	21,143	21,236	21,286	21,429	21,581

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)

	Fiscal Years									
Function/Program	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**
Flood Control										
Developer Plans Approved- Watershed Mgt.	1,467	1,578	1,713	1,833	1,831	2,051	2,078	2,431	2,250	2,122
Citizen Services Requests	2,948	2,573	2,476	2,479	1,738	1,393	1,847	1,385	1,376	1,692

Source: The Budget Office and Various County Departments

Table 18

HARRIS COUNTY FLOOD CONTROL DISTRICT
A COMPONENT UNIT OF HARRIS COUNTY, TEXAS
SERVICES AND RATES
For Fiscal Year Ended February 28, 2017
(Unaudited)

1. Services Provided by the District:

☐ Retail Water	☐ Wholesale Water	☐ Drainage
☐ Retail Wastewater	☐ Wholesale Wastewater	☐ Irrigation
☐ Parks/Recreation	☐ Fire Protection	☐ Security
☐ Solid Waste/Garbage	☒ Flood Control	☐ 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)

Table 18

HARRIS COUNTY FLOOD CONTROL DISTRICT
A COMPONENT UNIT OF HARRIS COUNTY, TEXAS
SERVICES AND RATES
For Fiscal Year Ended February 28, 2017
(Unaudited)

5. **Location of District**:

County in which district is located: Harris County

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

Is the District located within a city? Entirely [ ] Partly [X] 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)?

City	Entirely	Partly	Not at all
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 [X]

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

Table 19

HARRIS COUNTY FLOOD CONTROL DISTRICT
A COMPONENT UNIT OF HARRIS COUNTY, TEXAS
GENERAL FUND EXPENDITURES
For The Year Ended February 28, 2017
(Unaudited)

Personnel Expenditures (including benefits)	$	28,052,373
Professional Fees and Contractual Services		30,788,459
Utilities		564,039
Repairs and Maintenance		927,699
Capital Outlay		1,075,610
Other Expenditures		3,043,073
TOTAL EXPENDITURES	$	64,451,253

Number of persons employed by the District: 293

Table 20

HARRIS COUNTY FLOOD CONTROL DISTRICT
A COMPONENT UNIT OF HARRIS COUNTY, TEXAS
TAXES LEVIED AND RECEIVABLE
For The Year Ended February 28, 2017
(Unaudited)

.	Maintenance and Operations Taxes	Debt Service Taxes
Taxes receivable, beginning of year	$ 7,070,224	$ 701,478
2016 Original Tax Levy (adjusted thru 2/28/17)	112,790,142	3,451,502
Total to be accounted for	119,860,366	4,152,980
Tax collections:		
Current year	(104,932,472)	(3,210,773)
Prior years	(6,941,126)	(337,272)
Total collections	(111,873,598)	(3,548,045)
Taxes receivable, end of year	$ 7,986,768	$ 604,935
Taxes receivable, by years		
2006 and prior	478,808	290,792
2007	167,279	21,374
2008	191,985	23,148
2009	200,051	12,204
2010	187,762	13,505
2011	203,525	6,122
2012	202,168	23,014
2013	243,005	19,193
2014	398,964	17,665
2015	819,998	35,325
2016	4,893,223	142,593
Taxes receivable, end of year	$ 7,986,768	$ 604,935

Tax year	2016	2015	2014	2013
Property valuations: (amounts in thousands)				
Real property	$ 465,759,857	$ 425,362,576	$ 395,193,725	$ 358,644,209
Personal property	71,320,820	74,247,450	54,596,861	51,681,663
Less exemptions	(125,836,117)	(120,048,579)	(110,245,889)	(104,868,732)
Total property valuations	$ 411,244,560	$ 379,561,447	$ 339,544,697	$ 305,457,140
Tax rates per $100 valuation:				
Maintenance and Operations tax rates (a)	$ 0.02745	$ 0.02620	$ 0.02620	$ 0.02620
Debt Service tax rates	0.00084	0.00113	0.00116	0.00207
Total tax rates per $100 valuation	$ 0.02829	$ 0.02733	$ 0.02736	$ 0.02827
Original tax levy (b)	$ 116,341	$ 103,734	$ 92,899	$ 86,353
Percent of taxes collected to taxes levied (c)	96.2%	96.0%	95.3%	95.2%

(a) Maximum tax rate approved by voters : $0.15 on November 8, 1977.
(b) Calculated based on property valuations (see table 5) times tax rates.
(c) Calculated as taxes collected for a tax year divided by taxes levied for that tax year.
Note: This schedule is prepared on a cash basis and does not include accruals for subsequent collections.

Table 21

HARRIS COUNTY FLOOD CONTROL DISTRICT
A COMPONENT UNIT OF HARRIS COUNTY, TEXAS
LONG-TERM DEBT SERVICE REQUIREMENTS - BY YEARS
For The Year Ended February 28, 2017

	Annual Requirements for All Series		
Due During Fiscal Years Ending	Total Principal Due	Total Interest Due	Total Principal and Interest Due
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
	$ 590,280,000	$ 295,383,619	$ 885,663,619

Table 22

HARRIS COUNTY FLOOD CONTROL DISTRICT
A COMPONENT UNIT OF HARRIS COUNTY, TEXAS
CHANGES IN LONG-TERM DEBT
For The Year Ended February 28, 2017
(Unaudited)

	Bond Issues								
	Series 2008A	Series 2008C	Series 2010A	Series 2014	Series 2014A	Series 2014B	Series 2015A	Series 2015B	Total
Interest Rate	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	
Maturity Dates	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, 2016	$ 105,790,000	$ 102,345,000	$ 178,605,000	$ 36,200,000	$ 58,225,000	$ 57,480,000	$ 46,875,000	$ 30,145,000	$ 615,665,000
Bonds Sold During the Current Year: 2016-2017	-	-	-	-	-	-	-	-	-
Retirements During the Current Year: 2016-2017	6,845,000	2,200,000	-	-	-	16,340,000	-	-	25,385,000
Bonds Outstanding at February 28, 2017	$ 98,945,000	$ 100,145,000	$ 178,605,000	$ 36,200,000	$ 58,225,000	$ 41,140,000	$ 46,875,000	$ 30,145,000	$ 590,280,000
Interest Paid During the Current Year - 2016-2017	$ 5,518,900	$ 5,087,819	$ 8,930,250	$ 1,810,000	$ 2,911,250	$ 1,063,694	$ 1,840,433	$ 1,222,986	$ 28,385,332

Paying Agent's	Name	City
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	$ 64,000,000

Debt Service Fund Cash and Investments balances as of February 28, 2017: $ 4,015,509.00

Average Annual Debt Service Payment (Principal & Interest) for remaining term of all debt: $38,507,114.00

Table 23

HARRIS COUNTY FLOOD CONTROL DISTRICT
A COMPONENT UNIT OF HARRIS COUNTY, TEXAS
COMPARATIVE SCHEDULE OF REVENUE AND EXPENDITURES-GENERAL AND DEBT SERVICE FUNDS-FIVE YEARS ENDED
For The Year Ended February 28, 2017
(Unaudited)

	Amounts					Percent of Fund Total Revenues				
General Fund:	**2017**	**2016**	**2015**	**2014**	**2013**	**2017**	**2016**	**2015**	**2014**	**2013**
Revenues:										
Taxes	$ 110,292,624	$ 96,663,240	$ 87,059,147	$ 78,565,904	$ 69,872,695	99.0%	99.2%	96.7%	98.9%	97.5%
Intergovernmental	28,584	25,977	328,005	60,000	85,000	0.0%	0.0%	0.4%	0.1%	0.1%
Lease Revenue	213,888	325,659	432,224	248,792	306,279	0.2%	0.3%	0.5%	0.3%	0.4%
Interest	405,737	-	1,477,940	65,291	871,719	0.4%	0.0%	1.6%	0.1%	1.2%
Miscellaneous	463,739	438,426	758,014	466,850	529,415	0.4%	0.4%	0.8%	0.6%	0.7%
Total Revenues	$ 111,404,572	$ 97,453,302	$ 90,055,330	$ 79,406,837	$ 71,665,108	100.0%	100.0%	100.0%	100.0%	100.0%
Expenditures:										
Current Operating:										
Flood Control	$ 62,779,175	$ 54,097,209	$ 55,448,443	$ 54,149,124	$ 58,166,708	56.4%	55.5%	61.6%	68.2%	81.2%
Tax Administration	596,468	559,211	518,346	631,147	609,506	0.5%	0.6%	0.6%	0.8%	0.9%
Capital Outlay	1,075,610	789,308	3,071,682	557,770	629,153	1.0%	0.8%	3.4%	0.7%	0.9%
Debt Service										
Bond issuance fees	-	251,657	532,641	-	-	0.0%	0.3%	0.6%	0.0%	0.0%
Total Expenditures	$ 64,451,253	$ 55,697,385	$ 59,571,112	$ 55,338,041	$ 59,405,367	57.9%	57.2%	66.2%	69.7%	82.9%
Excess (Deficiency) of Revenues Over (Under) Expenditures	$ 46,953,319	$ 41,755,917	$ 30,484,218	$ 24,068,796	$ 12,259,741	42.1%	42.8%	33.8%	30.3%	17.1%
Debt Service Fund:										
Revenues:										
Taxes	$ 3,497,649	$ 4,259,646	$ 4,010,988	$ 6,349,980	$ 7,867,700	6.5%	7.8%	9.8%	14.6%	17.5%
Intergovernmental	50,018,000	50,430,000	36,889,101	36,982,800	36,978,500	93.4%	92.2%	90.2%	85.3%	82.4%
Interest	14,252	5,372	6,467	13,649	12,894	0.0%	0.0%	0.0%	0.0%	0.0%
Miscellaneous	4,852	7,736	11,488	6,881	9,048	0.0%	0.0%	0.0%	0.0%	0.0%
Total Revenues	$ 53,534,753	$ 54,702,754	$ 40,918,044	$ 43,353,310	$ 44,868,142	100.0%	100.0%	100.0%	100.0%	100.0%
Expenditures:										
Debt Service										
Principal Retirement	$ 25,385,000	$ 24,835,000	$ 13,025,000	$ 11,805,000	$ 11,455,000	47.4%	45.4%	31.8%	27.2%	25.5%
Bond issuance fees	-	323,483	624,664	-	-	0.0%	0.6%	1.5%	0.0%	0.0%
Interest and Fiscal Charges	28,385,332	29,900,076	30,661,617	33,492,912	34,030,288	53.0%	54.7%	74.9%	77.3%	75.8%
Total Expenditures	$ 53,770,332	$ 55,058,559	$ 44,311,281	$ 45,297,912	$ 45,485,288	100.3%	100.6%	108.2%	104.5%	101.4%
Excess (Deficiency) of Revenues Over (Under) Expenditures	$ (235,579)	$ (355,805)	$ (3,393,237)	$ (1,944,602)	$ (617,146)	-0.3%	-0.6%	-8.2%	-4.5%	-1.4%

Table 24

HARRIS COUNTY FLOOD CONTROL DISTRICT
A COMPONENT UNIT OF HARRIS COUNTY, TEXAS
OPERATING FUNDS BUDGET FOR THE DISTRICT'S FISCAL YEAR 2017-2018
(Unaudited)

On February 14, 2017 the Commissioners Court adopted the budget for the District for the Fiscal Year 2018. The following is a summary the Fiscal Year 2018 budget for the District's Current Operating Fund:

Cash Balance as of March 1, 2017	$ 61,559,801
Estimated Revenues:	
Ad Valorem Taxes	109,875,775
Other	1,055,149
Total Cash and Estimated Revenues	$ 172,490,725
Appropriations:	
Current Operating Expenses	$ 171,232,393
Capital Outlay	1,258,332
Total Appropriations	$ 172,490,725

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 2007-2008 through 2016-17.

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
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
2017	83,075	411,244,560	0.02	4,589,928	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.

Table 26

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
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
2017	465,761,511	71,377,390	115,700,039	421,438,862	0.34500	0.07156	0.41656

(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).

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
2008	$ 929,929	$ 991,099	$ 910,828	97.9%	$ 77,891	$ 988,719	99.8%
2009	1,089,141	1,085,352	981,807	90.1	100,842	1,082,649	99.8
2010	1,114,429	1,101,367	1,036,477	93.0	62,036	1,098,513	99.7
2011	1,058,623	1,050,148	987,684	93.3	59,790	1,047,474	99.7
2012	1,081,861	1,073,248	1,022,187	94.5	48,139	1,070,326	99.7
2013	1,160,905	1,150,371	1,100,588	94.8	46,566	1,147,154	99.7
2014	1,308,910	1,292,025	1,247,389	95.3	40,785	1,288,174	99.7
2015	1,459,066	1,439,663	1,390,628	95.3	42,676	1,433,304	99.6
2016	1,637,031	1,624,477	1,554,734	95.0	56,495	1,611,229	99.2
2017	1,754,007	1,754,007	1,663,289	94.8	-	1,663,289	94.8

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

Table 28

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

	County's Total Outstanding Tax Debt (a)
Limited Tax Debt	$ 1,010,955,646
Unlimited Tax Debt	785,652,228
Flood Control	507,205,000
Toll Road Tax Bonds	302,705,000
Total	$ 2,606,517,874
Less: Toll Road Tax Bonds	(302,705,000)
Total (Approximately 0.43% of 2016 Assessed Value)	$ 2,303,812,874

(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	Limited Tax Debt			Unlimited Tax Debt			Toll Road Unlimited Tax & Subordinate Lien Revenue Bonds			Flood Control (a)			Total County-Wide Tax Debt		
Year	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
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	$ 1,010,955	$ 455,670	$ 1,466,625	$ 785,652	$ 329,190	$ 1,114,842	$ 302,705	$ 109,468	$ 412,173	$ 590,280	$ 295,384	$ 885,664	$ 2,689,592	$ 1,189,712	$ 3,879,304

(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.

Table 30

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

As of February 28, 2017, the following County-wide ad valorem tax bonds authorized by the voters at elections held in September 1983, November 1999, November 2001, 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	81,942	
Forensic Lab	10,000	
Family Law Center	70,000	
Joint Processing Center	47,754	
Animal Shelter	23,503	
Total Limited Tax Bonds		$ 266,199
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		1,106,127
Total Authorized but Unissued Bonds		$ 1,106,127

Table 31

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 14, 2017 the Commissioners Court adopted the budget for the County for the Fiscal Year 2017-2018. The Fiscal Year 2018 budget included appropriations for some capital projects, which are financed from current revenues. The following is a summary of the Fiscal Year 2017-2018 budget for the County's Current Operating Fund:

Cash Balance as of March 1, 2017	$ 916,490,683
Estimated Revenues:	
Ad Valorem and Miscellaneous Taxes	1,400,776,642
Charges for Services	245,490,127
Fines and Forfeitures	21,161,487
Intergovernmental Revenues	47,152,988
Interest	4,182,716
Other	52,069,680
Total Cash and Estimated Revenues	$ 2,687,324,323
Appropriations:	
Current Operating Expenses	$ 2,665,764,494
Capital Outlay:	
Roads	3,267,108
Parks	16,455,926
Office/Courts	1,836,795
Total Appropriations	$ 2,687,324,323

Table 32

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

County Capital Projects Funds are used in projects including construction of roads, office and court buildings, jails, juvenile home facilities, parks and libraries. Cash and investments on hand in the Capital Projects Funds at February 28, 2017 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	$	167,543,887
Permanent Improvements		69,391,924
Reliant Park		5,088,420
Flood Control		229,218,788
Total	$	471,243,019

COMPLIANCE SECTION

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Independent Auditors' Report on Compliance for the 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 the 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 the District's major federal program for the year ended February 28, 2017. The District's major federal program is 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 program.

Auditors' Responsibility

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

Opinion on the 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 its major federal program for the year ended February 28, 2017.

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 the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the 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 25, 2017

Deloitte.

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Harris County Flood Control District (the "District"), a component unit of Harris County, Texas, as of and for the year ended February 28, 2017, 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 25, 2017.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be 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 & Touche LLP

August 25, 2017

HARRIS COUNTY FLOOD CONTROL DISTRICT, TEXAS
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED FEBRUARY 28, 2017

Fund No.	Federal Grantor / Pass-Through Agency Grantor / Program	CFDA Number	Grantor or Pass-through Grantor's Number	Federal Expenditures	Amount Provided to Subrecipients
	FEDERAL GRANTS				
	U.S. DEPARTMENT OF HOMELAND SECURITY				
	DIRECT PROGRAMS:				
7589	Cooperating Technical Partners	97.045	EMW-2015-CA-00059-S01	57,307	-
7589	Cooperating Technical Partners	97.045	EMW-2015-CA-00061-S01	169,733	-
	PASS THROUGH PROGRAMS, GOVERNORS DIVISION OF EMERGENCY MANAGEMENT:				
7234	Flood of May 2015	97.036	PA-06-TX-4223	169,445	
7984	FEMA - Hazard Mitigation Grant Project	97.039	FEMA-1791-DR-TX-068	785	-
7984	FEMA - Hazard Mitigation Grant Project	97.039	FEMA-1791-DR-TX-067	14,909,241	-
	PASS THROUGH PROGRAMS, TEXAS WATER DEVELOPMENT BOARD:				
7297	FEMA - Flood Mitigation Assistance Project Grant	97.029	1400011847	972,932	-
	TOTAL U.S. DEPARTMENT OF HOMELAND SECURITY			16,279,443	-
	U.S. DEPARTMENT OF DEFENSE				
	PASS THROUGH PROGRAMS, ARMY CORPS OF ENGINEERS:				
3310	Brays Bayou Federal Project	12.UNKNOWN	NONE	22,538,874	-
	TOTAL U.S. DEPARTMENT OF DEFENSE			22,538,874	-
	TOTAL EXPENDITURES OF FEDERAL AWARDS			$ 38,818,317	$ -

See notes to the schedule of expenditures of federal and state awards.

HARRIS COUNTY FLOOD CONTROL DISTRICT
A COMPONENT UNIT OF HARRIS COUNTY, TEXAS
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED FEBRUARY 28, 2017

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 28, 2017:

Federal expenditures per schedule	$ 38,818,317
Add:	
County funded portion of grants	8,204,182
Less:	
Trial balance adjustments for modified accrual basis of accounting	(2,011,805)
Grants - Brays Bayou expenditures	(22,538,874)
Total	$ 22,471,820
Balance per financial report - Grants Special Revenue Fund	$ 22,471,820

HARRIS COUNTY FLOOD CONTROL DISTRICT
A COMPONENT UNIT OF HARRIS COUNTY, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED FEBRUARY 28, 2017

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?	None reported.
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:	
Brays Bayou Federal Project	12.Unknown
Dollar threshold used to distinguish between Type A and Type B programs:	$1,164,550
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.